**Oral Statement**

**Catherine Boland**
**Motor & Equipment Manufacturers Association**
**before the**
**Office of the United States Trade Representative**
**July 25, 2018**

Thank you for the opportunity to testify today.

My name is Catherine Boland, and I am the vice president of legislative affairs for the Motor & Equipment Manufacturers Association.

MEMA represents manufacturers of motor vehicle parts, components, and systems, supplying the automotive and heavy vehicle original equipment and aftermarket industries. These suppliers are the largest sector of manufacturing jobs in the United States, directly employing over 871,000 Americans in all 50 states.

Suppliers operate in a global supply chain of domestic and international suppliers and customers. China is a large and important trading partner for our industry, with many U.S. motor vehicle suppliers maintaining manufacturing facilities in China to service Asia and the rest of the world. Domestic capacity is simply not available for some of the necessary materials and parts from China relied on by suppliers.

MEMA supports the administration's agenda to assure free and fair trade for America. However, we urge USTR to remove products included in, but not limited to, HTS Chapters 39, 84, 85, and 90. Products under these chapters are indeed used by suppliers either as part of the manufacturing production line or as materials and tools to produce vehicle parts.

The proposed tariffs on the listed products will cause disproportionate harm to U.S. interests by disrupting American manufacturing operations and increasing costs to both U.S. producers and consumers. The increased costs will create a significant harmful burden – particularly on small and medium businesses – including the possibility of forced bankruptcy and loss of income.

Our industry has long supported aggressive policies to protect IP rights and enforce IP laws here in the U.S. and around the globe – including China. MEMA shares the administration's concerns regarding Chinese industrial policies that promote technology localization, such as "Made in China 2025." These policies increase vulnerabilities for U.S. companies such as unfair practices focused on technology transfer and weakened IP protection. They make it difficult for a non-Chinese company to compete in China and abroad.

However, many of the products we are requesting to be removed from Annex C are primarily materials or parts used by the industry for manufacturing standard components for vehicle manufacturer customers and are not linked to China's 2025 advanced industrial policies.

For example, HTS Chapter 39 includes resins that are proposed to be subject to tariffs in Annex C. These resins are basic primary material feedstocks for products such as vinyl and plastics. These are not advanced technologies and are not vulnerable to IP theft in China. In many cases, these products are not available at sufficient capacity in the United States or other markets. Placing a 25 percent tariff on resins from China will severely disrupt the U.S. PET market, which has already seen disruptions this year with tight supplies. A large Tier One OE supplier shared with me that a tariff on resins will cost them at least $1.25 million during the first six months tariffs are in effect.

As another example, there are several motors under Subheading 8501 that are imported by suppliers. These motors are not linked to China 2025 policies. These motors are used by suppliers for a variety of simple applications in a vehicle, such as a powered automatic seat, power windows or windshield wiper motors. Tariffs on these motors will simply increase prices for suppliers.

In both examples, suppliers are generally unable to pass on cost increases to their customers. Instead, they will either absorb the cost increase, seeking cuts elsewhere – such as jobs – or their customer will seek imported sources of finished products, leading to lost business for the supplier.

While the administration's focus on protecting IP is something MEMA supports, tariffs on these manufacturing inputs will not protect IP. Instead, they will lead to threats of increased costs, lack of capacity, loss of customers, and overall uncertainty.

These examples are not isolated. Since April, MEMA staff have fielded countless calls and emails from members with operations throughout the U.S. who face potential tariffs on a number of imported goods.

Please understand, the cost of these tariffs will not only impact companies, but ultimately U.S. consumers and our country. The price will be loss of current jobs, constrained access to materials and parts, and curtailed future U.S. investments by vehicle suppliers.

In closing, MEMA urges USTR to not move forward with broad-based tariffs. Additionally, MEMA continues to recommend bilateral discussions between the U.S. and China before implementing additional tariffs that will harm our industry, job creation, domestic investments, and the overall U.S. economy.

Thank you for your attention, and I look forward to your questions.

# # #