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SECRETARÍA DE ECONOMÍA

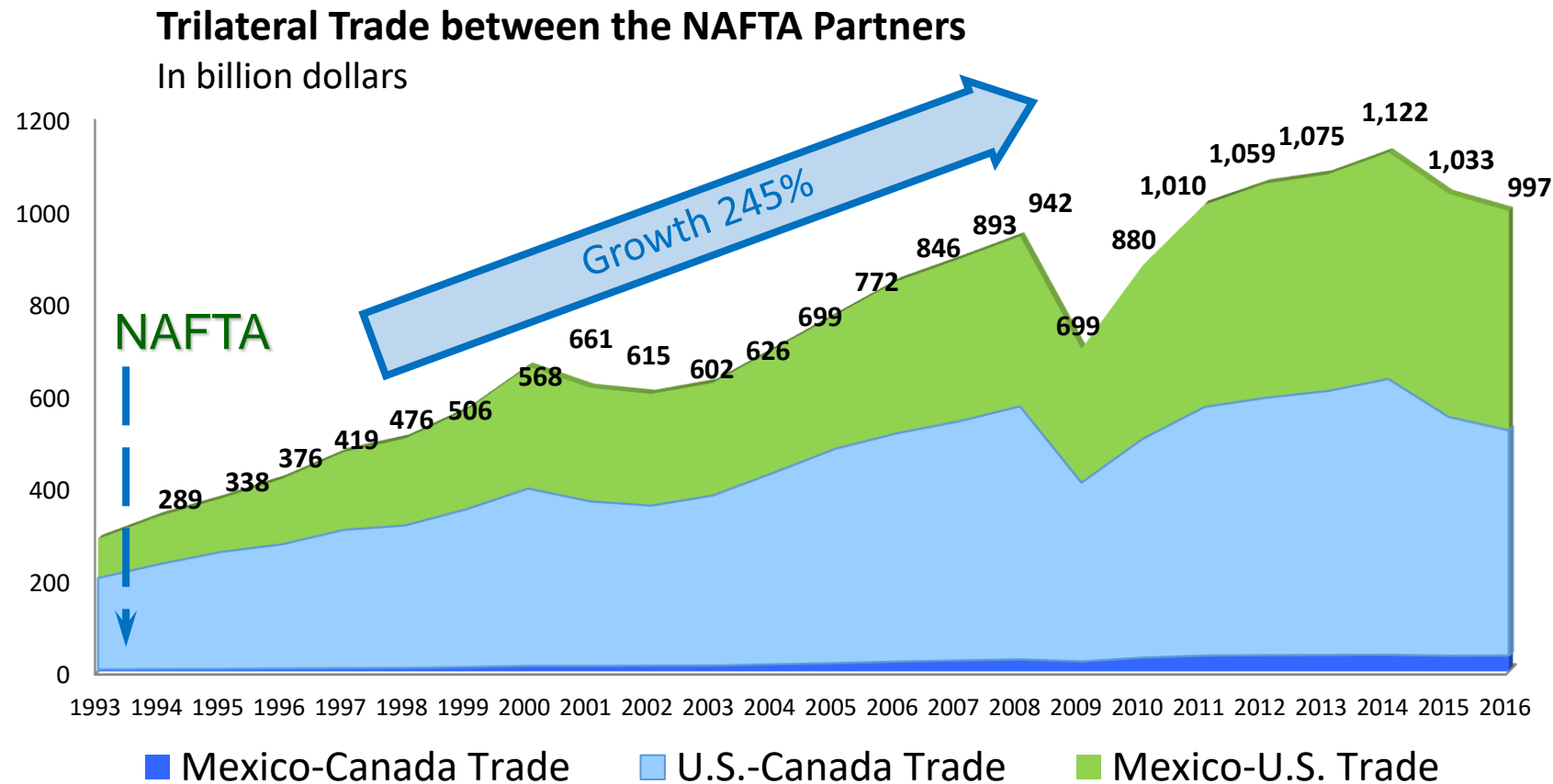


MEXICO'S AUTO INDUSTRY

23 YEARS SINCE NAFTA AND BEYOND

July 2017

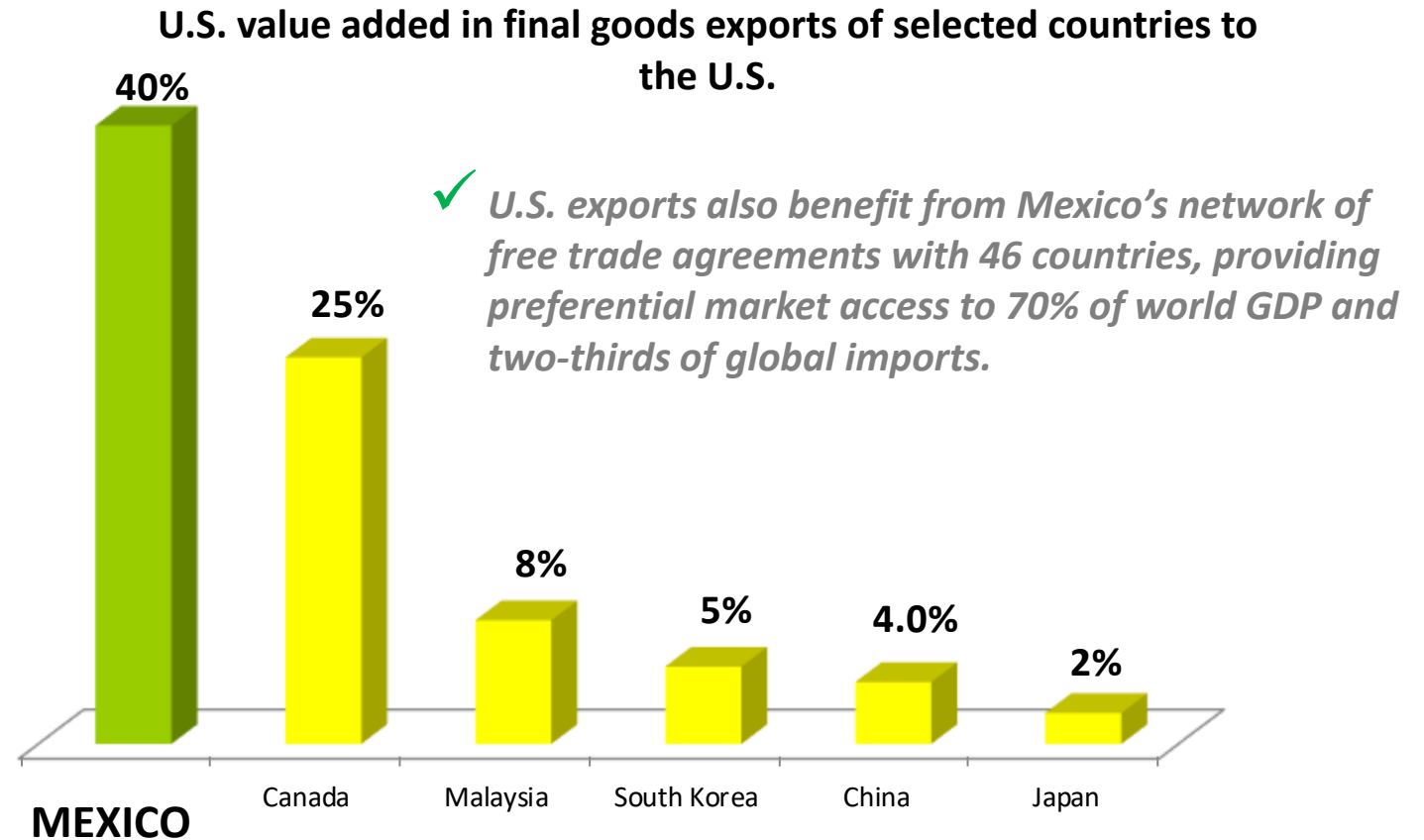
NAFTA Trilateral Trade has tripled



Mexico and Canada are strategic production partners for U.S.

NAFTA partners do not simply trade goods;
we work together to manufacture them.

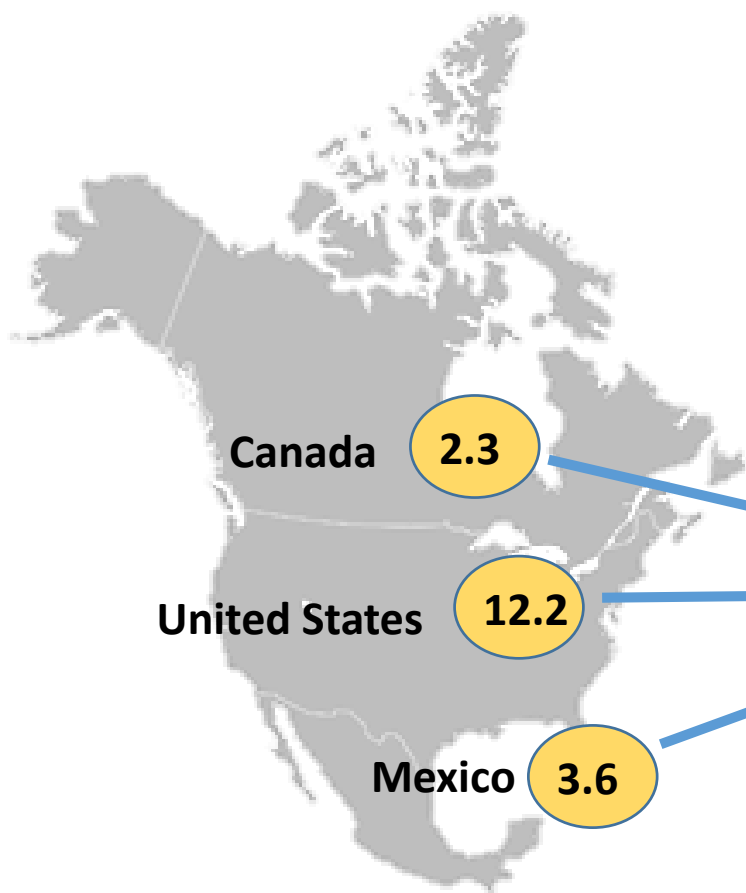
When Mexico and Canada export, the United States exports.



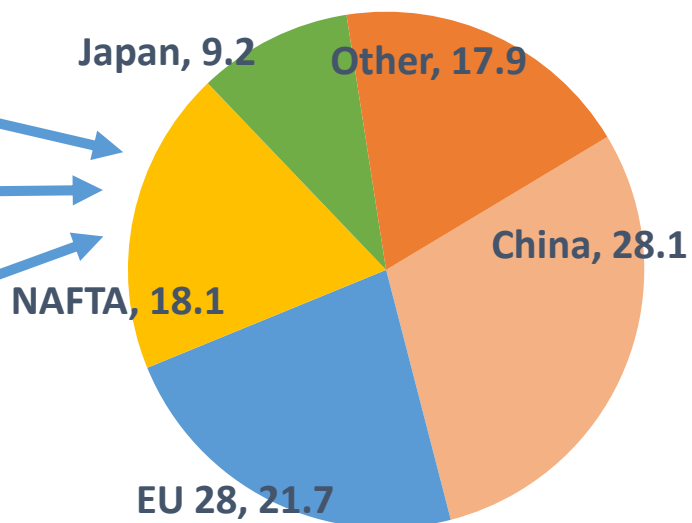
NAFTA “Team-WORKS”

✓ **NAFTA** vehicles production:
18.1 million in 2016

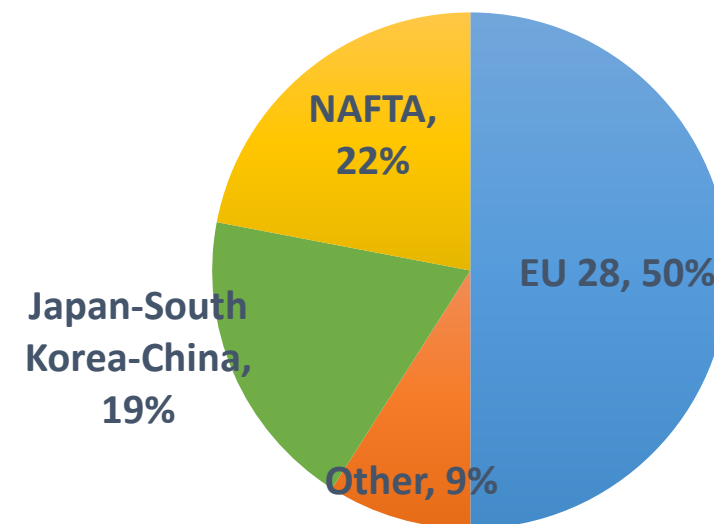
✓ **NAFTA** vehicles exports:
\$173 billion in 2016



Motor Vehicles Global Production
(in million units)

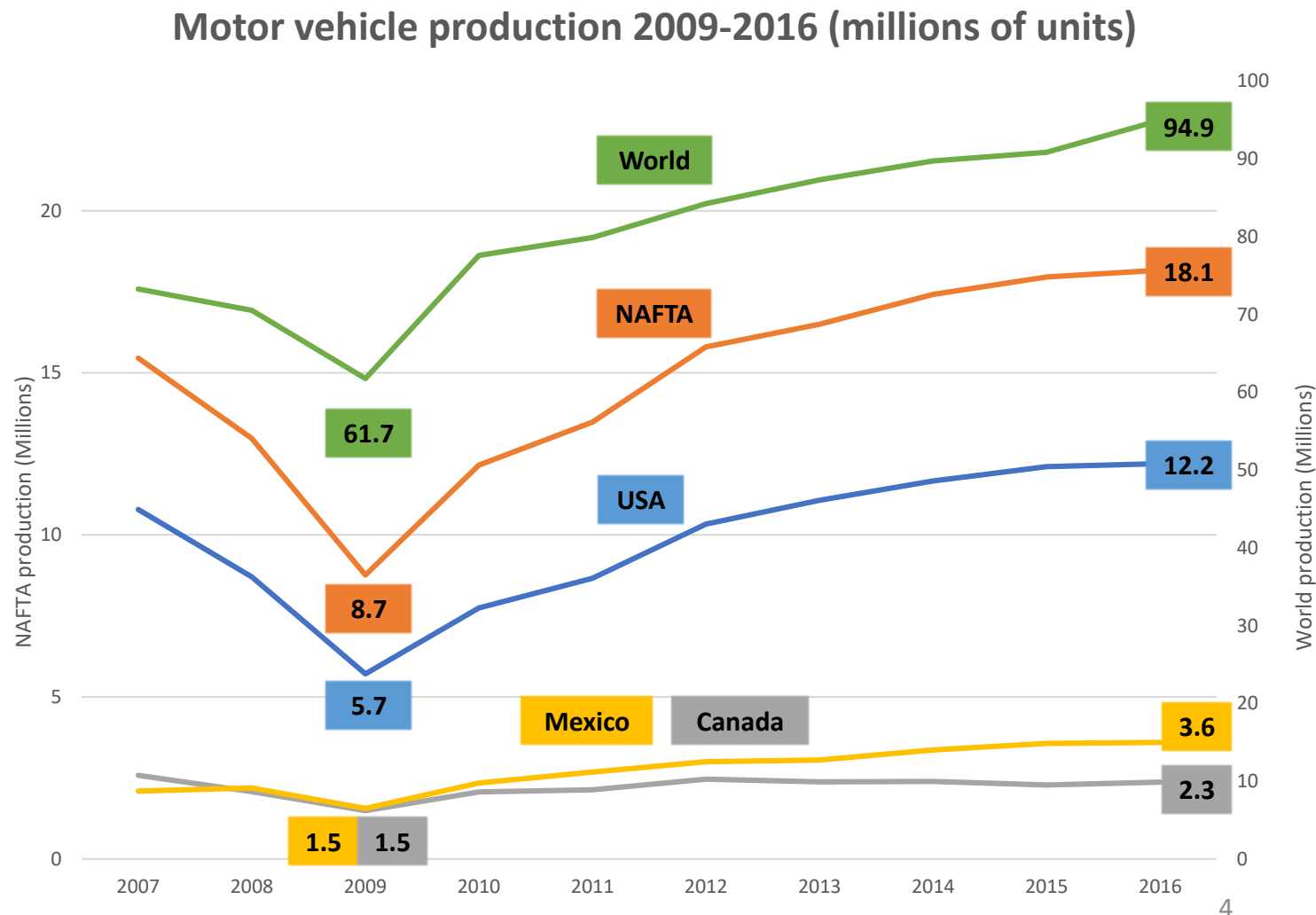


Motor Vehicles Global Exports
Share (in value)



NAFTA drives U.S. production of motor vehicles

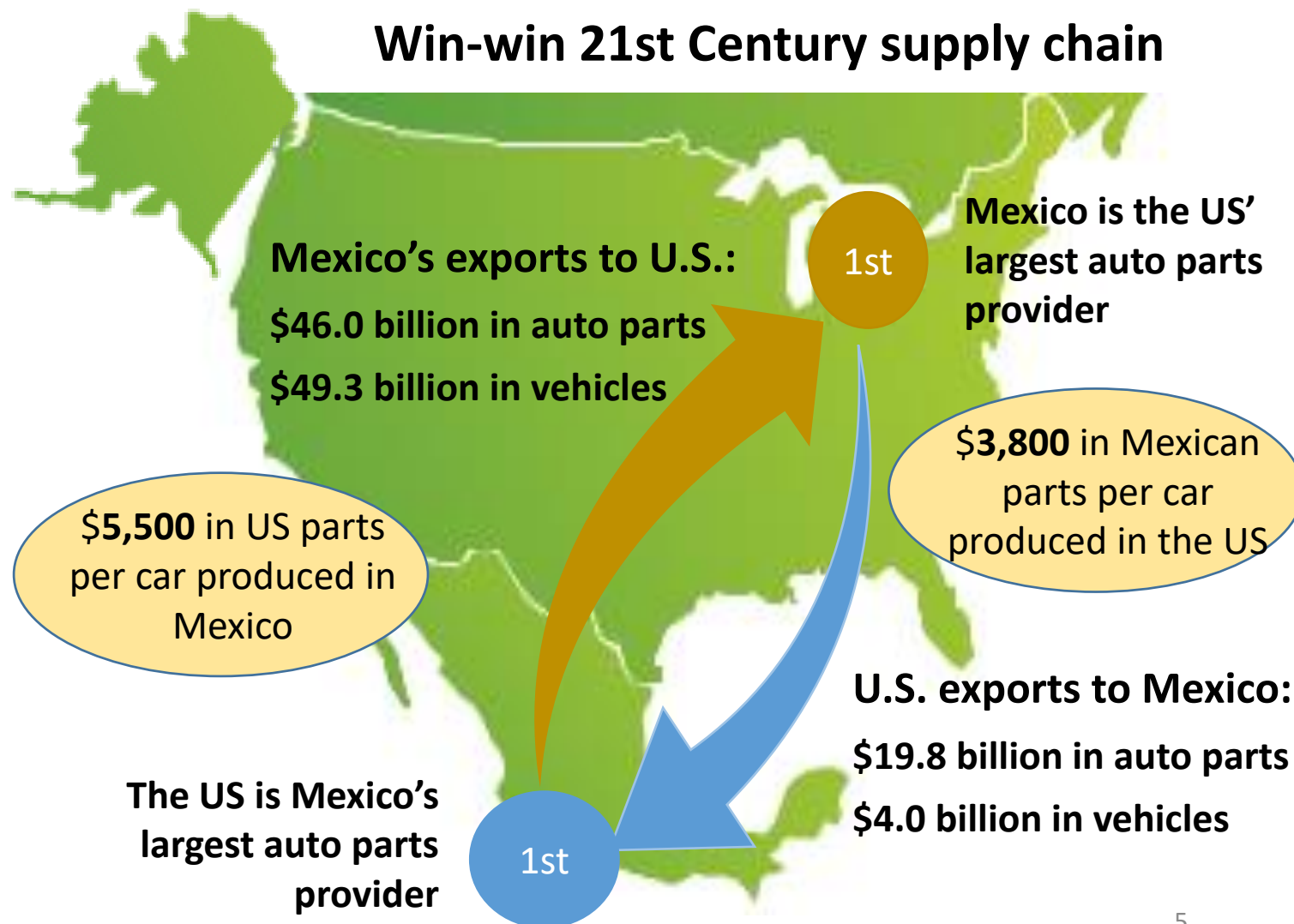
- U.S. auto vehicles production increased by **6.48** million units from 2009 to 2016. This growth accounted for:
 - ✓ **69%** of NAFTA's growth in production
 - ✓ **20%** of the world's growth in production.
- NAFTA region accounted for **28%** of the world's production increase.



Auto Industry Integration

- ✓ NAFTA boosts coproduction between U.S. and Mexico in the auto industry.
- ✓ Vehicles made in Mexico have a high US content, while at the same time vehicles manufactured in the US use a large number of Mexican-made auto parts, considering those globally competitive vehicles as **“Made in North America”**.
- ✓ Inputs and auto parts cross the US-Mexico border several times for further processing.

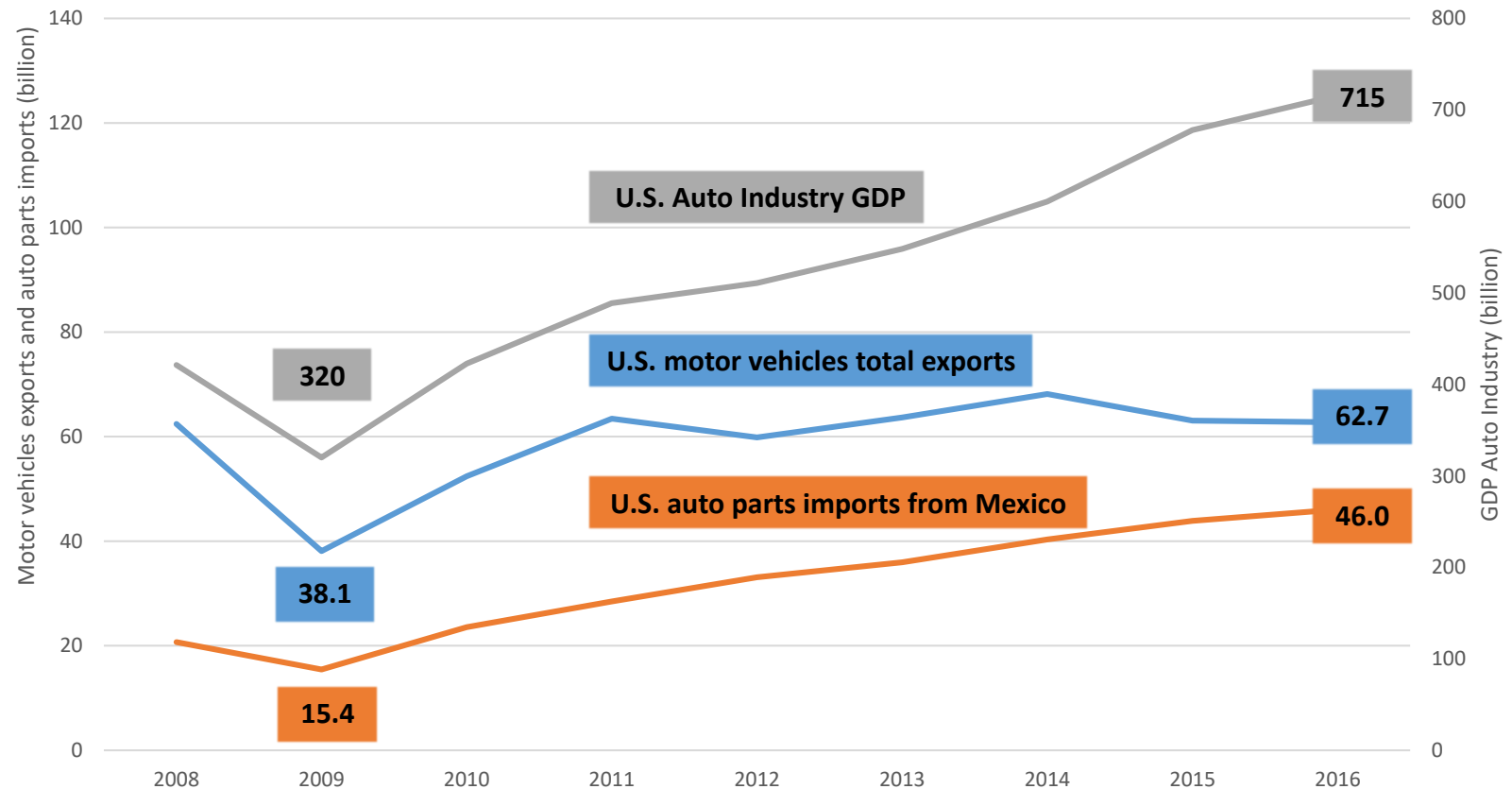
Win-win 21st Century supply chain



Economic integration promotes a virtuous circle of regional growth

- The U.S. auto industry GDP has grown **124%** since 2009.
- U.S. auto vehicles exports have grown **65%** since 2009.
- Mexican auto parts are key for U.S. auto industry competitiveness.
 - ✓ U.S. imports of Mexican auto parts grew by **198%**.
 - ✓ This growth was driven mainly by an increase in the U.S. auto industry GDP and market share gains in the U.S. auto parts import market.

U.S. auto industry GDP, U.S. motor vehicle exports and U.S. auto parts imports from Mexico (\$ billion)

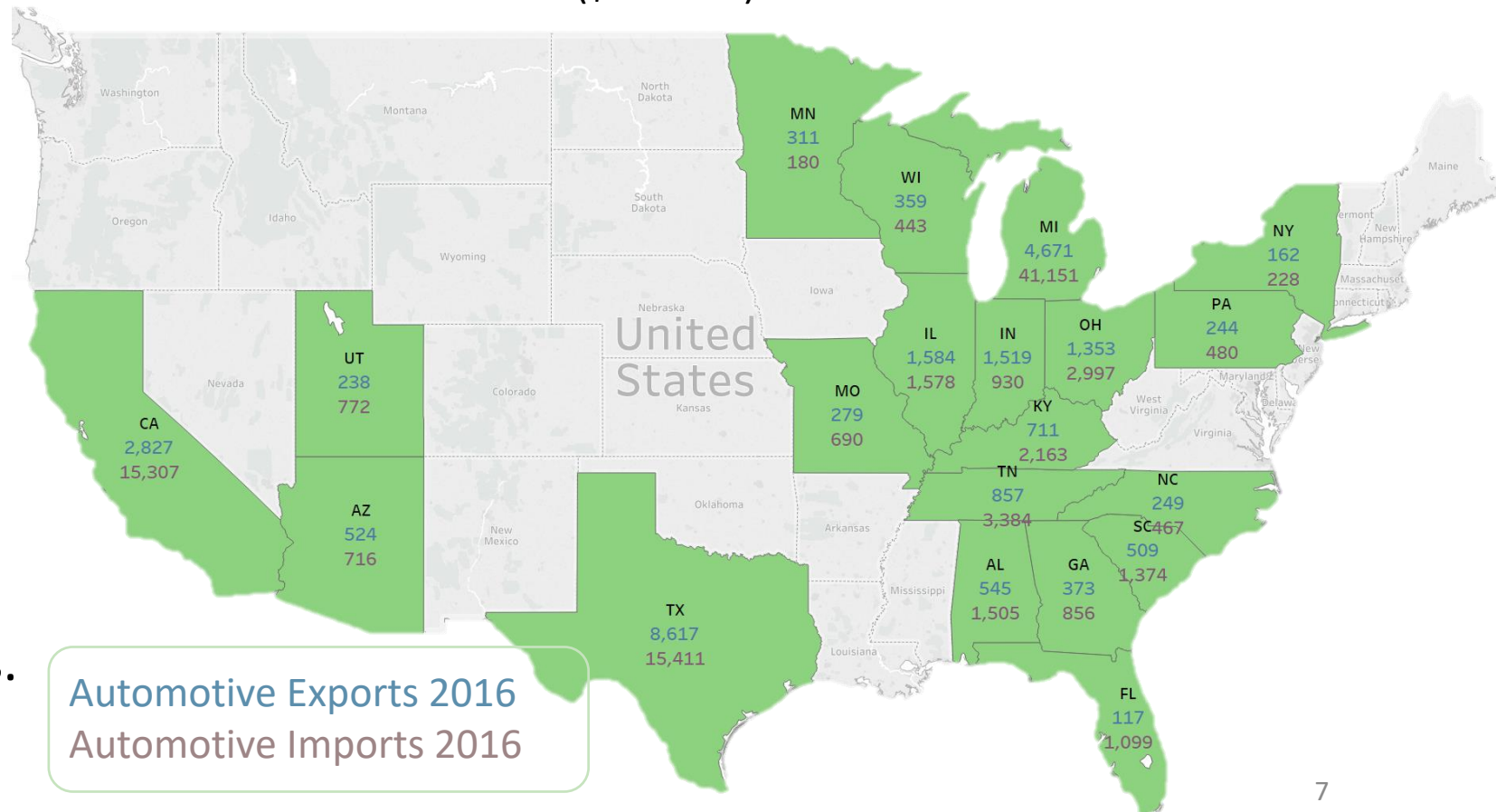


Strong and growing ties in the automotive industry

✓ Mexico is:

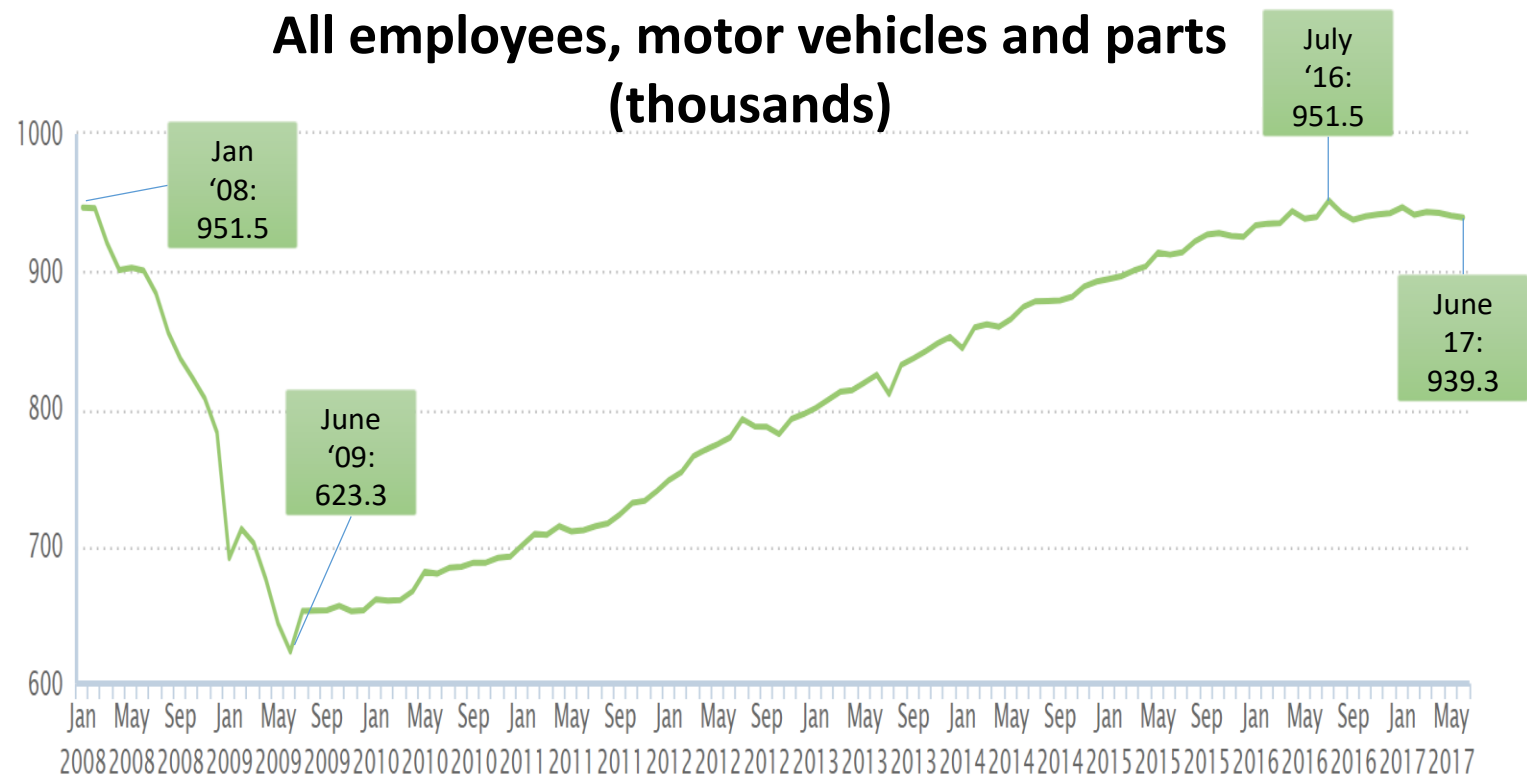
- The **TOP** export market of motor vehicles and auto parts for **8** states: Texas, California, Arizona, Utah, New Mexico, Rhode Island, Connecticut, and Alaska
- The **2nd** largest export market of motor vehicles and auto parts for 26 states.

Top 20 U.S. – Mexico trading states in automotive industry (\$ Million)



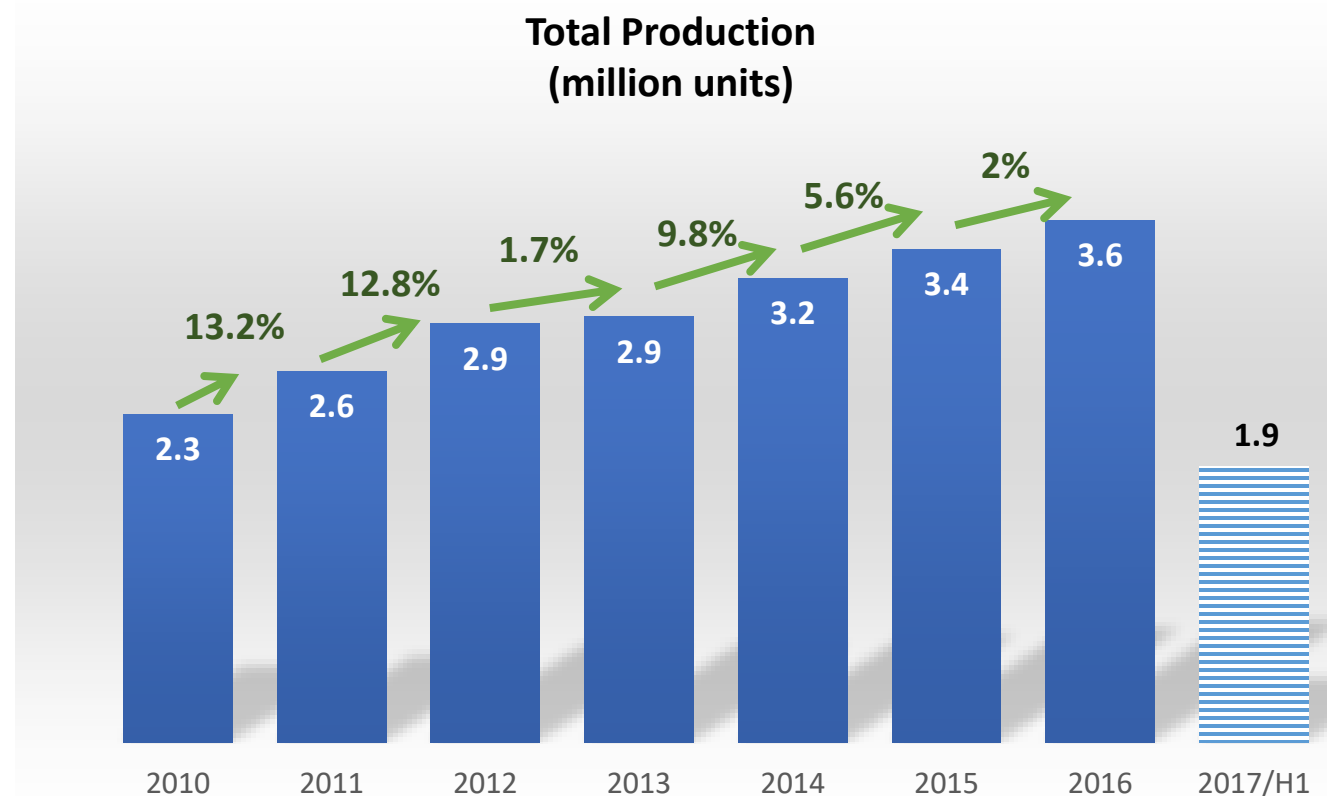
U.S. Auto Industry employment has reached pre-crisis levels

- U.S. auto industry employment has increased by nearly **6%** annually during the current economic expansion:
 - ✓ more than five times the growth in overall manufacturing employment, and
 - ✓ triple the pace of total employment gains in the United States during this period.
- At least **31,000** U.S. jobs could be lost as a result of a 35 percent tariff on light vehicles and parts imports from Mexico.



Mexico's Auto Industry: Rising as a World Leader

- ✓ Mexico is the:
 - 7th largest producer of vehicles
 - 4th top exporter of vehicles globally
- ✓ Production reached **1.9** million units in the first half of 2017:
 - 1.5 million of these were exported.
- ✓ One in five cars built in the NAFTA zone comes from Mexico
 - Pickups such as some versions of Fiat Chrysler's Ram and Chevrolet Silverado, two of the best-selling vehicles in America, are built in Mexico.

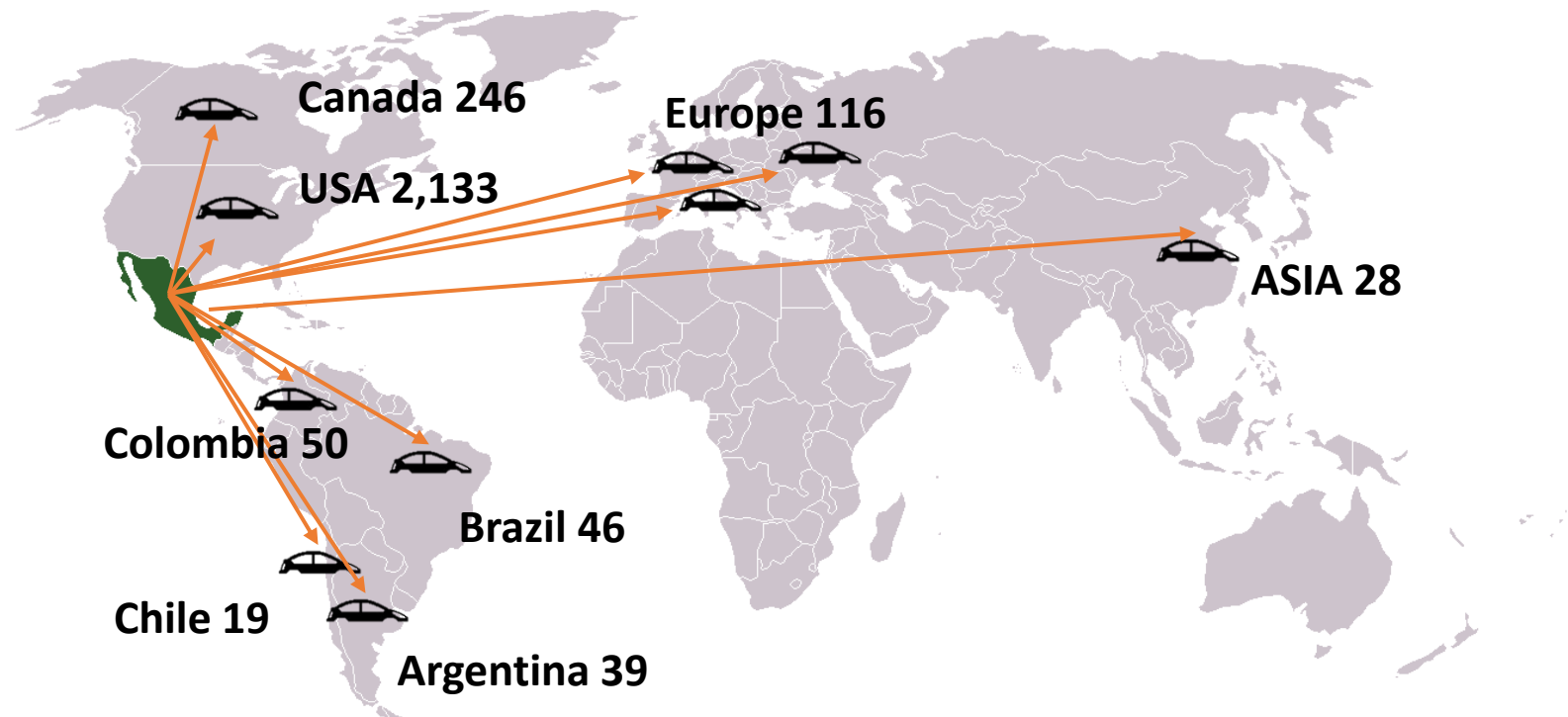


Strategic Export Platform

✓ Mexico's strategic location and its network of free trade agreements with **46** countries fosters the country as a competitive export platform for the automotive industry.

✓ **80%** of Mexico's vehicle production had foreign markets as its final destination.

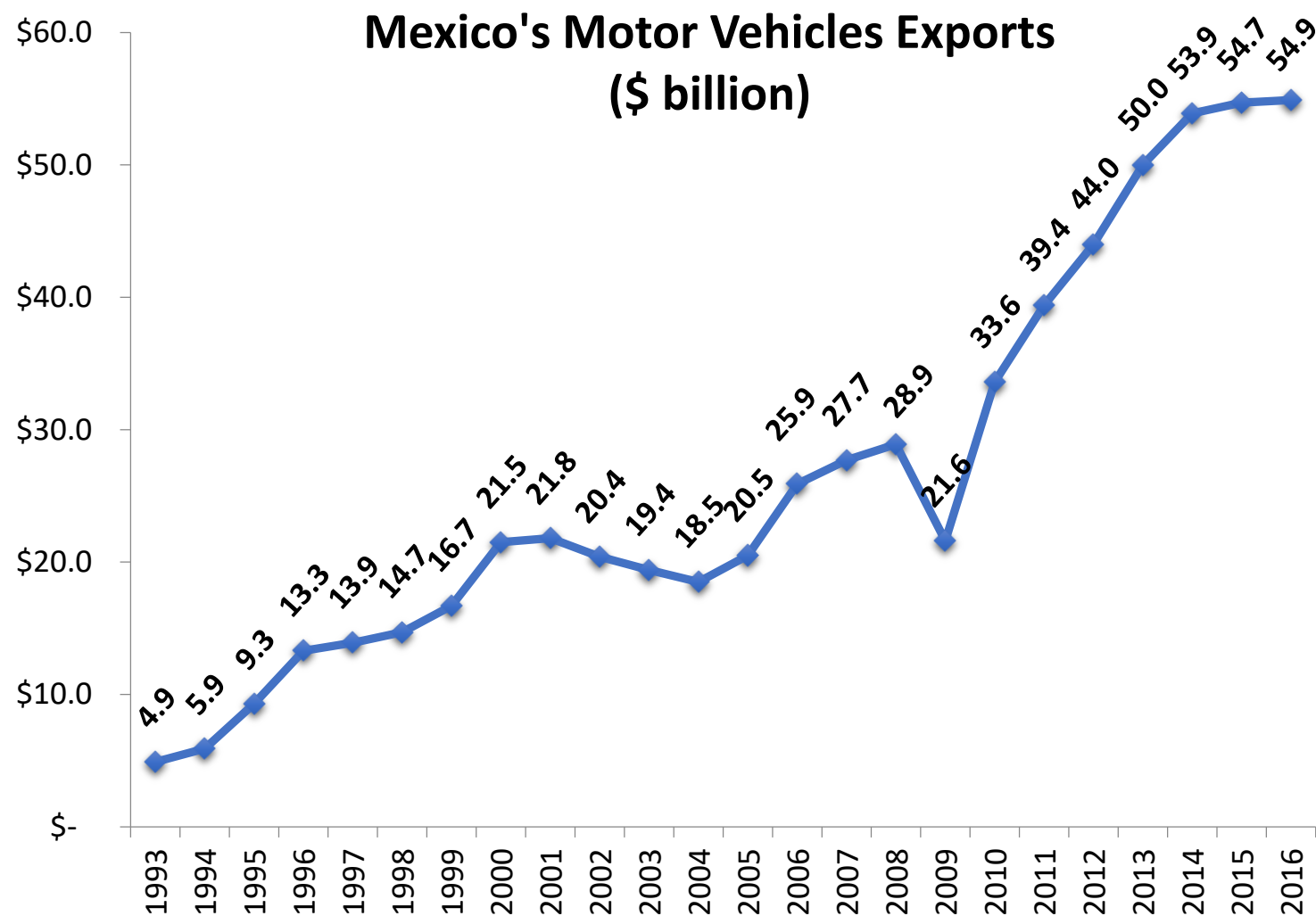
In 2016, Mexico exported 2.7 million vehicles



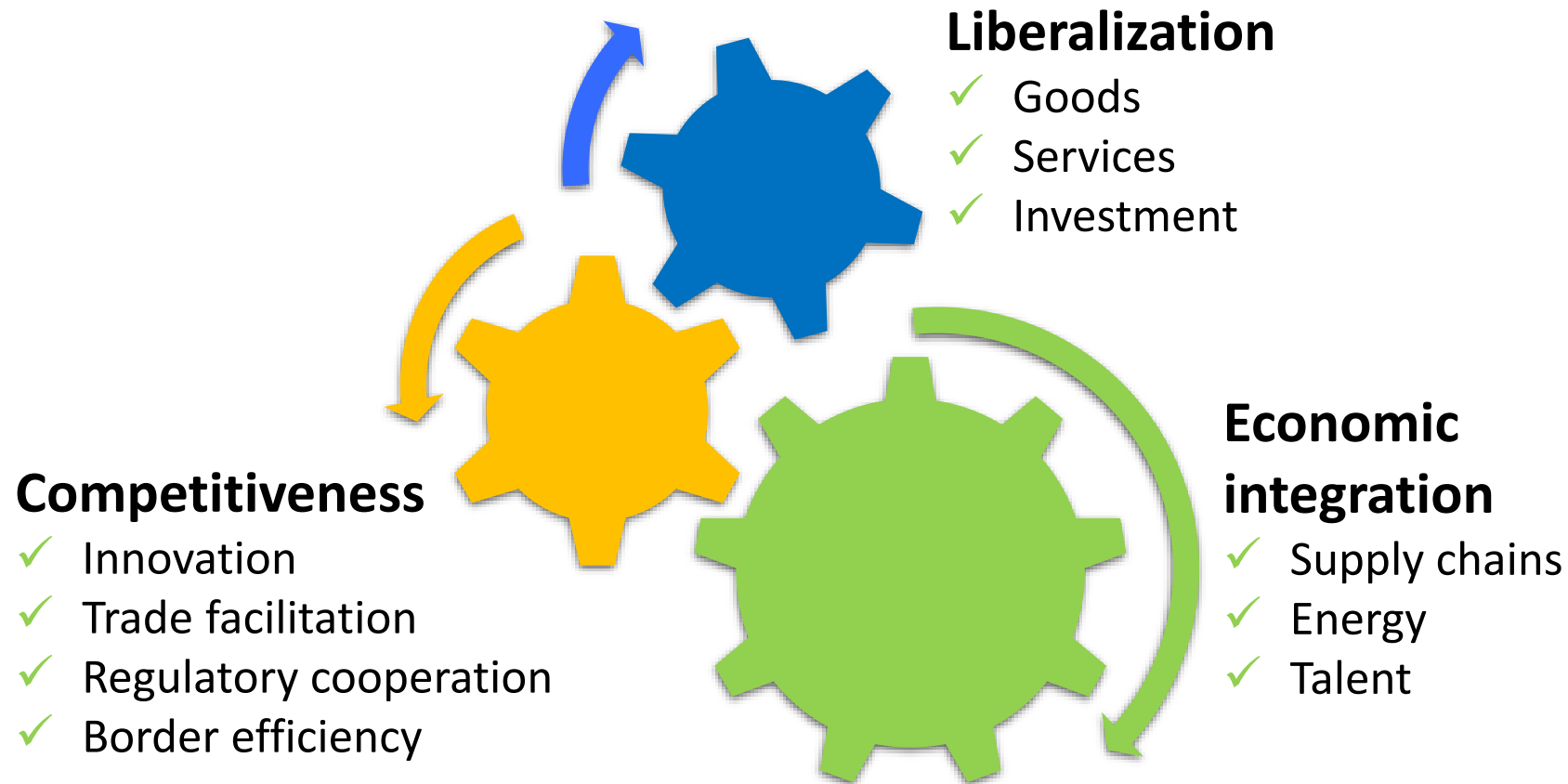
NAFTA has been instrumental in Mexico's growing auto exports

- ✓ Last year, the Mexican auto industry exported **\$55 billion** in motor vehicles, accounting for 15% of Mexico's total exports.
- ✓ Since NAFTA, automotive exports have multiplied by 11, growing 11% per year in average.
- ✓ In 2016, the largest exporting producers were:

- GENERAL MOTORS **540K** units
- NISSAN **500K** units
- FIAT-CHRYSLER **443K** units
- FORD MOTOR **377K** units
- VOLKSWAGEN **334K** units



NAFTA modernization should rely on:



A NAFTA 2.0 should be based on three basic elements:

- ➔ A shared assessment that reflects a balanced perception of the benefits that each country has gained;
- ➔ A recognition that there is room for modernization, and
- ➔ A win-win-win proposition; the outcome of this process must generate benefits for all.

The Auto Industry as an Engine

The North American auto industry is benefiting from over two decades of trade liberalization and economic modernization under NAFTA, becoming a powerful engine for economic growth not only for Mexico's economy but also for the region.

We produce together.

THANK YOU

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