



**Statement of the Motor & Equipment Manufacturers Association  
“The President’s 2020 Trade Policy Agenda”  
Submitted to the Committee on Finance, U.S. Senate  
June 17, 2020**

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## MEMA and the COVID-19 Challenge

The Motor & Equipment Manufacturers Association (MEMA) is the leading trade association representing U.S. motor vehicle parts suppliers. Our 1,000 member companies manufacture and remanufacture components, technologies, and systems for use in passenger vehicles and heavy trucks. In total, vehicle parts manufacturers represent the largest sector of manufacturing jobs in the United States, directly employing nearly 900,000 Americans in all 50 states and generating 2.4 percent of U.S. GDP.<sup>1</sup>

MEMA applauds the bipartisan actions of Congress and Trump Administration to address the national health and economic crisis brought on by the COVID-19 global pandemic. While we deeply appreciate the nearly \$3 trillion in relief for the national economic rapidly passed on a bipartisan basis, many motor vehicle parts manufacturers are still struggling. Recently, almost 20 percent of our members reported a severe liquidity crisis that could lead to bankruptcy in the next eight weeks. These manufacturers are primarily mid-size suppliers. If their operations close or slow production, the entire supply base is jeopardized.

Trade must do its part to alleviate the current economic disruptions instead of exacerbating the downturn. Tariff relief should be part of the national manufacturing recovery plan. MEMA does not support the implementation of new tariffs in a time of national crisis.

During the COVID-19 pandemic, MEMA companies and their employees were able to quickly pivot from normal operations to manufacturing critically needed personal protective equipment (PPE). These efforts have been focused on addressing the immediate medical and public health crisis facing the United States. For example, many suppliers have used 3D printing technology and other manufacturing processes to make plastic face masks and shields, while other companies have manufactured plexiglass patient enclosures. Others are manufacturing components for ventilators. Unfortunately, this work is just a small portion of our overall manufacturing footprint. MEMA members need additional COVID-19 assistance now to assure the viability of our sector. We are grateful for all that the bicameral Michigan delegation, bipartisan bicameral leadership, and key committees (including this one) are doing to assist.

MEMA’s statement today will focus on the positive aspects of current trade policies, the adverse impacts of others and what changes would be most helpful to restoring growth to our motor vehicle

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<sup>1</sup>MEMA represents its members through four divisions: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Association for Sustainable Manufacturing (MERA); and, Original Equipment Suppliers Association (OESA). Suppliers are the largest employers of manufacturing jobs in the United States, directly employing over 871,000 workers with a total employment impact of 4.2 million jobs.

part and component sector, and to manufacturing and to the economy as a whole. Thank you for this opportunity to submit this statement.

## USMCA

The United States Mexico Canada Agreement (USMCA) will strengthen North American supply chains and U.S. economic growth, starting with the July entry into force and beyond. With 90 percent support in the Congress, the USMCA may prove to be a new model for trade in the hemisphere and beyond the impact of USMCA will be significant. MEMA was one of the earliest supports of the USMCA as we understood it would enhance the regional economy in our sector.

The Office of the United States Trade Representative (USTR) and the U.S. International Trade Commission (USITC) estimated job growth of up to 80,000 motor vehicle and parts jobs as a result of this trade deal. We also appreciate the need for increased regional value content, (RVC), new labor value content (LVC), and new steel and aluminum rules. However, these changes will not be without challenges.

MEMA is grateful for the transparent process with which USTR has engaged stakeholders on auto rule of origin (ROO) issues. The continued open door in the development of Uniform Regulations for the three nations, is appreciated by our sector. We look forward to reviewing the domestic labor regulations to implement the LCV provisions and will pay special attention to making sure that they are practical to implement and do not violate proprietary obligations of our companies. We are also awaiting more details on the USTR/Customs and Border Protection (CBP) informed compliance plans to December 31, 2020 and perhaps beyond. We are appreciative that USTR is willing to provide some flexibility in implementation.

In addition, we appreciate the bipartisan commitment and efforts of the staff of the Ways and Means Committee to fix an inadvertent error and make the merchandise processing fee (MPF) fully refundable after importation of products. We urge you to pass a technical corrections amendment through the Congress on this issue by bring this over the finish line by July 1 or slightly thereafter. This action would make USMCA MPF commitments consistent with all other trade agreements, including the NAFTA. It also relieves a significant financial burden on our companies at a time of liquidity crises, falling profits and economic disruption.

The U.S. must be careful to respect the tri-national values of this agreement. We should not undertake problematic new Section 232 investigations against allies on aluminum or electrical steel or any commodity. If there are issues to be adjudicated, they should be pursued through appropriate multilateral dispute resolution channels.

Finally, we also deeply appreciate all that the U.S. Department of State, USTR and other agencies have done to make sure that Mexican supply chains are up and running during the COVID-19 crisis in the essential auto parts industry. We also appreciate the commitment of the Mexican government to re-open production to keep supply chains fully operational. We would urge all parties to discuss how to best define "essential businesses" for the future and how the parties would coordinate any future crisis that requires the closure of major manufacturing facilities. We urge Ambassador Lighthizer and his counterparts in Mexico and Canada to quickly negotiate North American Cybersecurity and Infrastructure Security Agency (CISA) standards for all three nations so that there is consistency of essential industry and worker designations in national emergencies and pandemics.

## TARIFF RELIEF

The suspension of current China 301 and Section 232 steel and aluminum tariffs for the remainder of the year will have a dramatic positive impact that will provide one means to restore industry growth.

We oppose the imposition of any additional tariffs and are grateful that President Trump recognizes the grave market and overall negative economic impact of imposing Section 232 tariffs on motor vehicles and parts imported from allies. One study done prior to the pandemic projected a job loss of up to 700,000 and motor vehicle price increase of up to \$7,000.

We also urge Congress to develop a plan to permanently phase out existing 232 and 301 tariffs. This could be done as part of important phase two China and Japan trade negotiations and to jump start trade negotiations with the EU.

Last year, the Federal Reserve estimated that tariffs increased since 2017 will lower GDP growth one percent in 2020<sup>2</sup>. Given that the economy is entering a significant recession, these tariffs are only making recovery more difficult.

## CHINA

China's systemic challenges to the global motor vehicle parts sector are based on market distorting policies such as massive government subsidies to national champion companies, systemic stealing of intellectual property, export performance requirements and a large role for state owned enterprises in our sector and many others. Yet the rapid growth in the Chinese market has necessitated the presence of our member companies in that nation.

While we understand the efforts by the Trump Administration to protect long term investments in China and to level the playing field to engage more production back here in the U.S., MEMA favors the gradual re-orientation of China to market based policies. We urge continued dialogue, building on the success of the Phase One China agreement. While that agreement may not achieve all the progress we anticipated in the first year due to the COVID-19 crisis, we are confident that the scrutiny of this Administration and this Congress will achieve as much progress as possible that can be built upon in 2021.

## RE-SHORING MANUFACTURING

Reshoring of U.S. manufacturing jobs is rightly an increasing bipartisan public policy priority in Washington. Reshoring can enhance U.S. global competitiveness and job creation. The USMCA and its regional value content, labor value content and steel and aluminum provisions all encourage reshoring from Europe and Asia.

The best way to encourage job creation at home is by those types of positive incentives, rather than punitive trade measures. The imposition of tariffs will not encourage reshoring. By contrast, that type of action will increase pressures on companies to focus on Europe, China, or other Asian markets.

Approaches that would facilitate resourcing include new tax credits and grants for research and development and capital equipment investment and better new facility development incentives on

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<sup>2</sup> Feds Note, "Does Trade Policy Uncertainty Affect Global Economic Growth?", September 4, 2019, The Federal Reserve

the federal level. Worker training is even more important in a time when a motor vehicle is now a mobile technology platform. All of these are important federal priorities at a time when states do not have the resources to assist in these areas.

Finally, we urge the establishment of a new federal Automotive Component Technology (ACT) grant program to explicitly encourage relocation to the U.S. of research, development and production of sophisticated transportation-related technologies and components.

Thank you for your leadership in these challenging times and for your consideration of these ideas and requests. We look forward to any follow-up questions and/or reactions. Please contact Ann Wilson, Senior Vice President of Government Affairs at [awilson@mema.org](mailto:awilson@mema.org), or Bill Frymoyer, Vice President of Public Policy at [bfrymoyer@mema.org](mailto:bfrymoyer@mema.org), if we can be of assistance regarding this statement or more broadly on these subject matters.