



December 14, 2021

The Honorable Katherine Tai  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

**Re: Section 301 Tariffs on Imports from China**

Dear Ambassador Tai:

The Motor & Equipment Manufacturers Association (MEMA) represents over 900 vehicle suppliers that develop innovative technologies and manufacture original equipment (OE) and aftermarket components and systems for use in passenger cars and commercial trucks.<sup>1</sup> Vehicle suppliers operate in all 50 states, directly employ over 907,000 Americans, and represent the largest sector of manufacturing jobs in the United States. Direct, indirect, and induced vehicle supplier employment accounts for over 4.8 million U.S. jobs and contributes 2.5 percent to U.S. GDP.<sup>2</sup>

On behalf of our members, I urge you to re-open the exclusion process for all goods subject to tariffs imposed on Chinese imports under Section 301 of the Trade Act of 1974 (Section 301). These tariffs have added to the real financial pain felt by motor vehicle suppliers and contributed to the increasing inflation pressure facing U.S. manufacturers and consumers alike.

Across the entire range of new vehicle innovation – from automated driving systems to zero-emission vehicle technologies – vehicle suppliers are leading the way. Vehicle suppliers conceive, design, and manufacture the OE components and technologies that make up more than 77 percent of the value in new vehicles. Additionally, vehicle suppliers also manufacture aftermarket parts and materials for the service, maintenance, and repair of 282 million vehicles on U.S. roadways. The industry's technology development allows the U.S. to be more innovative, globally competitive, and lead the world on the path of enhanced mobility for all citizens. Now more than ever, the vehicle industry is at an inflection point as it moves toward a net carbon neutral future and a goal of zero fatalities with new, cutting-edge powertrain and safety technologies. Our industry's ability to remain globally competitive is increasingly hindered by ongoing tariffs on key inputs needed for vehicle components.

Vehicle suppliers face a myriad of current challenges within their U.S., North American, and global operations. These broad risks to motor vehicle parts manufacturers include the acute shortage of vehicle-grade semiconductors, international and domestic shipping delays, U.S. port backlogs, and at least three to fourfold increases in logistics expenses. Moreover, skyrocketing raw material and input costs as well as shortages from critical minerals, resins, steel and other metals, and other commodities are also adversely impacting the sector and adding to the overall threat of inflation facing the country. Additionally, acute worker shortages continue to plague all tiers of

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<sup>1</sup> MEMA represents its member companies through its four divisions: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); MERA - The Association for Sustainable Manufacturing; and Original Equipment Suppliers Association (OESA).

<sup>2</sup> [U.S. Labor and Economic Impact of Vehicle Supplier Industry](#), MEMA and IHS Markit. February 2021.



motor vehicle parts suppliers from our smallest to largest members. Continuing disruptions due to the ongoing pandemic and natural disasters around the globe have also been highly problematic.

A recent fourth quarter survey of our OE members<sup>3</sup> showed that industry pessimism grew significantly to 66 percent of respondents' reporting either "somewhat more" or "significantly more" pessimistic than earlier in the year – a 32 percent jump over the third quarter survey. The industry also reports their breakeven revenue exceeds production for the second year in a row. These factors weigh heavily on the continued viability of the vehicle supplier industry and, importantly, the growth and stability of the U.S. economy. Vehicle suppliers are key to the transformation of the U.S. motor vehicle industry towards President Biden's goal to reduce carbon emissions. To address the administration's goals and to meet customers' demand for advanced technologies, vehicle suppliers continue to make significant investments in the U.S. for new technology research and development, workforce training and upskilling, and retooling of existing facilities. However, these human and fiscal resources may be diverted or hindered due to added extraneous costs of Section 301 tariffs imposed on component parts, materials, manufacturing equipment, and other inputs needed to produce vehicle components.

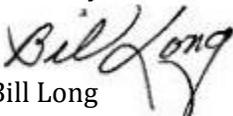
Therefore, MEMA urges the administration to reinstate and implement a broad exclusion process for all products imported from China that are currently subject to Section 301 tariffs. Based on the exclusion process undertaken during the previous administration, the motor vehicle supplier industry has scores of items on List 3 of China tariffs (as well as items and materials on Lists 1 and 2) that are unavailable in the United States. As of October 19, 2021, \$70.9 billion of tariff costs have been placed on U.S. consumers and businesses by China 301 tariffs.<sup>4</sup> These are costs that neither manufacturers nor consumers can afford in this time of increasing inflation. Reinstatement of the exclusion process has the potential to significantly address a significant financial disservice.

The absence of a broad exclusion process has harmed the ability of the to import critical manufactured components, material inputs, and machinery for manufacturing that are unavailable in the United States. While vehicle suppliers of all sizes are impacted by supply chain woes, these issues are even more compounded for small- and medium-sized vehicle component manufacturers that are facing decreased sales and profit margins. Some smaller manufacturers were beneficiaries of the PPP loans during the COVID crisis.

MEMA supports the administration's strategic approach to China trade policy. However, a broader, more transparent, and fairer China 301 exclusion process does not threaten these objectives.

Thank you for this opportunity to share our views on this important issue. If you have any questions or need more information, please contact Ann Wilson, senior vice president of government affairs at [awilson@mema.org](mailto:awilson@mema.org).

Sincerely,



Bill Long  
President & CEO

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<sup>3</sup> [OESA Automotive Supplier Barometer™, Q4 2021](#), November 4, 2021.

<sup>4</sup> "Tracking the Economic Impact of U.S. Tariffs and Retaliation," The Tax Foundation, October 19, 2021.