



**Testimony of Ann Wilson**  
**Motor & Equipment Manufacturers Association**  
**before the**  
**U.S. International Trade Commission**  
**Public Hearing on United States-Mexico-Canada Agreement**  
**November 15, 2018**

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Good morning. My name is Ann Wilson. I serve as the senior vice president of government affairs for the Motor & Equipment Manufacturers Association or MEMA. On behalf of our industry, I greatly appreciate the opportunity to testify today.

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 in new vehicles and used as aftermarket parts to service, maintain and repair the vehicles on the road today. 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. This represents a 19 percent growth in the U.S. over the previous five years.

MEMA believes that the announcement of the U.S.-Mexico-Canada Agreement is a positive step forward for all three countries. We supported an update of the agreement that makes the United States more competitive and that meets the needs of a 21<sup>st</sup> century economy. At the same time, we have consistently cautioned against wide-spread new requirements that provide little value to the supply chain.

Suppliers 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 provided opportunities for U.S. manufacturers to compete with the rest of the world.

I think it is important to talk briefly about the supply chain. The U.S. automotive supply chain is both a vibrant hub of opportunity but can be fragile at many points. At the top of the supply chain, larger, Tier One suppliers provide components and systems directly to vehicle manufacturers. Tier One suppliers provide 77 percent of the content value of new vehicles. They are dependent on inputs from around the world that allow suppliers to work with vehicle manufacturers to provide new innovative technology to consumers and provide important jobs in the United States. At the same time, over 70 percent of the employment is in Tier 2 and Tier 3 jobs that are often more localized in the United States.

Suppliers are dependent on cost-effective components in order to provide consumers with new technologies in a competitive manner. Suppliers and vehicle manufacturers will have little choice but to move production elsewhere if access to cost-effective inputs is restricted.

Smaller, more localized suppliers are likely to feel the pinch of increased costs immediately. These suppliers are dependent on their Tier One customers. Cost increases from abrupt changes resulting from tariffs or quotas or increased administrative requirements are felt up and down the supply chain. But smaller suppliers feel these impacts immediately.

Take for instance this wire harness. There are upwards of 8 wire harnesses in most new passenger vehicles. These wire harnesses connect with electronics to provide communications, door locks, automatic rear hood closures, and many other conveniences and safety requirements. In North America, most wire harness are assembled in Mexico by Tier One suppliers. This allows the manufacturers to take advantage of lower wages to assemble the part. However, many times the plastic connectors, fabric, and wire come from the U.S. from lower tier suppliers. Arbitrarily raising the cost of wire harnesses without providing additional value to the American consumer will hurt all in the supply chain and will hurt U.S. jobs.

Using this as a backdrop, let me review briefly with you our chief concerns about the USMCA.

First, the parties must agree to exempt Mexico and Canada from Section 232 tariffs on steel and aluminum. Since the beginning of this year, our industry has paid hundreds of millions of dollars in tariffs on imported steel. In addition, our members are reporting a 50 percent increase in the price of domestic steel. Earlier this fall, one of our members, North American Stamping, testified before the Senate Finance Committee explaining that they have experienced steel price increases exceeding \$10 million annually. To absorb these costs North American Stamping has already reduced overtime, put on hold and dramatically pared down all hiring, capital spending, and reduced discretionary spending.

Exempting Mexico and Canada from the Section 232 tariffs on steel and aluminum strengthens the agreement and will in turn strengthen the U.S. manufacturing base. This issue must be dealt with before the parties sign the agreement at the end of the month.

Second, MEMA seeks greater clarity and implementation processes on a wide range of issues. These include understanding the impacts of the automotive rules of origin steel and aluminum requirements will have on commercial relationships between suppliers and their customers and clarifying the impact of the Labor Value Content (LVC) on suppliers.

Third, MEMA continues to be disappointed that the parties elected to impose quotas on parts imported into the U.S. However, in order to make the agreement function USTR must now specify the processes that will be used for assessing the caps in the side letters to the agreement if a Section 232 action is taken on automobiles and automotive parts.

The current state of play on trade has placed our industry in turmoil. In the last year our members have faced section 232 steel and aluminum tariffs, other section 232 tariffs proposed, and section 301 tariffs on goods from China. At the same time all of our members are being pushed to lean in and provide new technology for the entire industry. This technology development requires investment, trained personnel, and risk.

For that reason, MEMA will be seeking implementing legislation that provides assistance for workforce training and assistance to retool and manufacture in the U.S. We share the administration's vision of new manufacturing jobs and opportunities for all of our citizens. But the industry cannot get there on its own.

MEMA is continuing to analyze the agreement for other areas that need greater clarity and specification. We are concerned that there appears to be a growing list of technical corrections and clarifications that will be required prior to signature.

In conclusion, I would like to reiterate our support of a modernized, workable USMCA. We believe the issues that I have outlined can and should be addressed prior to signature by the parties and ratification. Thank you for the opportunity to testify today and I look forward to your questions.

