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*Vice President*

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June 29, 2018

The Honorable Wilbur Ross  
Secretary of Commerce  
U.S. Department of Commerce  
1401 Constitution Ave, N.W.  
Washington, D.C. 20230

Re: DOC-2018-0002; Comments Regarding Section 232 National Security Investigation of Imports of Automobiles and Automotive Parts; Request to Testify and Summary of Testimony

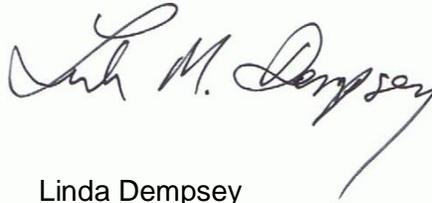
Dear Secretary Ross:

In accordance with the *Federal Register* notice regarding the above-captioned docket, the National Association of Manufacturers submits these comments to aid in the preparation of the administration's section 232 investigation of automobiles and automotive parts being undertaken by the U.S. Department of Commerce.

I also request the opportunity to testify at the public hearing and have appended the summary of my testimony pursuant to the *Federal Register* notice.

If you have any questions, please do not hesitate to contact me.

Respectfully,



Linda Dempsey

*Leading Innovation. Creating Opportunity. Pursuing Progress.*



**Comments of the National Association of Manufacturers Regarding  
Section 232 National Security Investigation of Imports of  
Automobiles and Automotive Parts**

Inv. No. DOC-2018-0002

June 29, 2018

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 in all 50 states. Manufacturing employs more than 12.6 million women and men across the country, contributing \$2.25 trillion to the U.S. economy annually. The NAM is committed to achieving a policy agenda that helps manufacturers here in the United States grow and create jobs.

The NAM welcomes the opportunity to provide input to aid in the U.S. Department of Commerce's Section 232 national security investigation of imports of automobiles and automotive parts, in accordance with the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862) and the *Federal Register* notice launching this investigation.<sup>1</sup>

The stated objective of the NAM's international trade policy is to strengthen manufacturing in America and improve the competitiveness of American manufacturing in the worldwide economy. Fairly conducted trade and investment provide opportunity for growth and expansion of manufacturing in America, contributing as well to the continued vitality of the U.S. defense industrial base. Such trade and investment also increase the range of goods and services available to U.S. consumers and enhance market-based production at home and globally.

**I. Overview**

With the world's most productive manufacturing sector, but a domestic market that represents only 10 percent of global consumption, manufacturers in the United States need to reach customers beyond our borders to promote a robust and growing U.S. manufacturing sector that can continue to sustain and increase well-paying American jobs. The NAM believes that the objective of growing U.S. manufacturing and manufacturing competitiveness through international trade and investment policies can best be achieved by pursuing and utilizing the rules-based international trading system that enhances the role of free market forces and promotes respect for the rule of law while seeking to eliminate market-distorting governmental intervention, and by limiting costs and other impediments imposed on manufacturers in the United States.

Manufacturers agree with the president on the need to promote free and fair trade. Manufacturers also agree that carefully calibrated and multilateral sanctions have a place in

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<sup>1</sup> Notice of Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans and Light Trucks, and Automotive Parts, 83 Fed. Reg. 24,735 (May 30, 2018), accessed at <file:///C:/Users/linda/OneDrive/00%20232%20Investigations/Auto/2018-11708%20Federal%20Register%20Initiation.pdf>.

supporting national security objectives. The NAM believes, however, that broad, unilateral and import-restrictive measures are counterproductive to achieving both of these goals—goals on which we all agree. That is because, however well intentioned, they ultimately give an edge to foreign production at the expense of U.S. manufacturing. The question, therefore, is not whether we agree on the importance of promoting free and fair trade and protecting U.S. national security, but how best to advance these critical priorities. One way is by utilizing the many targeted trade tools we already have that are designed expressly to stop unfair and counterfeit imports. Another way is by adding even more tools to the toolbox by, for instance, pursuing innovative, enforceable and new trade agreements. Manufacturers believe both represent effective avenues to advance our common goals.

In the case of automobile and automotive parts imports, the U.S. sector is strong and growing. Domestic production and jobs are increasing, as are exports of manufactured goods generally and automotive exports specifically. While it is important for the U.S. government to work effectively to improve opportunities overseas and address foreign government market distortions that hold back greater growth in manufacturing generally and the automotive sector specifically, those are commercial issues. The unilateral imposition of tariffs or quotas that a Section 232 investigation could authorize would undermine this sector and broader manufacturing production and jobs in the United States.

As NAM President and CEO Jay Timmons said the day that this investigation was initiated, “[m]anufacturing is growing and thriving for the better, creating millions of well-paying jobs for Americans across the country. We cannot endanger this progress by restricting trade and promoting retaliation against American-made products that will undermine manufacturing and jeopardize the jobs of manufacturing workers in the United States.”

## **II. The U.S. Manufacturing Sector, Including the Automotive Sector, Is Vibrant and Growing**

The U.S. manufacturing economy has hit its stride over the past year, with solid growth in demand, output and hiring and a healthy outlook moving forward. Manufacturing production reached a record \$2.25 trillion in 2017. Overall, U.S. manufacturing output has quadrupled since 1980. Manufacturing is also transforming as it adapts to a changing world at home and abroad, taking advantage of new technologies, new production methods and new markets to compete and grow, particularly with the creation of new technologies and the expansion of U.S. sectors that have a strong emphasis on high-quality, innovative and high-value manufacturing that plays to America’s competitive advantages.

Manufacturing in the United States provides rewarding and meaningful careers and supports communities throughout all 50 states. The average manufacturing worker earns \$82,023 annually in pay and benefits, 27 percent higher than the average earnings of \$64,609 in all nonfarm jobs.<sup>2</sup> With a brighter economic outlook, hiring has accelerated. Manufacturers added 18,000 workers in May 2018, and across the past eight months, the sector has seen robust hiring growth, averaging 25,500 new workers per month on average. Overall, manufacturing employment has risen by 1.22 million workers since the end of the Great

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<sup>2</sup> NAM, Top 20 Facts About Manufacturing, accessed at <http://www.nam.org/Newsroom/Facts-About-Manufacturing/>.

Recession, reaching 12.673 million manufacturing employees based on the most recent official data.<sup>3</sup> That is the highest level of manufacturing employment since December 2008.

As production continues to grow, job openings in the manufacturing sector recently soared to the highest reading since January 2001, with 451,000 openings in April, up from 421,000 in March.<sup>4</sup> Overall, the pace of manufacturing job openings has trended higher, consistent with the tight labor market seen in other data. While the generation of new jobs is nearly always welcome news, the gap between the number of manufacturing workers and available manufacturing jobs, often a result of the fact that there simply are not enough qualified applicants to fill them, is a serious problem for manufacturers. Indeed, manufacturers cited the inability to attract and retain talent as their top concern in the NAM's second quarter Manufacturers' Outlook Survey.<sup>5</sup>

The automotive sector is a major part of the growth of the U.S. manufacturing sector overall. This broad sector includes cars, SUVs, vans, light trucks and automotive parts, which include parts not just for these vehicles but also for other capital equipment manufacturers, such as agriculture, construction, mining and forestry equipment, commercial and heavy trucks, buses and industrial and marine engines. U.S. automobile and automotive parts production has increased substantially in the past several decades, with value-added output of \$167 billion in 2017, nearly doubling the level of value-added output in 1993 and increasing nearly fivefold since 1980. Employment in the automotive and automotive parts manufacturing sector has grown by more than 44 percent (representing about 300,000 more jobs) since the end of the Great Recession in 2010, with more than 956,000 men and women employed in automotive manufacturing based on May 2018 Department of Labor data.<sup>6</sup>

The United States produced about 1 million more passenger vehicles in 2017 than in 1993, and the automotive sector comprised 7.4 percent of total U.S. manufacturing value-added output in 2017. In addition, other manufacturers benefit significantly from being part of the U.S. automotive supply chain, including manufacturers of information and communications technology, plastics, metals and materials.

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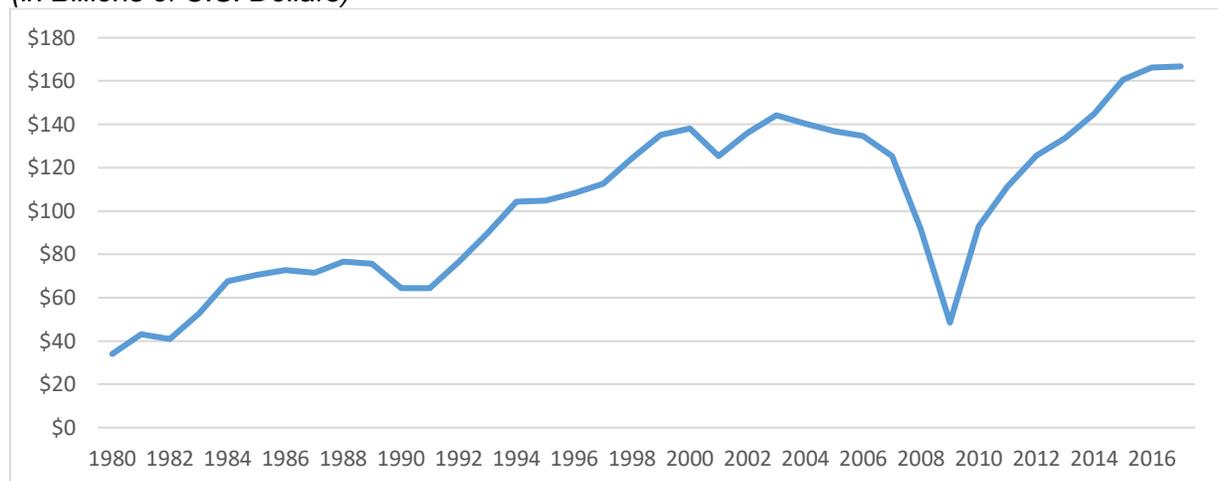
<sup>3</sup> Bureau of Labor Statistics, The Employment Situation (May 2018), accessed at <https://www.bls.gov/news.release/pdf/empst.pdf>.

<sup>4</sup> Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (April 2018), accessed at <https://www.bls.gov/news.release/pdf/jolts.pdf>.

<sup>5</sup> NAM, 2018 Second Quarter Manufacturers' Outlook Survey, accessed at <http://www.nam.org/outlook/>.

<sup>6</sup> Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), accessed at <https://data.bls.gov/cgi-bin/dsrv?ce>.

### U.S. Automotive Sector Value-Added Output, 1980 to 2017 (in Billions of U.S. Dollars)



Source: U.S. Department of Commerce

### III. International Trade and Investment Have Created Many Opportunities and Some Challenges for the U.S. Automotive Manufacturing Sectors

The massive growth and the increased openness of the global economy have provided a boost to manufacturing in the United States, helping manufacturers of all sizes expand production and reach more customers than ever before.<sup>7</sup> The economic gains that the U.S. economy and manufacturing in particular are enjoying are due in part to this growth, along with domestic policies, such as tax and regulatory relief, that have made the United States a highly attractive destination for new manufacturing investment. Global growth has also boosted competition. While some imports promote U.S. manufacturing competitiveness and support greater innovation and efficiency, other imports are stimulated by foreign government market distortions that benefit foreign producers over U.S. producers.

#### A. U.S. Exports Stimulate U.S. Manufacturing Generally and Automotive Manufacturing in Particular

Manufacturers in the United States have quadrupled exports since 1980 and now export more than half of U.S. manufacturing value-added output, as world trade in manufactured goods has expanded to equal more than \$11 trillion annually in 2016.<sup>8</sup> This export growth reflects the basic fact that while Americans spend more than any other country, U.S. consumption accounts for

<sup>7</sup> NAM Comments on Administration Report on Significant Trade Deficits and Request to Appear at Public Hearing (May 10, 2017), accessed at <http://www.nam.org/Issues/Trade/NAM-Comments-on-Trade-Deficit/>; NAM Comments on Administration Review and Report on Trade Agreement Violations and Abuses (July 31, 2017), accessed at <http://www.nam.org/Issues/Trade/NAM-Submission-on-Trade-Agreements-and-Violations/>.

<sup>8</sup> World Trade Statistical Yearbook 2017 at 30, accessed at [https://www.wto.org/english/res\\_e/statis\\_e/wts2017\\_e/wts17\\_toc\\_e.htm](https://www.wto.org/english/res_e/statis_e/wts2017_e/wts17_toc_e.htm). U.S.-manufactured goods exports have grown from approximately \$142 billion in 1980 to \$1.26 trillion in 2016 and \$1.32 trillion in 2017 according to data from the U.S. Department of Commerce, Bureau of Economic Analysis.

less than 10 percent of the world total. Notably, the approximately 6 million American manufacturing jobs supported by exports pay on average 18 to 20 percent more than jobs not related to exports.<sup>9</sup>

Manufacturers in the United States have been able to benefit substantially from this growth beyond our borders thanks to global, bilateral and regional trade agreements that lower barriers and set basic rules of commerce coupled with improved telecommunications and transportation services that better connect global customers and suppliers. The massive growth of U.S.-manufactured goods production and sales to foreign consumers, businesses and governments reflect the strengths of more open trade and the untapped potential to be harnessed by new agreements.

U.S. automotive sector exports have similarly increased approximately eightfold over the past three decades, growing from about \$15.8 billion in 1980 to \$126.3 billion in 2017. The United States was the third-largest global exporter during this period, even as domestic shipments grew substantially in the U.S. market. Nearly one in five cars and light trucks manufactured in the United States are exported, according to the American Automotive Policy Council (AAPC). U.S. automotive exports represent about 9 percent of the global \$1.4 trillion world market in automotive sector trade.<sup>10</sup>

#### B. U.S. Imports of Manufactured Goods Broadly and Automotive Goods Specifically Promote U.S. Growth, While Unfairly Traded Imports Pose Challenges

Manufacturers and consumers benefit substantially from many imports that help drive innovation, productivity and stronger manufacturing overall. Of particular note in this regard are imports of raw materials, components and other inputs that enable manufacturers in the United States to produce high-value goods more competitively in the United States and to support higher-paying domestic jobs. Importation of such products benefits manufacturers and the economy overall, by providing necessary inputs to manufacturing processes to boost competitiveness. Indeed, in some cases, these imports represent products that are not available or manufactured in the United States.<sup>11</sup>

Unfortunately, some import competition is fueled by foreign market-distorting and discriminatory trade practices that create unfair advantages for foreign manufacturing production at the expense of manufacturers, workers and communities in the United States. Under these circumstances, the NAM has long supported robust U.S. government action to address the underlying causes of the distortions and supports full enforcement of domestic trade rules consistent with World Trade Organization (WTO) rules. This includes antidumping and countervailing duty rules and the stronger anti-evasion enforcement and intellectual property provisions that the NAM strongly supported as part of the 2016 Trade Facilitation and Trade Enforcement Act (TFTEA), consistent with WTO obligations.

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<sup>9</sup> See e.g., U.S. Department of Commerce, “The Role of Exports in the U.S. Economy” (May 13, 2014); Bernard, A. and J.B. Jensen, “Exceptional Exporter Performance: Cause, Effect, or Both?” *Journal of International Economics* 47: 1–25 (1999); Riker, David, “Do Jobs In Export Industries Still Pay More? And Why?” Manufacturing and Services Economics Brief, International Trade Administration, U.S. Department of Commerce (July 2010), accessed at [http://www.trade.gov/mas/ian/build/groups/public/@tg\\_ian/documents/webcontent/tg\\_ian\\_003208.pdf](http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf).

<sup>10</sup> Data calculated from WTO Statistical Database, accessed at <http://stat.wto.org/Home/WSDBHome.aspx?Language=E>.

<sup>11</sup> The NAM is working right now to promote congressional passage of the Miscellaneous Tariff Bill Act of 2018 (H.R. 4318) that would remove for a three-year period U.S. tariffs on manufacturing inputs and other products not produced or available in the United States.

#### IV. Imposition of Broad-Based U.S. Trade Barriers on Automotive Sector Imports Pursuant to Section 232 Will Undermine U.S. Manufacturing

As described above, the U.S. manufacturing sector generally and the U.S. automotive sector in particular are strong and growing, with increased production and jobs throughout the United States. International exports, imports and investment have been a significant driver of that growth. While unfairly traded imports or those arising from market-distortive foreign government activity pose commercial challenges to the industry, the United States has a number of tools to address these commercial issues in a targeted and direct manner, including:

- *Antidumping and countervailing duty investigations* that provide the U.S. government the ability to address unfairly traded imports that are injuring domestic industries pursuant to Title VII of the Trade Act of 1930, as amended. The United States has undertaken hundreds of cases to address proven cases of injurious unfair trade through strong fact-based investigations. TFTEA provided new procedures to address the evasion of these actions that are already working for manufacturers in the United States.
- *Actions to stop intellectual property (IP) infringement*, such as new TFTEA tools to address IP infringement at the border and to focus U.S. government resources on identifying and addressing IP and Section 337 of the Trade Act of 1930, as amended, which provides for the exclusion of IP-infringing imports.
- *Fair and neutral enforcement tools through international agreements*, such as the WTO dispute settlement mechanism and individual free trade agreements. These tools have been useful, including to address automotive parts distortions in the Chinese market.
- *Negotiate new trade agreements and trade rules* to address underlying issues.

Incorrectly using the Section 232 provisions to impose unilateral import barriers with regard to a growing and vibrant industry will, by contrast, put the U.S. manufacturing sector at a global disadvantage, undermining growth and job creation throughout the United States. In particular, the U.S. automotive manufacturing sector and other manufacturers would be negatively impacted from tariffs or quotas in the following ways:

- Increased costs to manufacture in the United States: Automotive producers in the United States, as well as producers in other industries,<sup>12</sup> would face increased costs, even on inputs purchased domestically, if tariffs or quotas are imposed on automotive parts. A tariff of 25 percent on the importation of automotive parts would lead to an increased cost of about \$2,000 on the average cost to manufacture a passenger vehicle in the United States, and the cost to import the average passenger vehicle into the United States would increase by an estimated \$5,800, according to the AAPC.<sup>13</sup>
- Reduced exports: The increased cost to manufacture vehicles and some major automotive parts in the United States will reduce export opportunities for automotive and other manufacturers in the United States 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, further curtailing domestic production and job opportunities.

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<sup>12</sup> As noted above, many other industries use parts and components classified as automotive parts, including manufacturers of agriculture, construction, mining and forestry equipment, commercial and heavy trucks, buses and industrial and marine engines.

<sup>13</sup> See, The American Automotive Policy Council Comments on Section 232 Investigation into the Effects of Imports of Cars, SUVs, Vans and Light Trucks & Automotive Parts on National Security (June 2018).

- Reduced consumer demand: Automakers expect that higher costs will result in decreased U.S. automobile sales, negatively affecting manufacturers, innovators and well-paying jobs across the broader automotive supply chain in the United States.
- Overall decline in U.S. automotive production and job opportunities: One estimate<sup>14</sup> indicates that a 25 percent tariff on imported automobiles and automotive parts would result in a production decrease of 1.5 percent and the loss of 195,000 U.S. jobs over a one- to three-year period or possibly longer.
- Reduced domestic demand for other manufacturing sectors: Other parts of the U.S. manufacturing sector supply many inputs to automobile and automotive parts manufacturers in the United States, such as chemicals, electronics, metals, materials, plastics and other producers. As demand lowers for U.S. automotive manufacturing, those sectors will see lower demand for their products, stunting U.S. manufacturing production and jobs in those sectors as well.

Using Section 232 authority, rather than appropriate, commercially focused tools to address actual commercial challenges in this sector, will also embolden greater efforts by foreign governments to block U.S. access to their markets based on unjustified national security claims.

## **V. Conclusion**

U.S. manufacturing overall and automotive manufacturing in particular are strong and growing. International trade and investment are critical components of that robust growth, because they provide the very opportunities manufacturers need to sell more of what they make to more customers overseas so they can support more production and more jobs right here in the United States. Of course, there are challenges in international trade. Since these challenges are commercial in nature, they are addressed most effectively by the targeted trade tools designed expressly to address them—either those tools that exist already or new ones, such as innovative new trade agreements. Manufacturers believe these tools, rather than broad, unilateral import restrictions, 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. The NAM looks forward to continuing to work with the administration on advancing the 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.

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<sup>14</sup> Robinson, S.; Thierfelder, K.; Schott, J.; Jung, E.; Lu, Z.; and Kolb, M. “Trump’s Proposed Auto Tariffs Would Throw US Automakers and Workers Under the Bus,” Peterson Institute for International Economics (May 31, 2018), accessed at [https://piie.com/blogs/trade-investment-policy-watch/trumps-proposed-auto-tariffs-would-throw-us-automakers-and#\\_ftn1](https://piie.com/blogs/trade-investment-policy-watch/trumps-proposed-auto-tariffs-would-throw-us-automakers-and#_ftn1).



**Summary of Testimony of the National Association of Manufacturers Regarding  
Section 232 National Security Investigation of Imports of  
Automobiles and Automotive Parts**

Inv. No. DOC-2018-0002

June 29, 2018

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