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**TRUCK AND ENGINE MANUFACTURERS SUPPORT MODERNIZING NAFTA,
URGE CAUTION ON RULES OF ORIGIN, SUNSET PROVISION**

CHICAGO, November 21, 2017 – On November 15th, the United States, Canada and Mexico kicked off their 5th round of talks to renegotiate the North American Free Trade Agreement (NAFTA). Those on-going negotiations provide a real opportunity to modernize and streamline NAFTA to align it with the way trucks and engines are manufactured today. However, revising certain provisions, such as NAFTA’s Rules of Origin (RoO), would disrupt truck and engine manufacturers’ supply chains, thereby increasing costs and threatening U.S. jobs. Furthermore, inserting a 5-year renegotiation sunset provision into NAFTA would create an ever-present time-bomb of risk and uncertainty that would stifle manufacturer innovation and growth. While EMA and its members support modernizing certain parts of NAFTA, we also urge caution.

“In the 23 years since NAFTA entered into force, truck and engine manufacturers have developed highly efficient, yet complex supply chains that reach across North America and around the globe. Because our industry generally is not vertically integrated, maintaining a competitive business edge demands a highly efficient supply chain,” stated Jed Mandel, EMA president. “Currently, parts can cross North American borders as much as eight times before final assembly. Restricting that trade would be highly disruptive. Manufacturers could be forced to switch to overseas suppliers just to remain competitive. That could kill good jobs here at home,” Mr. Mandel added. “We’re not saying NAFTA can’t be improved. Streamlining border-crossing customs and inspection processes would be a great way to further improve supply chains, and help lower costs for our customers—the U.S. trucking industry.”

Commenting on the U.S. proposal to increase NAFTA’s minimum North American truck content requirement from 60% to 85%, and adding a new 50% U.S. content requirement, Mr. Mandel expressed serious concern. “No truck built in North America likely would ever meet the U.S. proposal, especially when one considers the 7-10% content ‘buffer’ that manufacturers typically add today to ensure compliance with NAFTA,” stated Mr. Mandel. “Under the U.S. proposal, EMA members would face tariffs when trading between the U.S., Canada and Mexico. Those increased costs would reduce U.S. sales, production, sourcing, exports, investment and employment. To avoid those costs, manufacturers might need to shift their supply chains to non-NAFTA countries, move their manufacturing overseas, or both.”

EMA and its members are also concerned about the U.S. sunset proposal, which would terminate NAFTA after every five years, unless all three countries reaffirmed that the agreement should continue. “EMA members’ truck and engine development cycles are far longer than a five

year cycle.” emphasized Mr. Mandel. “The proposed sunset provision would eliminate the certainty needed to make the capital investments necessary to expand manufacturing and to develop new trucks and engines.”

Both Canada and Mexico have rejected a number of the U.S. proposals. In response, the U.S. has hinted at an all-out withdrawal from NAFTA. Mr. Mandel stated, “We respectfully request that the U.S. refrain from issuing a notice of withdrawal from NAFTA. A withdrawal would have grave consequences for EMA members and the U.S. trucking industry. We urge the U.S. to withdraw its current unworkable proposals and pursue commonsense changes to NAFTA.”

With the recent 3-month extension of NAFTA negotiations through March 2018, Mr. Mandel signaled cautious optimism, “We still have time, and we look forward to continuing our work with U.S. negotiators and decision-makers. NAFTA can and should be modernized. With the right revisions, we can achieve a result that will make U.S. truck and engine manufacturing and U.S. trucking even more competitive.”

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The Truck and Engine Manufacturers Association (EMA) represents the world’s leading manufacturers of on-highway and non-road internal combustion engines and on-highway medium- and heavy-duty trucks. EMA works with government and industry to help the nation achieve its goals of cleaner air and safer highways, and to ensure that the standards our products must meet are technologically feasible and cost-effective. Through continuing improvements in engine technology, emission controls and safety systems, EMA’s members remain the leaders in providing clean and efficient engines and vehicles that enhance both environmental protection and public safety.