



USTR Public Hearing on NAFTA Modernization MEMA Oral Statement for the Record – June 28

Good afternoon. My name is Leigh Merino. I am here today on behalf of the Motor & Equipment Manufacturers Association, or MEMA, where I serve as the senior director of regulatory affairs.

MEMA represents the full scope of the motor vehicle supplier industry – providing technologies for passenger cars, light trucks, and heavy-duty commercial vehicles. Our members make the original equipment installed on new vehicles as well as new and remanufactured aftermarket parts for maintenance and repair. Suppliers’ components account for about 77 percent of the content value in today’s vehicles.

Based on MEMA’s recent economic study, vehicle suppliers have seen a 19 percent increase in employment since 2012 – a growth rate that is three times that of other major sectors of the U.S. economy. Suppliers provide over 871,000 direct jobs to Americans nationwide, making it the largest manufacturing sector in the United States. Together with indirect and employment-induced jobs, the vehicle supplier industry supports 4.26 million jobs. The economic contribution to the U.S. GDP generated by vehicle parts manufacturers and supported activities is nearly \$435 billion – or about 2.4 percent of the GDP.

Overall, MEMA supports a balanced renegotiation of the NAFTA that creates a competitive U.S. manufacturing environment and avoids unintended risks that impact domestic jobs, increase production costs, and disrupt supply chains. MEMA members operate in a global economy that depends on a on a strong North American trading economy and a worldwide network of suppliers and customers for continued viability and growth. Our industry’s 19 percent job growth can be attributed, in part, to the NAFTA model. NAFTA-enabled “nearshoring” of an interconnected supply chain between the U.S., Canada, and Mexico has allowed the U.S. manufacturers to compete with the rest of the world.

MEMA commissioned the Boston Consulting Group to evaluate the impact of NAFTA on the vehicle industry and how changes may affect vehicle parts manufacturers. For your reference, this data was discussed in more detail in our written comments to the USTR. The study provided valuable information to inform MEMA’s conclusions.

- Domestic investment in technology innovation and R&D is possible in part because of the industry’s access to imported parts from low-cost countries. This sourcing allows the labor market in the U.S. to focus on developing and manufacturing new and advanced technologies and systems domestically and provide high-quality, higher-paying jobs in the U.S.
- BCG found that the implementation of a tariff on goods from Mexico would create \$16-\$27 billion of additional costs for the U.S. automotive market. Consequently, as the cost of vehicles rise, vehicle manufacturers may decrease content that could impact 25,000 to 50,000 U.S. jobs.

Additionally, MEMA urges the administration to keep in mind the following key challenges – capacity, sales volumes, and skilled workforce.

Both OEMs and suppliers are operating current manufacturing facilities at peak capacity. Any new capacity would require new or expanded facilities at a time when U.S. sales volumes at their peak and the economic viability of opening new facilities is minimized.

Like many manufacturing industries, suppliers are having a difficult time finding enough skilled tradespeople to fill open positions. Our industry is very active with their recruiting and apprenticeship programs, which is why MEMA is encouraged by the President's recent executive order addressing apprenticeships.

Despite these challenges, our collective objective is to maintain and increase the existing higher value-added manufacturing in the U.S. where we already have a competitive advantage.

Lastly, as NAFTA is updated, MEMA supports:

- **Establishing a level playing field for all parties**, and strongly supports initiatives that would eliminate unfair trade practices globally.
- **Increasing and encouraging cooperation between countries and the industry to improve international trade.**
- **Allowing flexibility** in key NAFTA provisions on how to qualify items because of the substantial manufacturing process in the region and to update the rules of origin that reflect current and future manufacturing environments;
- **Including investor-state disputes and other NAFTA forums** that could speed conflict resolution including tariff classifications;
- **Enforcing Intellectual Property Rights (IPR) protection**
- **Aligning data protection and privacy laws** so that data can freely flow within NAFTA;
- **Ensuring that U.S. Federal Motor Vehicle Safety Standards** and other similar provisions are accepted in treaty countries;
- **Promote a harmonized regulatory system**, particularly working with Mexico to implement safety and environmental provisions that are in line with the U.S. and Canada;
- **Regulating the move and residence of laborers, their dependents, and business visitors across NAFTA** (for example, allowing for additional inner-NAFTA work visas beyond the current program);
- **Requiring that imports of all aftermarket parts** – including remanufactured goods – not to be treated differently from new goods imports;

- **Utilizing draft components of previous trade agreements** that are beneficial for all three countries (e.g. services, IPR).

In closing, the final NAFTA product must continue to provide for a vibrant North American supply chain, which data shows supports U.S. jobs and competitiveness. Care must be taken to balance the re-shoring of U.S. jobs with the unintended risks to current workers and the supply base.

MEMA stands ready to fully participate in the renegotiation process. Thank you for considering the comments of MEMA.

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