



Oral Statement

Ann Wilson
Motor & Equipment Manufacturers Association
before the
Office of the United States Trade Representative

RE: Docket No. USTR-2019-0004

June 2019

My name is Ann Wilson and I serve as Senior Vice President of the Motor & Equipment Manufacturers Association (MEMA). MEMA represents 1,000 vehicle suppliers that manufacture new original equipment (“OE”) and aftermarket components and systems for use in passenger cars and commercial vehicles. Our members lead the way in developing advanced, transformative technologies that enable safer, smarter, and more efficient vehicles across America and across the globe. Our members range from multi-national corporations to small- and medium-sized enterprises.

Vehicle suppliers are the largest manufacturing sector by jobs in the U.S., directly employing over 871,000 Americans in all 50 states. Including the indirect jobs in communities across the country depending on our sector, our total employment impact is 4.26 million jobs. And, motor vehicle parts suppliers contribute more than 75 percent of the value in today’s vehicles.

I am dismayed to be here today to discuss a new set of trade restraints – USTR’s proposed 25 percent tariffs on \$300 billion in additional imports from China. Now virtually all imports from China will face large 25 percent tariffs. MEMA member companies are very concerned about the cumulative impact on both consumers and our industry of now \$550 billion in exports from China facing 25 percent tariffs. Finally, we are concerned about the significant workload pressures facing USTR to process the tens of thousands of vital exclusion requests expected for Tranche 3 (comprising \$200 billion in imports) and presumably occurring at some point for Tranche 4 (comprising \$300 billion in imports).

New Tranche 4 tariffs on the motor vehicle related materials and products proposed by USTR coupled with the large-scale Tranche 3 tariffs including more than a hundred motor vehicle part tariff lines, will have a significant harmful impact on U.S. consumers who rely on affordable parts for the repair and maintenance of their vehicles. The increased Tranche 3 and new Tranche 4 25 percent tariffs are much more problematic than the previous 10 percent tariffs on \$200 billion in imports from China. As a start, MEMA respectfully requests that the Tranche 4 products addressed in our detailed comments be removed from USTR’s proposal.

MEMA members operate in a global supply chain of domestic and international suppliers and customers. However, according to the Census Bureau, motor vehicle parts imports from China are only about 13 percent of total imports, less than half of what our members import from Mexico. And the volume of imports from China, is very similar to the volume from Canada, the EU and Japan. Much of U.S. motor vehicle supplier’s production in China services Asia and the global marketplace, not the United States. Yet, in some instances, the China tariffs increases will threaten the success of small- and medium-size U.S. businesses that depend on a reliable supply of parts to make repairs to

automobiles. Tariffs on these products could lead to downsizing, layoffs, or even cause certain U.S. production to move overseas.

For example, a small member company headquartered in Michigan testified last May regarding proposed tariffs on hinges covered by HTS Code 8302.10.30. Their testimony touched on the substantial economic impact that tariffs on these products would have. USTR removed that HTS code from the list prior to tariffs going into effect. That product is now subject to tariffs under Tranche 4, creating the same potential economic harm to this small company. These products are not available from other sources.

We have been contacted by Tier 2 and Tier 3 suppliers, often the major employer in small communities across the country, with concerns about the large-scale 25 percent tariffs moving profitable companies into the red, precipitating bankruptcies and even posing existential threats.

MEMA strongly supports the overall objectives of the USTR China Section 301 investigation. We understand that intellectual property theft, forced technology transfer and a range of additional Chinese market distorting practices must be eliminated. However, MEMA urges USTR to reconsider both Tranche 4 and Tranche 3 tariffs as they will have a significant adverse impact on consumers and U.S. vehicle parts suppliers. We support a much more measured approach in attaining these objectives. Sustained bilateral negotiations with China that pocket progress as it occurs as well as multilateral negotiations and pressure in concert with our USMCA, the EU, Japan and other allies will level the playing field with China over the long term.

###