

November 30, 2018

The Honorable Ildefonso Guajardo Villarreal
Secretary of Economy
Mexico City
United Mexican States

Dear Secretary Guajardo:

I have the honor to confirm the following agreement reached between the Government of the United States (“the United States”) and the Government of the United Mexican States (“Mexico”):

Recognizing that in the negotiations for the Agreement Between the United States of America, the United Mexican States, and Canada (USMCA) the United States and Mexico (collectively referred to as the “Parties”) have made changes to the automotive rules of origin compared to the North American Free Trade Agreement (NAFTA 1994), and in order to support and enhance the existing manufacturing capacity and mutually beneficial trade of the Parties, if the United States imposes a measure pursuant to section 232 of the Trade Expansion Act of 1962, as amended, with respect to passenger vehicles classified under subheadings 8703.21 through 8703.90, light trucks classified under subheadings 8704.21 and 8704.31, or any auto parts within the scope of any such measure, the United States shall not adopt or maintain a measure imposing tariffs or import restrictions on those goods of Mexico, for at least 60 days after the imposition of a measure.

After the 60-day period, the United States shall exclude from the measure:

- (1) 2,600,000 passenger vehicles imported from Mexico on an annual basis;
- (2) light trucks imported from Mexico; and
- (3) such quantity of auto parts amounting to 108 billion U.S. dollars in declared customs value on an annual basis.

Goods covered by the exclusion described in (1), (2), and (3) above will be eligible for the preferential tariff treatment applicable pursuant to NAFTA 1994, or the preferential tariff treatment pursuant to the USMCA, as applicable, when they qualify as originating goods. If the goods do not qualify as originating, the customs duty applied by the United States shall not exceed the United States’ MFN applied rate in effect on August 1, 2018.

Mexico shall monitor and otherwise administer the quantities of passenger vehicles and auto parts eligible for exclusion under subparagraph (1) or (3), set out above. Mexico shall develop

methodologies to allocate the quantities of passenger vehicles and auto parts eligible for this treatment.

In determining the allocation of quantities of passenger vehicles under the passenger vehicles allocation methodology, Mexico shall consult with each auto producer exporting passenger vehicles from Mexico to the United States and take into consideration information on auto producers' existing production capacity as of the signature of the Protocol Replacing the North American Free Trade Agreement with the Agreement Between the United States of America, the United Mexican States, and Canada, export volume to the United States and production plans current at the time of the consultation, and producers' specific actions undertaken to produce vehicles that qualify for preferential tariff treatment. In determining the allocation procedures for goods under subparagraph (3), Mexico shall consult with auto parts producers in Mexico.

Mexico shall notify the United States of its allocation methodologies and consult with the United States on the methodologies for goods under subparagraph (1) and (3) at least 30 days prior to publication or implementation of such allocations, whichever comes first.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between the United States and Mexico, which shall enter into force on the date of your letter in reply.

Sincerely,

Ambassador Robert E. Lighthizer
United States Trade Representative