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**Motor & Equipment Manufacturers Association**  
**Comments to the**  
**International Trade Administration**  
**of the U.S. Department of Commerce**  
**RE: Notice and Request for Comments on**  
**Administration Report on Significant Trade Deficits**  
**Docket No. DOC–2017–0003**  
**May 10, 2017**

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## Introduction

The Motor & Equipment Manufacturers Association (MEMA) represents 1,000 vehicle suppliers that manufacture and remanufacture components and systems for use in passenger cars and heavy trucks providing original equipment (OE) to new vehicles as well as aftermarket parts to service, maintain and repair over 260 million vehicles on the road today.<sup>1</sup> Our members lead the way in developing advanced, transformative technologies that enable safer, smarter and more efficient vehicles, all within a rapidly growing global marketplace with increased regulatory and customer demands.

Vehicle suppliers are the largest manufacturing sector in the United States directly employing over 871,000 Americans in all 50 states plus the District of Columbia. Together with indirect and employment-induced jobs, the total employment impact of the motor vehicle parts manufacturing industry is 4.26 million jobs. Nearly \$435 billion in economic contribution to the U.S. GDP is generated by the motor vehicle parts manufacturers and its supported activity. In total, motor vehicle parts suppliers contribute more than 77 percent of the value in today's vehicles.

MEMA is pleased to provide its feedback on significant trade deficits pursuant to Executive Order 13786. MEMA member companies operate in a global supply chain with both suppliers and customers outside of the United States. This model has allowed for continued growth in motor vehicle production as well as U.S. employment in our sector. MEMA urges the administration to view trade deficits through the lens of free and fair

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<sup>1</sup> MEMA represents its members through four divisions: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Motor & Equipment Remanufacturers Association (MERA); and, Original Equipment Suppliers Association (OESA).

trade that promotes U.S. competitiveness including investment abroad and domestic employment opportunities at home. There are three critical issues that must be examined:

- Trade Deficits and Barriers to Free Trade;
- Importance of Technology Development to Promote Domestic Investment and Employment; and,
- Addressing the Critical Issues of Workforce Development in this Country.

## Trade Deficits and Barriers to Free Trade

Free and fair trade is imperative for a strong domestic supplier industry. MEMA encourages the Trump Administration to update and engage in trade agreements in a manner that does not disrupt supply chains or increase production costs. MEMA believes that the focus of the debate should be on policies that will make U.S. manufacturers more competitive by creating more jobs and cultivating capital investments to achieve greater economic stability.

Yet it is important to realize that motor vehicles suppliers are dependent on a world-wide network of suppliers and customers for continued viability and growth. Increasingly we have seen other countries use free trade agreements as a tool to encourage growth in their motor vehicle parts manufacturing sector; MEMA would encourage the administration to lead other nations in this endeavor and keep pace with these developments. In addition, suppliers are often required to locate within a short distance of, if not immediately adjacent to, final assembly of motor vehicles. Therefore, it is impossible to focus solely on trade deficits as the signal of unfair trade.

Deliberations on trade deficits should center on those countries that have consistently maintained tariff and non-tariff barriers to trade. Too many countries consistently impose excessive tariffs as well as testing, marking, and domestic content requirements. Trade of motor vehicle parts within the NAFTA is closely balanced and even export and import volume worldwide are not significantly disparate. (See Appendix) Yet, trade with countries like Argentina, Brazil, China, India, Indonesia, Thailand, and South Africa maintain significant tariffs on motor vehicle parts. Also, many countries impose significant domestic content and testing requirements that impede free trade of parts and components worldwide. MEMA encourages the administration to focus on those countries and would be pleased to work with the administration to address these issues.

## Importance of Technology Development to Promote Domestic Investment and Employment

The motor vehicle industry is in the center of major advancements and changes that promote safer, more fuel-efficient vehicles. Suppliers dedicate significant resources to the innovation, research, development, and production of over two-thirds of the technology in today's vehicles. This includes technologies like advanced driver assistance systems, collision avoidance and mitigation systems, vehicle-to-vehicle communications,

autonomous driving, and a host of emissions-reducing and vehicle efficiency components and materials, all of which improve the driving experience. There is little doubt that these technologies are the new face of the industry and the U.S. must be in the forefront of this development and implementation. This is not merely a matter of life-saving technology development, but also the work associated with these new technologies will drive job development in the U.S. which will, in turn, promote exports and ensure that the U.S. will maintain its technology and innovation leadership position in the world.

While MEMA understands the need to carefully balance regulatory requirements with cost imposed on the industry and the consumer, we would encourage the administration to continue to take the lead on the global development of these technologies and the standards associated with their implementation. This includes working with other countries to harmonize regulatory schemes, particularly for new and developing technologies. Thus, MEMA believes that the U.S. should work to address the following:

- Update the New Car Assessment Program (NCAP) 5-Star Ratings to include information about crash avoidance and pedestrian protection features in the ratings as directed in the FAST Act;
- Provide recognition to motor carriers for the voluntary use of advanced vehicle safety technologies or enhancements to driver fitness measures that go beyond the minimum required by law as required in the FAST Act;
- Lead efforts to create a national framework on connected and automated vehicles that is wide-reaching, forward-leaning, and unprecedented;
- Ensure a harmonized “National Program” of the Corporate Average Fuel Economy and greenhouse gas emissions standards under the Environmental Protection Agency (EPA), the National Highway Traffic Safety Administration (NHTSA), and the California Air Resources Board (CARB) to provide industry with long-term compliance planning and corresponding technology investments, including important program flexibilities (e.g. off-cycle technology credits). These technologies cannot be viewed as merely transportation issues. The U.S. must address and promote technology development to strengthen domestic jobs and to increase exports.

## Addressing the Critical Issues of Workforce Development in this Country

Throughout the nation, the supplier industry plays an important role by participating in a variety of state, local and regional workforce-related endeavors to acquire talent and enhance employee training – particularly those jobs associated with STEM education. During the 113<sup>th</sup> Congress, MEMA supported the Workforce Innovation and Opportunity Act, which modernized state workforce programs by providing customized training for local industries, increases reimbursement rates for on the job training, requires states to create a unified workforce plan, prioritizes the use of industry standards, eliminates

outdated programs, and provides accountability and reporting requirements for programs.<sup>2</sup>

MEMA members are involved in all areas of STEM education including robotics, mentoring, internships, and apprenticeships. The advent of a major technology shift in transportation has underscored the need for trained workers requiring both traditional and advanced manufacturing skills. MEMA's Original Equipment Suppliers Association (OESA) division 2016 fourth quarter survey asked a series of questions about talent recruitment and retention and reported the following:

Well over 50 percent of those surveyed strongly indicated they expect job growth and plan to hire more engineers, technicians, and skilled trades in both the U.S. and Mexico. However, an equally sizable number of respondents stated they are having difficulty finding and acquiring candidates for these types of positions. The challenge with filling these kinds of jobs is reaching a critical stage and reports show that the chasm is only getting wider.

Strong demand for workers in the industry is leading to high turnover rates. Due to demanding recruiting and retention needs, suppliers are forced to respond by increasing appeal with higher health care contributions, more bonuses, and more training.

It is widely agreed that internal training and development programs are the most likely to help mitigate loss of talent and to close the skills gap suppliers face. This trend translates to significantly increasing training budgets. Nearly 60 percent of respondents stated that training budgets for production workers and engineers must increase at least 10 percent, and, they believe, that a sizeable share of state budgets need to rise by 20 percent or more.

MEMA is encouraged by the focus of the administration and Congress to address workforce development issues. We believe a wide range of solutions must be examined including public-private partnerships, tax incentives, and greater coordination between educational institutions and manufacturers are necessary. MEMA stands ready to work closely with all parties.

## Conclusion

As the largest employers of manufacturing jobs in the U.S. and a significant importer and exporter of raw materials and finished goods, motor vehicle component and systems manufacturers are central to the ongoing debate on trade deficits and the impact on U.S. competitiveness. We appreciate your consideration of MEMA's comments and look forward to continuing to work with the administration and Congress to address these critical issues. For more information, please do not hesitate to contact Ann Wilson, senior vice president of government affairs ([awilson@mema.org](mailto:awilson@mema.org), 202-312-9246).

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<sup>2</sup> Public Law No. 113-128, July 22, 2014.



# Appendix

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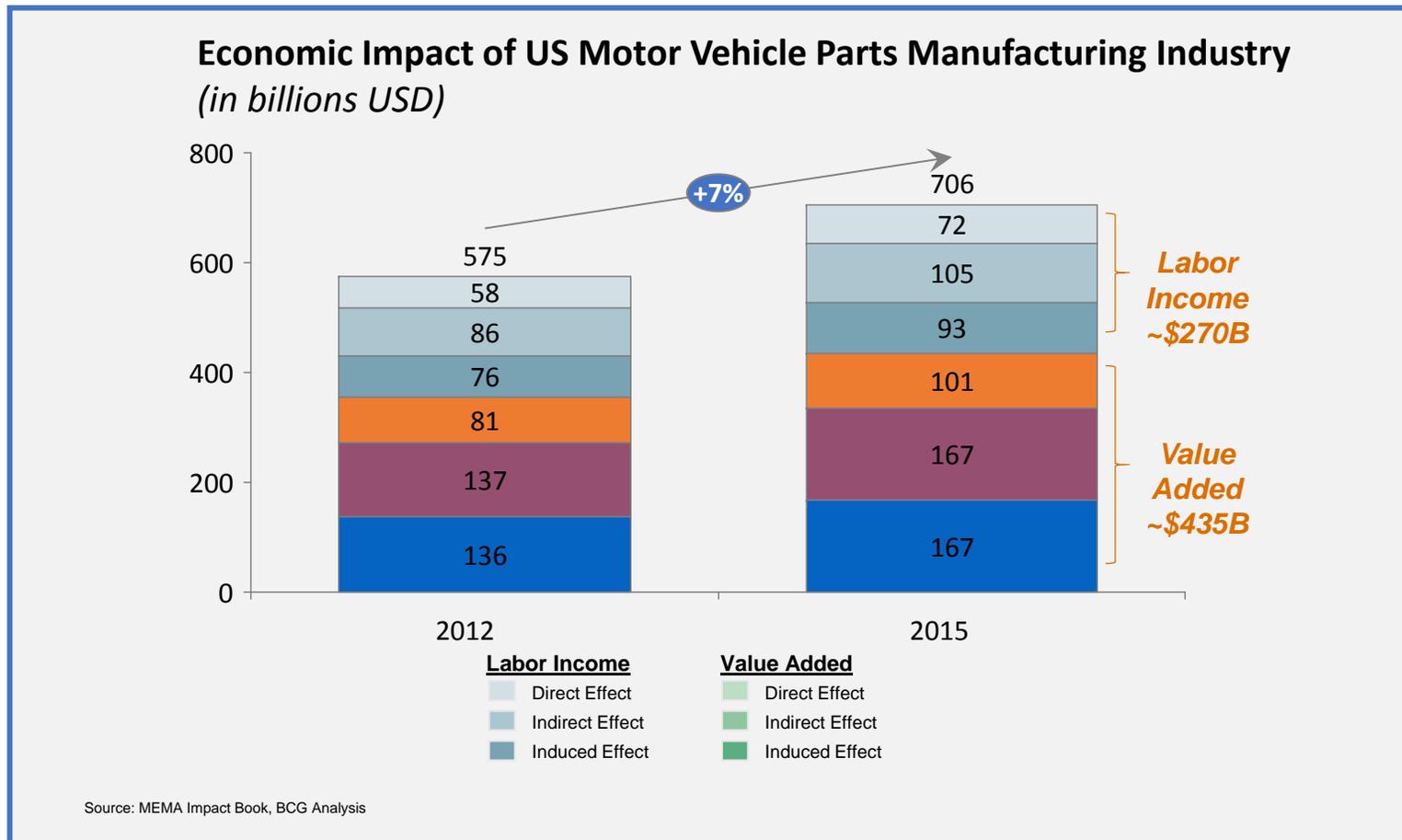
MEMA Comments RE: Trade Deficits  
Docket No. DOC-2017-0003

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## Appendix

# Economic Impact Of The U.S. Motor Vehicle Parts Manufacturing Industry Grew 7% YOY from 2012 - 2015

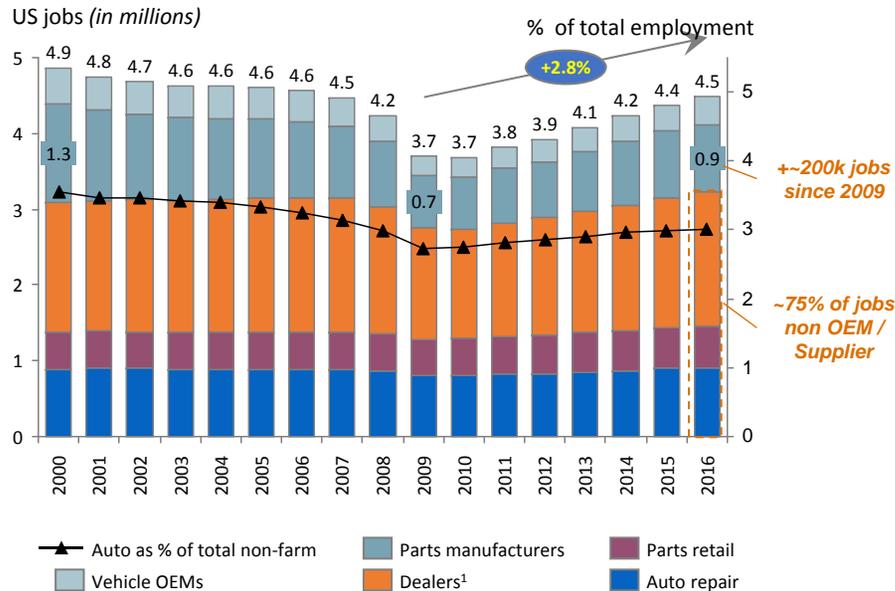




## Appendix

# Motor Vehicle Industry Directly Employs ~4.5m U.S. Workers

**Auto jobs have been steadily growing since 2008, nearing pre-recession employment levels in 2016**



**Auto industry indirectly supports countless other jobs**

### Raw materials suppliers

- Steel
- Rubber
- Plastics
- Chemicals

### Intermediate manufacturers

- Fabricating
- Machining
- Casting
- Forging

### Logistics providers

- Transportation
- Warehousing

### Service providers

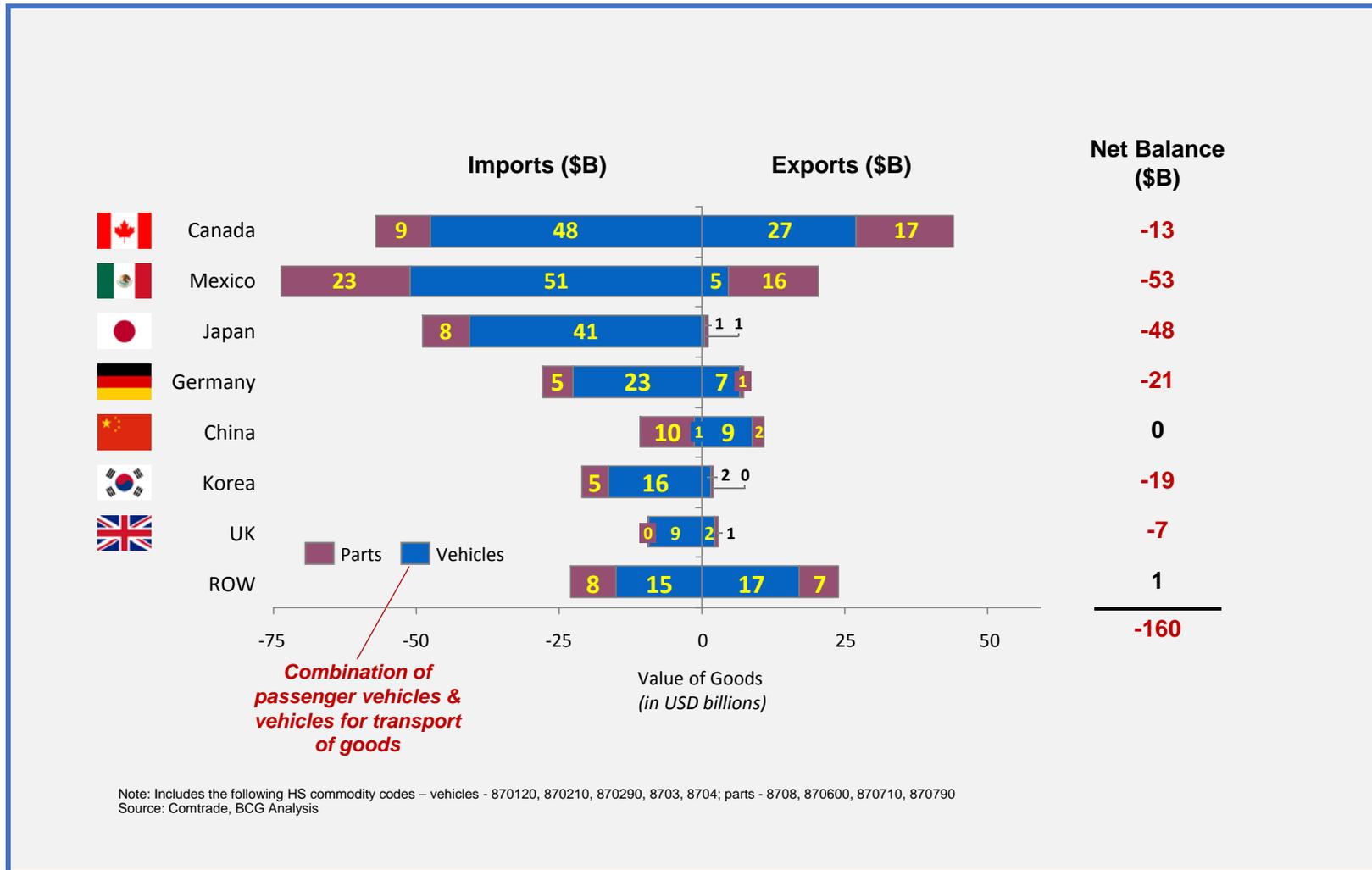
- Technical (i.e. IT, engineering services, etc.)
- Administrative (i.e. accounting, consulting, etc.)

1. Includes new and used auto dealerships, heavy duty truck dealerships, and wholesale trade  
 Note: See appendix for breakdown of NAISC codes  
 Source: BCG analysis, MEMA supplier segmentation, Bureau of Labor and Statistics



## Appendix

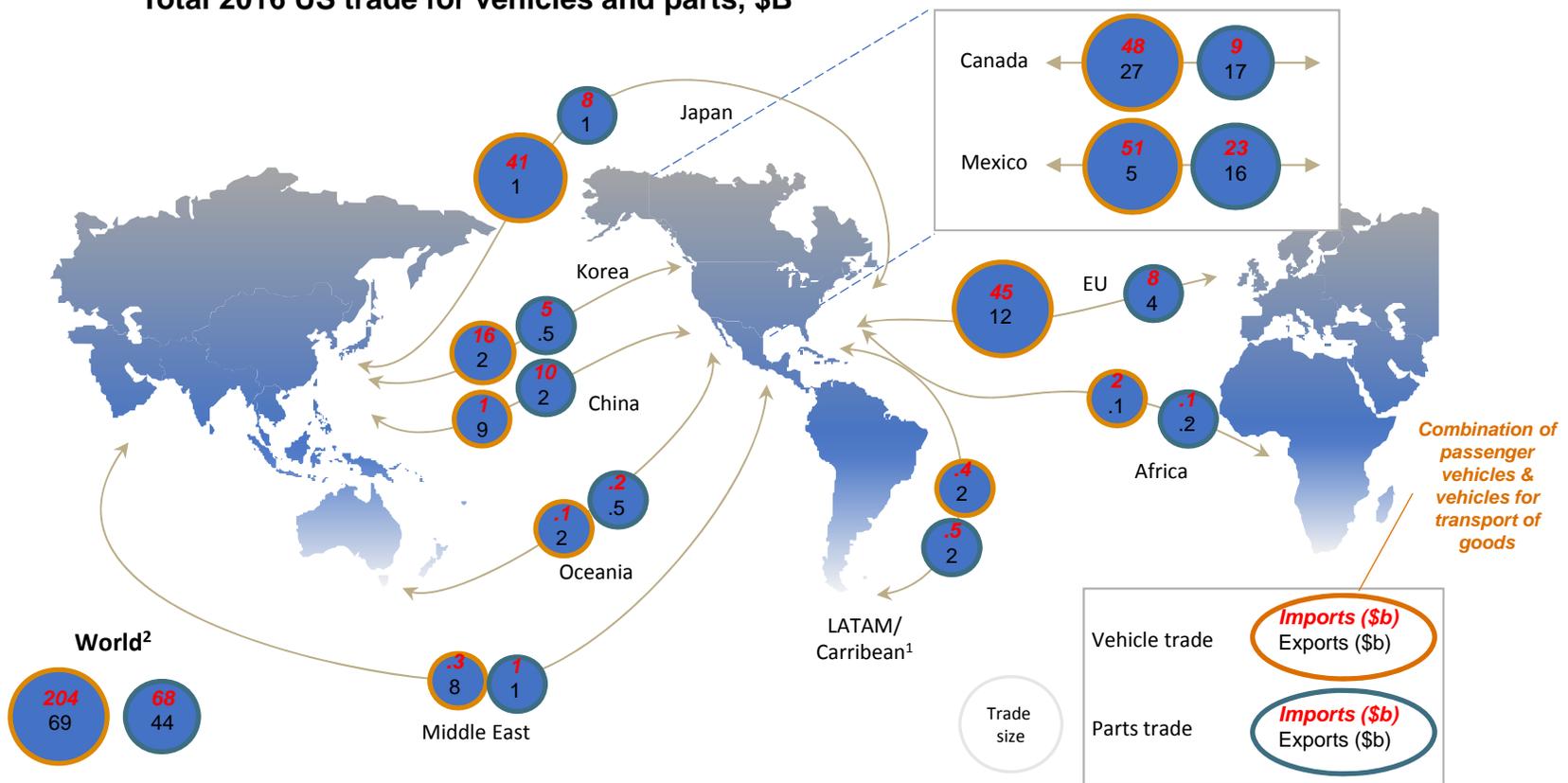
# Current Trade Flows in Motor Vehicle Industry





# Detailed motor vehicle industry trade flows

### Total 2016 US trade for vehicles and parts, \$B



Note: Includes the following HS commodity codes – vehicles - 870120, 870210, 870290, 8703, 8704; parts - 8708, 870600, 870710, 870790  
 1. Without Mexico 2. Including trade flows not shown on page  
 Source: Comtrade, BCG Analysis



# Summary of Trade Barriers for Automotive Parts

