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**Statement of the  
Motor & Equipment Manufacturers Association (MEMA)  
Before the  
United States Trade Representative  
Public Hearing on  
Negotiating Objectives for a U.S.-Japan Trade Agreement  
Docket No. USTR–2018–0034  
December 10, 2018**

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My name is Ann Wilson and I am the Senior Vice President of Government Affairs for the Motor & Equipment Manufacturers Association. MEMA represents more than 1,000 vehicle suppliers that manufacture new original equipment and aftermarket components and systems for use in passenger cars and commercial vehicles. Vehicle suppliers are the largest sector of manufacturing jobs in the United States, directly employing over 871,000 Americans in all 50 states. Supplier manufacturing jobs have increased over 19 percent since 2012– in large part because of investment in new innovative technologies that are dependent on a global supply chain. I am pleased to be here today to address our thinking and priorities for a free trade agreement with Japan.

Japan is a critical trading partner for U.S. vehicle parts manufacturers. MEMA supports this opportunity for the U.S. to strengthen our trading relationship with Japan, particularly related to vehicles and vehicle parts. We are encouraged that the administration has taken this important first step to open negotiations for a free trade agreement between the parties to work through these critical concerns.

MEMA has a long history of working with Japan on trade relations. For decades, MEMA participated with our Japanese colleagues and vehicle manufacturers to strengthen the US supply base in the U.S. This has led to an interwoven, highly dependent supply base as demonstrated in our written statement. In order for this supply chain to remain healthy we are all dependent on a strong trading system.

However, the potential for Section 232 on imported autos and parts presents a hindrance to near term trade talks and must be addressed. The United States and Japan must agree to terms related to the current Section 232 tariffs on steel and aluminum and any potential Section 232 tariffs on automobiles and vehicle parts. Moreover, MEMA would urge the Parties to agree to a full exemption without any caps or quotas. Quotas present challenges and uncertainty especially for the vehicle industry, which has long production cycles. Addressing these exemptions would signify the importance of our trading

relationships and provide the ongoing stability that suppliers need to thrive in the United States.

Adjustments to imports of automotive parts would likely cause declines in overall U.S. production as the cost of inputs increase and member companies are faced with the unenviable choice of passing these higher production costs on to their customers or absorbing the price increases. Passing on the costs may not be possible because the OEM customer would seek other suppliers. If the supplier absorbs the costs, however, they may be forced to delay or cancel planned U.S. investments, such as workforce training or facility expansions. Regardless, the end result will be lost market share for MEMA member companies and a less competitive and profitable U.S. automotive industry.

Furthermore, during trade talks between the U.S. and Japan, MEMA urges the parties to:

- Allow for mutual recognition of existing standards, without further modification, testing, or certification, provided that safety levels and environmental protection are not lowered;
- Address non-tariff barriers to trade;
- Promote opportunities for a strong worldwide system of future aligned vehicle regulations through the United Nations process under the 1998 Agreement;
- Eliminate tariffs reciprocally and secure 100 percent liberalization with relatively short phase-out periods;
- Require that imports of all aftermarket parts, including remanufactured goods, are not treated differently from new goods imports; and,
- Enable a strong and sustained political commitment, at the highest levels of government and regulatory authorities, allowing for transparency and regular consultation with industry stakeholders.

MEMA recognizes that the vehicle industry is a key industry for the economies of both Parties. Certainly, considerable care must be taken not to jeopardize the vehicle supply chain and weaken U.S. employment. MEMA stands ready to work with the Parties on these objectives.

If key issues specific to the automotive sector are addressed, a possible U.S.-Japan trade agreement would be mutually beneficial for our industries, citizens, and respective economies. Such an agreement should aim to provide expanded opportunities for U.S. vehicle manufacturers as well as vehicle suppliers.

Thank you for considering our comments today. I look forward to your questions.

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