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**Motor & Equipment Manufacturers Association**

**Comments to**

**The Office of the United States Trade Representative**

**RE: Request for Comments on the Proposed Fair and Resilient Trade Pillar of an  
Indo-Pacific Economic Framework**

**Docket No. USTR-2022-0002**

**and to**

**U.S. Department of Commerce**

**RE: Request for Comments on the Indo-Pacific Economic Framework**

**Docket No. ITA-2022-0001**

**April 11, 2022**

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**Introduction**

The Motor & Equipment Manufacturers Association (MEMA) appreciates the opportunity to offer these thoughts regarding the Office of the United States Trade Representative's Request for Comments on Proposed Fair and Resilient Trade Pillar of the Indo-Pacific Economic Framework (IPEF).<sup>1</sup> In addition, MEMA is also offering input to the Department of Commerce's (DOC) Request for Comments on the Indo Pacific Economic Framework (IPEF). MEMA's responses to both requests are similar and combined them, submitting to both the USTR and DOC dockets, respectively.<sup>2</sup>

Our members welcome the Biden Administration's goal of enhanced trade with our Indo-Pacific allies in this critical strategic and economic region for the United States. The administration's IPEF trade pillar efforts are helpful to deepening economic relationships with like-minded allies that share our values. MEMA supports the goals of high standard trade commitments that enhance economic growth and opportunity.

MEMA members operate in a global industry with suppliers, customers, and facilities worldwide. Open markets provide the necessary framework for fair trade and a level playing field among competitors. MEMA offers views on the following issues cited in the USTR's request for comments:

- Trade facilitation
- Transparency and good regulatory practices
- Digital economy
- Competition policy
- Labor
- Environment and climate

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<sup>1</sup> 87 Fed. Reg. at 13789.

<sup>2</sup> 87 Fed. Reg. at 13971.

Likewise, MEMA offers views on the following DOC issues cited in its notice and request for comments:

- General negotiating objectives for the IPEF
- Digital and emerging technologies related issues
- Supply chain resilience-related issues
- Infrastructure-related issues
- Clean energy-related issues
- Decarbonization-related issues
- Tax-related issue
- Anti-corruption-related issues

MEMA also presents input on broader free trade and other issues that were addressed in the original Trans-Pacific Partnership (TPP) draft agreement in the hopes that the IPEF could be a first step toward incorporating TPP-like commitments with some of our key regional allies. Export and import trade flows need to increase in a successful deal that yield economic growth. Increased market access is important to generating increased trade.

### **Background on MEMA**

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. 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>3</sup>

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 over 282 million vehicles on U.S. roadways.

The technology development of vehicle suppliers allows the U.S. to be more innovative and globally competitive, leading 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.

### **Supply Chain and Trade Challenges**

Vehicle suppliers face a myriad of current challenges within their U.S., North American, and global operations. The current supply chain and trade woes of the motor vehicle parts sector is important context for ongoing and future U.S. trade policy. Alleviating supply chain challenges over the medium- and long-term – with the assistance of like-minded allies – should be a critical component of the IPEF.

MEMA appreciates the progress that the Biden Administration is making on supply chains. MEMA continues to advocate for passage of the competitiveness and CHIPS legislation as soon as

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<sup>3</sup> [U.S. Labor and Economic Impact of Vehicle Supplier Industry](#), MEMA and IHS Markit. February 2021.

possible. In many ways the incentives and strategic planning inherent to this legislation is the foundation necessary prior to embarking on the IPEF.

The broad supply chain risks to motor vehicle parts manufacturers began two years ago with the onset of the COVID-19 crisis and have not abated. They include the continuing acute shortage of vehicle-grade semiconductors, international and domestic shipping price spikes, backlogs, and delays. Moreover, increasing broad raw material and input costs as well as shortages of critical minerals, steel and other metals are also adversely impacting the vehicle industry sector.

Recently, the supply chain disputes caused by Russia's invasion of Ukraine is curtailing motor vehicle and parts production in Europe, potentially harming North American production as well. For example, half the global supply of semiconductor-grade neon was sourced from Ukraine. Since neon is a vital gas for legacy and other chip manufacturing, cost pressures on semiconductors for our members are increasing in the U.S. as well as Europe. Like so often in the past two years, just when the motor vehicle parts sector seems to be regaining production momentum, additional supply chain disruptions surface.

Furthermore, continuing Section 232 steel and aluminum tariffs, and tariff rate quotas (TRQs), as well as broad Section 301 tariffs on imports from China are compounding component and material shortages and increasing prices. While MEMA urges the elimination of Sec. 232 tariffs, we do appreciate the partial relief provided by the new TRQs negotiated by the administration with Japan, the European Union, and the United Kingdom. In addition, MEMA anticipates that further relief opportunities can be broadened to other ally nations.

Overall, MEMA addressed a range of challenges faced by our sector in recent comments to the DOC related to supporting a strong domestic semiconductor supply chain. MEMA encourages USTR and DOC to review those comments<sup>4</sup> in pursuit of understanding the status of the motor vehicle parts industry and the supply chain impacts on the bottom line. MEMA's input to that docket provides additional insights of issues that need to be alleviated as part of a IPEF negotiation and notes that manufacturers in many other sectors face similar pressures.

### **Potential IPEF Priorities**

To its credit, the Biden Administration is starting with potential IPEF issues where progress is achievable. For example, trade facilitation and customs transparency and even harmonization toward higher U.S. standards is non-controversial and helpful. Increased overall transparency and encouraging good and consistent regulatory processes in regional trading partners are also important goals for MEMA members in any nation.

An increase in regional digital trade would be welcomed by motor vehicle parts manufacturers. Also, critical to progress is increased cross border data flows, where the U.S. has a competitive advantage. IPEF must thwart data localization efforts in the region for the U.S. to benefit. Key business and trade procedures could also be digitized on a consistent regional basis.

The emphasis on encouraging strengthening supply chain resiliency in the IPEF negotiations for rare earths, critical minerals and key manufacturing sectors is a welcome new addition to trade agreement negotiation. Progress in this area in the IPEF region will complement the U.S domestic efforts of the Commerce Department and the White House.

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<sup>4</sup> MEMA comments at [DOC-2021-0010-0097](#); Jan. 24, 2022.

Enhanced harmonization of infrastructure standards and rules is also an important IPEF priority. The region already has the comprehensive “Belt and Road” initiative from China and another option for Indo-Pacific nations would be helpful.

Tax related and anti-corruption priorities could be helpful for the administration to develop. However, at some point it might be necessary to prioritize given the wide range of issues already covered.

Increased cooperation with Indo-Pacific nations on clean energy, digital trade, green sustainability, and worker rights sound like a helpful agenda to U.S. competitiveness, but these issues should be more clearly defined. Objectives need to be consistent and achievable for all nations engaged in the IPEF process.

### **Free Trade Priorities**

While the participating nations for IPEF have not yet been announced, MEMA anticipates that, at a minimum, countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are included<sup>5</sup>, which are U.S. allies and have already engaged in the regional free trade and economic integration to which the U.S. should also aspire. In addition, several of these nations including Australia, Canada, Chile, Mexico, and Singapore already have free trade agreements with the United States.

MEMA commends the Biden Administration for noticing the possible inclusion of India in the IPEF negotiation. Now just barely behind China, India has the second largest population in the world at 1.4 billion people and is a large and rapidly growing market for motor vehicles and parts. Perhaps after good preparation work at IPEF, India could ultimately join regional FTA negotiations.

There is no better enticement to expand supply chains from China to allied nations such as Malaysia, Thailand, and Vietnam than robust trade agreement negotiations that yield significant new market access in these and other nations in the region. If the U.S. is intent upon negotiating a best-in-class IPEF, market access needs to be an explicit and fundamental objective for the deal. MEMA believes this agreement needs to be viewed as a foundation for a future regional trade agreement or a U.S. accession to the CPTPP.

Among priorities for the motor vehicle parts sector when embarking on talks could be some of the issues MEMA recommended in 2015-2016 during the TPP negotiations, such as:

- Automotive rule of origin provisions that include motor vehicle parts manufacturers
- Consistent intellectual property language preventing counterfeiting and intellectual property infringement
- Investment provisions that protect investments across the IPEF region, and
- Remanufacturing provisions based on those contained in the TPP and the USMCA.

### **Thoughts on China**

China already has a free trade agreement of its own called Regional Comprehensive Economic Partnership (RCEP), which is not as comprehensive or in-depth as CPTPP. However, China applied to join CPTPP in September 2021. Ideally, the U.S. needs signal its intent to become a part of that

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<sup>5</sup> Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

framework before CPTPP negotiations with China commence. There is no indication that our allies will indefinitely delay consideration of Chinese membership in CPTPP.

One goal of IPEF is to counter economic coercion and non-market policies and practices from China. Certainly, the non-market practices of China such as massive government subsidies, large scale intellectual property violations, and tech transfer requirements need to be addressed. An alliance of nations with higher standards on a whole host of economic and trade issues like IPEF could entice China to progress. Multilateral pressure for improvement is always better than bilateral. However, throughout the U.S. needs to maintain decent economic relations with the second largest economy in the world to continue to generate investment and export opportunities for U.S. manufacturers.

### **Conclusion**

MEMA appreciates the opportunity to provide feedback to the USTR and Commerce. Real market access provided by free trade does matter in the 21<sup>st</sup> century to most all of our allies. Free trade is a 21<sup>st</sup> economic tool that enhances U.S. jobs, national defense, and economic competitiveness. The leaders in the IPEF region understand this dynamic.

MEMA supports this new IPEF undertaking of the Biden Administration. We hope that it is an important opening step in a more ambitious regional trade and economic integration. For more information, please contact Ann Wilson, senior vice president of government affairs at [awilson@mema.org](mailto:awilson@mema.org) or Bill Frymoyer, vice president of policy, at [bfrymoyer@mema.org](mailto:bfrymoyer@mema.org).