

**Mexican Interests-**

To be considered domestic will expand the possibility of providing parts for the U.S. manufactures on an extended basis and not just for lowering domestic rates. It is felt that both Mexican parts and vehicle producers would gain from the domestic designation.

**Canadian Interests-**

Canadian parts manufacturers could benefit from a domestic designation for Mexico, as this would lead to an equalization for the provision of sourcing opportunities with Mexico. The threat of sourcing further off shore remains a distinct possibility to continue production of fuel inefficient vehicles.

**Industry Interests-**

Domestic manufacturers are split on the inclusion of Mexico under NAFTA as it would increase sourcing costs but could also in force sourcing from new off shore areas to continue poor mileage lines. If the new off shore sources do not develop rapidly, a drastic change in companies model-lines could result.

**RESPONSE:**

- THE INCLUSION OF MEXICO UNDER CAFE REGULATIONS AS DOMESTIC SOURCE MIGHT REPRESENT A SIGNIFICANT OPPORTUNITY WITH THE ELIMINATION OF THE ATTRACTIVENESS OF THE MEXICAN AUTOPARTS SECTOR TO THE U.S. ASSEMBLERS FOR REDUCING THEIR DOMESTIC VALUE. THE ADVANTAGE OF SUCH A CHANGE IS INDETERMINATE AT THIS TIME, HOWEVER, IT WILL BE CONTINGENT UPON THE SCOPE AND IMPACT OF THE NAFTA NEGOTIATIONS WITH RESPECT TO MARKET ACCESS, PARTICULARLY THE RELATIONSHIP WITH THE AUTOPACT.