

**Testimony of Linda Menghetti Dempsey
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**Re: Inv. No. DOC-2018-0002, Section 232 National Security Investigation of
Imports of Automobiles and Automotive Parts
July 19, 2018**

Thank you for the opportunity to provide this testimony. The National Association of Manufacturers – NAM – is the largest manufacturing association in the United States, representing 14,000 manufacturers small and large in every industrial sector and across all 50 states. Not only does manufacturing employ 12.7 million women and men across the country, but the average manufacturing worker earns more than \$82,000 annually in pay and benefits—about 27 percent higher than the average earnings for all nonfarm jobs.

The NAM is committed to achieving a policy agenda that helps manufacturers here in the United States grow and create jobs, which is exactly why we welcome the opportunity to provide input today.

Manufacturers agree with the president on the need to promote free and fair trade. Since the challenges to free and fair trade are commercial in nature, manufacturers also believe that those challenges are addressed most effectively with targeted trade tools designed expressly to address them—either those tools that exist already or new ones, such as innovative new trade agreements.

Let me explain why.

The U.S. manufacturing economy has hit its stride over the past year, with solid growth in demand, output and hiring and, as the NAM's quarterly Manufacturers' Outlook Survey continues to show, a strong outlook for the future. Domestic production and jobs have increased, as have exports of manufactured goods generally and automotive exports specifically. Indeed, our country's automotive sector is strong and growing, and U.S. automobile and automotive parts production have expanded substantially over the past several decades.

International trade and investment, unsurprisingly, have both been critical to that robust growth. This includes foreign investments; and it includes not only exports but also imports. Both manufacturers and consumers in the United States benefit substantially from imports that help drive innovation, productivity and a stronger economy overall. Of particular note in this regard are imports of raw materials, components and other inputs that enable manufacturers to produce high-value goods more competitively here in the United States and support higher-paying domestic jobs.

Where, however, import competition is fueled by foreign market-distorting and discriminatory trade practices that put our own manufacturers, workers and communities at a disadvantage,

the NAM has long supported robust U.S. government action to address the underlying causes of those distortions.

We believe the tools I referenced a moment ago represent the best way to advance the important goals we share with the administration of promoting free and fair trade and protecting U.S. national security. That is because the broad, unilateral import restrictions – be they tariffs or quotas – that a Section 232 investigation could authorize, however well intentioned, would ultimately be counterproductive—giving an edge to foreign production at the expense of U.S. manufacturing. Negative impacts from tariffs or quotas include the following:

- Import restrictions will increase the cost to manufacture in the United States: A tariff of 25 percent on the importation of automotive parts, for example, would increase the average cost to manufacture a passenger vehicle in the United States by about \$2,000 if, as the American Automotive Policy Council calculates, 35 percent of the value of the average automobile (about \$8,000) is made of imported parts. Tariffs on auto parts will also increase costs to make things in America for a wide range of other manufacturers from agricultural equipment and construction producers to mining and marine manufacturers. A tariff would also increase the cost to import the average passenger vehicle into the United States by about \$5,800.
- Import restrictions will reduce exports: The increased cost to manufacture vehicles and some major automotive parts in the United States will reduce export opportunities, as foreign producers will not face similar cost increases. In addition, it is expected that automobiles and automotive parts would face foreign retaliatory action in the form of new tariffs on U.S. exports.
- Import restrictions will reduce domestic production, jobs and consumer demand: Import restrictions will increase costs to manufacture automobiles and automotive parts in the United States. With higher costs for both domestic and foreign automobiles, demand for these products is expected to decline, meaning fewer U.S. automotive sales, reductions in production and job losses.
- Import restrictions will reduce domestic demand for other manufacturing sectors: As demand lowers for U.S. automotive manufacturing, manufacturing sectors tied to the automotive supply chain will see lower demand for their products.

No one doubts that challenges exist in international trade. The question is not *whether* to address these challenges, but *how*. Manufacturers believe that the approach I have outlined today represents the best way forward—best for the automotive sector, best for the manufacturing industry, best for manufacturing workers and communities, and best for the country we all love.

The NAM looks forward to continuing to work with the administration on advancing these goals as part of our ongoing efforts to grow U.S. manufacturing and well-paying American manufacturing jobs, including in the automotive and related sectors.

Thank you.