



**American
Iron and Steel
Institute**

**Oral Testimony of Jeremy L. Hekhuis
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“USMCA Automotive Rules of Origin: Economic Impact and Operation, 2027 Report”
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Good afternoon, Chairman Doyle and Members of the Commission. My name is Jeremy Hekhuis, and I am the Senior Vice President for Policy and General Counsel of the American Iron and Steel Institute. AISI serves as the voice of the American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI’s membership is comprised of integrated and electric arc furnace (EAF) steelmakers, steel pipe and tube manufacturers and steel processors and fabricators, reflecting the production and distribution of both carbon, stainless, and electrical steels.

The American steel industry serves as the backbone of the U.S. manufacturing sector and is essential to America’s national defense, national economic security and homeland security. U.S. national defense requirements for military systems and U.S. national security requirements for critical infrastructure are both dependent on the availability of

U.S.-produced steel products. The domestic steel industry is also proud to be the cleanest of the world's leading steel industries, producing steel with lower carbon dioxide emissions intensity than the other major steel producing countries.

As my AISI colleagues have previously noted, the American steel industry recognized several years ago that the North American Free Trade Agreement (NAFTA) needed to be modernized and strengthened to address the current trade landscape. Accordingly, the American steel industry strongly supported the passage of the United States-Mexico-Canada Agreement (USMCA) to accomplish those goals.

The USMCA's most important provisions for American steel producers dealt with the automotive rules of origin which provided clear incentives for North American automotive and parts producers to source steel products from U.S. and North American steelmakers.

The USMCA's rules of origin established enhanced regional value content (RVC) requirements for automotive parts and components. The RVC placed components into three categories: 1) core parts and components, 2) principal parts and components and 3) complementary parts and components. The requirement that the core parts of passenger and light trucks have at least 75 percent RVC, using the net cost method, is of particular importance as is the complementary requirement that all "core parts" must meet the RVC

requirements to be considered as originating under the USMCA.

Another key provision is the separate requirement that in order for their vehicles to be considered as made in the region, 70 percent of the steel and aluminum purchased by each OEM must originate within North America. As of July 1, 2027, the USMCA will further require that for steel products to be considered originating and qualifying under the steel purchasing requirement, the steel must be “melted and poured” in North America. This welcome addition should prevent imported semifinished steel from qualifying as North American steel simply because it was finished in the region.

While it is not possible to quantify the exact economic impact of the USMCA automotive rules of origin, the impact of these rules on American steel producers has clearly been positive. Our North American partners remain the two largest export markets for American-produced steel products, accounting for 93 percent of all steel exports from the United States in 2025, up from approximately 75 percent before the NAFTA went into effect. Furthermore, while many factors play into the volume of American steel exports to Canada and Mexico, the USMCA rules of origin have played a role in increasing American steel sheet exports to these two markets – a significant portion of which goes to automotive production.

AISI has long advocated for stringent “melted and poured” rules and our steel producer

members report that the rule scheduled to take effect in 2027 has stimulated sales inquiries. This rule will require that finished steel products embodied in vehicles be manufactured regionally and themselves be made of raw steel produced within the region. Although this requirement has not yet come into force, American steelmakers report they expect this requirement could also drive increased sourcing from the region.

Given the spectre of Chinese automobiles entering portions of the USMCA market, it is imperative that Chinese automakers do not use entry into the market as a way to benefit from the USMCA. It is of particular importance that the USMCA not become a means to evade U.S. laws and regulations, including existing prohibitions on connected vehicle technologies. To this end, both strengthening automotive rules of origin including the RVC and implementing the “melted and poured” requirement for steel content are essential to meet the USMCA’s considerable promise.

One area where the American steel industry suggests changes is the expansion of the core parts list to include new automotive technologies, including but not limited to core parts for electric vehicles (EVs). The rapid development and global adoption of EV technology was not anticipated when the USMCA was written just six years ago. As such, to ensure that the list remains relevant it must evolve to address these changes in automotive technology, including EVs. Updating the ROO to include more “core parts” – with at least 75 percent RVC on a net cost method – would ensure the list’s continued relevance.

Increasing North American steel utilization could also be met by expanding the North American steel purchasing requirement to cover more products, including those made with stainless, grain oriented electrical, or non-grain oriented electrical steels. If more steel products are used in calculating the percentage of North American steel content, then the percent of steel originating with North America should also be increased. In essence, if the denominator is increased, the numerator should be similarly increased in order to avoid unintended consequences that come from increasing the number of covered steel products without increasing the percent of steel originating within North America.

As noted, the USMCA as adopted in 2020 took an important step toward implementing a “melted and poured” rule of origin for steel by requiring that, beginning in 2027, only steel melted and poured in the three USMCA countries would be considered as originating in North America for purposes of the 70 percent North American steel purchasing requirement for automotive OEMs. AISI urges that this “melted and poured” rule of origin be expanded to all origin determinations for steel under any provision of the USMCA.

An increasing number of jurisdictions have called for the adoption of more stringent melt and pour requirements to address excess capacity and overproduction. The USMCA helped initiate this approach and every effort should be made to ensure that the USMCA

continues to lead on the implementation of significant, quantifiable melt and pour criteria. These issues require further investigation as the Trump Administration continues to engage with its Mexican and Canadian counterparts.

From an American steel industry perspective, the USMCA automotive rules of origin remain a significant improvement over the prior NAFTA as they provide clear incentives to source steel from U.S. and North American steelmakers. The USMCA automotive rules of origin set forth higher RVC requirements for auto parts and components, alongside an expanded steel purchasing requirement for North American steel, and by July 2027, a “melted and poured” standard, which will prevent semifinished steel imported from outside North America to qualify for originating treatment under the USMCA. Thank you for the opportunity to testify. I look forward to your questions.