



March 17, 2021

The Honorable Gina Raimondo
Secretary
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

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

Dear Secretary Raimondo and Ambassador Tai:

Congratulations on your respective confirmations as Secretary of Commerce and United States Trade Representative. The leadership and members of the Motor & Equipment Manufacturers Association (MEMA) look forward to working with you both on strengthening U.S. competitiveness through international trade. We applaud the Biden Administration's multilateral approach to the issue that will yield more constructive relationships with our allies such as the European Union, Japan, Korea, and the United Kingdom, as well as enable a unified approach to the challenge of China. We believe these actions will go a long way to expanding exports and addressing barriers to U.S. products. No relationships are more important to our sector's supply chain stability and U.S. job growth than those with Mexico and Canada. MEMA worked hard to get bipartisan, bicameral support for the new USMCA. We are now eager to continue to fully implement the new automotive rule of origin provisions in a user-friendly manner.

However, too often unilateral policies implemented in the past few years have created economic uncertainty for our sector, particularly in the international trade, immigration, and overall national competitiveness space. The uncertainty of unilateral tariffs and quotas against our allies has undermined U.S. economic and job growth in our sector. At one point, motor vehicle and parts tariffs were even threatened against key allies.

We write today to urge you to phase out these Section 232 steel and aluminum tariffs on allies and Section 301 tariffs on China in 2021. Removal of these overly broad tariffs would provide a boost to American competitiveness and jobs. Repeal during the COVID-19 pandemic would alleviate some of the adverse impacts of a lingering recession.

Background

The Motor & Equipment Manufacturers Association (MEMA) represents more than 1,000 companies in the automotive and commercial vehicle supplier industry.¹ According to a recent

¹ MEMA represents more than 1,000 companies that manufacture original equipment and aftermarket motor vehicle parts, components, systems, and materials for use in passenger vehicles and commercial trucks. 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).



study completed by IHS Markit,² U.S. motor vehicle parts manufacturers provide more than 907,000 direct jobs, making it the nation's largest manufacturing sector with a jobs presence in all 50 states. Direct, indirect, and induced vehicle supplier employment accounts for over 4.8 million U.S. jobs. Moreover, vehicle suppliers contribute 2.5 percent of U.S. GDP. The average U.S. wage for direct vehicle supplier jobs reached \$80,300 – exceeding the average of all U.S. manufacturing sectors.

Across the entire range of new vehicle innovation – from automated to zero-emissions technologies – vehicle suppliers are leading the way. Vehicle suppliers conceive, design, and manufacture the original equipment (OE) components and technologies that make up two-thirds of the value in every vehicle. Additionally, vehicle suppliers also manufacture aftermarket parts and materials for the maintenance and repair of 290 million vehicles on the road.

Tariffs on Key Materials and Components

Impacts

- Unilateral tariffs are a tax on both companies and consumers. According to the Tax Foundation, tariffs imposed by President Trump up to September 2020 added \$80 billion to the nation's tax bill and eliminated 180,000 U.S. jobs up to that point.³ In addition, the Federal Reserve estimated in 2019 that increased tariffs would decrease GDP growth by 1 percent in 2020.⁴ Given that the U.S. economy declined by 3.4 percent in 2020, tariffs are only exacerbating America's climb out of the severe recession of 2020.
- Motor vehicle suppliers have borne the brunt of tariffs on imported steel, aluminum, and goods from China. Most of the tariff costs cannot be passed on to the ultimate customers. Suppliers have reported a loss in export business, reduction of workforce, and potential plant closures due to these tariffs.
- Domestic steel prices have skyrocketed by 160 percent since August.⁵ Aluminum price increases have also occurred. Both Section 232 and China 301 tariffs have played a very significant role in these price spikes, but there are other contributing factors such as increased demand. Manufacturers, employing millions of workers, use steel and aluminum as key inputs and are being adversely impacted by these price increases. Repealing Section 232 tariffs would take off some of the pressure, starting to unwind the increases.
- Unilateral tariffs can undermine America's commitment to the rules of the World Trade Organization (WTO) and the multilateral global trading system. Cooperation from allies to enable progress on WTO reform may depend on a process to unwind existing tariffs on them.

Actions

- Revoke the Section 232 steel and aluminum tariffs against the EU, Japan, Korea, and other allies as soon as possible in 2021. The recent Biden Administration suspension of WTO

² ["U.S. Labor & Economic Impact of Vehicle Supplier Industry"](#) MEMA and IHS Markit. February 2021.

³ ["Trump Trade War: The Economic Impacts"](#) The Tax Foundation, Sept. 18, 2020.

⁴ ["Does Trade Policy Uncertainty Affect Global Economic Growth?"](#) FEDS Notes, Sept. 4, 2019.

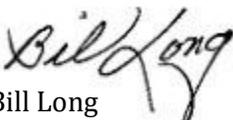
⁵ ["U.S. manufacturers grapple with steel shortages, soaring prices,"](#) Thomson Reuters, Feb. 23, 2021.

permitted civil aircraft tariffs is helpful. Progress on and solution of the Boeing-Airbus dispute is now within sight, which will boost our relationship with the EU. Perhaps elimination of the proposed digital trade taxes on American companies at the OECD could be a reciprocal U.S. ask.

- Remove informal quotas and threats of unilateral tariffs on steel and aluminum imports from Mexico and Canada. A commitment by the U.S. to use the USMCA trilateral dispute resolution process, rather than a unilateral approach, would enhance the USMCA.
- Immediately extend all product exclusions on Section 301 tariffs against imports from China that expired in 2020. We would also urge the administration to review all previous applications for exclusions. This should be followed by a process to ultimately phase-out these tariffs completely. While List 3 was the most encompassing of all vehicle parts and components – Lists 1 and 2 impacted many vehicle suppliers’ production as they included key materials and equipment needed for parts production. The recently announced six-month medical PPE exclusion extensions are a helpful first step. Now, expired Section 301 exclusions should be extended retroactively. These ongoing tariffs compound the strain on vehicle parts manufacturers at a time of tight liquidity and other pandemic related economic difficulties.
- Explore new approaches and leverage with China. Your comprehensive review of U.S. China policy should give a range of options to reform China beyond tariffs. MEMA has long supported the goals of the China 301 investigation designed to make China a market-oriented nation in vital policy areas such as intellectual property, forced technology transfer, government subsidies and procurement. Let us work with our key allies, in applying both direct pressure on China as well as using the tools of a revamped WTO to get China to live up to the commitments it has made.

Thank you for considering making Section 232 and Section 301 tariff policy changes in 2021. If implemented these changes will lead to increased economic growth and job creation in 2021. In addition, we look forward to working with you on a range of issues, starting with the Biden Administration’s supply chain review. MEMA shares your goal of growing U.S. manufacturing jobs and production, and believe that positive incentives such as tax credits, grants and increased federal research and development spending are better approaches to achieving success than policy restrictions such as imposed unilateral tariffs on imports. Please contact Ann Wilson, MEMA senior vice president of government affairs at awilson@mema.org or (202) 312-9246 with any questions that you and your team have regarding these vital matters to the motor vehicle parts sector.

Sincerely,



Bill Long
President & CEO