



January 22, 2017

The Honorable Robert Lighthizer  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Ambassador Lighthizer:

The Motor & Equipment Manufacturers Association (MEMA) represents more than 1,000 vehicle suppliers that manufacture and remanufacture components and systems used in passenger cars and heavy trucks as original equipment (OE) in new vehicles and as aftermarket parts to service, maintain and repair the vehicles on the road today.<sup>1</sup> Motor vehicle component manufacturers are the nation's largest direct employer of manufacturing jobs in the U.S. employing over 871,000 workers in all 50 states. Together with indirect and employment-induced jobs, the total U.S. employment impact of the supplier industry is 4.26 million jobs.

MEMA supports President Trump's initiatives to modernize the North American Free Trade Agreement (NAFTA) and increase jobs in the United States. Since the recession, the U.S. has seen a six percent growth in vehicle industry jobs. In fact, motor vehicle supplier jobs alone have increased 19 percent between 2012 and 2015 with a year-over-year growth rate of seven percent.<sup>2</sup> Much of this employment growth can be tied directly to NAFTA. NAFTA has played a critical role in the development and strengthening of various North American supply chains and has been effective for the overall U.S. vehicle industry.

### Recommendations

MEMA wants to take this opportunity to provide input on some issues that are of critical importance to vehicle component suppliers including:

- Recognize innovative technology developments by providing suppliers a framework to include research and development (R&D), engineering, designing, and software development expenditures in regional value content calculations (RVC);
- Retain tariff shift for automotive parts;
- Standardize the rules of origin for automotive parts to allow the options for either tariff shift or RVC with no required tariff shift;

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

<sup>2</sup> ["Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S."](#) MEMA, January 2017.



- Ensure that aftermarket parts, including remanufactured goods, are not treated differently from new goods imports; and,
- Provide incentives to U.S. companies to train and expand the U.S. workforce.

### Discussion

Motor vehicles suppliers provide the technologies and components that make up more than 77 percent of the value of a new vehicle. The development and manufacturing of these advanced products have provided a robust domestic supply base from which the U.S. has greatly benefited. This is increasingly the case with a greater use of electronics, sensors, cameras, receivers, LIDAR, and radar systems in vehicles. Updating the Agreement to recognize R&D, engineering, design, and software development would provide incentives for this work to continue to take place in the United States.

Vehicle parts have become more complex and costly since NAFTA was originally drafted in 1993. Tariff shift allows for this complex and value-add work to be completed in the United States. MEMA recommends that the NAFTA rules of origin be modernized for vehicle parts to provide for a standard two-part test that provides for either (A) a tariff shift or (B) a regional value content with no required tariff shift. This provides a consistent rule of origin for these complex manufactured goods.

A modernized NAFTA should provide for incentives for worker training and manufacturing expansion and development. A recent survey of MEMA members demonstrates workforce talent is a significant barrier to U.S. economic growth. Seventy-two percent of our surveyed members report a current workforce shortage with upcoming retirements worsening the situation.<sup>3</sup> Despite the industry's continuous efforts to add motor vehicle manufacturing jobs and to cultivate skills and career development, the industry still struggles as there are not enough workers to fill these positions today. With so much of our employment dependent on a strong NAFTA, MEMA believes incentives within the agreement will do a great deal to assist the industry with worker shortage and promote continued employment in the United States.

### Conclusion

MEMA urges the administration to continue to negotiate with Canada and Mexico with the common goals of sustaining and improving the agreement. Any changes to NAFTA must improve the integrated North American supply base and concurrently preserve and grow

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<sup>3</sup> ["Many Trump Administration Policies Aim to Bring Jobs Back to the US: Are Companies and Workers Ready?"](#)

MEMA Policy Breakfast Series, Nov. 8, 2017, Among the findings:

- 72% of MEMA members responding reported a skilled labor shortage
- More than 45% of skilled and professional staff are eligible for retirement in the next five years, creating a potential sudden loss of institutional knowledge and a rapid decrease in trained employees
- 79% reported not pursuing business due to lack of talent on staff
- 68% indicated they have taken steps to find non-traditional workers to help alleviate the workforce problems and providing basic skills training such as reading and math.

U.S. jobs. This, in turn, will strengthen our nation's ability to manufacture products in the U.S. and export globally.

A withdrawal from NAFTA would have a serious detrimental impact on our nation's economy. In 2017, the Boston Consulting Group released a study commissioned by MEMA that demonstrated either a withdrawal or a revised NAFTA (with increased burdensome requirements) could decrease the number of U.S. supplier jobs by over 50,000. It is important to recognize that each supplier job in the U.S. economy creates another five jobs nationwide. Thus, a withdrawal from NAFTA could cost this country over 250,000 of these employment-induced jobs.

The economic growth and continued prosperity of our industry and this nation requires the U.S. to stay at the negotiating table. Achieving an updated, modernized agreement allows for creation of more U.S. jobs and maintains the U.S. as a global leader in this critical industry that combines high technology and advanced manufacturing. We would welcome the opportunity to work with you and your team on the wide range of issues raised in the NAFTA negotiations. Please contact Ann Wilson at [awilson@mema.org](mailto:awilson@mema.org) or (202) 312-9246 if you have any questions or need more information.

Sincerely,



Steve Handschuh  
President & CEO  
MEMA



Ann Wilson  
Senior Vice President, Government Affairs  
MEMA