



Bringing the Industry Together

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Automotive Industry Trends

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Challenges



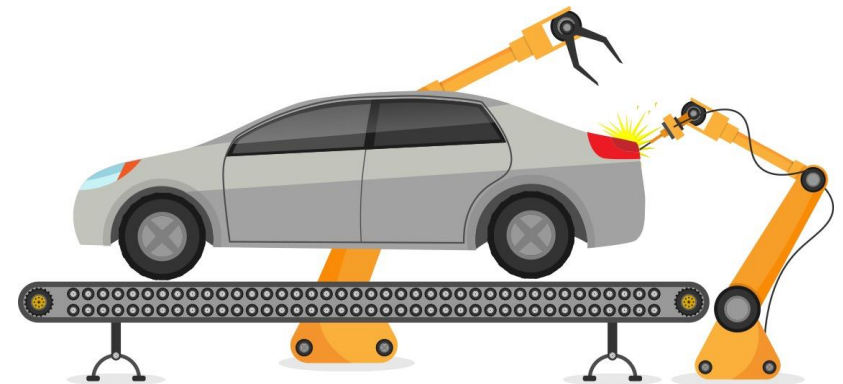


Automotive Industry Trends for 2030



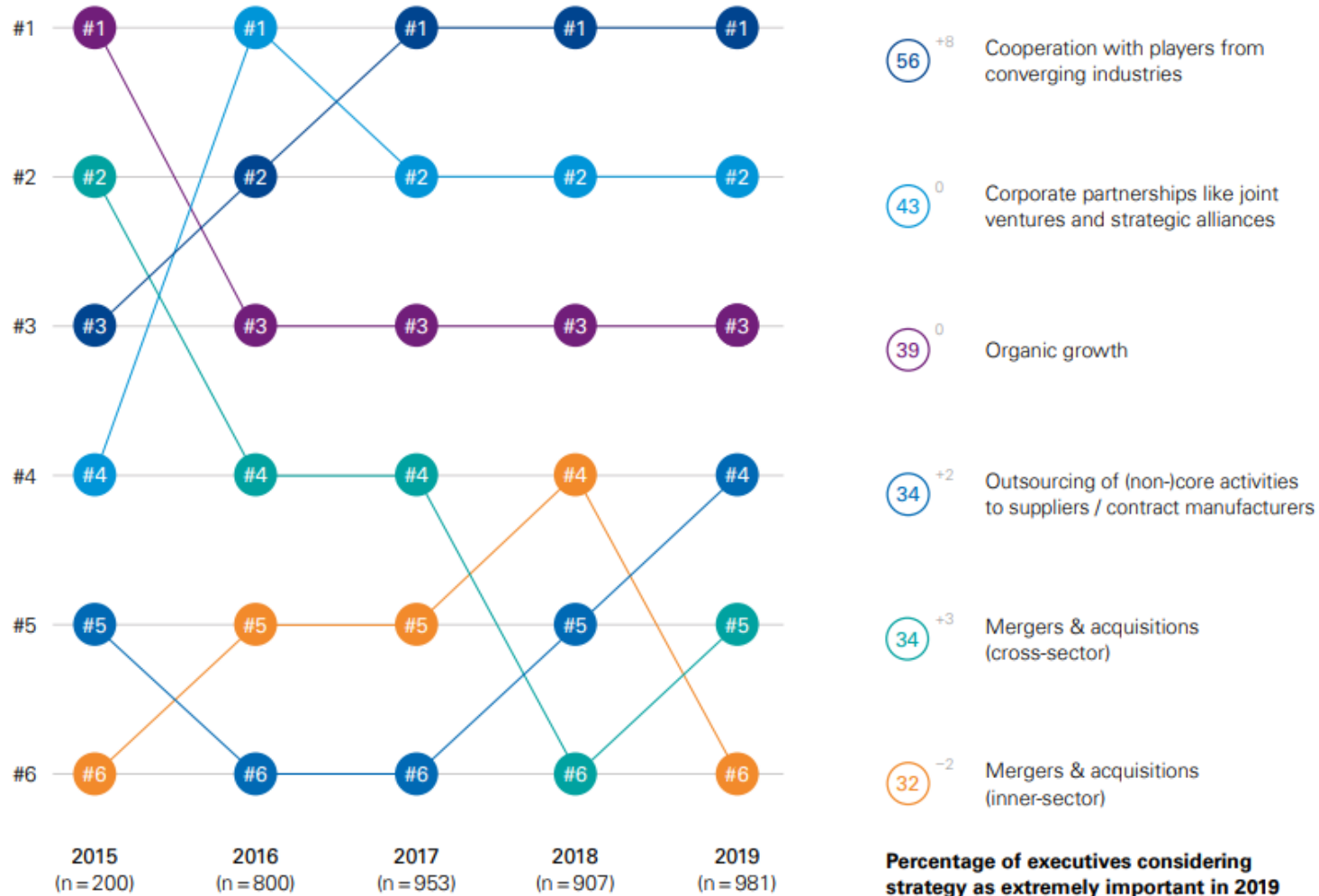
KPMG's Automotive Global Survey Results

- 59% of automotive respondents considered connectivity and digitalization as the number one trend up to 2030.
- Original equipment manufacturers (OEMs) will soon face the difficult market conditions and the reduction of global markets if they do not act now to prepare for tomorrow's industry.
- The majority of executives agree that this freedom of design will no longer be available to OEMs in the future.
- 2 out of 3 (67%) execs still believe that by 2030 less than 5% of global car production will originate in Western Europe



North America (Vehicle Manufacturers)

Rate of strategies by importance according to future success of companies

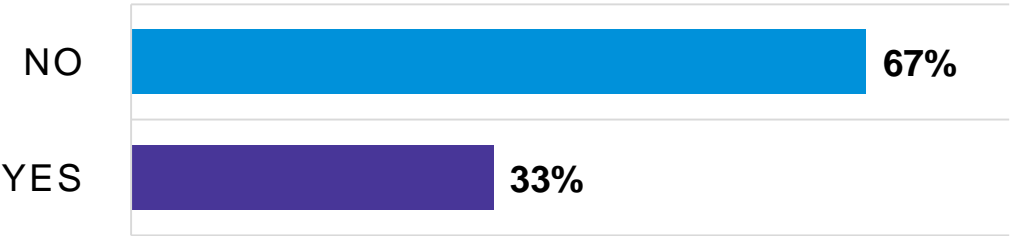


Do you think that your country has clear automotive industry politics? Does the industry define a clear framework?

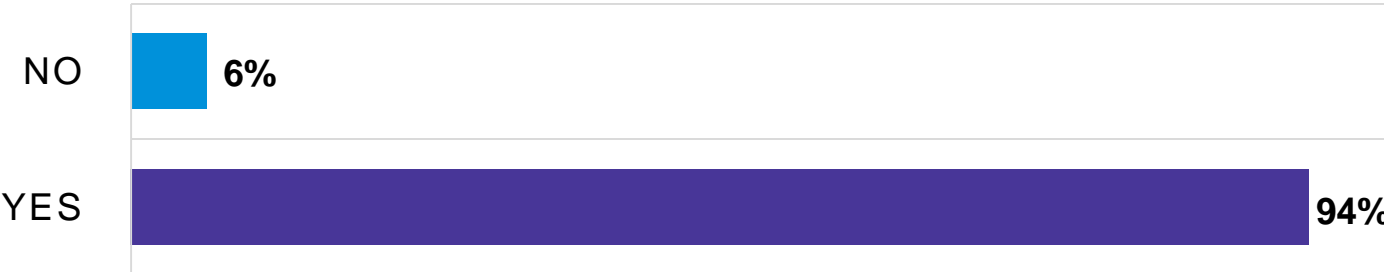
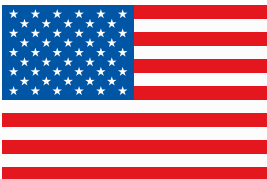
Canada



Mexico



United States



Source: KPMG's Automotive Global Survey 2019



**Automotive
Industry
Challenges**



1. The New NAFTA

USMCA
United States Mexico
Canada Agreement

CUSMA
Canada United States
Mexico Agreement

T-MEC
Tratado entre México,
Estados Unidos
y Canadá

November 30th, 2018
Leaders of the U.S., Mexico
and Canada signed USMCA
in Buenos Aires, Argentina

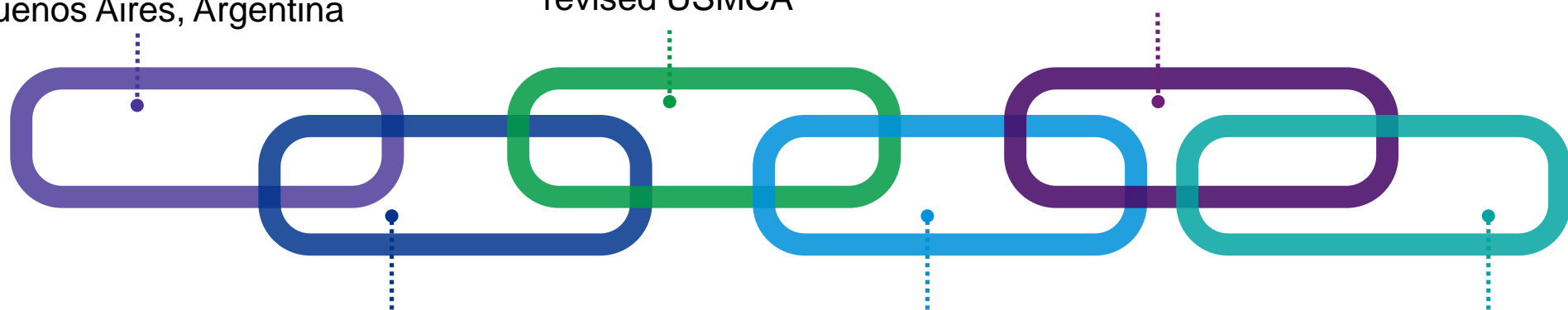
December 12th, 2019
Mexico Senate passes the
revised USMCA

**Canada ratification
+ be prepared**

December 10th, 2019
Protocol of amendment to
USMCA is signed

January 16th, 2020
US Senate passes the
revised USMCA

The **USMCA** will enter into force
on the first day of the third month
following the last notification



2. USMCA New Regional Value Content requirement

	NAFTA	USMCA
Light Vehicles	62.5%	75% (3 years)
Auto parts for light vehicles	60%	Core parts: 75% Principal parts: 70% Complementary parts: 65%
Heavy Vehicles	60%	70% (7 years)
Auto parts for heavy vehicles	60%	Core parts: 70% Complementary Auto parts: 60%

2. USMCA New Regional Value Content Requirement

70% steel and 70% aluminum from North America

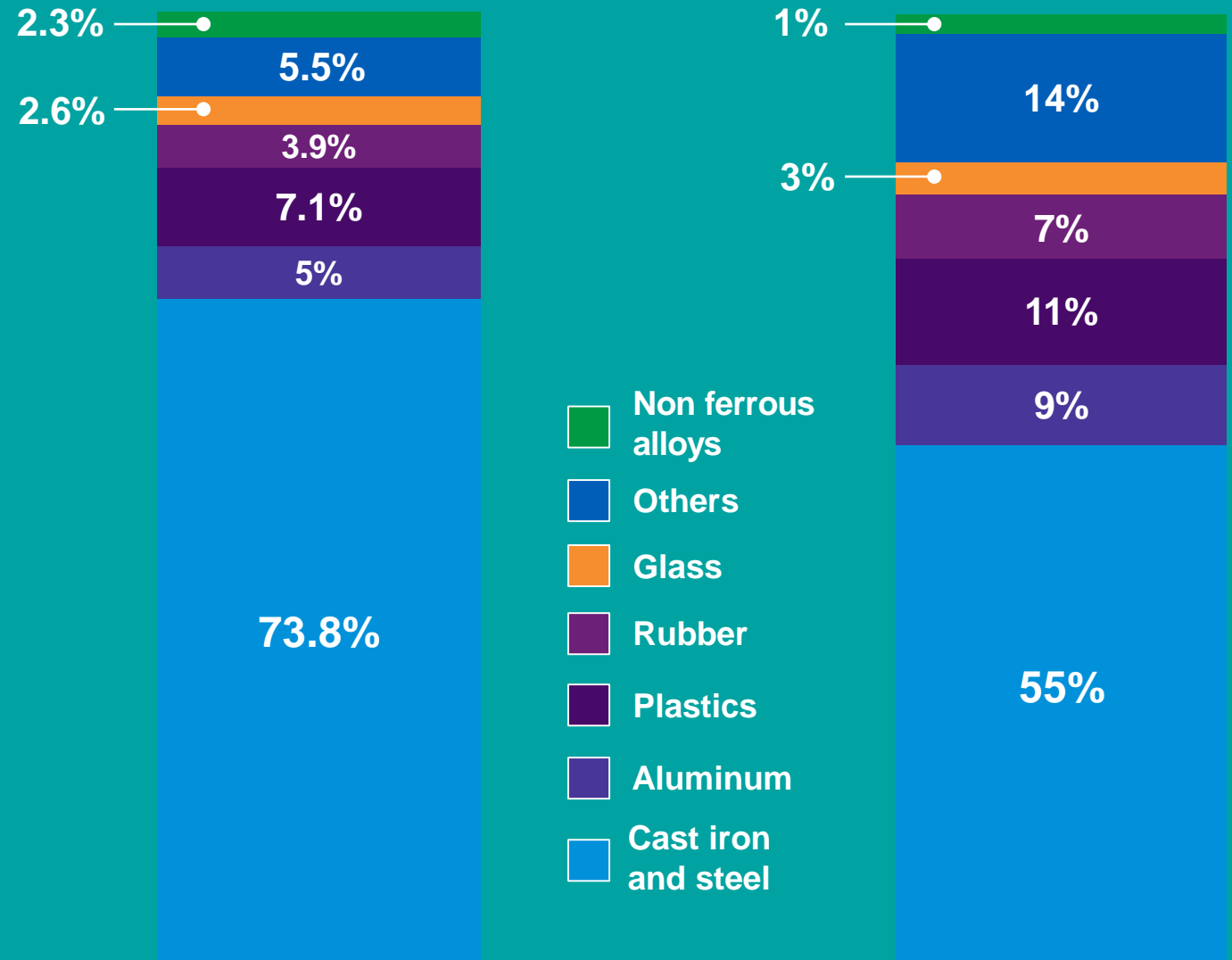
From the 7th year of the entry into force of the Agreement, in order for steel (used in the production of vehicles) to be considered as originating, all steel manufacturing processes must occur in one or more of the Parties.

Such processes include the initial melting and mixing, continuing with the coating stage.

*There are some exceptions

Modifications according to Protocol of Amendment published on December 10th, 2019

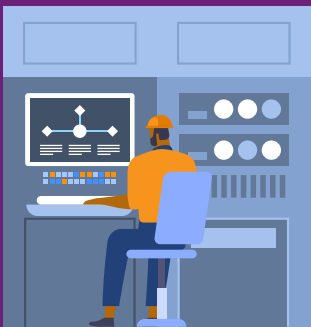
Also, from the 10th year of the entry into force of the Agreement, Parties shall consider requirements interests of all Parts in order for aluminum to be considered originating.



2. USMCA New Labor Value Content

	NAFTA	USMCA
Light Vehicles	—	40% - US \$16.00 per hour
Heavy Vehicles	—	45% - US \$16.00 per hour

1/4 jobs



in the manufacturing industry were generated in Mexico by the automotive industry before August 2019. The activity that led the generation of jobs was the manufacturing of vehicle parts with 87.4%.

As of August 2019, the manufacturing of vehicles and trucks was 1.8 times higher than the manufacturing of vehicle parts.

3. Transition process from NAFTA to USMCA

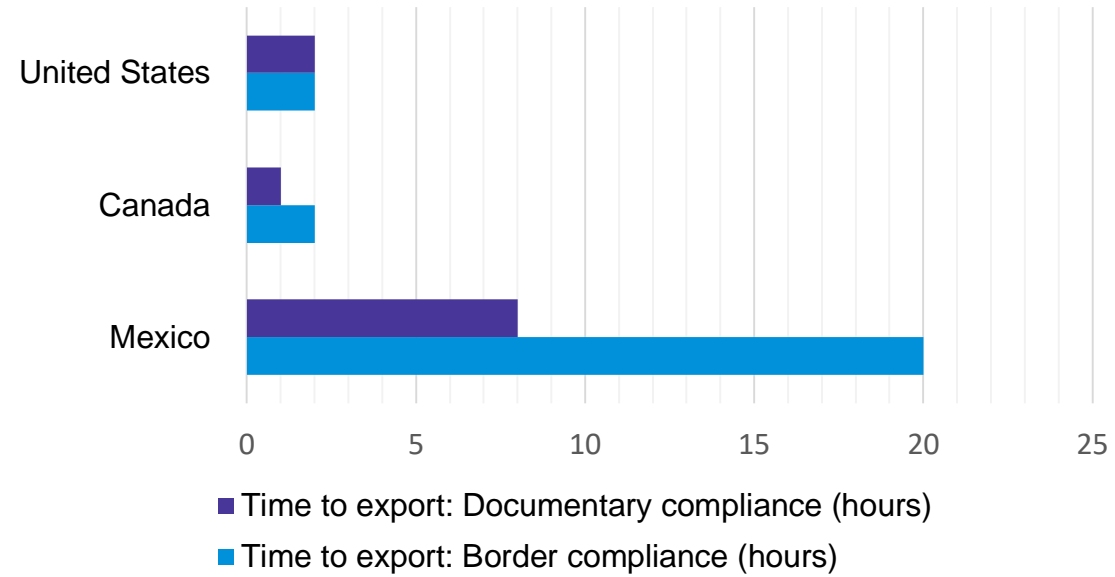
Vehicles complying with NAFTA rules

Origin procedure – Keep sufficient information in order to demonstrate that the good is originating

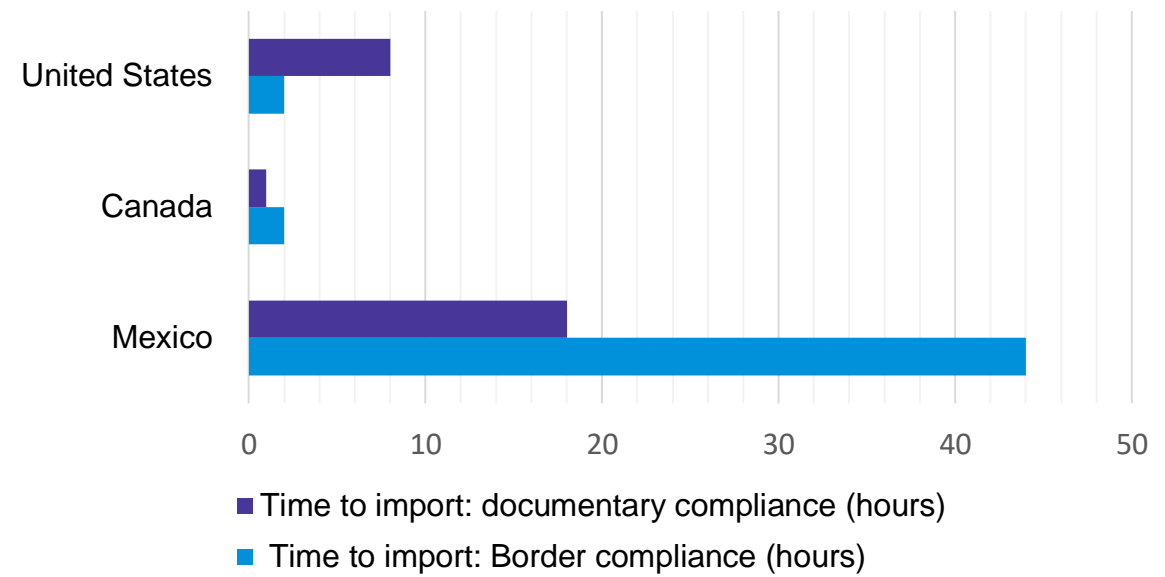


4. Expedite import / export customs clearance among the region

Export Time by Region



Import Time by Region



Mutual Recognition Agreements

Joint Customs clearance

Chapter 5 – Origin Procedures

Source: [Doingbusiness](http://Doingbusiness.org)



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Customs Partner
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Thank you



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