

UNITED STATES OF AMERICA  
DEPARTMENT OF COMMERCE

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SECTION 232 NATIONAL SECURITY INVESTIGATION OF  
IMPORTS OF AUTOMOBILES AND AUTOMOTIVE PARTS  
HEARING PANEL

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THURSDAY  
JULY 19, 2018

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The Section 232 Hearing convened in the U.S. Department of Commerce Auditorium, 1401 Constitution Avenue, NW, Washington, D.C., at 8:30 a.m., Sahra Park-Su, Moderator, presiding.

U.S. GOVERNMENT PRESENT

WILBUR ROSS, Secretary of Commerce  
NAZAK NIKAKHTAR, Assistant Secretary of Commerce  
SAHRA PARK-SU, Moderator, Department of Commerce  
JULIE ABRAHAM, Director, Office of International  
Transportation and Trade, Department of  
Transportation  
NICOLE BAMBAS, Senior Advisor, Office of  
International Transportation and Trade,  
Department of Transportation  
ANDRES CASTRILLON, Automotive Team Leader,  
International Trade Administration,  
Department of Commerce  
ROBERT READ, Director of Industrial Assessments  
for the Deputy Assistant Secretary of  
Defense for Manufacturing and Industrial  
Base Policy, Department of Defense  
MICHAEL VACCARO, Director, Office of Strategic  
Industries and Economic Security, Bureau  
of Industry and Security, Department of  
Commerce

## ALSO PRESENT

KAZUTOSHI AIKAWA, The Government of Japan  
 ERIK AUTOR, National Association of Foreign  
     Trade Zones  
 CLINTON BLAIR, Organization for International  
     Investment  
 MATT BLUNT, American Automotive Policy Council  
 JOSEPH T. BOYLE, LG Electronics and LG  
     Electronics Vehicle Components USA  
 JOHN BOZZELLA, Association of Global Automakers  
 MICHAEL R. DAVIDSON, JTEKT North America  
     Corporation  
 LINDA DEMPSEY, National Association of  
     Manufacturers  
 HOLGER ENGELMANN, Webasto Roof Systems  
 GERONIMO GUTIERREZ FERNANDEZ, The Government of  
     Mexico  
 BRIAN GARST, Center for Freedom and Prosperity  
 SABARIAH GHAZALI, The Government of Malaysia  
 RICHARD GLIDDEN, Tianhai Electric North America,  
     Inc.  
 JOHN HALL, Hyundai Motor Manufacturing Alabama  
 BILL HANVEY, Auto Care Association  
 WILLIAM M. HEDRICK, The Law Office of William M.  
     Hedrick  
 CHRIS HEINEMAN, MAHLE Industries  
 KIRSTEN HILLMAN, The Government of Canada  
 MARK HYMAN, Hyman, LTD, and Cosdel International  
     Transportation on behalf of Martin Button  
 DANIEL INGBER, Specialty Equipment Market  
     Association  
 JENNIFER KELLY, UAW  
 YONG-GEUN KIM, Korean Automobile Manufacturers  
     Association  
 MUSTAFA KOCA, The Government of Turkey  
 CODY L. LUSK, American International Automobile  
     Dealers Association  
 MNINWA MAHLANGU, The Government of South Africa  
 MANUEL MANRIQUEZ, Japan Automotive Manufacturers  
     Association

## ALSO PRESENT

BERNHARD MATTES, German Association of the  
Automotive Industry

MARSHALL V. MILLER, Miller & Company, PC

CHRISTOPHER NORTHUP, Automotive Body Parts  
Association

DAVID O'SULLIVAN, The European Union

SCOTT PARVEN, Keidanren

CLARK PLUCINSKI, The Certified Automotive Parts  
Association

BRYAN RILEY, National Taxpayer Union Free Trade  
Initiative

RICHARD SMALLWOOD, Sumitomo Rubber North  
America, Inc.

KANG SUNG-CHEON, The Government of the Republic  
of South Korea

JENNIFER THOMAS, Alliance of Automobile  
Manufacturers

S. JENNY VAN, The Taipei Economic and Cultural  
Representative Office

PAUL C. VITRANO, Polaris Industries, Inc.

GUIQING WANG, The China Chamber of Commerce for  
Import and Export of Machinery and  
Electronic Products

XUEJIA WANG, The China Chamber of International  
Commerce

PETER WELCH, National Automobile Dealers  
Association

JIM WILSON, The Government of Ontario, Canada

ANN WILSON, Motor & Equipment Manufacturers  
Association

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1 P-R-O-C-E-E-D-I-N-G-S

2 8:32 a.m.

3 MS. NIKAKHTAR: Good morning,  
4 everybody. Welcome to the public hearing of the  
5 Department of Commerce's Section 232  
6 investigation on automobile and automotive parts.

7 My name is Nazak Nikakhtar, and I am  
8 the Assistant Secretary for the Department of  
9 Commerce's Industry and Analysis Office.

10 Joining us today are experts from  
11 across the U.S. Government. I would like to  
12 recognize and thank the following individuals for  
13 providing their expertise for our hearing today.  
14 They are all seated upfront.

15 Michael Vaccaro, Director of the  
16 Office of Strategic Industries and Economic  
17 Security at the Department of Commerce's Bureau  
18 of Industry and Security.

19 Andres Castrillon, Automotive Team  
20 Leader at the Department's International Trade  
21 Administration.

22 Julie Abraham, Director of the Office



1 of International Transportation and Trade at the  
2 U.S. Department of Transportation.

3 Nicole Bambas, Senior Advisor in the  
4 Office of International Transportation and Trade  
5 at the U.S. Department of Transportation.

6 And Robert Reed, Director of  
7 Industrial Assessments for the Deputy Assistant  
8 Secretary of Defense for Manufacturing and  
9 Industrial-Based Policy at the Department of  
10 Defense.

11 It is now my honor and great pleasure  
12 to introduce the Secretary of Commerce, Secretary  
13 Wilbur Ross. Secretary Ross was sworn in as the  
14 39th Secretary of Commerce in February 2017. He  
15 is the principal voice of U.S. businesses and the  
16 Trump Administration, and is steadfastly devoted  
17 to assuring that U.S. industries remain globally  
18 competitive and ensuring that U.S. entrepreneurs  
19 and businesses have the tools they need to create  
20 good jobs and economic opportunity for every  
21 American, both today and tomorrow.

22 I will tell you from my own personal

1 experience that Secretary Ross cares deeply about  
2 growth opportunities for both large and small  
3 American businesses. I have been in the room  
4 with him when he is in a meeting or has taken  
5 calls from these companies personally. I have  
6 watched as Secretary Ross so diligently worked to  
7 implement expeditious and practical solutions to  
8 their concerns. It is truly remarkable how  
9 dedicated Secretary Ross is to serving our  
10 country and the interests of American companies  
11 and workers.

12 Further, Secretary Ross is the former  
13 Chairman of the Chief Strategy Officer of WL Ross  
14 & Company, and has more than 55 years of  
15 investment banking and private equity experience.  
16 He has been the Chairman or lead Director of more  
17 than 100 companies operating in more than 20  
18 different countries.

19 Named by Bloomberg Markets as one of  
20 the 50 most influential people in global finance,  
21 Secretary Ross is the only person elected to both  
22 the Private Equity Hall of Fame and the

1 Turnaround Management Hall of Fame.

2 We truly cannot ask for a better  
3 person to serve as the Secretary of Commerce, and  
4 I personally cannot ask for a better leader to  
5 serve under. We are pleased to have him open  
6 today's public hearing.

7 Please welcome Secretary Ross.

8 (Applause.)

9 SECRETARY ROSS: Thank you, Nazak, for  
10 that kind introduction. We are fortunate to have  
11 people of your high caliber here in the Commerce  
12 Department.

13 And I welcome everyone to this  
14 discussion about the all-important American  
15 automobile industry. It's obvious by the  
16 attendance here this morning how vital this  
17 industry is to the U.S. and the global economy.

18 President Trump decided on May 23rd to  
19 initiate an investigation into the potential  
20 national security impacts of imports of  
21 automobiles and automobile parts. The Federal  
22 Register notice seeking input from the industry

1 and from the public was issued a week later on  
2 May 30th. And we have received more than 2,300  
3 comments.

4 Thank you all for being engaged with  
5 us in our formal investigation into the state of  
6 the U.S. automobile and automotive parts  
7 industries and the industry's impact on national  
8 security. It's clearly too early now to say if  
9 this investigation will ultimately result in a  
10 Section 232 recommendation on national security  
11 grounds, as we did earlier with steel and  
12 aluminum, and as we have initiated regarding the  
13 uranium industry.

14 But President Trump does understand  
15 how indispensable the U.S. automobile industry  
16 is. This industry had been a major driver of  
17 innovation. It provides a backbone for our  
18 industrial economy. It supports millions of  
19 Americans with high-paying jobs. And the  
20 industry is central to the advancement of new  
21 technologies such as autonomous vehicles, fuel  
22 cells, electronic motors, battery storage,

1 composites, and other new materials and advanced  
2 manufacturing processes.

3 The intention of our hearing today is  
4 to gather information on the current strength of  
5 the domestic industry. We are interested in  
6 hearing about the global market and technology  
7 trends that are important to our assessment as to  
8 whether government action is required to assure  
9 the viability of U.S. domestic production and  
10 whether present conditions constitute a potential  
11 threat to our national security, as defined in  
12 Section 232 of the Trade Expansion Act of 1962.

13 We are carefully analyzing all of the  
14 information that you are providing and that our  
15 analysts are gathering from other sources. We  
16 are looking at every comment that has been filed.  
17 We need to understand the complexity of the  
18 industry, the global nature of supply chains and  
19 production systems.

20 So, I look forward to a very  
21 productive day and suggest we now begin with the  
22 first panel.

1 MS. NIKAKHTAR: Thank you, Mr.  
2 Secretary.

3 I also just wanted to take a quick  
4 opportunity to mention some of the other leaders  
5 at the Department of Commerce who are here.  
6 Peter Davidson, the Chief Counsel at the Commerce  
7 Department. He is sitting upfront. Under  
8 Secretary Gil Kaplan for the International Trade  
9 Administration. And I think I saw Gary Taverman,  
10 Acting Assistant Secretary for Enforcement and  
11 Compliance, and numerous other leaders from both  
12 the Department of Commerce and other government  
13 agencies, taking the time to join us today.

14 This is truly a collaborative effort  
15 among agencies of the industry to conduct this  
16 investigation and to share the information we all  
17 have to ensure that our analysis is robust.

18 Now I would like to turn it over to  
19 Sahra Park-Su, the Senior Policy Advisor at the  
20 U.S. Department of Commerce, and she will be  
21 serving today as our hearing moderator. And I'll  
22 call Sahra up to explain the hearing process for

1 today.

2 Thank you.

3 MS. PARK-SU: Good morning. Thank  
4 you, Nazak.

5 And thank you, Secretary Ross, for  
6 being with us today as we hear from various  
7 groups and stakeholders as they present their  
8 testimony on the effect of imports of automobiles  
9 and automotive parts on our nation's security.

10 Before we begin, I would like to go  
11 over a few administrative rules for both our  
12 presenters and the audience.

13 For the presenters, each panel will  
14 present their testimony in the order as it  
15 appears on the agenda. When you begin, please  
16 state your name and the organization you  
17 represent. You will each have five minutes to  
18 present your testimony. I will inform you when  
19 you have one minute remaining by raising a green  
20 card; 30 seconds remaining when I raise the  
21 yellow card, and when your time is up, I will  
22 raise a red card. Please do not go over your

1 allotted five minutes, as we hope to allow equal  
2 time for all who are here to testify today.

3 Please note, no outside equipment such  
4 as cell phones is allowed during our testimony.

5 Oh, I'm sorry, can everybody hear me?

6 Please note, no outside equipment such  
7 as cell phones is allowed during your testimony.

8 Once the entire panel has provided  
9 their testimony, there will be an opportunity for  
10 the United States Government panelists to seek  
11 clarification on specific points you have raised  
12 or seek further insights into your areas of  
13 expertise as it relates to this hearing.

14 Now, for the audience, due to time  
15 constraints, we will not be taking any questions  
16 from the audience. We also ask that you remain  
17 quiet and turn your cell phones to silent mode or  
18 off during the testimony. We ask that you  
19 refrain as much as possible from entering and  
20 exiting the auditorium during the testimony.

21 There will be brief pauses between panels, and we  
22 encourage you to use it if you must enter or exit



1 the auditorium. Lastly, please remember that if  
2 you leave the building complex for whatever  
3 reason, you will need to pass through security to  
4 re-enter the complex.

5 Now, at this time, would the United  
6 States Government panelists and the presenters  
7 for the first panel please come up and take your  
8 seats?

9 For the first panel, we welcome the  
10 Alliance of Automobile Manufacturers, Jennifer  
11 Thomas; American Automotive Policy Council,  
12 Governor Matt Blunt; the National Automobile  
13 Dealers Association, Peter Welch, and the  
14 National Association of Manufacturers, Linda  
15 Dempsey.

16 Good morning. Welcome.

17 Can you hear me? Great.

18 Ms. Thomas, you may begin.

19 MS. THOMAS: Can you hear me?

20 MS. PARK-SU: Yes, I can. Thank you.

21 MS. THOMAS: Good morning. My name is  
22 Jennifer Thomas, and I am the Vice President of

1 Federal Government Affairs at the Alliance of  
2 Automobile Manufacturers. We are a trade  
3 association comprised of 12 automakers, both  
4 domestic and international nameplates. I  
5 appreciate the opportunity to be here with you  
6 today.

7 Let me start my dispelling the notion  
8 that cars are a threat to national security.  
9 Americans have always had a love affair with  
10 cars. Buying the car is such a common aspiration  
11 that it has become part of the American dream.  
12 Getting your driver's license is a rite of  
13 passage, and everybody can remember their first  
14 car.

15 The auto industry is part of the very  
16 fabric of America. It's one of the most powerful  
17 engines driving our economy through jobs,  
18 facilities, R&D investments. On 9/11, one of our  
19 darkest days, the companies that I represent  
20 immediately responded with donations of vehicles  
21 and charitable contributions.

22 Now, sadly, there is a long list of

1 products that are no longer made here in America,  
2 like TVs, laptops, cell phones, even baseballs,  
3 but cars, millions of cars, are made in America,  
4 and our footprint continues to grow.

5 Right now, 14 automakers are operating  
6 45 assembly facilities across 14 states. Those  
7 are both domestic and international automakers.  
8 We support more than 7 million American workers,  
9 generate \$500 billion in annual paychecks, \$200  
10 billion in state and federal taxes, and every  
11 year automakers in the U.S. invest about \$20  
12 million in R&D, transforming mobility through  
13 automation and electrification.

14 I'm here today to reiterate our strong  
15 opposition to this unprecedented, unwarranted  
16 investigation and the potential imposition of  
17 higher auto tariffs. We appreciate the desire to  
18 strengthen our trade agreements to better achieve  
19 a level playing field, but tariffs are the wrong  
20 approach. Our view is shared by over 2200  
21 comments that were filed before this hearing. In  
22 fact, we were only able to find three

1 organizations who were supporting this inquiry.

2 The opposition is widespread, indeed,  
3 because the consequences are alarming. Higher  
4 tariffs will harm American workers, families, and  
5 the economy. Simply put, auto tariffs are a  
6 massive tax on consumers.

7 Our analyses show that a 25-percent  
8 tariff will increase the price of an imported car  
9 nearly \$6,000 and the price of a U.S.-made car  
10 \$2,000.

11 MS. BAMBAS: I'm getting a signal that  
12 the audience is having a little bit of a hard  
13 time hearing. If you don't mind speaking a  
14 little louder, please, for the folks in the back?

15 MS. THOMAS: Sure.

16 MS. BAMBAS: Appreciate it.

17 MS. THOMAS: My apologies.

18 MS. BAMBAS: Thank you very much.

19 MS. THOMAS: This would equate to an  
20 \$83 billion tax on consumers, and that would  
21 trigger a domino effect throughout the industry  
22 and the economy. Because when vehicle prices

1 rise, demand drops. Lower demand means less  
2 production. And when production declines, job  
3 losses follow.

4 A Peterson Institute analysis projects  
5 the job loss of 200,000, and if other countries  
6 retaliate, they estimate American job losses to  
7 exceed 600,000. That's about 10 percent of this  
8 country's auto jobs.

9 Tariffs will also strike at the heart  
10 of American technological leadership by chilling  
11 R&D investments. Today the U.S. is a leader in  
12 the global race to develop electrification and  
13 automation technologies. But, if auto tariffs  
14 raise costs and chill investments, then the U.S.  
15 may well lose that leadership. And other  
16 countries are already chasing automakers'  
17 investments and encouraging them to build R&D  
18 facilities overseas.

19 Retaliation would further threaten  
20 U.S. auto exports. Last year more than \$100  
21 billion in autos and auto parts were exported  
22 from our ports to more than 88 countries.

1       Retaliatory tariffs would restrict access to  
2       international markets, depress auto exports,  
3       reduce jobs, and threaten the industry's  
4       competitiveness in the global marketplace.

5                 Speaking of competition in the global  
6       market, we understand that the agency has sent  
7       detailed questionnaires to automakers requesting  
8       information about their production. Companies  
9       are working on responding, but it is challenging  
10      due to the highly sensitive information that's  
11      been requested. We urge the Administration to  
12      take critical precautions to ensure that this  
13      competitive business information remains  
14      confidential and secure.

15                In closing, automakers support the  
16      Administration's efforts to level the playing  
17      field and strengthen our trade agreements to grow  
18      American jobs. But we respectfully contend that  
19      there is a better way to do this than raising  
20      tariffs. Our economic security could be  
21      strengthened by modernizing NAFTA, concluding a  
22      US/EU trade pact to reduce trade barriers on both

1 sides of the Atlantic. And we encourage the  
2 Administration to seek other opportunities to  
3 expand market access for exports. This is the  
4 winning formula for continuing the economic  
5 success that the Trump Administration has  
6 reignited, and we look forward to partnering with  
7 you on our goals.

8 Thank you very much.

9 MS. PARK-SU: Thank you, Ms. Thomas.  
10 Governor Blunt?

11 MR. BLUNT: Well, thank you.

12 I'm Matt Blunt. I'm the President of  
13 AAPC, the American Automotive Policy Council,  
14 which represents the common public policy  
15 interests of Fiat Chrysler, or FCA, Ford, and  
16 General Motors. We want to thank you for this  
17 opportunity to share our views on this Section  
18 232 investigation.

19 While AAPC and its member companies  
20 share the Administration's goals of maximizing  
21 the economic contributions that America's auto  
22 sector makes to the U.S. economy, we are opposed

1 to any increase in import tariffs on automobiles  
2 and auto parts that could result from this  
3 investigation.

4 Through iconic brands and deep  
5 American roots, FCA, Ford, and GM produce more of  
6 their vehicles here in the U.S. and source more  
7 of their parts from American suppliers than our  
8 foreign competitors. As a result, FCA, Ford, and  
9 GM employ near two out of three American auto  
10 workers, and they operate three out of five auto  
11 assembly plants in our country.

12 Since the industry's restructuring a  
13 decade ago, FCA, Ford, and GM have thrived with  
14 significant growth in their investment, sales,  
15 production, exports, and employment. Over the  
16 past decade, FCA, Ford, and GM's domestic car and  
17 light truck production and sales share have held  
18 steady at about 53 percent and 45 percent,  
19 respectively. And we hope to see our U.S.  
20 production number increase through expanded  
21 access to export markets and the removal of trade  
22 barriers that place American-made vehicles at a



1 distinct disadvantage in key regions around the  
2 world.

3 President Trump and his Administration  
4 have clearly made the auto industry a priority,  
5 and we are thankful for this leadership in policy  
6 areas that are critical to the auto industry,  
7 including successful corporate tax reform. We  
8 are, however, very concerned that the positive  
9 effects of the Administration's policies could be  
10 undermined by the imposition of tariffs on  
11 imported vehicles and parts.

12 Our companies are extremely proud of  
13 the contributions they've made to the United  
14 States in peace and war. From our perspective,  
15 there is no evidence that automotive imports pose  
16 a threat to our national security. In addition,  
17 we believe there is sufficient capacity to meet  
18 any national security requirements. We do fully  
19 understand that economic security is a vital part  
20 of our nation's national security. In fact, we  
21 have concluded that tariffs under Section 232  
22 would diminish the economic contributions that

1 FCA, Ford, and GM make to our nation's economy  
2 today. And this is an outcome that would be  
3 counterproductive to the Administration's  
4 intended goals for the domestic auto industry.

5 Our analysis shows that a tariff  
6 increase under Section 232, coupled with the  
7 existing tariffs on imported steel and aluminum,  
8 including from our North American allies, will  
9 result in a net loss of American jobs, lower  
10 capital investment, and lower exports by the U.S.  
11 auto sector. By increasing the cost to  
12 manufacture a car, the tariffs will lead to  
13 higher vehicle prices for all automakers, foreign  
14 and domestic. These higher costs will, in turn,  
15 lead to lower demand and lower auto sales and  
16 production. And ultimately, this will lead to  
17 fewer jobs in the auto industry.

18 Our analysis also shows that America's  
19 automakers, along with their suppliers and  
20 strategic partners in the technology industry,  
21 are leading the way in the development and  
22 application of advanced vehicle technologies,

1 including cutting-edge EV and AV capabilities.  
2 Other countries are attempting to close the  
3 innovation gap by increasing their R&D  
4 investments, but, thanks to targeted investments  
5 by the U.S. Government, the automotive sector,  
6 academia, and the tech industry, as well as the  
7 unparalleled innovation environment in the United  
8 States, we have created a strong foundation for  
9 further advancements and leadership in the coming  
10 years.

11 To help ensure a bright future for the  
12 U.S. auto sector, while at the same time avoiding  
13 the negative, unintended consequences of higher  
14 tariffs, we strongly recommend a joint  
15 industry/government effort to support our global  
16 competitiveness and expand U.S. auto exports. To  
17 accomplish this, we, too, urge the swift  
18 completion of a modernized NAFTA that includes,  
19 among other improvements, acceptance of vehicles  
20 built to the U.S. auto safety standards and  
21 enforceable disciplines against currency  
22 manipulation. We also urge the Administration to

1 consider new free trade agreements with our  
2 allies while expanding U.S. auto export  
3 opportunities by knocking down trade barriers our  
4 American automakers currently face abroad.

5           These suggestions, as well as several  
6 other recommendations, are described in further  
7 detail in the written comments AAPC submitted on  
8 behalf of America's automakers. We urge you to  
9 consider the analysis set forth in our written  
10 submission, and we look forward to working with  
11 the United States Government to advance our  
12 shared goals of further strengthening the U.S.  
13 auto industry and our nation's economy.

14           Thank you.

15           MS. PARK-SU: Thank you, Mr. Blunt.

16           Mr. Welch?

17           MR. WELCH: Thank you, and good  
18 morning. My name is Peter Welch. I'm the  
19 President of NAD, the National Automobile Dealers  
20 Association. NAD represents more than 16,800  
21 franchise automobile and commercial truck  
22 dealers, representing both domestic and

1 international brands that sell new and used motor  
2 vehicles, engage in service, repair, and part  
3 sales throughout the United States.

4 Last year our dealer members sold 17.1  
5 million new cars and an additional 15.3 million  
6 used cars. In the aggregate, we employ over 1.1  
7 million Americans in well-paying jobs and are  
8 responsible for at least that many indirect jobs  
9 through suppliers, contractors and others.

10 Franchise dealers are retailers. They  
11 stock, sell, and service what the American  
12 consumers want to buy, own, drive, and, more  
13 importantly, what they can afford.

14 I would like to share with you today  
15 a new study that was released this morning, in  
16 fact, by the Center for Automotive Research that  
17 we commissioned. A copy of the study is attached  
18 to the written version of my testimony, and I  
19 suggest that you look at it and use it as a  
20 resource.

21 But, before I turn to the new study,  
22 I would like to reiterate two important issues

1 that were covered in our written comments.

2 First, NAD believes there is no basis for a  
3 finding by the Department that the importation of  
4 autos or auto parts to the United States  
5 threatens the country's national security.

6 Second, NAD recognizes the importance to the  
7 United States of leveling the trade playing  
8 field, eliminating unfair trade practices, and  
9 keeping America's automotive industry strong. We  
10 are committed to working with the Administration  
11 in pursuit of those goals, and our written  
12 comments set forth a number of alternative  
13 strategies to do so.

14 Now, turning to the study, let me  
15 first say that the Center for Automotive Research  
16 is the premier economic research firm in the  
17 automotive world. The Center's new study is  
18 bifurcated into six different scenarios. It  
19 looks at, first of all, the imposition of a 25-  
20 percent tariff, a 10-percent tariff, and the  
21 alternative 80-percent quotas, if imposed on  
22 import autos and auto parts from all countries.

1 And then, it examines the same scenarios if  
2 imports from Canada and Mexico were excluded.

3 Now here are some of the key findings:

4 If a 25-percent tariff were applied to  
5 all imported vehicles and auto parts, and 100  
6 percent of that tariff were passed on to  
7 consumers, the following would occur: the  
8 average price of all new cars sold in the United  
9 States would rise by \$4400. Prices would rise  
10 \$6,875 for imported vehicles and \$2,270 for U.S.-  
11 built vehicles due to the imported part content.  
12 Annual new vehicle sales would plummet by 2  
13 million units. U.S. Gross Domestic Product would  
14 fall by \$59.2 billion, and nearly 715,000  
15 Americans would lose their jobs. For dealerships  
16 alone, annual revenues would fall by \$66.5  
17 billion -- that's about \$4 million per dealership  
18 -- and 117,000 dealership employees would have to  
19 be laid off. That's about 10 percent of our  
20 workforce.

21 A 25-percent tariff on all imported  
22 autos and auto parts would harm everyone, auto

1 manufacturers, dealers, consumers, and the  
2 economy as a whole. But the hardest hit would be  
3 our customers, including the over 2 million  
4 active and reserve military force members and  
5 their dependents.

6 The average price of a new car already  
7 hovers around \$35,000. According to Edmunds, in  
8 the past year interest rates on new car loans  
9 have risen 86 basis points and now average 5.82  
10 percent, with more increases on the horizon.

11 The average monthly car payment for a  
12 new car now stands at \$533 a month with an  
13 average loan term of 69 months. Our customers  
14 are already strapped to make those payments. A  
15 \$4400 tariff on top of that would increase new  
16 car payments to \$611 a month -- that's \$78 a  
17 month more -- and put the purchase of a new car  
18 out of the reach of many Americans. New tariffs  
19 or quotas would also reduce competition and  
20 consumer choice, increase the cost of used  
21 vehicles, and raise the cost of getting vehicles  
22 serviced and repaired.



1                   So, what's NAD's request today? Only  
2                   that the Administration fully and carefully  
3                   consider not only the new study we are submitting  
4                   with my testimony, but that all the data analysis  
5                   provided to the Department during this  
6                   investigation be reviewed carefully. As a  
7                   nation, we can and should work together to  
8                   address genuine trade concerns without hurting  
9                   American consumers and small businesses.

10                   On behalf of NAD, we thank you for  
11                   your consideration.

12                   MS. PARK-SU: Thank you, Mr. Welch.

13                   Ms. Dempsey?

14                   MS. DEMPSEY: Thank you.

15                   Mr. Secretary, Members of the U.S.  
16                   Government Panel, my name is Linda Dempsey, Vice  
17                   President for International Economic Affairs at  
18                   the National Association of Manufacturers. The  
19                   NAM is the largest manufacturing association in  
20                   the United States, representing 14,000  
21                   manufacturers, small and large, in all  
22                   manufacturing sectors across all 50 states.

1                   Not only does manufacturing employ  
2                   12.7 million men and women across this country,  
3                   but the average manufacturing worker earns more  
4                   than \$82,000 annually in pay and benefits, about  
5                   27 percent higher than the average earnings for  
6                   all non-farm jobs.

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

12                  Manufacturers agree with the President  
13                  on the need to promote free and fair trade.  
14                  Since the challenges to free and fair trade are  
15                  commercial in nature, manufacturers also believe  
16                  that those challenges are best addressed  
17                  effectively with targeted tools designed to  
18                  address them, either those tools that exist  
19                  already or new ones, such as innovative new trade  
20                  agreements. Let me explain why.

21                  The U.S. manufacturing economy has hit  
22                  its stride over the past year, with solid growth

1 in demand, output, and hiring, and as the NAM's  
2 quarterly manufacturing outlook survey continues  
3 to show, a strong outlook for the future.  
4 Domestic production and jobs have increased, as  
5 have exports of manufactured goods generally and  
6 automotive exports specifically. Indeed, our  
7 country's automotive sector, as you've just  
8 heard, is strong and growing, and U.S. automobile  
9 and automotive parts production have expanded  
10 substantially over the past several decades.

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

1           Where, however, import competition is  
2           fueled by foreign market-distorting practices,  
3           discrimination, that put our manufacturers, our  
4           workers, and communities at a disadvantage, the  
5           NAM has long supported robust U.S. Government  
6           action to address the underlying causes of those  
7           distortions. We believe that the tools I  
8           referenced a moment ago and in my written  
9           testimony represent the best way to advance the  
10          important goals we share with the Administration  
11          of promoting free and fair trade and protecting  
12          U.S. national security. That is because the  
13          broad, unilateral import restrictions, be they  
14          tariffs or quotas, that a Section 232  
15          investigation could authorize, however well-  
16          intentioned, would ultimately be  
17          counterproductive, giving an edge to foreign  
18          production at the expense of U.S. manufacturing.

19                   Negative impacts from tariffs or  
20                   quotas include the following:

21                           Import restrictions will increase the  
22                           cost to manufacture in the United States. A

1 tariff of 25 percent on the importation of  
2 automotive parts, for example, could increase the  
3 average cost to manufacture a passenger vehicle  
4 in the United States by about \$2,000, if, as the  
5 AAPC calculates, 35 percent of the value of the  
6 average automobile, about \$8,000, is made of  
7 imported parts. Tariffs on parts will also  
8 increase cost to other things made in America  
9 from a wide range of other manufacturers for ag  
10 equipment, construction, mining, and marine  
11 equipment. A tariff would also increase the cost  
12 to import the average passenger vehicle into the  
13 United States by about \$5800.

14 Import restrictions will also reduce  
15 exports. The increased cost to manufacture  
16 vehicles and some major automotive parts will  
17 reduce export opportunities as foreign producers  
18 will not face similar cost increases. And we  
19 also would expect to see foreign retaliatory  
20 action in the form of new tariffs on U.S.  
21 exports.

22 Import restrictions will reduce

1 domestic production, jobs, and consumer demand.  
2 Import restrictions will increase cost to  
3 manufacture. With higher cost for domestic and  
4 foreign automobiles, demand for these products,  
5 as you have just heard, is expected to decline,  
6 meaning fewer U.S. automotive sales, reductions  
7 in production, and job losses. Import  
8 restrictions will also reduce domestic demand for  
9 other manufacturing sectors that rely on the U.S.  
10 automotive sector.

11 No one doubts that challenges exist in  
12 international trade. The question is not whether  
13 to address these challenges, but how.

14 Manufacturers believe that the approach I have  
15 outlined today and in my written testimony  
16 represents the best way forward, best for the  
17 automotive sector, best for the manufacturing  
18 industry, best for manufacturing workers and  
19 communities, and best for the country we love.

20 The NAM looks forward to continuing to  
21 work with the Administration on advancing these  
22 goals as part of our ongoing efforts to grow U.S.

1 manufacturing.

2 Thank you.

3 MS. PARK-SU: Thank you, Ms. Dempsey.

4 And at this time, I would like to open  
5 the floor to the United States Government to ask  
6 any questions that the panel may have.

7 MS. BAMBAS: We appreciate everybody's  
8 comments. And I personally want to say that I  
9 appreciate our common position, that we are all  
10 interested in enhancing the strength of the U.S.  
11 automotive industry.

12 To some of the points about the  
13 economic data, we appreciate your sending  
14 economic data. We're in the process of reviewing  
15 all of the data that you've provided and  
16 certainly all of the comments everybody has  
17 provided.

18 I also wanted everybody to know that  
19 we've got a number of economists that are looking  
20 at the economic implications of any potential  
21 remedies. So, to supplement what you're  
22 providing, we are also doing very rigorous

1 analysis on our end to look at the economic  
2 impacts from a variety of different angles. We  
3 want to have a whole 360-degree picture of, if  
4 there will be remedies ultimately, what those  
5 remedies will look like and how they impact the  
6 economy, all, again, with the same goal I want to  
7 underscore, of strengthening the U.S. automotive  
8 industry.

9 To the point about highly-sensitive  
10 information that companies have been asked to  
11 provide, a couple of points on that that are  
12 really worth emphasizing. The type of data  
13 that's been requested is pretty routine in terms  
14 of U.S. Government agencies' investigations,  
15 certainly, by the U.S. Department of Commerce and  
16 the Bureau of Industry and Security and  
17 Enforcement and Compliance in their  
18 investigations, the International Trade  
19 Commission. And the U.S. Government has very  
20 robust mechanisms in place to safeguarding that  
21 data. So, I want everybody to rest assured that  
22 that data will be safeguarded, and there is a lot



1 of years of experience in safeguarding the data  
2 and a lot of expertise and sophistication of  
3 mechanisms. So, please rest assured that the  
4 data would be handled appropriately.

5 To kick it off with a question, if I  
6 may -- and this question is for all the  
7 presenters -- domestic content data suggests that  
8 foreign firms that manufacture automobiles in the  
9 United States generally tend to rely more heavily  
10 on imported auto parts for U.S. auto assembly  
11 than U.S.-owned firms. With foreign firms  
12 accounting for a growing share of U.S. automotive  
13 production, is the U.S. automotive supply chain  
14 eroding and becoming overly reliant on imports?  
15 And how does this trend, do you see, continue to  
16 the point where it may impair our national  
17 security?

18 MS. THOMAS: Well, I am happy to  
19 start. Again, Jennifer with the Auto Alliance.

20 We would, first, point out that most  
21 of the imported vehicles come from our national  
22 security allies and trading partners. Half of

1       them come from Mexico and Canada, the rest from  
2       the EU, Japan, Korea, et cetera.

3               But the global nature of our industry  
4       has allowed us to compete, and it also allows us  
5       to provide a variety of products for our  
6       customers at affordable prices. I know you'll  
7       hear on the next panel, I believe, from the  
8       supplier industry, and they will speak more to  
9       the reliance on imported parts. But we would  
10      argue that the supply chain allows us to remain  
11      competitive in this global market.

12             MR. BLUNT: Yes, and I would just add  
13      to that. There is, indeed, a global supply chain  
14      that for certain components it's necessary to  
15      have those imports, and it does allow us access  
16      to those components, allows us to be competitive,  
17      as Jennifer said.

18             Our companies are very proud of the  
19      fact that we source heavily from the United  
20      States. We believe on a sales-weighted average  
21      we have about twice the domestic content as our  
22      foreign competitors. But, even with the deep

1 roots that we have in the United States and that  
2 deep infrastructure we have and the supply chain  
3 that's so heavily focused on the United States,  
4 we're convinced that the imposition of these  
5 tariffs would, indeed, be harmful and would  
6 increase the cost for our companies to build a  
7 car in the United States by as much as \$2,000.  
8 And those are for vehicles that have domestic  
9 content. Probably more than two-thirds of the  
10 domestic content is from the United States. So,  
11 we still think it would be extremely harmful,  
12 raise cost, and makes us less competitive  
13 globally as we work to export more and more  
14 product that's assembled here in America.

15 MR. WELCH: I would just like to  
16 reiterate a couple of points that were already  
17 made. First of all, roughly 60 percent of the  
18 content are domestically produced here in the  
19 United States. It still leaves a large  
20 percentage that's not. But the vast, vast, vast  
21 majority of those parts, it's a global supply  
22 chain. They come from trusted allies. Many are

1 NATO members, quite frankly, and they're very,  
2 very dependable part manufacturers. So, we see  
3 no interruption with respect to that.

4 And the only other point I would like  
5 to make from the retailer's perspective on this,  
6 our biggest problem right now with our customers  
7 is affordability, and the relentless drive to  
8 keep parts and vehicles affordable for Americans  
9 is crucial.

10 MS. DEMPSEY: Just let me expand a  
11 little bit. As I mentioned in my opening  
12 statement, imports help drive innovation. They  
13 help drive production and the success. They also  
14 help us keep higher-value manufacturing here,  
15 right, if you are importing particularly low-  
16 value parts from overseas.

17 Right now, in manufacturing, right,  
18 according to the Department of Labor, we have  
19 441,000 open jobs. The biggest challenge our  
20 manufacturers are facing across the industry is  
21 finding workers to fill those jobs, with the  
22 average age of a manufacturing worker in the

1 United States about 55.

2 So, we want to have better production,  
3 higher-value production here in the United  
4 States. And that's what the imports allow us to  
5 do. The problem, the only problem with imports  
6 is when they are unfairly traded, and which the  
7 Department of Commerce certainly has the tools to  
8 address that, when they're counterfeit, where  
9 there are DHS, the ITC, and other mechanisms.

10 We need to make sure that all those  
11 rules are well-addressed. But, just because  
12 we're importing, that's not a bad thing. That  
13 has helped the strength of this industry grow,  
14 both for manufacturing more broadly, but the  
15 automotive industry in particular.

16 MS. BAMBAS: Thank you for your  
17 points. We certainly are going to look at your  
18 points in detail and, then, supplement your  
19 points with some of the analysis that we've been  
20 conducting over the course of the past many  
21 weeks.

22 Andres?

1                   MR. CASTRILLON: Another question for  
2 all the presenters. As many have described in  
3 their comments, and as some of you mentioned  
4 during your presentations this morning, there's  
5 an intense global race underway to lead on  
6 advanced automotive technologies like automobile  
7 electrification and automation. These  
8 technologies will not only drive the future of  
9 the auto industry, but also may have potential  
10 military applications.

11                   When you look at the major auto-  
12 producing nations around the world, the U.S. auto  
13 industry has much higher import penetration  
14 compared to its key foreign competitors, and  
15 foreign companies account for a much larger share  
16 of domestic auto production than in other leading  
17 auto-producing nations around the world.

18                   How do these discrepancies impact the  
19 U.S.'s competitive position in the global race  
20 for advanced automotive technologies?

21                   MS. THOMAS: Thank you, Andres, for  
22 that question.

1           As I indicated in my statement, we  
2 think that imposing higher tariffs on imported  
3 autos and auto parts will ultimately chill  
4 investment in those critical areas like  
5 automation and electrification, which hold  
6 tremendous promise for our society in regards to  
7 safety and meeting our environmental goals.

8           So, we would argue that there are  
9 better ways to encourage that investment and  
10 development of those technologies. For example,  
11 we are working closely with the Department of  
12 Transportation on their autonomous vehicle  
13 guidelines, their third iteration of it. That  
14 will help establish the rules of the road for  
15 driverless cars.

16           And we are also working and  
17 encouraging Congress to pass legislation to speed  
18 the deployment of autonomous vehicles. So, we  
19 believe that areas and efforts like that are more  
20 effective in speeding the development of those  
21 technologies and maintaining our leadership as  
22 the U.S.

1           MR. BLUNT: So, I believe if you look  
2 at the OECD countries, on average, our import  
3 penetration of around 40 percent is essentially  
4 the same as many of those OECD countries. And in  
5 fact, it is right at the average level.

6           Certainly, our companies have plants  
7 that are capable of producing millions of  
8 vehicles, and are proud of the role that they  
9 served as a part of the arsenal of democracy in  
10 the past, and always willing to work with the  
11 Department of Defense if there are key  
12 technologies that are identified that need to be  
13 safeguarded or certain capabilities need to be  
14 preserved.

15           We believe that, in terms of the race  
16 to create the vehicles of the future, the United  
17 States is well-positioned with a significant  
18 percentage of the automotive R&D that's spent  
19 globally being spent here in the United States,  
20 largely by our three members.

21           And also, a real advantage when it  
22 comes to information communication technology



1 research and development, with the United States  
2 producing nearly half of the global research and  
3 development in that category. Much of that is  
4 now, of course, being done by firms not  
5 necessarily historically connected with the auto  
6 sector. But this is important R&D that the  
7 United States has a leadership position in.

8 Of course, the United States really  
9 has a perfect environment, at least a leading  
10 global environment, in terms of rewarding that  
11 sort of R&D and protecting it and providing the  
12 sort of legal environment that makes people want  
13 to invest in research and development here.

14 If we're going to maintain that global  
15 leadership in these technologies, we think it's  
16 critical that our companies are strong and  
17 prosperous, so that they can make those vital  
18 investments that keep the United States at the  
19 forefront of creating the vehicles of the future.

20 MR. WELCH: There's only so many  
21 bracing strategies you can develop if you have  
22 tariffs imposed. Okay? You can it through to

1 the vehicles, that the tariff's going to be put  
2 on the hood of the car. You can pass it through  
3 to all of your product to try to equalize it out.  
4 You can withhold the product because the tariff  
5 makes the product too expensive. Or you can try  
6 to absorb the tariff through your profits. And,  
7 of course, R&D comes out of a manufacturer and  
8 dealer's profits. Dealers don't do R&D actually  
9 on the cars, but we're joined at the hip with our  
10 manufacture partners.

11 So, to the effect that there's less  
12 money to invest in R&D, and most of the R&D these  
13 days is going for safety products, for  
14 environmentally better cars, electrification,  
15 automation. It's going to be detrimental, pure  
16 and simple.

17 MS. DEMPSEY: Two points. One,  
18 foreign investment, as I think the very  
19 successful Select USA Conference that Secretary  
20 Ross in this building just hosted, is critical to  
21 the growth of the U.S. economy and for  
22 manufacturing and for auto manufacturing

1 specifically.

2 Manufacturing that's brought to the  
3 United States by many of our trading partners in  
4 the automotive space, right -- these are our  
5 allies who are investing here -- brings with it a  
6 lot of that R&D that's being done here in the  
7 United States because of that.

8 If there are national security issues  
9 related to foreign investment in the United  
10 States, we have those tools with the CFIUS  
11 process that we are urging the conferees up on  
12 Capitol Hill, even this week, to update and  
13 modernize those tools as part of the FIRRMA  
14 legislation that we all want to see get done and  
15 move forward.

16 We have the tools already to deal with  
17 those sensitive national security issues to the  
18 extent that that is raised here. We don't need  
19 import tariffs, import quotas, to do any of that.

20 Second, on the issue of the import  
21 penetration, I just want to note that, when we're  
22 looking at the data, particularly the

1 manufacturing import and export data, what we're  
2 not seeing very clearly is R&D, right? R&D is  
3 not reflected in that. What we are seeing, as  
4 Governor Blunt was saying, a huge amount of R&D  
5 being done in the United States, and that's just  
6 not reflected in the data, the import/export data  
7 that you got.

8 MS. PARK-SU: Thank you very much.

9 I believe we have two minutes  
10 remaining for maybe one more quick question from  
11 the panel.

12 MS. BAMBAS: I just want to make one  
13 point. We appreciate, again, the comments. I  
14 think that the distinction between CFIUS and the  
15 232 investigation, CFIUS is really sort of  
16 transaction-focused and the 232 investigation is  
17 sort of looking at the national security threat  
18 for the whole industry. So, while we appreciate  
19 that the CFIUS exists, and our office plays a key  
20 role in what the Commerce Department does in the  
21 CFIUS process, we're making sure that we're not  
22 conflating the two, as part of everything we're

1 looking at. And again, we appreciate that  
2 comment.

3 Do the panelists have any questions?

4 (No response.)

5 Then, I'll end with one question, and  
6 maybe, Mr. Welch, you can comment on this. What  
7 have we been doing in terms of -- I just returned  
8 from Europe, and I was really shocked to see the  
9 lack of any real presence of U.S. cars over in  
10 Europe. What has your organization done -- or,  
11 actually, any of the panelists -- to deal with  
12 the barriers that our trading partners have  
13 imposed. We talked about bringing things from  
14 allies, but what about our trading partners'  
15 barriers to getting U.S. cars overseas, so we can  
16 enhance our R&D and our competitive position  
17 globally?

18 MR. WELCH: Well, I might want to  
19 defer to one of the other panelists because we  
20 only sell vehicles primarily to Americans.

21 MS. BAMBAS: Okay. Yes, so maybe,  
22 Governor Blunt, this should be more directed

1           towards you. Thank you.

2                       MR. BLUNT: Sure. So, Europe is an  
3           important export market for us. If you think  
4           about our exports, about half of them go to our  
5           NAFTA partners. And we're the leading export  
6           sector in the U.S. economy, as you know from our  
7           previous discussions. About half of them go to  
8           our NAFTA partners. But Europe and China would  
9           each receive about 250,000 vehicles on an annual  
10          basis from the United States. We're exporting  
11          about a quarter of a million vehicles a year to  
12          Europe. That's a number that can grow.

13                       That's one of the reasons that I think  
14          we think it's important at an appropriate  
15          junction, and we would urge as soon as possible  
16          to restart the TTIP discussions, because reducing  
17          the tariffs that we have with Europe, and perhaps  
18          more importantly, providing some sort of  
19          regulatory convergence, and harvesting some of  
20          the work that's already been done in the TTIP  
21          process, could help us to grow and expand that  
22          number.

1 MS. PARK-SU: Thank you.

2 And with that -- actually, do you want  
3 to --

4 MS. THOMAS: If I could just echo  
5 Governor Blunt's comments?

6 MS. PARK-SU: Yes, please.

7 MS. THOMAS: We would strongly support  
8 and encourage the Administration restarting the  
9 negotiations with the EU to, hopefully, conclude  
10 a bilateral trade pact there, because it's  
11 critical to really make a push to try to reduce  
12 those trade barriers that are on both sides of  
13 the Atlantic. And we were making tremendous  
14 progress just a few years ago on that front. And  
15 so, a lot of work has already been done, and we  
16 can build on that work.

17 MS. PARK-SU: Thank you, Ms. Thomas.

18 And with that, I'm going to call time  
19 on the first panel.

20 Thank you very much.

21 Now I would like to welcome the second  
22 panel to the stage. For the second panel, we

1 have the Motor & Equipment Manufacturers  
2 Association, Ann Wilson; Specialty Equipment  
3 Market Association, Daniel Ingber; Auto Care  
4 Association, Bill Hanvey; the Certified  
5 Automotive Parts Association, Clark Plucinski;  
6 UAW, Jennifer Kelly, and the Automotive Body  
7 Parts Association, Christopher Northup.

8 Great. Well, welcome.

9 Ms. Wilson, whenever you're ready.

10 MS. A. WILSON: Thank you.

11 Good morning. My name is Ann Wilson,  
12 and I'm the Senior Vice President of Government  
13 Affairs for the Motor & Equipment Manufacturers  
14 Association. Thank you for the opportunity to  
15 appear before you today.

16 MEMA represents more than 1,000  
17 vehicle suppliers that manufacture new, original  
18 equipment and aftermarket parts, components and  
19 systems, for use in passenger cars and commercial  
20 vehicles.

21 Vehicle suppliers are the largest  
22 sector of manufacturing jobs in the U.S.,



1 directly employing over 871,000 Americans in all  
2 50 states. For the past several years, supplier  
3 manufacturing jobs have actually been increasing,  
4 up 19 percent since 2012. This is in large part  
5 because of the supplier investment in new,  
6 innovative technologies that are dependent upon a  
7 global supply chain.

8 MEMA is very concerned about potential  
9 outcomes of the Department's investigation and  
10 would strongly oppose implementation of tariffs  
11 on imported passenger vehicles and motor vehicle  
12 parts. The message from our industry is clear.  
13 The importation of motor vehicle parts is not a  
14 risk to our national security. However, the  
15 imposition of tariffs is a risk to our economic  
16 security, jeopardizing supplier jobs and  
17 investments in the United States.

18 Last week we surveyed our automotive  
19 original equipment suppliers about the impact  
20 potential tariffs would have on their businesses  
21 and what actions they would take. Almost 80 of  
22 the respondents said that a 20-percent tariff on

1 imported automotive parts would have a net  
2 negative impact on their businesses. Respondents  
3 indicated that they would cut U.S. jobs, cut or  
4 delay U.S. R&D investment, shift production  
5 outside of the U.S., and/or modify sourcing, in  
6 reaction to the tariffs. Most job cuts would  
7 occur within the first six months of the tariffs,  
8 while investment and sourcing decisions would  
9 occur throughout the first year and beyond. The  
10 results of the survey are deeply troubling and  
11 should be of concern to this panel.

12 MEMA member companies operate in an  
13 integrated global supply chain with both  
14 suppliers and customers inside and outside of the  
15 United States. This model has contributed to  
16 continued growth in vehicle production and jobs  
17 here in the U.S.

18 Now I would direct your attention to  
19 some of the charts that are in our written  
20 testimony. First, Tier 1 suppliers provide 77  
21 percent of the content value of new vehicles.  
22 These suppliers are dependent on inputs from

1 around the world which allows them to work with  
2 vehicle manufacturers to provide new technology  
3 to consumers. This, in turn, provides important  
4 jobs in the United States.

5 The supply base is widely shared among  
6 vehicle manufacturers. Gone is the time where a  
7 supplier is only a supplier to one vehicle  
8 manufacturer. For a Tier 1 to be successful,  
9 they have to have a variety of customers.

10 Furthermore, suppliers are dependent  
11 on cost-effective components in order to provide  
12 consumers with new technologies in a competitive  
13 manner. Suppliers and vehicle manufacturers will  
14 have little choice but to move production  
15 elsewhere if access to cost-effective inputs is  
16 constrained.

17 And finally, as this demonstrated, new  
18 technology manufacturing is often completed in a  
19 10-year cycle. To put it bluntly, if we lose the  
20 opportunity to develop and manufacture new  
21 technologies in the U.S., we will have little  
22 opportunity to recoup the losses for a decade.

1           It's important to consider this  
2           impact, as the previous panel talked about, on  
3           the impact of research, development, and  
4           deployment of automated technologies. If the  
5           industry is unable to import inputs because of  
6           tariffs, that work will be done elsewhere.

7           Moreover, the impact of tariffs or  
8           quotas are going to be felt up and down the  
9           supply chain. Thus, smaller, more localized  
10          companies, which are typically Tier 2 and Tier 3  
11          suppliers, are likely to feel the pinch of  
12          increased costs immediately. As our survey  
13          respondents indicated, job cuts would occur  
14          within the first six months after imposition of  
15          the tariffs. Many of our members have privately  
16          indicated that they would need to make changes in  
17          their workforce in even less time. Keep in mind  
18          that many of these same suppliers already feel  
19          the impact of a 40- to 50-percent increase in  
20          steel and aluminum costs, as well as tariff  
21          inputs from China.

22                   MEMA does support other alternatives

1 to reassure jobs in the U.S., including actively  
2 engaging with our trading partners to reduce  
3 tariffs and focusing significant resources  
4 towards workforce training to fill existing  
5 manufacturing and engineering jobs.

6 In closing, the imposition of tariffs  
7 will have a negative impact on U.S. vehicle parts  
8 suppliers. This will impact employment, and, in  
9 turn, weaken the U.S. economy.

10 Thank you for the opportunity to  
11 testify, and I look forward to your questions.

12 MS. PARK-SU: Thank you, Ms. Wilson.

13 Mr. Ingber?

14 MR. INGBER: Hi. Good morning. My  
15 name is Daniel Ingber. I'm the Managing Director  
16 of Government and Legal Affairs for the Specialty  
17 Equipment Market Association, or SEMA. SEMA  
18 welcomes this opportunity to testify to this  
19 matter and to provide you with information about  
20 our industry and why imports of specialty auto  
21 parts do not pose a national security risk.

22 Based in Diamond Bar, California, SEMA

1 is the principal organization representing the  
2 specialty equipment aftermarket. Our membership  
3 includes more than 7500 businesses that  
4 manufacture, distribute, market, and sell  
5 specialty auto parts. It contributes about \$43  
6 billion to the U.S. economy annually, and  
7 approximately 92 percent of SEMA members are  
8 small businesses. The industry employs over 1  
9 million Americans.

10 SEMA believe in fair and reciprocal  
11 trade and supports efforts to protect national  
12 security. However, SEMA opposes the potential  
13 imposition of tariffs on automobiles and auto  
14 parts contemplated under this investigation. The  
15 tariffs would significantly harm our members,  
16 leading to lost jobs and higher costs for  
17 consumers.

18 The market for automotive parts  
19 generally falls into three categories: OEM, or  
20 original equipment market parts, the replacement  
21 part aftermarket, and the specialty market. SEMA  
22 members market specialty auto parts. Such auto

1 parts are primarily for comfort, performance,  
2 safety, or customization. The parts are for add  
3 on after the original sale of the motor vehicle.  
4 They are purchased primarily by hobbyists and  
5 collectors. Examples of parts range from custom  
6 wheels and tires to exhaust systems, suspensions,  
7 turbochargers, lighting equipment, and mobile  
8 electronics. Specialty auto equipment is  
9 installed on all types of motor vehicles,  
10 domestic and international.

11 After World War II, returning soldiers  
12 used their engineering knowledge to improve the  
13 performance and appearance of our then-aging  
14 automobile fleet by inventing specialized parts  
15 for their cars. This activity spawned our  
16 quintessentially American industry, the specialty  
17 auto part, which is closely identified with the  
18 United States and celebrated American pop  
19 culture.

20 Today, a significant segment within  
21 the industry is parts for collector cars, a  
22 symbol of America's love for cars. From pre-War

1 classics to street rods and 1960 muscle cars,  
2 these vehicles stand as a testament to American  
3 ingenuity and craftsmanship. They also serve as  
4 a resource for contemporary automobile design and  
5 a source of recreation for millions of  
6 enthusiasts and collectors.

7           Given the nature of the specialty  
8 parts market, there is no nexus between a  
9 manufacturer of specialty equipment aftermarket  
10 parts and national security. The specialty parts  
11 market is comprised mostly of domestic small  
12 businesses and does not implicate the industrial  
13 capacity of our country. Consequently, the  
14 imposition of any Section 232 tariff on specialty  
15 equipment aftermarket parts would provide no  
16 appreciable benefit to national security, while  
17 at the same time leaves a loss for domestic  
18 manufacturing jobs.

19           Access to international markets is  
20 essential for U.S. automobile and auto parts  
21 industries to remain competitive. Specialty  
22 parts manufacturers rely on longstanding global



1 supply chains to procure parts and materials that  
2 they, then, use for manufacturing in the United  
3 States. Auto parts manufacturers spend consider  
4 resources in identifying, vetting, and equipping  
5 suppliers. Most of these manufacturers are small  
6 businesses that cannot absorb 10- to 25-percent  
7 tariffs on the importation of component parts and  
8 continue to function, let alone grow their  
9 business, nor could they weather the disruption  
10 in their supply chains.

11 As a practical matter, many  
12 manufacturers already face increased cost and  
13 disruption due to the steel and aluminum tariffs,  
14 as well as the Section 301 tariffs which have now  
15 taken effect. The impact of these combined  
16 tariffs have been higher production costs for  
17 U.S. manufacturers, resulting in the potential  
18 loss of domestic jobs.

19 U.S. automobile and auto parts  
20 manufacturers are thriving in the competitive  
21 international marketplace. The imposition of  
22 additional tariffs, as well as the increasing

1       uncertainty in the international trade  
2       environment, will divert U.S. manufacturers from  
3       investing in research and development on new  
4       technologies and lead them to merely trying to  
5       survive.

6                       SEMA members' products are generally  
7       a discretionary purchase tied to the enthusiast's  
8       love for his or her automobile. The 2008 and  
9       2009 recession had a devastating impact on member  
10      sales, with the industry contracting by over 20  
11      percent each year, leading to lost businesses and  
12      lost jobs. While the industry is once again  
13      thriving, the tariffs now being imposed and  
14      contemplated are already having a negative  
15      impact.

16                      Rather than oppose additional tariffs,  
17      SEMA urges the Trump Administration to support  
18      policies that encourage U.S. exports while  
19      removing barriers to fair and reciprocal  
20      international trade. SEMA is confident that its  
21      members and the rest of the U.S. automobile  
22      industry can continue to thrive in the

1 international marketplace under fair, open, and  
2 predictable conditions, producing jobs for U.S.  
3 workers and high-quality, affordable parts for  
4 consumers.

5 Thank you for this opportunity to  
6 share our concerns and recommendations.

7 MS. PARK-SU: Thank you.

8 Mr. Hanvey?

9 MR. HANVEY: Good morning. I'm Bill  
10 Hanvey, and I am proud to be President and CEO of  
11 the Auto Care Association, which is the voice of  
12 the \$392 billion-plus auto care industry. Our  
13 nearly 3,000 member companies represent some  
14 150,000 independent automotive businesses that  
15 manufacture, distribute, and sell motor vehicle  
16 parts, accessories, tools, equipment, materials,  
17 and supplies, and the local shops on the corner  
18 of Elm and Main that perform vehicle services and  
19 repairs.

20 Commonly referred to as the automotive  
21 aftermarket, our members represent greater than  
22 70 percent of the vehicle repairs and maintenance

1 conducted every single day. The U.S. auto care  
2 industry is a strong and integral sector of the  
3 U.S. economy, employing 4.6 million people, 3.2  
4 percent of the workforce, and comprising 2  
5 percent of the nominal GDP in 2018. We are a  
6 technological industry with a stable growth rate  
7 averaging 3.2 percent per year, with only one  
8 down year occurring during the recession of 2008.

9 As you know, the auto industry has an  
10 international footprint and comprises integrated  
11 supply chains that are long and global. Our  
12 industry relies greatly upon imports, including  
13 raw materials and intermediate goods, to remain  
14 competitive, while supporting a broad range of  
15 U.S. jobs.

16 The imposition of additional tariffs  
17 on imported autos and auto parts would have a  
18 significant impact on the U.S. economy and jobs,  
19 our global competitiveness, and U.S. consumers  
20 and their families. We can give examples where  
21 our industry provides a better choice for the  
22 consumer while adding both management and

1 manufacturing jobs to the U.S. economy.

2 A recent economic study completed for  
3 the Auto Care Association found that a 25-percent  
4 tariff on imported auto parts would cause a  
5 reduction of 17,800 jobs in the auto parts  
6 manufacturing sector, resulting in \$1.4 billion  
7 in lost wages. The study further predicts that  
8 6800 jobs would be lost by vehicle repair jobs,  
9 those shops on the corner of Elm and Main, and an  
10 additional 85,200 jobs would be lost in the auto  
11 care wholesale and retail segment due to  
12 underperformed vehicle maintenance. These are  
13 mostly small, family-owned businesses, like that  
14 shop on the corner of Elm and Main, that would  
15 suffer severe economic harm, should a 25-percent  
16 tariff be levied on autos and auto parts.

17 Additionally, the auto industry  
18 operates on a global platform, where goods are  
19 rarely designed, manufactured, and consumed in  
20 one country. Countries have become more  
21 efficient and productive when specializing in  
22 certain tasks, resulting in parts and components

1 crossing borders multiple times before final  
2 assembly.

3 Imports help lower costs and improve  
4 product quality, allowing our industry to remain  
5 competitive domestically and export globally.

6 Because sourcing determinations are made months  
7 in advance and years in advance, even minimal  
8 adjustments to tariffs would require a

9 significant investment and would force our

10 members to modify their supply chain, find new

11 sources for parts, and likely face new capacity

12 or quality issues. The resulting costs of the

13 tariffs likely will be passed on to the end

14 consumer in higher parts and repair prices that

15 may result in the consumers delaying critical

16 vehicle maintenance. These factors and

17 disruptions could cause companies to be less

18 competitive in the U.S. and global markets while

19 posing a safety risk on our roads.

20 In conclusion, we support the Trump  
21 Administration's efforts to improve U.S.

22 competitiveness in the global marketplace, but

1 strongly recommend that the Administration  
2 refrain from trade restrictions that would  
3 undermine the auto industry. We urge the  
4 Administration to seek solutions that protect  
5 U.S. investments, facilitate trade, and create  
6 competitive value chains that benefit the global  
7 growth of our industry.

8 We appreciate the opportunity to  
9 testify today, and, obviously, we're available  
10 for questions.

11 MS. PARK-SU: Thank you.

12 Next, Mr. Plucinski?

13 MR. PLUCINSKI: Good morning. My name  
14 is Clark Plucinski, and I serve as the Chairman  
15 of the Certified Automotive Parts Association,  
16 commonly known as CAPA. On behalf of the CAPA  
17 members, which include insurers, consumers,  
18 collision repairers, and distributors, and the  
19 general motoring public, I'm grateful for the  
20 opportunity to testify today.

21 Joining me in the audience is Mr.  
22 Snyder from the PCI, or Property Claims Insurance

1 Association of America. Together, we urge the  
2 Department of Commerce to consider the unintended  
3 impact of potential automotive parts tariffs and  
4 the cost of auto insurance repair claims.

5 We believe the impact of any tariffs  
6 on certified automotive parts will have a  
7 significant adverse effect on the economic impact  
8 for the consumers, especially the auto repair  
9 providers, the businesses, and industry as a  
10 whole.

11 Unlike commodities that may be subject  
12 to the 232 tariffs, automotive parts are for  
13 specific vehicles. So, you cannot simply obtain  
14 these parts for a domestic source, as you would  
15 steel or aluminum. Tariffs would likely cause  
16 disruption in the supply chain of replacement  
17 parts and could impede the ability of the vehicle  
18 owner, collision repair facilities, and the auto  
19 insurers, to promptly repair vehicles and get  
20 them back on the road. One of our more serious  
21 issues is the delays.

22 In 2017, 31 individual countries



1 exported more than \$100 million in automotive  
2 parts to the United States. While the country of  
3 origin will vary depending on parts and the  
4 repair, any increase in the cost of parts will  
5 increase the cost of the repair.

6 To illustrate this point, each year  
7 approximately 15 percent of the vehicles that are  
8 involved in accidents cause damage to one or both  
9 vehicles. Consider that about 60 percent of the  
10 automotive parts are imported. PCI has estimated  
11 that 25-percent tariffs could increase insurance  
12 vehicle damage cost by as much as 2.7 percent, or  
13 \$3.4 billion. That estimate is included in the  
14 joint written comments submitted by PCI along  
15 with the other insurance trade associations.

16 Keep in mind that the estimate only  
17 reflects insurance claims cost. It does not  
18 reflect the increased cost that would be borne  
19 directly by households and businesses that pay  
20 for repairs on their own, and many of that does  
21 occur today because of the increase in the  
22 deductibles and higher levels of deductibles that

1 cause more people to have to go out and take care  
2 of the repairs out of their pocket. Nor does it  
3 consider the cost incurred by those whose  
4 vehicles become a total loss, which is a large  
5 percentage, about 10 percent of the total. Maybe  
6 as much as 12 and as high as 15 percent with the  
7 aging fleet become total losses.

8 It should be noted that the motor  
9 vehicle theft rates will rise, as many stolen  
10 vehicles are sold for their parts. Of course,  
11 the parts themselves are worth more than the  
12 vehicle as a whole.

13 Further impact will be felt in the  
14 economy as a whole. Workers in the United States  
15 depend on their automobiles for their daily  
16 transportation needs, getting to their job,  
17 making sure their children get to school, and the  
18 myriad of other tasks.

19 Vehicles need timely repairs and  
20 maintenance. Any delays or cost increase to safe  
21 repairs and maintenance will have a negative  
22 consequence. Consumers facing yet another demand

1 on their budgets could find themselves having to  
2 make dangerous choices.

3 On behalf of the consumer, the  
4 thousands of businesses that provide certified  
5 aftermarket parts, and the major insurers, we ask  
6 the needs of the hard-working Americans who are  
7 consumers are fully considered in the  
8 Department's analysis regarding the importation  
9 of automobile parts.

10 We urge the Department of Commerce to  
11 look for ways to open global markets and increase  
12 exports. To increase the price of automotive  
13 parts and causing delays will cause harm to most  
14 Americans.

15 Should the Administration impose  
16 restrictions on imports, we urge the  
17 Administration to exempt closely-aligned markets  
18 and supply substantial percentages of automotive  
19 import parts or to establish a process through  
20 which interested domestic parties can petition  
21 for exemptions in a timely and transparent  
22 manner.

1                   Again, thank you for the opportunity  
2 today.

3                   MS. PARK-SU: Thank you.

4                   Ms. Kelly?

5                   MS. KELLY: Good morning. My name is  
6 Jennifer Kelly. I'm the Director of Research for  
7 the United Automobile Workers. I would like to  
8 thank you for the opportunity to share the UAW's  
9 comments on the Commerce Department's Section 232  
10 investigation on autos and auto parts. The UAW  
11 represents workers in both auto assembly and auto  
12 parts manufacturing.

13                   Decades of disinvestment and  
14 offshoring of U.S. jobs by multinational  
15 corporations has weakened our economic security  
16 as a nation and has inflicted great harm on  
17 American workers and communities. Massive job  
18 losses have had ripple effects throughout our  
19 communities, idling able-bodied workers,  
20 weakening local economies, and diminishing tax  
21 revenues.

22                   Trade has also hurt workers at the

1 bargaining table, where wages and benefits have  
2 been held hostage to the threat of moving work to  
3 low-wage countries like Mexico and China.

4 We believe a comprehensive  
5 investigation into the impact of the loss of auto  
6 manufacturing and its consequences for national  
7 security and economic well-being is long overdue.  
8 Over the past several decades, the U.S.  
9 automotive and auto parts trade deficit has grown  
10 significantly. In 1997, the U.S. had a global  
11 auto trade deficit of \$57 billion. By 2007, that  
12 deficit had ballooned 60 percent to \$91.5  
13 billion. By 2017, it had grown an additional 38  
14 percent. In total, over the past two decades,  
15 the U.S. automotive trade deficit has grown 121  
16 percent.

17 In more concrete terms, we have seen  
18 the number of assembly plants and the quantity of  
19 vehicles produced in the U.S. fall, even as sales  
20 have remained about the same. In 2000, the U.S.  
21 produced 12.8 million vehicles and employed about  
22 1.3 million workers. In 2017, production fell to

1 11.2 million vehicles and employment was about  
2 940,000. In 2017, we also know that the U.S.  
3 imported 2.5 million vehicles from Mexico, where  
4 wages are one to three dollars per hour. 2.5  
5 million vehicles is about eight assembly plants  
6 worth of production, and a typical assembly plant  
7 employs 4,000 workers or more.

8 We've also seen an increase in auto  
9 parts for the vehicles produced in the U.S. To  
10 give a general sense of the magnitude of parts  
11 imports, in 2000, the U.S. imported \$28 billion  
12 of parts, or about \$40 billion worth in 2017  
13 dollars. With 12.8 million vehicles produced,  
14 that's about \$3,000 of imported parts per vehicle  
15 produced in the U.S. In 2017, imports grew to  
16 almost \$67 billion and production fell to 11.2  
17 million vehicles. So, that's nearly \$6,000 of  
18 imported parts per vehicle produced in the U.S.

19 What isn't captured in these numbers  
20 is the change in sourcing of these parts that's  
21 occurred over the last two decades. In 1996,  
22 high-wage countries like Canada, Japan, and

1 Germany provided nearly 70 percent of imported  
2 parts. By 2007, the majority of all parts  
3 imports were produced in low-wage countries like  
4 Mexico and China. So, not only have U.S. jobs  
5 been displaced by imports, but the remaining U.S.  
6 workers' wages have been depressed by competing  
7 with low-wage countries.

8 Our concern about trade and industrial  
9 policy as it applies to the auto industry goes  
10 beyond the past and the present to the future.  
11 Much of the production footprint of tomorrow's  
12 advanced automotive technology is overseas.  
13 Today the U.S. only produces 13 percent of the  
14 world's semiconductors. By 2021, it's projected  
15 that the U.S. will produce only 14 percent of the  
16 world's lithium ion batteries.

17 This is important because these  
18 components are key to the electric vehicles and  
19 autonomous vehicles of the future. For example,  
20 it's estimated that an EV or AV will have over  
21 \$1,000 worth of semiconductors, and a lithium ion  
22 battery costs about \$15,000 per vehicle.

1           American manufacturers are competing  
2           against firms in South Korea, Japan, Taiwan, and,  
3           increasingly, China. We would argue that this is  
4           also a threat to U.S. manufacturers' ability to  
5           provide our military with cutting-edge  
6           technologies.

7           So, at the conclusion of this process,  
8           it's our hope that the Trump Administration will  
9           take targeted measures to boost domestic  
10          manufacturing. We know the automotive industry  
11          is a global industry with long, complicated,  
12          well-established supply chains. We caution that  
13          any rash actions could have unforeseen  
14          consequences, including mass layoffs of American  
15          workers, but that doesn't mean we should do  
16          nothing.

17                   Thank you.

18                   MS. PARK-SU: Thank you.

19                   Mr. Northup?

20                   MR. NORTHUP: Thank you, Jennifer.

21           Thank you, the rest of the panelists.

22                   Good morning. I'm Christopher



1 Northup, representing the Automotive Body Parts  
2 Association and its membership of parts  
3 distributors, consumers, collision repairers,  
4 manufacturers, and insurers.

5 ABPA is made up of independent  
6 collision parts distributors along with the above  
7 group of constituents who are part of the service  
8 industry and supply chain that keeps America's  
9 personal and commercial vehicles in use every  
10 day.

11 Trade barriers or tariffs, as part of  
12 national security, or any other heading, will  
13 negatively impact the automotive economy and the  
14 millions of private sector jobs affected by cars  
15 and trucks each day in our country.

16 Over 4 million U.S. citizens are  
17 employed in some form of the automotive sector.  
18 Over 700,000 of those reside in the parts space.  
19 That is, plastics, electronics, formed or cast  
20 metal part manufacturing, and the related  
21 logistics and distribution workers who deliver  
22 those products every day.

1                   Conservative economic estimates place  
2                   the employment multiplier for OEM carmaker  
3                   activities at 10, with related automotive  
4                   employment at 4. Disruptive tariffs risk this  
5                   contribution to the overall economy and  
6                   workforce.

7                   It's easy to ask, have we really  
8                   considered the outcome of tariffs as they disrupt  
9                   the automotive space? Parts and related services  
10                  are the fuel that keeps the repair process in  
11                  motion and productive. The risk to increasing  
12                  part costs or tariffs threatened our ability to  
13                  effectively and economically repair America's  
14                  vehicles.

15                  National security is a real and valid  
16                  concern. U.S. Customs and Border Protection  
17                  enforce laws and enact search and seizures  
18                  effectively each day without the use of tariffs.  
19                  At risk is an annual blue and white collar  
20                  household income and tax revenues related to  
21                  these automotive-affected jobs.

22                  Tariffs as proposed will greatly harm

1 the U.S. automotive economy and the overall  
2 economy. Free trade has long been the backbone  
3 of the global economy. Competition is embedded  
4 in our American spirit. America's ability to  
5 manufacturer certain parts and products changed  
6 decades ago, with the knowledge of the advantage  
7 of global sourcing as part of that change.

8           The repair of consumer and commercial  
9 vehicles uses replacement parts sourced from many  
10 points around the globe. The delivery supply  
11 chain and the economic advantage provided keeps  
12 Americans that work stay employed, provide for  
13 family, and contribute as taxpayers. Tariffs as  
14 a means to correct trade imbalance without  
15 understanding the unintended consequences would  
16 merely serve to harm international relationships  
17 and cause American households to suffer. Taxes  
18 and tariffs didn't work long ago in Boston and  
19 have no place here today.

20           The Administration needs to consider  
21 the impact of tariffs on the greater motoring  
22 public, the transportation sector, plus those

1 connected dots that support our overall economy.  
2 This issue is about keeping America great, but  
3 not disrupting it. We object to the proposed  
4 tariff, as tariffs only serve to harm America's  
5 automotive economy.

6 Thank you for this time, and  
7 appreciate everything you guys do for us.

8 MS. PARK-SU: Thank you, Mr. Northup.

9 Now I would like to open the floor for  
10 any questions or comments from the U.S.  
11 Government.

12 MS. BAMBAS: So, again, we appreciate  
13 everybody's comments, and we certainly appreciate  
14 everybody's desire to enhance the strength of the  
15 U.S. automotive and certainly the auto parts  
16 industry.

17 And we appreciate your contributions  
18 in terms of the economic impact. As I mentioned  
19 a little bit earlier, we're carefully looking at  
20 the data that you've provided, and then, we've  
21 got a lot of economists who are replicating the  
22 analysis, conducting their own analysis to look

1 at the economic impact, again, from all the  
2 angles.

3 I'll start with posing the same  
4 question I posed to the earlier panel. But let  
5 me start with saying that a number of the  
6 panelists, you mentioned that countries have  
7 become more efficient and better at R&D in auto  
8 parts, and hence, the U.S.'s increased reliance  
9 on imported auto parts.

10 The first, it's a multi-component  
11 question. So, we know that foreign firms that  
12 are manufacturing automobiles in the United  
13 States are becoming more heavily reliant on  
14 foreign sourcing of auto parts. The first tier  
15 of this question is, what does this look like  
16 over the course of the last two decades? How  
17 have increases in automotive parts, especially  
18 the high-tech ones -- what does that mean for R&D  
19 that's taking place in the United States vis-a-  
20 vis abroad? How much of that R&D share, global  
21 R&D share that's happening in the United States,  
22 has it eroded, and from your vantage point, how

1 much has it eroded? And then, to the next  
2 component of the question, which is a more  
3 general question, how do you see this impacting  
4 the long-term viability of the U.S. automotive  
5 industry?

6 And I'm going to open that question to  
7 all the panelists. So, thank you for your  
8 responses.

9 MS. A. WILSON: Those are a lot of  
10 questions in that question. So, let me see if I  
11 can sort of give a 40,000-foot view from our  
12 membership.

13 The one thing that's important to  
14 realize is, when we look at the tariff codes on  
15 automotive parts that are imported, there are a  
16 lot of them that are aftermarket parts that go to  
17 the shelves of retailers around the country for  
18 the vehicles that are being serviced by  
19 individuals everywhere. The average age of a car  
20 in the United States exceeds 11 years, and that's  
21 the average age. And consumers decide how  
22 they're going to maintain and repair that car in

1 varying and different ways. So, that's one piece  
2 of what we need to look at.

3 But let's look at the conversation  
4 that you had a little bit with the first panel  
5 and that I brought up, too, about automated  
6 technology. So, our vehicle suppliers for the OE  
7 industry, original equipment industry, are Tier  
8 1, Tier 2, Tier 3's. The Tier 1 suppliers are  
9 for the most part global suppliers. They situate  
10 themselves close to final assembly where the  
11 vehicle manufacturers are.

12 But it is also very important that  
13 they are able to get inputs from around the world  
14 in order to do research and development on U.S.  
15 roads. And what we have going on right now in  
16 automated technology is we have a wonderful  
17 opportunity. Jennifer mentioned before the  
18 legislation that is going on on Capitol Hill,  
19 plus the work that NHTSA and DOT is doing. But  
20 we have testbeds, we have work going on at the  
21 state level.

22 But we need to have sensors that are

1 manufactured not by our parts manufacturers, but  
2 by others, brought into the United States. And  
3 the real value for those sensors is when they're  
4 programmed in the U.S. As Governor Blunt  
5 mentioned before, we have IP protection, we have  
6 lots of research and development that's going on.  
7 So that, when those sensors hit our facilities,  
8 they are appropriately programmed. And then,  
9 they are used on vehicles, and we are doing  
10 testing on them.

11 We have a great opportunity to  
12 continue to lead the world in that. And I was  
13 just in Europe, too, and Europe understands that.  
14 And they are moving forward with their own  
15 regulatory scheme, so that they can do more  
16 testing on their roads, because they know they  
17 need to catch up. And we are all aware of what  
18 China is saying.

19 But what I will tell you is, one of  
20 the engineers for one of our largest suppliers  
21 says this differs from brake technology,  
22 windshield wiper technology, technology of old.



1 You're not going to be able to afford to do this  
2 multiple places. We can do it in the United  
3 States. We could do it in Europe. We can do it  
4 in Asia. But the cybersecurity requirements, the  
5 other technical requirements, are so expensive,  
6 firms are going to have to decide where they are  
7 going to do the developing.

8 And what we're hearing, and what we  
9 understand, is we may lose our leadership role if  
10 we take these types of actions, because the  
11 inputs that we need that are being developed  
12 globally will not be available in a cost-  
13 effective manner for our members.

14 MR. INGBER: I'd like to echo a lot of  
15 what Ms. Wilson said, but also add, our  
16 membership is 7500 businesses in the United  
17 States, most, a high percentage in the United  
18 States, over 90 percent. And the research and  
19 development is done domestically.

20 For understanding the way that the  
21 specialty parts market works with respect to OEM,  
22 a lot of features, vehicle technology features,

1 safety features, comfort features, begin as  
2 aftermarket parts, options that people add to  
3 their cars after they purchase them, even  
4 performance features, those superchargers and air  
5 intakes, et cetera.

6 Over time, the OEMs often integrate  
7 these features into their standard automobiles  
8 that you purchase as part of your car. These  
9 tariffs would hurt the ability of these domestic  
10 businesses to do research and development and  
11 development this, which keeps the U.S. automotive  
12 market competitive.

13 And as for the long-term viability of  
14 the U.S. automotive market, as I explained in my  
15 comments, it's a highly-elastic market for the  
16 specialty market, and these tariffs can have a  
17 devastating effect on the actual viability of  
18 these businesses. And as it is part of a global  
19 supply chain, influences the demand for certain  
20 vehicles, particularly jeeps and trucks, which  
21 are highly modified -- people buy them to modify  
22 them -- it will have a long-term negative effect

1 on the viability of the U.S. market.

2 MR. HANVEY: Thanks, Daniel.

3 I'm going to approach the question  
4 from two different perspectives. And you brought  
5 up a very good question about the long-term  
6 implications of the trade tariffs.

7 But, first, I would like to address  
8 the R&D side. We represent those companies that  
9 produce parts that are used in repair. And many  
10 of our companies also produce parts for the  
11 original equipment side as well. Many of those  
12 parts are the same part; they just go in  
13 different boxes.

14 However, the investments that many of  
15 our supplier companies are making in the research  
16 and development side within our group are  
17 significant. Many of the companies now have 3D  
18 printers. They have the technology. They're  
19 investing in sensors.

20 And I would urge many of you to visit  
21 some of these companies to see the investments  
22 that they've made, and I certainly would be able

1 to provide some of those names to you.

2 But the question on the long-term  
3 viability is that we currently have 282 million  
4 cars on the road. As Ann said, they are about  
5 11.7 years old, 11.7, Ann. But what's  
6 interesting, though, is really where we feel the  
7 focus should be is on training those Americans to  
8 be able to fix those technologically-advanced  
9 vehicles. And in order to ensure that when you  
10 bring your vehicle in to be fixed that it comes  
11 in, a part is ordered, a part is available, and  
12 it's ready within the hour in many cases within  
13 our industry. So, we feel that the focus really  
14 should be on training the American workforce to  
15 be able to meet those technological demands of  
16 today and tomorrow's vehicles. And that's  
17 critical. So, that's where we feel the effort  
18 should be spent in terms of our activities and  
19 preparing ourselves for the future.

20 MR. NORTHUP: Thanks, Bill.

21 I think, to answer your question  
22 directly about the R&D erosion, and just sort of

1       paraphrasing that, in our industry, which is  
2       primarily focused on exterior parts -- so, when  
3       your vehicle or my vehicle is involved in a  
4       collision, our primary customer in our  
5       association is the collision repairer, commonly  
6       referred to as the body shop. I know it's not  
7       always a pleasant experience, but it's something  
8       that goes on every day and it's part of America's  
9       motoring economy.

10               The R&D erosion, I think when we look  
11       at the potential impact of tariffs as they're  
12       being discussed, it really could have a negative  
13       impact on the R&D piece. Because in the  
14       investment world, and in the investment dollars,  
15       that economy is going to be hurt. And so,  
16       everything will be likewise hurt or affected.  
17       And I think that's a sensitive point that doesn't  
18       always -- it's in the weeds somewhere and doesn't  
19       always come out in our economic studies and  
20       everything else, but I think it's an important  
21       part.

22               In the aftermarket, commonly the R&D

1 is a shared platform. It's licensed. It's  
2 agreed upon. There's something that goes on to  
3 take place there. So, let's keep that in mind,  
4 and the aftermarket is a viable part of the  
5 automotive repair economy.

6 The long-term impact -- you know, I'm  
7 from Southern California, so we love our  
8 vehicles. And public transportation, although  
9 getting better, suffers mightily compared to  
10 parts of our country and parts of the world.

11 So, anytime we slow down or affect the  
12 automotive economy, the motoring economy, we  
13 affect the economy. We affect people's ability,  
14 as I mentioned earlier, to go to work, to provide  
15 for their families, and, yes, to pay taxes.

16 So, thanks.

17 MR. PLUCINSKI: So, you're lucky, I  
18 wear probably too many hats today. Being the old  
19 guy and semi-retired, I decided to take on this  
20 challenge of becoming Chairman of the Certified  
21 Automotive Parts Association, or CAPA.

22 I was a shop owner. We had 46

1 businesses in four states and over 700 employees,  
2 doing almost \$100 million in sales. And we  
3 started out with 30,000 feet. So, trust me when  
4 I tell you that parts have always been a major  
5 issue for us.

6 A few years ago, our organization --  
7 CAPA has been in place for 31 years now -- but a  
8 few years ago, when we first set out to look at  
9 these parts and test these parts, and do the work  
10 on the R&D side that we needed to do to make sure  
11 that they were like-kind quality, which is a term  
12 that's used frequently, and in many cases they  
13 were anything other than like-kind quality, very  
14 scary things happening.

15 But, on the R&D side, we're using the  
16 same testing facility that the OEs use to make  
17 sure that our parts are as good, if not better.  
18 So, in our case, our business and most collision  
19 repairers of any size have a lifetime guarantee.  
20 And that means something to us. We could be in  
21 severe jeopardy. If you have watched any of the  
22 recent lawsuits that have occurred, it's very

1 scary for a repairer to be given parts that don't  
2 fit, that aren't tested, and we have problems  
3 that we find.

4 So, our entire focus as an  
5 organization on the CAPA side is to make sure our  
6 65 manufacturers follow every step, and they've  
7 done a magnificent job of working with us over  
8 the years to grow.

9 And I believe the panel would probably  
10 agree there's almost nothing they can't do. If  
11 we ask for a certain standard, which is what we  
12 do, we get that standard. So, we're very happy  
13 with that.

14 MS. BAMBAS: And actually, we all  
15 probably in this room appreciate your  
16 contributions to ensuring our safety when we get  
17 into cars, too. So, thank you.

18 MS. KELLY: So, I'm going to make a  
19 couple of comments on kind of what's happened  
20 with parts sourcing. One, we have seen there are  
21 more foreign automakers manufacturing or  
22 assembling vehicles in the U.S. It's also an



1 increase in parts and parts from those home  
2 countries where they want to continue doing  
3 business with some of the suppliers from their  
4 home countries.

5 But, more importantly, I think, is  
6 that we've definitely seen, and suppliers will  
7 advertise this as a selling point to the  
8 investment community, the pursuit of low-cost  
9 country strategies. So, they will market the  
10 fact that they can produce parts in a variety of  
11 low-cost countries, which means low-wage  
12 countries, often countries with very little labor  
13 protections. And so, that's been going on, and  
14 that hurts U.S. workers.

15 When it comes to thinking about the  
16 future, at the UAW we are concerned about where  
17 that auto industry will develop, and we have  
18 concerns that it will mean the U.S. isn't as  
19 important a location for future vehicles and the  
20 parts that go with that.

21 We think, though, that while trade is  
22 a piece of addressing that, that there are other

1 policy prescriptions as well. And when we see  
2 Germany and China, other countries in Europe,  
3 having industrial policies that support the  
4 domestic manufacturing of the vehicles and the  
5 parts, but also support the demand side, that's  
6 one of the things we hear in the U.S., is that  
7 the demand isn't here for these EV, electric  
8 vehicles, or higher fuel-efficient vehicles.  
9 Because there isn't a mandate, there aren't the  
10 same number of incentives. So, we think that  
11 there needs to be sort of a multidimensional  
12 approach to fostering a strong domestic industry.  
13 Trade is one piece of that.

14 MS. A. WILSON: Could I just address  
15 the global supply chain and global  
16 competitiveness? Indeed, there is manufacturing  
17 that goes on in various places. And let's just  
18 take the NAFTA region; for instance, as we all  
19 know, wire harnesses. I'm known on Capitol Hill  
20 as the "wire harness lady" by some people because  
21 I've been carrying them around. They are, for  
22 the most part, manufactured outside of the United

1 States. They are very intensive-labor issues,  
2 not highly technological. But, at the same time,  
3 there are inputs into those wire harnesses that  
4 come from the United States. It's important that  
5 we keep that in this region to be able to produce  
6 those jobs, and they are mostly Tier 2 and Tier 3  
7 jobs, like plastic connectors and things like  
8 that, that go from the United States into Mexico  
9 for final wire harness manufacturing.

10 But, from a U.S. perspective, there  
11 are three areas in the world that are really the  
12 global places where vehicles are manufactured,  
13 NAFTA, Europe, and Asia. Europe and Asia both  
14 have access to lower-wage countries to be able to  
15 do things like that. If we are not able to be  
16 able to have access that, we are no longer going  
17 to be able to be globally competitive.

18 And when you look at it that way, you  
19 say the jobs that we should try to be creating  
20 here are the ones that are higher technology,  
21 higher IP, higher skills levels, all of those  
22 types of things. And that's why you've seen the

1 jobs in our sector actually increase. In the OE  
2 automotive sector over the last five years, our  
3 jobs have increased over 20 percent, and those  
4 are the jobs that we need to have that would be  
5 good-paying jobs for the American worker.

6 MR. CASTRILLON: Thanks, Ann.

7 Let me ask a follow-up question  
8 directly to that point, and I want to transition  
9 from talking about R&D to what the U.S. auto  
10 parts manufacturing footprint looks like in the  
11 United states. In 1985, we were a net exporter  
12 of auto parts. We're now a net importer. We  
13 have a \$60 billion trade deficit in auto parts.  
14 And so, we're becoming increasingly reliant on  
15 auto parts for U.S. auto assembly.

16 And getting to your point about the  
17 need to have access to the low-value inputs in  
18 order to create that high-value, high-technology  
19 manufacturing footprint in the U.S., when we look  
20 at that current trade deficit, it's being, in  
21 part, driven by high-value, high-tech products  
22 like electronics and electrical components.

1           So, how at risk are we of not having  
2 U.S. sources, not for those low-value products,  
3 but for those high-value, high-technology  
4 products? And how at risk are we that those  
5 supply chains are currently being established in  
6 other countries, and that we're not going to have  
7 domestic sources for the types of products that  
8 both the first panel and you folks have said are  
9 the important products for the U.S. auto assembly  
10 and for the future of the auto parts  
11 manufacturing footprint in the U.S.?

12           MS. A. WILSON: So, if you look at  
13 electronics, for instance, a lot of what you're  
14 talking about, Andres, are the ones that come  
15 from non-suppliers. So, they are suppliers to  
16 our suppliers. They have determined to  
17 manufacture in different parts of the globe.  
18 There's no doubt about that.

19           But auto is only one portion of their  
20 whole footprint. So, the sensors that come in  
21 and sensors that go out of those factories,  
22 they're probably in your vacuum cleaners; they're

1 in your lighting systems; they're in your  
2 televisions; they're in our phones; they're  
3 everywhere. The real value is when those sensors  
4 are manufactured or brought into the U.S., and  
5 then, they are actually programmed in the U.S.  
6 for whatever automated technology that we're  
7 trying to do.

8           Again, we do believe that there's a  
9 real value in that, and we do believe that that  
10 value is being done in the U.S. So, we are less  
11 concerned than you are about the electronics that  
12 are able to come here, except that if we no  
13 longer have that free flow of electronics, you're  
14 going to find the ability to go ahead and program  
15 those and do those other places around the world.  
16 And that's when we're going to lose jobs and  
17 we're going to lose that R&D.

18           MR. INGBER: I just want to emphasize  
19 that automobiles and the auto part industry is  
20 thriving right now in a very competitive  
21 marketplace. And as Ann just said, the ingenuity  
22 and the entrepreneurship of the U.S.

1 manufacturers and the U.S. businesses helps drive  
2 that.

3 Tariffs meant to address trade  
4 deficits, as other people on this panel have  
5 pointed out, that's a blunt instrument for  
6 dealing with the trade deficit. It would, in  
7 fact, backfire when it comes to being able to  
8 produce high-tech technology industries in the  
9 United and to foster U.S. entrepreneurship.

10 MR. HANVEY: Thanks, Daniel.

11 I would concur with Ann and Daniel on  
12 that.

13 I think there's a couple of things  
14 here. Making sure that we keep our allies close,  
15 NAFTA, Mexico, Canada, that's an integral part of  
16 the supply chain, and we have to make sure that  
17 we keep them close as well.

18 I think intellectual property  
19 protection is something that we all would agree  
20 upon here that really would cement our  
21 relationship around the globe, ensure that our  
22 research and development is protected, the

1 investments that we make here in the U.S. on the  
2 technology side, whether we decide to produce  
3 that here in the U.S. or some other region. But  
4 we have to ensure that that IP is protected, and  
5 I think that that's an important thing that we  
6 really haven't addressed here. That goes hand-  
7 in-hand with what we're talking about. I don't  
8 want to speak for everybody here, but I think  
9 that everybody would be in support of that as  
10 well.

11 MR. NORTHUP: Yes, I agree with  
12 everyone. I could almost do what they said.

13 You know, that point we brought up  
14 earlier on R&D, and bring up here again, is the  
15 development, the technology, the creation is  
16 occurring here in our country. The outsource of  
17 manufacturing is a decision that's made downline.  
18 And then, on the rebound effect, it's programmed  
19 here.

20 So, I think that supply chain in  
21 itself must remain intact for us to have an  
22 effective automotive economy. And that's sort



1 of, again, one of those critical pieces that can  
2 get overlooked.

3 MR. PLUCINSKI: I don't really have  
4 anything to add. Thank you.

5 MS. KELLY: So, I share the concern  
6 that you articulated. I think in my comments I  
7 pointed to two pieces, in particular,  
8 semiconductors and lithium ion batteries.  
9 Assuming that the trajectory we're on comes to  
10 fruition where we have electric vehicles in our  
11 future, it means the loss of engines and  
12 transmissions. Those are two big pieces of  
13 automobiles today that employ a lot of workers  
14 domestically. They tend to be sourced where the  
15 vehicle is assembled, by and large.

16 And so, when we think of what the  
17 effect on U.S. employment is, the workers who are  
18 making engines and transmissions today, their  
19 jobs will be eliminated when we make a transition  
20 to electric vehicles. The replacement power  
21 train, if you will, is the lithium ion battery  
22 and a motor. Those products are not, by and

1 large, produced here.

2           So, we look at considerable net job  
3 loss just in that technological transition. And  
4 so, I think while R&D is important, programming  
5 is important, I think having the physical ability  
6 to produce those products here in the United  
7 States, not in the NAFTA region -- I mean, NAFTA  
8 is useful, but a job in Mexico is not a job in  
9 the U.S. And so, I think that thinking about  
10 where that supply chain gets developed is very  
11 important, and I have very real concerns about  
12 what the future holds in that vein.

13           MS. PARK-SU: Thank you.

14           Any other questions? Comments?

15           (No response.)

16           Well, that's time for the second  
17 panel. Thank you.

18           Now I'd like to welcome to their seats  
19 the third panel for this morning. Webasto Roof  
20 Systems, Dr. Holger Engelmann; Miller & Company,  
21 Marshall E. Miller; Hyman, LTD, Mark Hyman;  
22 Cosdel International Transportation, Mark Hyman,

1 on behalf of Martin Button; Polaris Industries,  
2 Paul Vitrano.

3 Thank you.

4 If I can remind our panelists to  
5 please speak into the microphone? Our  
6 interpreters are having a hard time hearing. So,  
7 if you can speak into the microphone, we'd  
8 appreciate it.

9 Without further delay, I'm going to  
10 start with Dr. Engelmann, whenever you're ready.

11 DR. ENGELMANN: Good morning to all of  
12 you, and thank you very much for giving me the  
13 opportunity to present our point of view with  
14 regards to the Section 232 investigation, as an  
15 automotive supplier with a significant U.S.  
16 footprint.

17 My name is Holger Engelmann, and I am  
18 the CEO of the Webasto Group, one of the world's  
19 leading automotive suppliers, based in Germany.

20 We have totally six sites in the U.S.,  
21 including our Regional Americas Headquarters  
22 based in Rochester Hills, Michigan, and we

1 currently employ more than 1,800 highly-skilled  
2 employees in this country.

3 We have been supplying the world's  
4 automotive industry for nearly 100 years and have  
5 continuously expanded our presence here in the  
6 U.S. since the 1970s. And we just have added a  
7 new member to our U.S. company family by making a  
8 strategic acquisition, AeroVironment's Efficient  
9 Energy Systems business segment, which is  
10 headquartered in Monrovia in California. And our  
11 new colleagues are really important to be a  
12 solution supplier for the automotive and  
13 industrial charging sectors and are also  
14 conducting significant research into innovative  
15 battery applications.

16 Webasto continues to be committed to  
17 further expanding its footprint in the United  
18 States. We are enormously loyal to our U.S.  
19 employees whom we call colleagues, and not just  
20 staff or employees.

21 Furthermore, Webasto has always been  
22 at the forefront of innovation for the automotive

1 industry, and we are currently experts in diverse  
2 fields of sunroofs/moonroofs, you call them,  
3 convertibles, fixed-roof panels, and heating  
4 systems. As noted above, we are now investing in  
5 e-mobility solutions like batteries, chargers, as  
6 well as new sunroof technologies.

7 We, Webasto, provide our products to  
8 nearly everywhere in the world, including all the  
9 U.S. manufacturers. And our production  
10 facilities here in the U.S., they utilize  
11 approximately 200 products from U.S. suppliers  
12 located in the U.S. And we guarantee long-term  
13 employment for their employees and further growth  
14 in their respective businesses.

15 And it's part of our overall  
16 philosophy that we source as much as possible in  
17 the countries where we are manufacturing our  
18 products. So, we sell our product in the U.S.  
19 We purchase our components in the U.S.

20 We have over the last five years  
21 successfully localized more and more parts in the  
22 U.S. As a result, we have reached a localization

1 rate of more than 80 percent. But further  
2 localization is very difficult. This is because  
3 of the need for extensive expensive investments  
4 into suppliers who are currently not able to  
5 deliver according to OEM standards or whose  
6 prices are not competitive with regards to the  
7 constant cost pressure we have in our very  
8 competitive industry. Therefore, paying tariffs  
9 on parts we must continue to import will make our  
10 products manufactured here less attractive and  
11 could negatively impact any future investments in  
12 the U.S.

13 By current projections, we're asked to  
14 risk incurring an additional 12 to 18 million  
15 U.S. dollars annually with the new policy. We  
16 would face a situation which puts enormous  
17 pressure on our U.S. facilities, and this  
18 potentially could lead to costs and measures,  
19 including no further investments, no R&D in the  
20 U.S., and, also, a significant workforce  
21 reduction. Alternatively, we could try to pass  
22 the cost increases through to our U.S. customers.

1 Based on our experience, this could be  
2 challenging and undesirable.

3 So, let me summarize. In general, the  
4 timing and suggested reasons for this  
5 investigation are particularly troubling. The  
6 automotive industry has been thriving in recent  
7 years. The 25-percent tariffs would again add  
8 uncertainty and will economically harm the  
9 automotive industry operated in the U.S., and it  
10 may also raise the cost for U.S. consumers.

11 Personally, I truly believe that  
12 tariffs are not in line with your current  
13 foundations of this great nation. You have  
14 taught us after the Second World War in Germany  
15 how important free trade and open markets are,  
16 and we learned. That will always be a driver of  
17 your nation's success. Therefore, I hope that  
18 you will take the right decisions based on your  
19 country's belief.

20 Thank you again for your time. I'm  
21 happy to answer if you have any question.

22 MS. PARK-SU: Thank you.

1 Mr. Miller?

2 MR. MILLER: My name is Marshall  
3 Miller. I am the President of Miller & Company.

4 On behalf of our clients and myself,  
5 my testimony focuses on a very small segment of  
6 what you're looking at, and that is the vintage  
7 car motor vehicle industry, which I don't believe  
8 anyone even considered when the initial  
9 documentation was sent out. But the motor  
10 vehicle industry and parts, this 25-percent duty  
11 would have an enormous negative impact on the  
12 vintage motor vehicle industry in the U.S.

13 Our law firm is solely focused on  
14 import/export and Foreign Trades Zone law, and I  
15 have been doing this for 48 years. I represented  
16 most of the original equipment manufacturers when  
17 they established their assembly plants in the  
18 U.S., starting in the 1970s. So, I have a wide  
19 range of knowledge about the motor vehicle  
20 industry and the growth of the motor vehicle  
21 industry and parts. But all this was focused on  
22 establishing foreign trade zone status, which the



1 Department of Commerce and the Foreign Trades  
2 Zone Board here in this building worked with.

3 But I'm also a collector of vintage  
4 cars, have some 17 of them. One of them -- and I  
5 put it as an exhibit -- is from the Trade  
6 Expansion Act of 1962 -- the original Chicken  
7 Moore pickup truck, where this all started. This  
8 is a 1963 Volkswagen crew cab pickup truck. And  
9 when I found it in Rochester, New York, 25 years  
10 ago, I had to have it, because I've used it  
11 constantly in this building, at Treasury, and at  
12 Customs for various examples. It's a very good  
13 truck. There aren't very many of those because,  
14 once the duty went on at 25 percent, no more were  
15 imported into the United States. That was 55  
16 years ago.

17 And so, I caution this panel as you're  
18 considering this, all of this is always supposed  
19 to be temporary. That's what the Trade Expansion  
20 Act of 1962 envisioned. This is still in effect  
21 55 years later.

22 The vintage motor vehicle industry is

1 estimated to be between a \$80 and \$160 billion  
2 industry. There are some 28 million vintage  
3 vehicles in the United States, and they represent  
4 a wide range of vehicles from \$10,000 in value to  
5 \$70 million in value. It doesn't matter if you  
6 have a 25-percent duty rate against a \$10,000 car  
7 or a \$70 million car; it still stops the business  
8 and the parts that are related to it.

9           There are approximately, we believe --  
10 well, not "we believe"; we know -- nine  
11 harmonized tariff schedule numbers that will  
12 relate to all types of motor vehicles that would  
13 be vintage vehicles or used vehicles, and at  
14 least 16 HTS chapters, because parts, of course,  
15 are all over the waterfront from the standpoint  
16 of their HTS classifications.

17           The industry involves the import,  
18 restoration, display, sales, and export of motor  
19 vehicles. Nationwide, millions of U.S. citizens  
20 are engaged in vintage motor vehicle restoration,  
21 sale, distribution, collection, and display.

22           The Section 232 national security

1 investigation to determine the effect of motor  
2 vehicle imports and parts should not in any  
3 manner involve vintage motor vehicles and parts.  
4 They just should be excluded from your report.  
5 They are irrelevant to any kind of issue  
6 involving national security. These are vintage  
7 vehicles. There's no threat to the national  
8 security by these. It would cause an  
9 extraordinary negative chilling effect.

10 I've also included, besides a  
11 photograph of the first example of this law being  
12 used in 1963, several articles from vintage  
13 magazines, publications that have been published  
14 in the last few weeks, indicating that, if this  
15 were to go into effect, the industry would be  
16 significantly reduced and it would be a very  
17 major effect on a wide range of people with  
18 absolutely no national defense implications.

19 We believe there are ways of managing  
20 this effectively from the standpoint of the  
21 technology of the import process and the ACE  
22 system. Already that has been implemented for

1 other trade actions in 2018, and there can be  
2 note in the HTS for this particular thing to  
3 exclude these types of vehicles.

4 For these reasons, we believe that  
5 vintage motor vehicles and parts should not be  
6 part of this investigation, should be excluded,  
7 and have no relevance.

8 Thank you.

9 MS. PARK-SU: Thank you.

10 Mr. Hyman? And, Mr. Hyman, would you  
11 mind pulling the microphone in front? Thank you.

12 MR. HYMAN: Good morning. My name is  
13 Mark Hyman. I'm the owner of Hyman Limited  
14 Classic Cars in St. Louis, Missouri. Hyman  
15 Limited, is one of the largest vintage automobile  
16 dealers in the United States.

17 The purpose of my appearance here  
18 today is to request an exemption for classic,  
19 vintage, and collector grade vehicles and parts  
20 from the proposed 25-percent tariff on all  
21 imported vehicles and parts, regardless of age or  
22 origin, being considered under the Section 232

1 national security investigation of imports of  
2 automobiles and auto parts.

3 I would first like to provide a brief  
4 background on myself and my business. Starting  
5 in 1989, I began building Hyman Limited from the  
6 ground up. My business started with the purchase  
7 of one car, which, incidentally, I sold to an  
8 overseas buyer and exported. Nearly 30 years  
9 later, and thousands of transactions later, I  
10 have built one of the largest businesses of its  
11 kind in the United States. Hyman Limited is  
12 highly active in the global vintage and collector  
13 car trade in the U.S., EU, Middle East, South  
14 America, and Asia. At times, as much as 70  
15 percent of our business has taken place on an  
16 international level in the buying, importing,  
17 and/or selling and exporting of vintage  
18 automobiles.

19 According to NewOak Capital, an  
20 investment banking firm that focuses on the  
21 vintage vehicle industry, classic vehicles  
22 encompass an \$80 to \$160 billion industry with

1 interest in all 50 states. Hagerty Insurance,  
2 one of the world's leading specialty vehicle  
3 insurers, estimates that as many as 29 million  
4 classic or vintage vehicles exist in the market.  
5 Every one of those vehicles will require parts  
6 and other maintenance items, many of which are  
7 manufactured outside of the U.S.; thus, subject  
8 to the proposed 25-percent tariff.

9 Americans alone purchase more than  
10 \$1.5 billion worth of vintage vehicles at  
11 auction, which represents just 5 percent of total  
12 annual market activity. If these 25-percent  
13 tariffs are allowed to proceed, the resulting  
14 slowdown of trade and fall of vintage automobile  
15 values will have a lasting negative effect on our  
16 economy.

17 Our industry encompasses not only  
18 dealers like myself, but also auction houses,  
19 restoration shops, parts manufacturers and  
20 retailers, insurance companies, importers,  
21 exporters, transportation and trucking companies,  
22 freight forwarders, customs brokers, and

1       countless small businesses and individuals who  
2       support what we do every day.

3               The proposed tenfold increase of  
4       duties on vehicles and parts will, in all  
5       likelihood, put a stop to the importation of  
6       collector vehicles. Likewise, I am also  
7       seriously concerned that retaliatory tariffs will  
8       be imposed by our trading partners, which has the  
9       potential to halt exports in a similar fashion.  
10       Such restrictions will cause American interests  
11       to be effectively cut off from our international  
12       partners. In turn, the cost to buy, sell, and  
13       restore vintage vehicles will soar, which, in  
14       turn, will cause, or has the potential to cause,  
15       values to collapse.

16               As an example of the potential ripple  
17       effect, our industry relies upon the travel and  
18       hospitality industries for support during the  
19       hundreds of events held across America on an  
20       annual basis. Shows, rallies, public auctions,  
21       museum events, and similar events, support the  
22       local economies of the cities and towns that

1 graciously host us. These events have the  
2 potential to attract hundreds of thousands of  
3 visitors and their dollars from around the world.  
4 But they rely on a healthy classic car market.  
5 With a collapse of the industry, fewer and fewer  
6 of these events will be viable, and the economic  
7 impact will trickle down to the host cities and  
8 even to the numerous charities that benefit from  
9 our events.

10 In conclusion, the proposed tariffs on  
11 vintage vehicles and parts have the potential to  
12 cripple a multibillion dollar industry that  
13 relies upon a healthy and open trade environment  
14 free of unreasonable boundaries. The importation  
15 of vintage vehicles and associated parts poses no  
16 threat to national security, and the imposition  
17 of the proposed tariffs would only serve to harm  
18 American businesses and individuals.

19 One final note. Every year since at  
20 least 2009, both Congress and the Senate have  
21 passed unanimous resolutions -- for instance,  
22 Senate Resolution 574 from 2018 -- designating a



1 July date as Collector Car Appreciation Day,  
2 expressing support for and emphasizing the  
3 importance of the vintage vehicle industry,  
4 specifically recognizing that the collection and  
5 restoration of historic and classic cars is an  
6 important part of preserving the technological  
7 achievements and cultural heritage of the United  
8 States.

9 MS. PARK-SU: Thank you, Mr. Hyman.

10 MR. HYMAN: Thank you.

11 MS. PARK-SU: Now, Mr. Hyman, I  
12 believe you are going to be speaking again on  
13 behalf of Mr. Martin Button from the Cosdel  
14 International Transportation?

15 MR. HYMAN: I am. Mr. Button was  
16 unable to attend due to health issues.

17 MS. PARK-SU: Whenever you're ready,  
18 sir.

19 MR. HYMAN: This is a statement of Mr.  
20 Martin E. Button, President of Cosdel  
21 International Transportation. The purpose of  
22 this appearance is to request an exemption from

1 the proposed 25-percent customs duties under  
2 Section 232 for imports of vintage motor vehicles  
3 and parts.

4 We do not believe there is a  
5 justifiable national security basis to impose any  
6 trade measures under Section 232 on imports of  
7 vintage motor vehicles and parts. Cosdel  
8 International is focused on importing and  
9 exporting classic, collector, and vintage motor  
10 vehicles and parts, as a licensed customs broker  
11 and trade forwarder. Cosdel represents a wide  
12 range of auction houses, major collectors,  
13 dealers, museums, and hobbyists in the U.S., and  
14 had done so since the mid-eighties.

15 The vintage motor vehicle and parts  
16 industry is a multibillion dollar enterprise in  
17 all 50 states. Nationwide, millions of U.S.  
18 citizens are directly engaged in vintage motor  
19 vehicle restoration, sale, distribution,  
20 collection, and display. The industry, or hobby,  
21 as it is more generally known, involves the  
22 ownership by individuals and families and many

1 Section 501.(c)(3) museums of a wide range of  
2 vintage motor vehicle cars.

3 These individuals are involved in the  
4 display of these vehicles in all 50 states for  
5 the public, a wide range of events where the  
6 vehicles are driven in tours and races, and  
7 vigorous vehicle restoration business nationwide  
8 to restore and maintain vintage vehicles.

9 There are numerous museums throughout  
10 the U.S. that display vintage motor vehicles.  
11 Just like art museums, vehicles are shipped  
12 globally for display in museums, vehicle shows,  
13 and restoration throughout the world. The  
14 purchase and sale of these vehicles and parts are  
15 by individuals as well as by auction companies  
16 and firms engaged in buying and selling.

17 Vintage motor vehicles are provided  
18 for in the following nine harmonized tariff  
19 schedule headings and parts for such vehicles,  
20 and are covered by more than 16 chapters: 8701  
21 tractors -- I'll spare you these details.

22 (Laughter.)

1                   The national security investigation  
2 will determine the effect on national security of  
3 motor vehicle and parts imports. Allowing  
4 imports of vintage motor vehicles and parts  
5 cannot in any manner be viewed as a threat to  
6 national security. A significant portion of the  
7 vintage motor vehicle and parts industry involves  
8 individuals and families that are focused on the  
9 history and design of vintage motor vehicles.  
10 The interest in the import, restoration, sale,  
11 and export of vintage motor vehicles in no manner  
12 involves any threat to national security.

13                   The impact on the vintage motor  
14 vehicle and parts business by the imposition of  
15 Section 232, additional customs duties up to 25  
16 percent, could be overwhelming. Generally,  
17 values for vintage motor vehicles and parts will  
18 range from just a few thousand dollars to tens of  
19 millions of dollars. The most valuable car ever  
20 to change hands sold recently to a major American  
21 collector for \$70 million. This sale would  
22 certainly not have happened if that 25-percent

1 duty were imposed.

2 The national security investigation to  
3 determine the effect of motor vehicle and parts  
4 import should not in any manner involve vintage  
5 motor vehicles and parts. There is no threat to  
6 the national security, and the negative impact on  
7 the vintage vehicle industry in the U.S. would be  
8 enormous.

9 As the preeminent shipper of classic  
10 and collector cars in the world, we ship  
11 collector cars worldwide on a daily basis, both  
12 importing and exporting, via a large array of  
13 carriers by air and by ocean. Many of these  
14 shipping lines and airlines are U.S. flag  
15 carriers, and we generate many tens of millions  
16 of dollars' worth of freight for these carriers,  
17 supporting their viability and longevity in  
18 competing with foreign carriers. In this way,  
19 the importation and exportation of collector and  
20 classic cars supports the national security by  
21 keeping U.S. carriers in business.

22 Since the notice was published, there

1 have been several articles published by key  
2 publications in the vintage motor vehicle and  
3 parts industry. Attached as exhibits are  
4 articles from Hemmings and Automotive News. Both  
5 of these articles make it clear that the impact  
6 of the proposed additional customs duties will be  
7 overwhelmingly negative.

8 Thank you.

9 MS. PARK-SU: Thank you, Mr. Hyman.

10 Mr. Vitrano?

11 MR. VITRANO: Good morning. My name  
12 is Paul Vitrano. I'm Senior Assistant General  
13 Counsel for Polaris Industries. Polaris is an  
14 American manufacturer and the global market  
15 leader for power sports vehicles, including ATVs,  
16 snowmobiles, and off-road vehicles. Polaris also  
17 is the largest supplier of specialized ATVs and  
18 ORVs for light tactical mobility to the U.S.  
19 military.

20 The company is headquartered in  
21 Minnesota. We have over 8700 U.S. employees  
22 across facilities in 39 U.S. states, including

1 vehicle and engine factories in Alabama,  
2 California, Indiana, Iowa, Minnesota, and  
3 Wisconsin.

4 I'm here today to request confirmation  
5 that the scope of this Section 232 investigation  
6 does not cover consumer ATVs, snowmobiles, and  
7 ORVs or U.S. military ATVs and ORVs for light  
8 tactical mobility, such as those manufactured by  
9 Polaris. Assuming that is the case, I wish to  
10 draw your attention to some specific  
11 recommendations in our written comments which  
12 will ensure that ORVs and their associated parts  
13 are not unintentionally covered by the  
14 Department's final determination.

15 The clear intent of this investigation  
16 is to focus on the potential national security  
17 threat posed by imported automobiles, to include  
18 cars, SUVs, vans, and light trucks, along with  
19 the parts used in such vehicles. Purpose-built  
20 off-road utility vehicles, like the Polaris  
21 Ranger, and off-road recreation vehicles, like  
22 the Polaris RZR and Sportsman, are neither

1 functionally similar to, nor competitive with,  
2 automobiles. These vehicles are designed for  
3 off-road use and are not intended to be driven  
4 lawfully on roads.

5           Since off-road vehicles are  
6 fundamentally different from automobiles, it  
7 appears that ORVs and ATVs are not intended to be  
8 covered by this investigation. That said, in the  
9 recently-concluded Section 232 investigations on  
10 steel and aluminum, the scope of the  
11 investigations was ultimately defined with  
12 reference to broad six-digit subheadings within  
13 the HTS US. If a similar approach is adopted  
14 here, the structure of the tariff schedule is  
15 such that it may result in ORVs being  
16 unintentionally included within the final scope  
17 of the investigation.

18           If it is the President's intention to  
19 focus this investigation on conventional on-road  
20 automobiles, we have provided specific  
21 recommendations in our written comments regarding  
22 how the scope may be defined to avoid



1 encompassing products such as ORVs, which should  
2 be excluded. Specifically, we ask two things.

3 First, however the scope is defined  
4 with respect to tariff classification, the  
5 Department should expressly limit the scope of  
6 the investigation and any resulting action to  
7 four-wheeled vehicles satisfying federal safety  
8 and emissions standards which permit unrestricted  
9 on-road use. This limitation would not exclude  
10 any conventional cars, SUVs, vans, or trucks, but  
11 would ensure that ORVs and other vehicles  
12 manufactured by Polaris are not inadvertently  
13 included.

14 Second, the investigation's  
15 applicability to auto parts and components should  
16 be limited to such parts as are actually used in  
17 in-scope vehicles. This will ensure that parts  
18 and components of ORVs, items like 16-inch tires  
19 with aggressive off-road treads or ATV suspension  
20 components, are not unintentionally covered.

21 Finally, as noted, Polaris is the  
22 largest supplier of specialized ATVs and ORVs for

1 light tactical mobility to the U.S. military. I  
2 would like to emphasize two points with respect  
3 to these military vehicles.

4 First, these vehicles are commercial  
5 off-the-shelf and are produced in U.S. factories,  
6 but they benefit from the company's global supply  
7 chain. The vehicles and their parts and  
8 components are classified under HTS codes in  
9 common with passenger cars. So, like our  
10 consumer ATVs and ORVs, they are at risk of  
11 inadvertently being within the scope of this  
12 investigation.

13 Second, as a U.S. military supplier,  
14 Polaris typically produces over 2,000 military  
15 vehicles per year. In the event of a national  
16 security crisis, however, Polaris has the  
17 infrastructure and capability to increase  
18 production substantially in order to support  
19 increased demand by our military.

20 Thank you for your time and  
21 consideration.

22 MS. PARK-SU: Thank you, Mr. Vitrano.

1                   And at this time, I would like to open  
2 the floor to the U.S. Government for any  
3 questions or comments.

4                   MR. READ: Good morning. Bob Read  
5 with the DoD.

6                   My question is, as an actual  
7 manufacturer for off-road vehicles for the  
8 military, what I am trying to get a sense for is,  
9 how much of the supply chain that you utilize in  
10 your off-road vehicles actually coincides with  
11 the supply chain for automobiles?

12                  MR. VITRANO: Quite a bit of that  
13 supply chain is overlapped, because the history  
14 of off-road vehicles, it's a relatively new  
15 segment. If you look at the HTS codes, there are  
16 specific codes for snowmobiles and ATVs, but off-  
17 road vehicles, which are more broadly defined as  
18 our Ranger and RZR products, RZR of which we  
19 supply the U.S. military, are much more recent  
20 vintage. And so, as a historical legacy, they  
21 were lumped in with similar auto codes, both at  
22 the vehicle level and, also, many of the parts

1 share common codes with automobile components.

2 MR. READ: So, as a little bit of a  
3 follow-up to that, okay, in terms of the  
4 technologies, do you find that, from a technology  
5 standpoint, a lot of times you're borrowing the  
6 technology from the automotive industry to  
7 incorporate into your off-road vehicles?

8 MR. VITRANO: There certainly is some  
9 overlap as a result of the fundamental footprint  
10 of the vehicles, but there's a lot of innovative  
11 technology that goes into our vehicles and the  
12 suppliers that support us. A big key to our  
13 success in recent years, as we've been growing  
14 exponentially, has been our R&D investment in our  
15 particular industry. We view ourselves as the  
16 global leader in that, and we have many, many  
17 engineers and engineering dollars spent in the  
18 U.S. to support that unique vehicle program.

19 MR. READ: So, from the technology  
20 standpoint, especially those that you're  
21 incorporating in your systems, okay, at a high  
22 level could you identify what some of those types

1 of technologies may be, such as possibly  
2 composites or various other kinds of things that  
3 you're utilizing?

4 MR. VITRANO: Yes. I'm certainly not  
5 an expert in our engineering --

6 MR. READ: Okay.

7 MR. VITRANO: -- but I can say that  
8 stability in handling is an important aspect of  
9 our vehicles, one of the reasons why the military  
10 chooses them. So, suspension components are very  
11 important, the electronic controls of the  
12 vehicles. The ECUs, and the other throttle-by-  
13 wire technologies that are incorporated, some of  
14 which are similar to autos, some of which are  
15 different for our specific application are among  
16 those components.

17 MR. READ: Thank you very much.

18 MR. VACCARO: I have a question for  
19 Dr. Engelmann. I'm going to try to get all your  
20 facts of your supplier base. You have a data  
21 point, the reduction of your sourced parts from  
22 Europe is down 17 percent, in China down 86

1 percent within the last three years. Could you  
2 elaborate on that point?

3 DR. ENGELMANN: Yes. I mean, as I  
4 said before, the philosophy of us is always to  
5 produce in the country where we sell our products  
6 and also to source in the country, in the region  
7 where we produce them. So, our philosophy is  
8 always to do the manufacturing in the region we  
9 sell. That's ours overall. And then, we  
10 actually pick up the suppliers we need and see  
11 how competitive they are.

12 So, we found out by qualification of  
13 suppliers in the U.S. that we were able to really  
14 shift the share of imported parts produced in the  
15 U.S. from, I think, roughly, 60 percent up to 80  
16 percent. But, at one point of time, you come to  
17 a range where you don't find sufficient suppliers  
18 anymore. And therefore, 20 percent still is  
19 getting imported, either from Mexico or from  
20 Europe, because they're very specialized.

21 Or sometimes you have a case where you  
22 have a common part which is used in different

1 rules across the world. And normally, you have a  
2 tool to produce that. For example, if you have a  
3 quantity of a million and one reaching 800 are  
4 utilized, then you will not set up a second tool  
5 in the U.S. Then, you import this part out of,  
6 for example, China or Europe into America. It  
7 could be vice versa, but if it's mostly used in  
8 the U.S., then the tool sits in the U.S. And  
9 then, you export these parts into the other  
10 regions.

11 So, if you would force us to produce  
12 these parts in the U.S., we have to add an  
13 additional tool, a lot of investment, which is  
14 never utilized for the market we serve here. And  
15 therefore, it's always this is the supply chain  
16 where we really try to optimize this.

17 And overall, still the 20 percent  
18 would have a really significant impact on our  
19 total P&L. So, we have to adapt. And as you  
20 know, the overall profit range in the automotive  
21 industry is not very high. It is very likely  
22 that we have to pass this through to our

1 customer, which, then, finally ends up in higher  
2 sales prices for cars, which, then, of course,  
3 will hit the consumers.

4 MR. CASTRILLON: Another question for  
5 Dr. Engelmann, and I want to take advantage of  
6 your expertise as a Tier 1 automotive supplier.  
7 I noted in the last panel, and you mentioned in  
8 your comments the importance of positioning the  
9 United States as a leader for the future  
10 electrification of vehicles, and I noted to the  
11 last panel that we have a very large trade  
12 deficit in auto parts trade and that a  
13 significant chunk of that is made up of  
14 electronic components and electrical parts.

15 And I'm wondering, to your point about  
16 positioning the U.S. as a leader for those  
17 technologies, how do you view the U.S.'s current  
18 position as a leader for the future  
19 electrification of vehicles? And should we be  
20 concerned that the supply chains for key  
21 components for those products, and for  
22 electrification generally, are being established



1 largely outside of the United States?

2 DR. ENGELMANN: When we got to  
3 electronic components, first of all, from the R&D  
4 side, this was also part of their question, where  
5 is the R&D sitting? And it is in the U.S. For  
6 example, in our case we have really R&D locally.  
7 So, we have our R&D capabilities for the U.S.  
8 customers here in the U.S. So, we have an R&D  
9 center here with all the testing. So, this is,  
10 for example, not in Europe or not in China. It's  
11 really in the U.S. And we've tried to be as near  
12 to the customers as possible.

13 In regards to electronics, the one  
14 reason, especially if you've got to go to what's  
15 e-mobility, we saw, for example, that in the  
16 charging business, the U.S. has very capable  
17 companies. So, therefore, we bought one company,  
18 and we're going to expand our center, for  
19 example, for the charging business. In the  
20 future we are going to base this in the U.S., and  
21 we will also do the lead engineering and lead R&D  
22 in the U.S.

1                   So, this is always a balance, and we  
2 see a lot of strength, especially if it goes to a  
3 software development, a lot of, also, hardware  
4 development in the U.S., where this is really a  
5 strength of the U.S. So, I do see really a kind  
6 of good balance of competence across the globe  
7 for specific areas. And honestly, I don't see so  
8 much the threat for the U.S. regarding e-mobility  
9 because you have a lot of strength in  
10 electronics. I think you're very competitive  
11 here.

12                   MR. CASTRILLON: Thank you.

13                   MS. PARK-SU: Any other questions?

14                   (No response.)

15                   Thank you very much.

16                   At this time, I'm going to call a  
17 five-minute bathroom break.

18                   (Whereupon, the above-entitled matter  
19 went off the record at 10:52 a.m. and resumed at  
20 11:00 a.m.)

21                   MS. PARK-SU: Thank you very much.

22                   I'd like to take this opportunity to

1 welcome our fourth panel this morning. The  
2 National Association of Foreign Trade Zones, Erik  
3 Autor; Center for Freedom and Prosperity, Brian  
4 Garst; the National Taxpayer Union Free Trade  
5 Initiative, Bryan Riley.

6 Mr. Autor, whenever you're ready.

7 MR. AUTOR: Thank you. Thank you.

8 My name is Erik Autor, President of  
9 the National Association of Foreign Trade Zones.  
10 NAFTAZ is the voice of the U.S. Foreign Trade  
11 Zones Program created by Congress in 1934 to help  
12 U.S.-based companies be more globally  
13 competitive, maintain U.S.-based manufacturing  
14 and distribution activity and jobs, attract  
15 investment and employment opportunities into  
16 American communities, and boost exports through  
17 special duty benefits and customs procedures.

18 FTZs account for a significant portion  
19 of total U.S. trade, 5.2 percent, or \$76 billion,  
20 of U.S. goods exports and 10.2 percent, or \$225.3  
21 billion, of U.S. goods imports in 2016. Over  
22 420,000 American workers are directly employed at

1 FTZs in all 50 states and Puerto Rico.

2 On behalf of NAFTAZ and its members, my  
3 testimony focuses on the national security issues  
4 in this investigation under Section 232 of the  
5 Trade Enhancement Act of 1962 and the impact on  
6 automotive companies manufacturing in U.S.  
7 Foreign Trade Zones if Section 232 tariffs are  
8 imposed on imported automobiles and automotive  
9 parts.

10 The automobile and auto parts  
11 industries are among the largest and most  
12 important users of the FTZ Program and are a  
13 major FTZ manufacturing and export success story.  
14 FTZ manufacturers in the automotive and part  
15 sectors have been instrumental in creating,  
16 preserving, and expanding many thousands of  
17 American manufacturing jobs and reviving and  
18 growing state and local economies in communities  
19 like Spartanburg, South Carolina; Cincinnati,  
20 Ohio; Montgomery, Huntsville, and Birmingham,  
21 Alabama; Smyrna and Chattanooga, Tennessee;  
22 Canton, Mississippi; Indianapolis, Indiana;

1       Georgetown, Kentucky, and Charleston, West  
2       Virginia. BMW and Mercedes Benz manufacturing in  
3       FTZs in South Carolina and Alabama are the two  
4       largest exporters of American-made automobiles.

5                 The sole focus of Section 232 as a  
6       trade-restrictive measure is on national  
7       security, meaning production for defense and  
8       defense readiness and an imminent threat to  
9       national security. There is simply no evidence  
10      that the U.S. auto and auto parts sectors face an  
11      imminent crisis so profound as to imperil their  
12      continued existence and ability to supply  
13      vehicles or parts to the U.S. military. Nor does  
14      this country face an imminent national security  
15      threat, including the risk of a trade embargo,  
16      requiring that U.S. demand for autos and parts be  
17      filled entirely by domestic production to the  
18      exclusion of imports.

19                 All indices show that the U.S.  
20      automotive sector is healthy and competitive,  
21      including strong sales, profits, employment  
22      growth, and stock performance. Indeed, in 2017,

1 General Motors experienced one of the largest  
2 stock surges in its history, based on its  
3 pioneering work in electric cars and artificial  
4 intelligence for autonomous vehicles, hardly the  
5 signs of a company in dire peril.

6 In short, we do not believe there is  
7 any justifiable national security basis to impose  
8 trade measures under Section 232 on imported  
9 autos and auto parts. The more real and imminent  
10 threat to the U.S. automotive sector comes from  
11 Section 232 tariffs artificially imposing  
12 significantly higher costs on making automobiles  
13 in the United States. The result will be  
14 diminished global competitiveness of the U.S.  
15 auto sector, decreased export sales, higher  
16 prices depressing U.S. auto sales, strong  
17 disincentives to manufacture in the United  
18 States, undercutting core FTZ Program policy  
19 goals, and an estimated direct net loss of  
20 158,000 American jobs. BMW is already  
21 considering moving part of its U.S. production to  
22 China, one of its main export markets, to

1 mitigate the impact of U.S. tariffs and avoid  
2 retaliation against U.S.-made products. These  
3 are costs this country can ill afford, all to  
4 solve a non-existent problem.

5 Finally, a critical issue for FTZ  
6 manufacturers is to ensure finished goods  
7 substantially transformed in a U.S. zone are  
8 treated as U.S. origin and are explicitly  
9 exempted from additional duties in this and all  
10 trade remedies actions. We've noted in our  
11 written submissions examples where quirks in the  
12 FTZ entry requirements have resulted in zone-  
13 manufactured goods being flagged for duties in  
14 the Section 201 cases on washers and solar cells  
15 and panels and Section 301 cases on imports from  
16 China.

17 The Department addressed this issue  
18 with Presidential Proclamation language in the  
19 Section 232 cases on steel and aluminum stating,  
20 "Articles shall not be subject upon entry for  
21 consumption to the duty established in this  
22 proclamation merely by reason of manufacture in a

1 U.S. Foreign Trade Zone." This or the language  
2 we recommended in our written submission are  
3 critical to ensure that additional duties are not  
4 inadvertently imposed on final products made in  
5 the United States.

6 Thank you for your attention.

7 MS. PARK-SU: Thank you, Mr. Autor.

8 Mr. Garst?

9 MR. GARST: Thank you.

10 Good morning. My name is Brian Garst.  
11 I am here on behalf of the Center for Freedom and  
12 Prosperity, a Virginia-based, taxpayer advocacy  
13 group. Our objective is to ensure that the  
14 interests of consumers are represented, but we  
15 also believe that their welfare and the nation's  
16 security are deeply intertwined.

17 Traditionally, Section 232  
18 investigations have been limited to strategic  
19 resources and components used for wartime  
20 activities, mostly under the assumption that  
21 heavy reliance on imports could leave us  
22 vulnerable to shortages, should they become



1 inaccessible. The nature of global markets today  
2 is such that this scenario is likely to occur  
3 only in extremely unusual cases. As such, these  
4 investigations have been rare and enacted  
5 remedies rarer still.

6 The current investigation represents  
7 a radical departure from past practice. There is  
8 no clear national security nexus for automobiles  
9 or automotive parts, nor any reasonable  
10 expectation that modern warfare would necessitate  
11 that the industry's infrastructure be rapidly  
12 redeployed toward wartime production.

13 The entire investigation, in other  
14 words, is based on a primarily economic argument  
15 that global competition weakens American  
16 industry. This is not merely a weak basis on  
17 which to conduct a Section 232 investigation, but  
18 one that is profoundly and dangerously wrong.

19 The idea that an industry is  
20 strengthened by shielding it from global  
21 competition is at odds with centuries of  
22 experience with tariffs and other failed

1 protectionist policies. As economist and CFP  
2 Chairman Daniel Mitchell highlighted in his  
3 submitted comments, "Jurisdictions that are the  
4 most pro-trade, like Hong Kong and Singapore,  
5 enjoy rapid growth and very high levels of  
6 prosperity. Likewise, nations that impose high  
7 levels of protectionism, like Australia and New  
8 Zealand after World War II, stagnated and fell  
9 behind. Both have since seen positive results  
10 after dismantling trade barriers."

11 At his core, protectionism harms  
12 consumers by making them pay more for goods of  
13 equal or lesser quality. While in certain  
14 circumstances it can provide short-term benefit  
15 to an industry, albeit, typically, if you  
16 dispense not just the foreign competitors, but  
17 also other domestic industries, in the long run  
18 even the protected industry suffers, as reduced  
19 competition lessens the need to innovate and  
20 adapt.

21 To see why tariffs are also harmful to  
22 national security, we need only observe the

1 effects already taking place in response to the  
2 recent imposition of tariffs on steel and  
3 aluminum imports. They have strained relations  
4 with key allies, sparked retaliation, harmed  
5 other domestic industries, and lowered overall  
6 welfare with rising prices on a variety of  
7 consumer goods.

8           These negative economic effects are  
9 entirely predictable and are why the bar has  
10 always been high for Section 232 investigations.  
11 To offset the many downsides, the national  
12 security benefit for imposing consumer taxes on  
13 imports must be clear and significant. There is  
14 no credible argument that tariffs on automobiles  
15 and parts can meet that hurdle.

16           Far from enhancing our security  
17 position, automotive tariffs would undermine  
18 national security. America maintains the world's  
19 largest and most powerful military force. Thanks  
20 to a robust and unmatched economy that has long  
21 embraced free trade and today accounts for 25  
22 percent of global GDP, the U.S. was able to spend

1 more on defense in 2017 than the next seven  
2 highest-spending countries combined.

3           The implications should be obvious.  
4 The stronger the economy, the more resources are  
5 available for spending on defense. The corollary  
6 is that policies which harm the nation's economy  
7 weaken its defense by reducing what is available  
8 for the defense budget. This is why General  
9 Mattis and many other experts argue that the  
10 national debt is the nation's greatest security  
11 threat.

12           The Tax Foundation estimates that 25-  
13 percent tariffs on auto imports could amount to  
14 as much as \$73 billion in new taxes on consumers,  
15 reducing after-tax incomes for the year by almost  
16 half a percent. The Peterson Institute for  
17 International Economics estimates production in  
18 the relevant industries would fall 1.5 percent  
19 and cost 195,000 U.S. jobs, or, if other  
20 countries retaliate with their own tariffs, as  
21 all evidence suggests they will, it would be a 4-  
22 percent production decline and a loss of 624,000

1 U.S. jobs.

2 Thanks to the compounding effect of  
3 growth, even modest reductions in economic growth  
4 today can amount to potentially hundreds of  
5 billions in fewer taxpayer dollars for future  
6 defense budgets.

7 For all these reasons and more, this  
8 investigation should reject attempts to enact  
9 run-of-the-mill protectionism under the guise of  
10 advancing national security interests.

11 Thank you for your time.

12 MS. PARK-SU: Thank you, Mr. Garst.

13 Mr. Riley?

14 MR. RILEY: Thank you.

15 My name is Bryan Riley, and I'm with  
16 the National Taxpayers Union. Established in  
17 1969, NTU is the nation's oldest taxpayer  
18 organization.

19 And, Government Officials, you have my  
20 written comments. So, what I would like to do is  
21 just touch on a few highlights. Anybody who  
22 would like more details who doesn't have those

1 written comments, we'll sure be happy to make  
2 those available.

3 Brian, Erik, I got here early, and I  
4 was sitting up at the corner and I had a direct  
5 view of that nice, big American flag. And I was  
6 reflecting on what it means to me to be an  
7 American. And I don't know what it means to you,  
8 or to you all, or to those of you who are here,  
9 but, to me, being an American is about freedom.  
10 And what to me differentiates being an American  
11 being somebody in Russia or China is freedom.

12 And I was thinking about our  
13 Independence Day celebration a couple of weeks  
14 ago, which was based on our celebrating  
15 independence from a country for reasons, among  
16 others, that cut off our trade with all parts of  
17 the world. So, those are ideals that I don't  
18 think we should lightly move away from.

19 We went through the online comments  
20 that have been submitted that you requested from  
21 the public. Most of the people I've heard today,  
22 if not all, almost all, think these tariffs are a

1 bad idea. Of the online comments, roughly 98  
2 percent say don't impose these tariffs.

3 As a taxpayer organization, we view  
4 them as a tax that's going to drive up costs.  
5 For those of you who can see the chart over  
6 there, don't worry about the numbers, but, to me,  
7 the important thing is the line that goes up like  
8 a rocket at the end. And that represents the  
9 costs these tariffs would impose, roughly  
10 tripling the tariffs that Americans would pay,  
11 based on our 2017 import volumes.

12 And that has national security  
13 implications as well. And, Brian, you touched on  
14 this to some extent. In 1983, a previous 232  
15 investigation noted that, "Trade restrictions act  
16 as a drag on the rest of the economy, eroding the  
17 industrial base and other sectors, and  
18 undermining our ability to sustain a balanced  
19 defense effort in a national emergency."

20 And I think that's important. I was  
21 looking at the most recent 232 investigations of  
22 steel and aluminum. And one of the things

1 Commerce looked at was whether imports are  
2 weakening our internal economy. And I hope you  
3 will use that same criteria here, because I don't  
4 think a strong case could be made that imports  
5 are weakening our economy. In fact, I think  
6 imports strengthen our economy.

7 NTU, earlier this year, released a  
8 letter that was signed by over 1100 economists,  
9 including 15 Nobel Laureates. And this is an  
10 excerpt from that letter.

11 They said, "We are convinced that  
12 increased protective duties would be a mistake.  
13 A higher level of protection would raise the cost  
14 of living and injure the great majority of our  
15 citizens."

16 Now, to be clear, they weren't talking  
17 about auto tariffs. They weren't looking at a  
18 narrow example. But, in general, that view is  
19 almost unquestioned by economists.

20 And if you look around the world --  
21 and you pointed this out, too, Brian -- the  
22 countries that are most prosperous, that have the



1 most economic security, have one thing in common.  
2 They have the most economic freedom.

3 As the Federal Reserve Chairman noted  
4 earlier this week, "In general, countries that  
5 remain open to trade, that haven't erected  
6 barriers, have grown faster. They have higher  
7 incomes, higher productivities. Countries that  
8 have gone in a more protectionist direction have  
9 done worse." I think that's the empirical  
10 result.

11 And just last night, the Chairman of  
12 the Ways and Means Committee noted, "Nothing will  
13 weaken America more than rolling back our freedom  
14 to trade."

15 There's been a broad amount of  
16 research done on the impact of trade on  
17 international peace and diplomatic relations. I  
18 would urge you to consider this in your analysis.  
19 A summary of one report suggested that --  
20 actually, this is from an earlier 232  
21 investigation pointing out that, "The U.S. has  
22 long been a champion of a free international

1 trading system that benefits the American people  
2 and benefits our trading partners."

3 So, to wrap up, I just really hope  
4 that you will take the views of the 98 percent of  
5 people who have commented seriously, that you  
6 will consider the views of the people who testify  
7 today.

8 And I didn't note who it was earlier  
9 that made an inaccurate statement from a trade  
10 perspective, which was talking about tariffs as  
11 "trade remedies". Tariffs are not remedies.  
12 Tariffs are the virus. They're the problem. We  
13 need to move in a direction of more international  
14 trade, more economic freedom, not less freedom.

15 And I hope that you will consider  
16 that. As your economists are looking at this,  
17 the overall view of economists, again, is that  
18 trade is not just good for economics, it is not  
19 just good for prosperity; it's good for our  
20 security as well.

21 Thank you.

22 MS. PARK-SU: Thank you, Mr. Riley.

1                   And now, I would like to open the  
2 floor to any questions and comments from the U.S.  
3 Government.

4                   (No response.)

5                   No questions?

6                   All right. Well, thank you.

7                   MR. RILEY: Thank you.

8                   MS. PARK-SU: I'd like to take this  
9 opportunity to welcome our fifth panel to take  
10 their seats. I have the Association of Global  
11 Automakers, John Bozzella; LG Electronics and LG  
12 Electronics Vehicle Components, Joseph T. Boyle;  
13 Hyundai Motor Manufacturing, Alabama, John Hall;  
14 the Korean Automobile Manufacturers Association,  
15 Kim Yong-Geun.

16                   Mr. Bozzella, you may begin.

17                   MR. BOZZELLA: Thank you very much.

18                   On behalf of the Association of Global  
19 Automakers and the Here For America companies,  
20 thank you for the opportunity to speak to you  
21 today. My name is John Bozzella, and I am the  
22 President and CEO of the Association of Global

1 Automakers as well as the spokesperson for Here  
2 for America.

3 My comments today reflect the  
4 consensus views of international automakers in  
5 the United States. We represent their U.S.  
6 interests and their U.S. subsidiaries.  
7 International automakers have invested \$82  
8 billion in the United States and directly employ  
9 133,000 Americans at 500 facilities, including 31  
10 manufacturing operations. Together, these  
11 companies create and support jobs for 2.47  
12 million Americans, including people employed in  
13 design, research and development, manufacturing,  
14 sales, finance, and dealership operations, as  
15 well as other businesses.

16 International automakers also produce  
17 nearly half the cars, SUVs, vans, and light  
18 trucks made in America last year and accounted  
19 for nearly half of U.S. exports. You will surely  
20 hear a great deal of testimony today about the  
21 economic impact of significant tariffs on autos  
22 and auto parts.

1           Our formal statement also outlines the  
2 profoundly negative impact of tariffs on U.S.  
3 auto production. So, I won't repeat those facts  
4 with the time I have available today.

5           I do want to comment broadly on the  
6 basic premise of this investigation and the idea  
7 that imports of finished vehicles and auto parts  
8 are harming the national security of the United  
9 States. First, there is simply no support for  
10 the proposition that imports of cars, trucks,  
11 SUVs, and auto parts threaten the national  
12 security of the United States. No automaker or  
13 auto parts supplier has requested protection  
14 under our trade laws, including the statute that  
15 authorizes this proceeding. Auto sales,  
16 production, and exports are, in fact, at or near  
17 all-time highs.

18           Second, the Department of Commerce so  
19 far has been unable to outline any theory  
20 explaining how the commercial production of cars  
21 and trucks is connected to the U.S. national  
22 security.

1           Third, in response to the Department's  
2 call for comments, only three substantive  
3 statements were filed, out of more than 2300  
4 comments of all types, supporting tariffs or  
5 other restrictions on auto and auto parts  
6 imports, and that support was, frankly, tepid at  
7 best.

8           In addition to the absence of public  
9 support, associations representing the entire  
10 U.S. auto industry's value chain yesterday  
11 published an open letter to the President  
12 opposing the idea of tariffs and urging that this  
13 investigation be reconsidered.

14           The unity is as remarkable as it is  
15 unprecedented, which brings me to the  
16 extraordinarily heavy-handed effort that began  
17 last week. As you know, the Department has  
18 decided to turn to an archaic statute, the  
19 Defense Production Act of 1950, to justify a  
20 survey demanding a huge amount of highly-  
21 sensitive competitive business information from  
22 every automaker producing cars and trucks in the

1 United States. To my mind, this highly-  
2 intrusive, overbroad, and burdensome tactic is  
3 simply the latest evidence that the Department  
4 possesses no evidence to support the idea that  
5 auto and auto parts imports harm the national  
6 security of the United States.

7 The truth is the U.S. auto industry is  
8 thriving, competitive, and more innovative than  
9 ever. The automobile industry in the United  
10 States is, in fact, currently comprised of 14  
11 major global companies. A 15th is scheduled to  
12 begin domestic production in 2021. These  
13 companies are deeply enmeshed in and are  
14 contributing to the communities in which they  
15 operate.

16 U.S. production capacity is as great  
17 as it has ever been and stronger now because  
18 trade and import competition have strengthened  
19 U.S. competitiveness and spurred investment.  
20 Every U.S. production facility in the industry  
21 would be available in a national emergency, and  
22 the Americans who work for international

1 automakers are no less patriotic or willing to  
2 serve their country in a time of crisis than any  
3 other American. There is simply no basis for  
4 treating these companies and their employees any  
5 differently than any other U.S. automakers.

6 In conclusion, the greatest threat to  
7 the U.S. automotive industry at this time is the  
8 possibility that the Administration will impose  
9 taxes on imports in connection with this  
10 investigation. They will kill jobs and chase  
11 automotive investment and innovation overseas  
12 during a period of profound industry  
13 transformation.

14 Thank you for the opportunity to be  
15 before you today, and I would be happy to answer  
16 your questions.

17 MS. PARK-SU: Thank you, Mr. Bozzella.

18 Mr. Boyle?

19 MR. BOYLE: Thank you.

20 Good morning. My name is Joe Boyle.  
21 I'm the Senior Director for Business Development  
22 and Sales for the U.S. arm of LG Electronics



1 Vehicle Components Company, with operations in  
2 Hazel Park and Troy, Michigan.

3 Vehicles components represents LG's  
4 fastest-growing business worldwide. Here in the  
5 United States LG serves major automakers with  
6 advanced components, including radios, displays,  
7 telematics modules, and a full portfolio of  
8 powertrain products for electrified vehicles.

9 I'm here today to convey a  
10 straightforward message. The imposition of extra  
11 tariffs on imports of component parts used in the  
12 production of automobiles in the United States is  
13 a bad idea. Doing so will harm the American  
14 companies and workers that are part of the  
15 fastest-growing and most innovative segment of  
16 the U.S. auto market.

17 LG's story is a good example of the  
18 benefits that are being driven by the growth of  
19 the U.S. market for connected and electric  
20 vehicles. Although LG may be best known as a  
21 consumer brand for its smartphones, TVs, washing  
22 machines, and refrigerators, LG also has a

1 thriving business supplying critical  
2 components to auto manufacturers for connected  
3 and electric vehicles.

4 As you may know, LG is the primary  
5 technology supplier for General Motors' U.S.  
6 production of the award-winning Chevy Bolt.  
7 Sales of battery electric vehicles like the Bolt  
8 have grown tremendously over the past five years  
9 and are expected to grow exponentially in the  
10 years ahead.

11 Due to the tremendous success of the  
12 Chevy Bolt, and the growth of the market for such  
13 advanced vehicles, LG will soon open a new U.S.  
14 factory in Michigan for the production of  
15 advanced electric vehicle components. Our new  
16 factory in U.S. automotive operations will  
17 provide about 300 U.S. jobs in metropolitan  
18 Detroit.

19 I want to emphasize that the decision  
20 to invest in a new factory in the United States  
21 was made last year. It had nothing to do with  
22 this trade case. In fact, a major influence on

1 our decision was precisely that the U.S. has had  
2 a very open market with respect to trade in autos  
3 and auto parts.

4 Of course, like many companies, we  
5 invest primarily to support important customers  
6 and markets with local production. But trade  
7 restrictions in a given market make it less  
8 attractive, not more attractive, for local  
9 investment for two reasons.

10 First, businesses need certainty to  
11 plan for successful investments and growth. The  
12 sudden imposition of trade restrictions,  
13 seemingly as part of a short-term negotiating  
14 strategy, undercuts that certainty. Such trade  
15 restrictions do not encourage long-term  
16 investments. Rather, they raise doubts about  
17 what might come next that will imperil that  
18 investment.

19 Second, open markets are particularly  
20 critical in the automotive industry. It is hard  
21 imagine a more interconnected industry that  
22 depends on global supply chains. Part of the

1 appeal of investment in the United States has  
2 been its historic reputation for open markets and  
3 the absence of unstable government policies that  
4 disrupt business.

5           The locations and suppliers from which  
6 automakers purchase key components changes over  
7 time due to multiple factors, including cost,  
8 quality, technology, and service. The success of  
9 global auto companies relies on having the  
10 freedom to optimize the total value proposition  
11 when making sourcing decisions. Losing free and  
12 open access to global supply chains and access to  
13 the best new technologies creates uncertainty and  
14 prevents confident future planning.

15           This is why I have come to Washington.  
16 LG Electronics strongly believes that imposing  
17 additional tariffs will cause damage to the  
18 incredible growth of U.S.-made connected and  
19 electric vehicles. The growth and demand for  
20 U.S. vehicles with these innovative technologies  
21 has been driven by the fact that U.S. automakers  
22 are able to offer these vehicles to consumers

1 worldwide at competitive and affordable prices.

2 This competitiveness has been achieved  
3 by sourcing components from either U.S. or  
4 foreign suppliers, based solely on value and free  
5 market economic decisions. Disrupting access to  
6 global supply chains could well affect the  
7 continued ability of U.S. connected and electric  
8 vehicles to succeed in the global marketplace.  
9 For all these reasons, LG Electronics urges you  
10 not to impose Section 232 tariffs on the auto  
11 industry.

12 I want to end my remarks with a  
13 specific request. We ask that you please  
14 identify as soon as possible which specific  
15 components and which HTS numbers are part of this  
16 Section 232 investigation. The Commerce  
17 Department's initiation notice simply used the  
18 term "automotive parts," a phrase that is far  
19 from clear and, therefore, is subject to wide-  
20 ranging interpretations. Although Commerce's  
21 recently-issued survey actually lists several  
22 auto parts categories, these categories are

1 themselves very broad.

2           This concludes my testimony. Thank  
3 you for providing LG Electronics the opportunity  
4 to share its views on this important matter. I  
5 will be pleased to answer any questions that you  
6 have.

7           MS. PARK-SU: Thank you.

8           Mr. Hall?

9           MR. HALL: Thank you for inviting me  
10 to participate in this hearing on behalf of  
11 Hyundai Motor. My name is John Hall, and I'm a  
12 maintenance team member in the Engine Shop of  
13 Hyundai's manufacturing plant in Montgomery,  
14 Alabama.

15           I've worked for Hyundai since 2005.  
16 Since then, Hyundai and its suppliers have  
17 invested billions of dollars, and I've seen  
18 firsthand how these investments have transformed  
19 the Alabama economy and created thousands of good  
20 manufacturing jobs. I've the strength of  
21 Hyundai's commitment to American manufacturing.

22           Like any businesses, ours has faced

1 challenges and downturns, but Hyundai didn't  
2 abandon its American workers during difficult  
3 times. Instead, Hyundai has stuck with America,  
4 stuck with Alabama, and stuck with the American  
5 worker through good times and bad, even when  
6 other companies in our area closed their doors.  
7 This is one reason I'm proud to work for Hyundai  
8 and to represent it at this hearing.

9 I've also seen how global trade is key  
10 to Hyundai's American manufacturing operations  
11 and workers. We at Hyundai believe strongly that  
12 automotive imports do not threaten our national  
13 security. In fact, it's just the opposite.  
14 Imports and exports are essential to our business  
15 and the growth of the American automotive  
16 industrial base and a skilled workforce.

17 Our views on this point are detailed  
18 in Hyundai's written submission, but I want to  
19 briefly highlight two of them. We believe  
20 Hyundai's imports from Korea, in particular, do  
21 not pose a national security threat to the United  
22 States. Because of the automotive commitments in

1 the U.S.-Korea Free Trade Agreement, these  
2 commitments which were secured by the Trump  
3 Administration during a recent renegotiation  
4 covered tariff and non-tariff barriers. The  
5 White House itself has acknowledged that the new  
6 course terms would improve America's auto  
7 industry and enhance our national security.  
8 Korea and the United States also share a strong  
9 strategic alliance. We fought a war together,  
10 and that created a bond that goes back more than  
11 60 years.

12 I mainly want to talk about Hyundai's  
13 commitment to American manufacturing and how it  
14 would be undermined by new tariffs. Some may  
15 view Hyundai as a foreign automaker, but I know  
16 from experience that we are an integral part of  
17 the American automotive industry. Approximately  
18 half of the vehicles we sell in the United States  
19 are made in Alabama. We export about 20 percent  
20 of the vehicles we make, and our exports have  
21 increased over the past five years, helping  
22 Alabama become the third largest auto-exporting



1 state. These manufacturing operations directly  
2 support thousands of American jobs just like mine  
3 and thousands more directly in communities across  
4 the country.

5 It's important to remember that  
6 Hyundai's investment in Alabama isn't limited to  
7 just vehicle manufacturing. When Hyundai decided  
8 to make cars in the United States, it decided to  
9 make some core components here, too. For  
10 example, Hyundai makes almost 700,000 engines  
11 each year in Alabama, and Hyundai Powertech makes  
12 about 650,000 transmissions each year in Georgia.  
13 All of these parts are made by American workers.  
14 These and other investments have created an  
15 entire automotive cluster in Alabama and Georgia  
16 that didn't exist before Hyundai.

17 Hyundai also partners with other  
18 American companies to create innovative  
19 automotive technologies that make other  
20 contributions to U.S. economic development by  
21 supporting education and charitable causes. For  
22 example, Hyundai has funded STEM education

1 programs and has committed \$145 million to fund  
2 lifesaving research in the fight against  
3 pediatric cancer.

4 We and our suppliers account for about  
5 2 percent of Alabama's GDP and directly employ  
6 about 25,000 American workers. In addition,  
7 there are another 47,000 Americans employed in  
8 Hyundai dealerships and service centers all over  
9 the country.

10 New tariffs on automotive imports  
11 would have a devastating effect. I am one of  
12 thousands of American workers whose livelihoods  
13 would be put at risk by a substantial tariff on  
14 automotive goods. It would not be possible to  
15 change our supply chain overnight, and a 25-  
16 percent tariff on parts would raise production  
17 costs at our Alabama factory by about 10 percent  
18 annually. This would force us to raise prices  
19 and cut production. A lot of Alabamians, my  
20 friends and neighbors, could lose their jobs.

21 A tariff on imported vehicles would  
22 also force us to significantly scale back our

1 dealership networks, hurting these businesses and  
2 workers and the communities they support. At the  
3 same time, U.S. consumers would be forced to  
4 spend thousands of dollars more for a car and  
5 hundreds more on routine maintenance.

6 Imports are just a part of our  
7 American operation, but they are vital to success  
8 of all the others. My team members at Hyundai  
9 and I hope the Department will recognize this and  
10 conclude that automotive imports do not threaten  
11 our national security.

12 Thank you.

13 MS. PARK-SU: Thank you, Mr. Hall.

14 Mr. Kim?

15 MR. KIM: My name is Yong-Geun Kim,  
16 and I am the President of the Korean Automobile  
17 Manufacturers Association.

18 I want to thank the U.S. Department of  
19 Commerce for giving this opportunity to testify  
20 at public hearing on the Section 232  
21 investigation in automobiles and auto parts.

22 First of all, I would like to

1 emphasize that the auto industry is a globalized  
2 industry with a complicated global supply chain.  
3 Therefore, the imposition of a trades restrictive  
4 tariff would adversely affect the auto industry  
5 worldwide and affect the competitiveness of U.S-  
6 manufactured automobiles, and thereby, have an  
7 impact on the U.S. economy and national security.

8           Secondly, the total share of  
9 automobiles imported from Korea in the U.S.  
10 market is only 4.8 percent, and at this level it  
11 will have a real impact on the U.S. economy, and  
12 that's not a secret.

13           Furthermore, over 90 percent of these  
14 automobiles from Korea are small cars and SUVs.  
15 So, to us, there is little competition with U.S.  
16 automobiles. By contrast, automobiles  
17 manufactured and sold in the United States by the  
18 three major U.S. automakers are mainly the pickup  
19 truck, SUVs. Those are the largest, and they are  
20 pickups that are far larger and far more  
21 comfortable than the smaller vehicles imported  
22 from Korea. Moreover, automobiles imported from

1 Korea contribute to a U.S. competitiveness  
2 welfare by offering a wide range of choices to  
3 U.S. customers and giving them an opportunity to  
4 purchase automobiles at affordable prices.

5 If the U.S.-initiated trade  
6 restrictions are imposed in the U.S. market, it  
7 will be difficult to replace the imported portion  
8 of these small cars by direct production in the  
9 United States for a considerable period of time,  
10 which would result in increased manufacturing  
11 costs and prices. This would ultimately lead to  
12 a shrinking of market and a heavier burden on  
13 customers.

14 Third, the import of Korean automotive  
15 parts to the U.S. are minimal, making up only 5.5  
16 percent of total U.S. automobile parts imports.  
17 Automotive parts imported from Korea are cost-  
18 effective and the most commodity and general-  
19 purpose parts which are generally used in the  
20 production of small and medium-sized cars. Thus,  
21 far from the automobile affecting U.S. national  
22 security, these imports have reduced costs and

1 contribute to the increase in competitiveness of  
2 the U.S. automobile industry.

3           Following the implementation of the  
4 Korea-USA activity, Korea's tariffs on the import  
5 of U.S. automobiles were cut in half in 2012, and  
6 then, elevated in 2016. As a result, Korea's  
7 import of U.S. automobiles from the three major  
8 U.S. automakers tripled for the last six years  
9 from 2011 to 2017. Moreover, I have confirmed  
10 that the sales of U.S. automobiles in Korea will  
11 continue to increase in years to come due to  
12 their competitiveness in the large car segment.

13           In closing, based on the social  
14 characteristics of the automotive industry now of  
15 countries, mainly that each country is focusing  
16 on a different segment and is complementing one  
17 another as global partners, and with the  
18 preparation of trade framework for both  
19 countries, I believe that automotive trade and  
20 cooperation between the United States and Korea  
21 should be developed in a mutually-beneficial way  
22 without any further trade restrictive measures.

1 Thank you.

2 MS. PARK-SU: Thank you, Mr. Kim.

3 And now, I would like to open the  
4 floor to the United States Government for any  
5 questions or comments.

6 MR. CASTRILLON: Well, thank you all  
7 for your presentations, and especially to you,  
8 Mr. Hall, for coming up, all the way up from  
9 Alabama and taking time away from your work. We  
10 really appreciate your perspective.

11 Mr. Bozzella, I want to start with  
12 you. The share of U.S. automobile production by  
13 U.S.-owned firms has dropped dramatically since  
14 1985, from over 95 percent to under 50 percent  
15 last year. At the same time, share of domestic  
16 production, or share of production by domestic-  
17 owned firms is significantly higher in other key  
18 auto-producing nations like Germany, Japan, or  
19 Korea, for example. Also, import penetration in  
20 the U.S. is much higher, significantly higher,  
21 than in those countries that I mentioned, the  
22 other key auto-producing nations around the

1 world.

2 In your view, what does this mean for  
3 the U.S. competitive position in automotive  
4 manufacturing and its impact on the economic and  
5 national security?

6 MR. BOZZELLA: Yes, thanks for the  
7 question. I think it's a great one.

8 So, a couple of things. One is the  
9 U.S. auto industry and the U.S. auto market is  
10 the most vibrant, innovative, and competitive car  
11 market on earth. There is no question about  
12 that. Fourteen, soon to be 15, car companies  
13 operate here in the United States. Yes, 10 of  
14 them, soon to be 11, are international car  
15 companies with regard to their headquarters, but  
16 they are all U.S. car companies, all innovating  
17 here, all investing in R&D here. You know,  
18 international car companies have 72 research and  
19 development facilities in 17 states here in the  
20 United States. Forty-two different models are  
21 designed and developed here in the United States.  
22 So, it is a vibrant, competitive market here, and



1 the industry as a whole is winning as a result of  
2 that.

3 To your question about imports, I'm a  
4 little confused about how we're seeing the  
5 goalposts here. For the last quarter of a  
6 century, we have had a seamless NAFTA industry in  
7 North America, and half of imports, auto imports,  
8 in the United States come from our trading  
9 partners Mexico and Canada. If you take those  
10 exports, those imports, rather, out of the  
11 equation, our import penetration looks remarkably  
12 like the EU. So, what you have is, you have a  
13 market that is benefitting, U.S. autoworkers that  
14 are benefitting, and consumers that are  
15 benefitting from the free trade of NAFTA and from  
16 the innovation and competition from both imports  
17 and development here in the United States.

18 MR. CASTRILLON: Thank you.

19 MR. VACCARO: I have a question for  
20 Mr. Boyle, but maybe some of the other witnesses  
21 may want to follow up also. But, from the  
22 perspective of a large automotive parts supplier,

1 what is the relationship in your industry between  
2 where research and development takes place and  
3 where manufacturing will later take place?

4 MR. BOYLE: LG Electronics has been in  
5 the automotive business for many years, and most  
6 of our research and development has traditionally  
7 been in South Korea. However, as our presence  
8 grows in the U.S. market, especially in  
9 technologies like electrification and connected  
10 vehicles, our customers are doing more and more  
11 of their development -- General Motors, Ford  
12 Motor Company, FCA are investing tremendous  
13 resources in the Detroit area especially in  
14 developing autonomous technologies, in developing  
15 electrification technologies. They need us and  
16 we need to be close to them in order to be able  
17 to serve those needs and develop future products.

18 So, in fact, as the business has  
19 grown, in addition to moving manufacturing and  
20 warehousing operations into the United States, we  
21 have been steadily growing our research and  
22 development facility, employing PhDs and advanced

1 scientists to develop just those technologies  
2 that we've talked about.

3 MR. CASTRILLON: Mr. Boyle, another  
4 question for you. I want to take advantage of  
5 your expertise specifically as it relates to the  
6 area of electrification. I noted during the last  
7 couple of panels that we currently have a very  
8 large auto parts trade deficit. It's growing.  
9 But, if you parse it out and look at specific  
10 components and product categories, a pretty  
11 significant portion of that auto parts trade  
12 deficit is made up of electronic components and  
13 electronic parts.

14 And the concern that some have voiced  
15 is that, as we look at the future of the U.S.  
16 auto industry as it transitions more towards  
17 electrification, are we falling behind? Are we  
18 vulnerable to not having U.S. sources for key  
19 components as these vehicles become more  
20 electrified? And I'd love your perspective on  
21 that.

22 MR. BOYLE: It's a global

1 interconnected industry, and parts are going to  
2 be designed and manufactured throughout the  
3 world. But, recently -- and I'd say, in  
4 particular, over the past five or so years --  
5 we've seen a definite trend at the domestic  
6 automakers -- I'll cite GM/Ford in this case --  
7 of significantly expanding their design and  
8 development capabilities, especially in the area  
9 of software, which we've talked about as being  
10 critical to the advanced electronic components.

11 The OEMs that we work with are taking  
12 much more in-house ownership of that key  
13 component of the product design, to the extent  
14 that in some cases they are relying much less on  
15 their design and development partners and  
16 suppliers and doing the advanced development  
17 internally, and then, sourcing products more on a  
18 build-to-print basis. Whereas, 10 years ago,  
19 perhaps they were somewhat lacking the expertise  
20 internally, and they would rely on suppliers to  
21 provide that technological and R&D expertise.

22 So, I think in electrification,

1 connectivity, autonomy, artificial intelligence,  
2 the domestic OEMs in the United States are  
3 growing very rapidly to internalize that  
4 capability. And they are also very protective of  
5 their intellectual property. Whether they're co-  
6 designing it with a supplier or whether they're  
7 designing it internally, they are very protective  
8 of making sure that that technology cannot go to  
9 unintended places and that they are having  
10 assurances from their suppliers to that effect.

11 MR. CASTRILLON: Okay. And the  
12 examples that you are giving focus a lot on sort  
13 of the development and design of those products,  
14 but what about the actual manufacture or assembly  
15 of things like batteries or components for  
16 batteries? Is there a robust enough U.S.  
17 manufacturing source for those products or are we  
18 largely reliant on imports for that?

19 MR. BOYLE: Now, in the case of LG  
20 electronics, we supply battery packs, and that  
21 is, the first product we'll be building in our  
22 North American facility. The key components, the

1 cells and some of the control electronics, are  
2 also sourced domestically. So, there are robust  
3 and market-competitive sources of supply of such  
4 key components in those products available in the  
5 United States.

6 MR. CASTRILLON: Thank you.

7 MS. PARK-SU: Any other questions?

8 (No response.)

9 No?

10 Thank you very much. Now thank you.

11 We are going to take a lunch break,  
12 and we will reconvene this afternoon at 1:40. If  
13 you're going to join us after the lunch break,  
14 please remember to give yourself enough time to  
15 go through security to re-enter the building.  
16 And again, we look forward to reconvening at 1:40  
17 with our sixth panel.

18 Thank you.

19 (Whereupon, the above-entitled matter  
20 went off the record at 11:44 a.m. and resumed at  
21 1:40 p.m.)

22 MS. PARK-SU: Good afternoon. Welcome

1 back to our hearing. Before we begin, I would  
2 like to go over, again, a few administrative  
3 rules for both our presenters and the audience  
4 for today.

5 For the presenters, each panel will  
6 present their testimony in the order it appears  
7 on the agenda. When you begin, please state your  
8 name and the organization or the country that you  
9 represent. You will each have five minutes to  
10 present your testimony. I will inform you when  
11 you have a minute remaining by raising a green  
12 card, 30 seconds remaining when I raise a yellow  
13 card, and you will know your time is up when I  
14 raise a red card.

15 Please do not go over your allotted  
16 five minutes as we hope to allow equal time for  
17 all those who are here to testify today. Please  
18 note no outside equipment such as cell phones is  
19 allowed during your testimony. Once the entire  
20 panel has provided their testimony, there will be  
21 an opportunity for the United States Government  
22 panelists to seek clarification on specific

1 points you raised or seek further insights into  
2 your areas of expertise as they relate to this  
3 hearing.

4 And again, for the audience, due to  
5 time constraints, we will not be taking any  
6 questions from the audience. We ask that you  
7 remain quiet and turn your cell phones to silent  
8 mode or off during the testimony. We ask that  
9 you refrain as much as possible from entering and  
10 exiting the auditorium during the testimony.

11 Now, at this time, I would like to  
12 welcome our sixth panel to the stage to come and  
13 take their seats. I would like to welcome the  
14 European Union Ambassador David O'Sullivan. The  
15 government of Mexico, Ambassador Geronimo  
16 Gutierrez Fernandez. The government of Canada,  
17 Deputy Ambassador Kirsten Hillman. The  
18 government of Ontario, Canada, Minister Jim  
19 Wilson. The government of Turkey, Commercial  
20 Counsellor Mustafa Koca.

21 I would also like to take this  
22 opportunity to reintroduce the United States



1 Government panelists that we have here today. We  
2 have Nazak Nikakhtar, the Assistant Secretary for  
3 International Trade Administrator. Anders  
4 Castrillon, the Automotive Team Lead in the  
5 International Trade Administration. Michael  
6 Vaccaro from the Bureau of Industry and Security  
7 at the Department of Commerce. Robert Read,  
8 Director of Industrial Assessment at the  
9 Department of Defense. And we have Nicole Bambas  
10 from the Department of Transportation.

11 Ambassador O'Sullivan, you can begin  
12 when you are ready.

13 AMBASSADOR O'SULLIVAN: Thank you very  
14 much. Chairperson, panel, members of the  
15 committee, thank you very much for the  
16 opportunity to be here. I am, as you said, David  
17 O'Sullivan. I am the ambassador of the European  
18 Union in Washington, and I am grateful for the  
19 opportunity to appear before you today.

20 I am here to convey personally the  
21 very serious concerns of the European Union and  
22 its 28 members states with this investigation.

1 The EU believes, as in the case of the Section  
2 232 Steel and Aluminum Investigation, that this  
3 current investigation lacks legitimacy, any  
4 factual basis, and that it could lead the United  
5 States into a breach of international law.

6 The European Union reiterates its firm  
7 opposition to the proliferation of measures taken  
8 on supposed national security grounds for the  
9 purposes of economic protection. This  
10 development harms trade, growth, and jobs in the  
11 U.S. and abroad, weakens the bonds with friends  
12 and allies, and shifts attention away from the  
13 shared strategic challenges that currently  
14 threaten the market-based Western economic model.

15 If import measures are imposed on  
16 automobiles and automotive parts, the five  
17 trading partners most affected will be Canada,  
18 Mexico, the European Union, Japan, and South  
19 Korea, all amongst your closest allies. Frankly,  
20 the notion that imports of autos or auto parts  
21 from your closest allies could threaten U.S.  
22 national security is, bluntly speaking, absurd.

1           The EU's written comments, submitted  
2           on the 29th of June, lay out our arguments in  
3           detail. I would just like here to recall some  
4           key points. Firstly, imports of European  
5           automobiles are stable, in line with U.S.  
6           production, and respond to market signals.

7           Automotive imports from the EU do not  
8           threaten nor impair the health of the U.S.  
9           industry and economy. The EU and U.S. industries  
10          specialize in largely different market segments,  
11          and over the last five years, imports from the EU  
12          have been stable and correlated to U.S. GDP  
13          growth.

14          Secondly, there is no economic threat  
15          to the U.S. automobile industry which is healthy  
16          and has steadily expanded domestic production in  
17          the last ten years, largely thanks to increased  
18          specialization and integration into global value  
19          chains. Imposing restrictive measures would  
20          undermine the current positive trends of the U.S.  
21          automobile and automotive parts sector, and  
22          negatively impact U.S. GDP by up to \$14 billion.

1                   This loss is likely to be multiplied  
2 by four in the likely event that U.S. trading  
3 partners take countermeasures, as already seen in  
4 the reactions to the Section 232 Tariffs on Steel  
5 and Aluminum. Import restrictions resulting from  
6 the present investigation could result in  
7 countermeasures on a significantly higher volume  
8 of U.S. exports, which we estimate at \$294  
9 billion, around a fifth of total U.S. exports in  
10 2017.

11                   For its part, the EU is proceeding  
12 with internal preparations in the event that the  
13 U.S. were to adopt trade-restrictive measures.

14                   Thirdly, EU auto companies producing  
15 in the U.S. contribute significantly to U.S.  
16 welfare and employment. They are well integrated  
17 into the U.S. value chain and export about 60  
18 percent of their production to third countries,  
19 contributing towards improving the U.S. trade  
20 balance. They provide 120,000 direct upstream  
21 jobs in manufacturing plants, and 420,000 jobs  
22 with dealers. Trade restrictions are likely to

1 lead to higher input costs for U.S. producers,  
2 thus in effect taxing the American consumer.

3 Fourthly, EU auto companies foster  
4 innovation through domestic research and help  
5 develop the local workforce. Rather than  
6 threatening national security, EU companies are  
7 driving long-term economic stability and  
8 competitiveness. Almost a fifth of research and  
9 development expenditures in the U.S. were derived  
10 from foreign-owned subsidiaries. The EU  
11 automotive industry also actively contributes to  
12 enhancing the skillsets of the U.S. workforce.

13 Fifthly, import restrictions would be  
14 contrary to international rules. There are no  
15 exceptions under the General Agreement on Tariffs  
16 and Trade, the GATT, that justify import  
17 restrictions by a developed country to protect a  
18 domestic industry against foreign competition  
19 unless in the form of permitted trade remedy  
20 measures. Although the GATT provides for  
21 security exceptions, the scope of these  
22 exceptions is circumscribed for specific

1 situations which are clearly absent in this case.

2 Sixthly, there is no national security  
3 threat from imports of automobiles and automotive  
4 parts. Without prejudice, we underscore that the  
5 national security analysis must be narrowly  
6 tailored to focus on direct threats to national  
7 security, in particular defense applications.

8 U.S. needs for vehicles or vehicle  
9 parts for defense or military purposes, mainly  
10 like tactical vehicles, appear to be covered by  
11 U.S.-based specialized suppliers. These operate  
12 in a niche market that is independent and  
13 unrelated to the automobile industry. As only  
14 products from the U.S.-based manufacturers are  
15 used by the U.S. military, any trade restrictions  
16 imposed on passenger cars like trucks and car  
17 parts cannot, in our view, be justified by  
18 national security.

19 In conclusion, therefore, I urge you  
20 to conclude this investigation with a finding  
21 that imports of autos and auto parts do not  
22 threaten U.S. national security. Thank you for

1 your attention.

2 MS. PARK-SU: Thank you, Mr.  
3 Ambassador. Ambassador Fernandez, if you would  
4 not mind pulling the microphone in front of you  
5 when you speak, we would appreciate it. Thank  
6 you.

7 AMBASSADOR FERNANDEZ: Thank you.

8 MS. PARK-SU: Whenever you are ready,  
9 sir.

10 AMBASSADOR FERNANDEZ: Good afternoon.  
11 On June 29th, the Government of Mexico submitted  
12 written comments regarding the Section 232  
13 National Security investigation of imports of  
14 automobiles and automotive parts initiated by the  
15 Department of Commerce.

16 I appreciate the opportunity provided  
17 by today's hearing to stress our position. More  
18 importantly, my comments today, as Ambassador of  
19 Mexico to the United States, reflect our honest  
20 conviction that thoughtful consideration should  
21 be given to the concerns voiced, not only by my  
22 government, but also many other within the United

1 States and abroad.

2 Allow me to summarize in the following  
3 four points. One, trade integration with Mexico  
4 is beneficial to American automobile industry.  
5 Clear rules and certainty of market access under  
6 NAFTA enable intra-industry trade and contribute  
7 to the U.S. automotive industry global  
8 competitiveness. The high degree of integration  
9 between the United States, Canada, and Mexico  
10 enables U.S.-producers to effectively manufacture  
11 and compete not unlike other regions in other  
12 countries in the world do.

13 The nature of modern global supply  
14 chains implies, for example, that half of the  
15 \$131 billion in automotive industry trade between  
16 the U.S. and Mexico are vehicle parts shipped  
17 back and forth across borders several times  
18 before reaching the final consumer. Mexico is  
19 currently the top automobile part supplier to the  
20 U.S., accounting for about 40 percent of imports.  
21 And at the same time, the United States is  
22 Mexico's top automobile parts supplier.



1           The benefits of this integration are  
2 clear. Since 1990, the U.S. automobile  
3 production, the per unit value of vehicles, and  
4 the industry's overall contribution to the United  
5 States Gross Domestic Product have increased.

6           Two, subjecting vehicles and auto  
7 parts from Mexico to Section 232 tariffs would  
8 disrupt supply chains that make the U.S. auto  
9 manufacturers competitive. It would also harm  
10 the U.S. auto makers and consumers. The Peterson  
11 Institute for International Economics, for  
12 example, predicts that with this measure, the  
13 automotive industry of the United States could  
14 lose 1.5 percent in production, close to 200,000  
15 jobs, and consumers would naturally pay more to  
16 buy a car, reducing those demands.

17           Three, imports of vehicles and auto  
18 parts from Mexico do not threaten or undermine  
19 United States national security. Applying  
20 Section 232 tariffs would be a misapplication of  
21 the Trade Expansion Act. This view, we believe,  
22 has been recently and clearly expressed by a

1 significant number of U.S. legislators. Indeed,  
2 in 2001, the Department of Commerce, in a similar  
3 case, stated perhaps the obvious. That Mexico is  
4 a close ally and is party to NAFTA.

5 In any one of our international  
6 trading relations, Mexico stands firm against the  
7 use of national security arguments in an effort  
8 to restrict trade or gain negotiation leverage.  
9 We will remain diligent for any unjustified trade  
10 restriction and will exercise our rights to  
11 ensure that the Mexican automotive industry is  
12 not adversely affected.

13 Four, Mexico and the United States  
14 have a robust and increasingly important  
15 cooperation to indeed address our shared security  
16 concerns. Our countries jointly face security  
17 challenges. Transnational organized crime that  
18 deals with drugs, illegal weapons, and people and  
19 money stands out. Daily, our security agencies  
20 work together to stem the destructive activities  
21 of these organizations.

22 As the 2018 Department of State Report

1 on International Narcotics states, the U.S. and  
2 Mexico have one of the most extensive bilateral  
3 law enforcement relationships in the world as a  
4 foundation in which we build. Early this year,  
5 ten former commanders of the U.S. Northern and  
6 Southern Commands, in a letter addressed to the  
7 president, asserted that, and I quote, effective  
8 pursuit of U.S. security and economic interest  
9 depends on partnerships with those nations that  
10 share our borders, Canada and Mexico.

11 While contributing to economic growth,  
12 NAFTA has also established a framework of trust  
13 among all three parties, leading to close  
14 cooperation to address a range of pressing  
15 concerns, including drug trafficking, terrorism,  
16 cyber security, organized crime, and migration.

17 In sum, my comments today reaffirm our  
18 commitment to free trade, and they come from the  
19 certitude that a strong and successful United  
20 States is in the interest of Mexico as much as  
21 the strong and successful United States is in the  
22 interest -- a strong and successful Mexico is in

1 the interest of the United States. Thank you  
2 very much.

3 MS. PARK-SU: Thank you. Deputy  
4 Ambassador Hillman?

5 MS. HILLMAN: Thank you, Madam  
6 Chairperson. My name is Kirsten Hillman. I am  
7 Canada's Deputy Ambassador to the United States,  
8 and I am here today on behalf of the Government  
9 of Canada to emphasize the benefits of our  
10 integrated auto sector and the exceptional nature  
11 of our enduring national security relationship.

12 In times of peace and through wars,  
13 our cooperation and reliance on each other has  
14 made us stronger.

15 Today, as we examine whether imports  
16 of autos and auto parts from Canada are a threat  
17 to U.S. national security, let me be clear.  
18 Rather than potentially strengthening U.S.  
19 national security, imposing tariffs on automotive  
20 imports from Canada would undermine U.S. security  
21 and would have a devastating effect on U.S.  
22 competitiveness in the auto sector.

1           Let me start with the economic case  
2           against new trade barriers between our two  
3           countries. For over 50 years, the United States  
4           has had tariff-free access to Canada for vehicle  
5           exports. In 2017, Canada bought \$26.2 billion  
6           worth of U.S.-made autos, and a further \$26.7  
7           billion worth of auto parts, comprising over 37  
8           percent of U.S. automotive exports. Canada is by  
9           far the top destination for the U.S. automotive  
10          sector, and Canadian cars are U.S. cars.

11          Auto parts and components cross the  
12          border multiple times before a car leaves the  
13          assembly line in Canada, and as a consequence,  
14          assembled vehicles exported from Canada to the  
15          U.S. contain more than 50 percent U.S. content.  
16          Allow me to repeat that. Canadian-made vehicles  
17          exported to the U.S. contain more than 50 percent  
18          U.S. content. As such, they directly contribute  
19          to U.S. economic prosperity, and our integrated  
20          supply chain ensures that we can out-compete any  
21          other producing region.

22          We have always stood together. During

1 the 2008 economic downturn, the Canadian and U.S.  
2 governments collaborated to ensure the Canada-  
3 U.S. auto sector would weather the uncertain  
4 economic environment. Together, we cooperated to  
5 protect jobs on both sides of the border.

6 The Peterson Institute has determined  
7 that if the U.S. moves forward with auto tariffs,  
8 195,000 American jobs will be lost. This would  
9 reverse the current trend, which has been  
10 discussed, that has seen U.S. employment in the  
11 auto industry increase by six percent annually.

12 In this investigation, you are being  
13 asked to examine a specific industrial sector,  
14 automobiles and auto parts. Not tanks. Not  
15 battleships. Civilian passenger vehicles and  
16 parts. The U.S. Department of Defense does  
17 purchase such vehicles, but U.S. Military demand  
18 is a tiny fraction of U.S. auto production, by  
19 all estimates, a de minimis proportion of  
20 domestic output.

21 So where is the nexus between civilian  
22 vehicles and national security? There is none.

1 And there is no basis for finding one. In  
2 contrast, America's enduring alliances strongly  
3 support U.S. national security. Canada is one of  
4 three foreign countries that are members of the  
5 U.S. National Technology and Industrial base.  
6 U.S. contingency planners have long concluded  
7 that industrial centers in Canada are an  
8 important reserve capacity for the U.S. in the  
9 event of attacks on the U.S.

10 On this basis alone, this  
11 investigation must conclude that Canada could not  
12 conceivably represent any risk to U.S. national  
13 security, and by extension, Canada-U.S. auto  
14 trade does not pose a risk to national security.  
15 Canada urges the United States to recognize the  
16 wide range of benefits of an integrated North  
17 American economy, and to remove steel and  
18 aluminum tariffs on Canada.

19 These tariffs are already having a  
20 detrimental impact on the North American auto  
21 sector. Canada was forced to respond to this  
22 unilateral action by apply commensurate counter-

1 tariffs. Should this investigation ultimately  
2 result in the application of tariffs on autos,  
3 Canada will, once again, be forced to respond in  
4 a proportional manner.

5 Today, you are hearing not only from  
6 Canada but from allies, that we have similarly  
7 been forced to respond to the steel and aluminum  
8 tariffs with countermeasures. If countermeasures  
9 were to be imposed by your allies in the context  
10 of the auto sector, the number of U.S. jobs lost  
11 would rise from 195,000 to 624,000 high-paying  
12 manufacturing jobs. These jobs could be lost to  
13 the U.S. forever.

14 Canada's priority is and has always  
15 been to work with our American friends to  
16 strengthen the integrated Canada-U.S. economy and  
17 to ensure that our auto sectors flourish  
18 together. No country is more interested in the  
19 prosperous United States than Canada, which is  
20 why we are committed to strengthening our  
21 partnership in a modernized NAFTA. Maintaining  
22 open trade in autos and auto parts between our



1 countries is crucial to the economic well-being  
2 of our companies, our communities, and our  
3 workers, which in turn supports our collective  
4 security.

5 We urge you to reflect on these  
6 matters as you prepare your recommendations.

7 Thank you.

8 MS. PARK-SU: Thank you. Mr. Wilson?

9 MINISTER WILSON: Well, thank you, and  
10 may I begin by thanking Deputy Ambassador Hillman  
11 for sharing Canada's position and just stating  
12 that Ontario stands shoulder to shoulder with you  
13 and our federal government. I am Jim Wilson, the  
14 Minister of Economic Development Job Creation and  
15 Trade in the government of Ontario, Canada.

16 On behalf of Premier Ford and the  
17 province of Ontario, I would like to thank you  
18 all for the opportunity to be here today to  
19 reiterate what I know we all know, that Canada  
20 and the United States have the greatest trade  
21 relationship in the world, one that has led to  
22 economic growth, productivity, and a fully

1 integrated auto sector that is more profitable,  
2 innovative, and robust.

3 Ontario is a proud trading partner to  
4 the U.S. In fact, Ontario is the number one or  
5 number two export destination for 28 U.S. states.  
6 Ontario is the economic engine of Canada and the  
7 hub of Canada's automotive industry. In fact,  
8 the vast majority of Canada's auto manufacturing  
9 occurs in Ontario which borders the Great Lakes  
10 region. This region, which includes Michigan,  
11 Ohio, Indiana, and Illinois, functions as an  
12 integrated automotive production network.

13 Ontario's auto sector is deeply  
14 integrated with U.S. production in these states.  
15 Canadian firms have invested \$1.7 billion in the  
16 U.S. between 2012 and 2018, creating and  
17 sustaining thousands of U.S. jobs across many  
18 states. For example, Magna International,  
19 headquartered in Ontario, employs 27,125 people  
20 in the U.S., and since 2011, they have created  
21 more than 8,400 jobs across eleven states.

22 Martinrae employs 5,000 people in

1 Indiana, Kentucky, Michigan, Mississippi,  
2 Missouri, and Tennessee. That is twice as many  
3 as they employ in Canada. The integration of our  
4 auto sector is of enormous benefit to both our  
5 countries, our countries businesses, workers, and  
6 economics.

7 This de-integration is evident across  
8 our supply chains. Autos provide a clear example  
9 of how connected our economies are. The parts,  
10 as you have heard, on average, an average vehicle  
11 crosses the NAFTA borders approximately seven  
12 times before being installed on the production  
13 line.

14 American auto manufacturers have spent  
15 decades and invested billions of dollars to fine-  
16 tune these processes so that our supply chain  
17 reduces cost to businesses, increased  
18 productivity, and keeps vehicles affordable for  
19 Canadians and Americans alike.

20 Any outcome from this current 232  
21 investigation that results in tariffs, quotas, or  
22 other barriers to trade in the automotive sector

1 would lead to significant negative economic  
2 impacts and job losses, not just in Canada, but  
3 on both sides of our border. It would make  
4 vehicles more expensive for American consumers,  
5 leading to decreased sales, hurting businesses,  
6 workers, and the American economy as a whole.

7 This would seriously erode what North  
8 American auto industry leaders have built over  
9 several decades. For example, it could hurt  
10 sales in states like Alabama that export \$604  
11 million in engines and \$65 million in brake parts  
12 to Ontario each year. Experts have calculated  
13 that a 25 percent tariff on auto imports coming  
14 into the U.S., including auto parts, would shrink  
15 U.S. production by 1.5 percent. This could  
16 result, as you have heard, in 195,000 job losses  
17 in the U.S. within the first three years.

18 If other countries respond to the U.S.  
19 actions by imposing their own tariffs, this would  
20 only make the impact greater. U.S. production  
21 could fall by four percent, and 624,000 jobs  
22 could be lost in the U.S. And these consequences

1 will be felt in Canada as well.

2 Workers are the backbone of our  
3 integrated auto sector. Together, workers and  
4 industry leaders have built something great that  
5 is being and can continue to be an engine that  
6 drives our economies forward. If auto tariffs  
7 are imposed, everybody loses. The Canadian  
8 automotive industry has supported U.S. national  
9 security interests for decades by ensuring  
10 reliable auto parts and supplies.

11 Ontario in particular has been  
12 integral in supporting these interests during  
13 times of peace and conflict. For instance,  
14 during World War II, the General Motors auto  
15 plant in Oshawa, Ontario, and the Ford auto plant  
16 in Windsor, Ontario, built over 800,000 military  
17 transport trucks for allies, including the United  
18 States, vehicles that were essential to allied  
19 operations during the conflict.

20 These contributions from Ontario help  
21 bolster U.S. national security, safety, and the  
22 freedom of U.S. citizens. Any barriers to

1 automotive imports from Ontario and Canada would  
2 hinder us from helping in the same way in the  
3 future.

4 As such, it is essential for  
5 businesses, workers, and families in both our  
6 countries that Canada receive a full and  
7 permanent exemption from any measures being  
8 considered in this investigation. Ontario's  
9 automotive industry and its workers, along with  
10 their counterparts in the United States are  
11 relying on you to keep them front of mind in your  
12 decisions on this matter.

13 We are stronger and more prosperous  
14 together. Our trade relationship has enabled  
15 both Canada and the United States to see great  
16 economic gains. I am confident that we can  
17 continue to work together now and in the future  
18 for the benefit of all our citizens. Thank you  
19 for listening.

20 MS. PARK-SU: Thank you. Counsellor  
21 Koca.

22 MR. KOCA: Good afternoon. Thank you

1 for the opportunity for being here today. My  
2 name is Mustafa Koca. I am Chief Commercial  
3 Counsellor to Turkey. The U.S. is traditionally  
4 a very important trading partner of Turkey, and  
5 bilateral trade has almost doubled in the past  
6 decade to \$17.4 billion U.S. dollars in 2016.

7 In the U.S. imports, Turkey is the  
8 34th country with the share of 0.4 percent. On  
9 the other hand, the U.S. is the fourth biggest  
10 exporter in Turkey, import with the share of 5.2  
11 percent. The U.S. has always been enjoying the  
12 comfortable trade surplus against Turkey, which  
13 ranges between \$4.8 billion annually.

14 In addition to strong economic ties  
15 between Turkey and the U.S., the two countries  
16 also have mutual security interests as allies.  
17 In that, I should express Turkey's deep  
18 disappointment at being part of Section 232  
19 investigation, which is initiated with concern on  
20 security interests of the U.S.

21 To begin with, Turkey's automotive  
22 exports to the U.S. was \$1.3 billion in 2017. In

1 terms of value, Turkey is the 15th automotive  
2 supplier of the U.S. with 0.48 percent share.  
3 This is to say that Turkey has never been among  
4 the top-ten automotive suppliers in the U.S.  
5 market. Turkey's share in the U.S. imports in  
6 the automotive sector is negligible and ranges  
7 between 0.18 to 0.47 percent in the last five  
8 years.

9           Secondly, Turkish automotive producers  
10 do not target the U.S. market. Turkey exports  
11 almost \$24 billion of automobiles and automotive  
12 parts to the world, and the U.S. share is only  
13 5.7 percent in Turkey's exports in 2017. Rather,  
14 Turkey's main destination is EU countries, and  
15 certain neighboring countries with which Turkey  
16 is linked with Custom Union and free trade  
17 agreements.

18           In the Custom Union, goods are in free  
19 circulation between Turkey and EU which in time  
20 created deep integration, especially in the  
21 automotive sector. Similarly, thanks to Turkey,  
22 FTAs, and concept of diagonal accumulation of



1 origin implemented among the countries located in  
2 the EU and Mediterranean area.

3 In terms of numbers, Turkey exported  
4 nearly 58,000 of vehicles for the U.S. in 2017,  
5 which would present a negligible share in the  
6 U.S. market, a size of 17 million units in the  
7 same year.

8 Thirdly to that, the vehicles exported  
9 by Turkish automotive companies are niche  
10 products, which will not be produced in the U.S.  
11 as the volume in question will not justify the  
12 investment cost required. Moreover, while Turkey  
13 exported 58,000 units of vehicles, the U.S.  
14 exported nearly 132,000 units of vehicles to  
15 Turkey in the same year. This is double.

16 I would like to touch upon Turkey's  
17 domestic market. Turkey is among the developing  
18 countries which has increasing incomes in  
19 occupation, and where demand is on the rise for  
20 motor vehicles unlike the other countries such as  
21 EU, Japan, and the U.S., in which countries where  
22 consumer demand is saturated. The automobile

1 market in Turkey is estimated to grow by three,  
2 ten, and six percent in 2018, '19, and '20  
3 respectively. This is to say domestic demand in  
4 Turkey automotive market is estimated to grow  
5 significantly in the coming years.

6 When it comes to capacity utilization  
7 in Turkey, it was as high as 89 percent before  
8 2008. Right now, it is 86 percent. As a result  
9 of FTA and distance between Turkey and the U.S.  
10 makes the U.S. market less attractive compared to  
11 Turkey's main export destination. Besides,  
12 Turkey has a growing domestic demand and high  
13 capacity utilization rates in the sector. These  
14 two facts combined reveal that Turkey automotive  
15 exports to the U.S. neither at the present, nor  
16 in the future, can be a threat to U.S. domestic  
17 industry.

18 Looking at the U.S. auto production,  
19 it has more than doubled from 5.6 million  
20 vehicles produced in 2009 to 11.2 million  
21 vehicles in 2016. According to U.S. auto sales  
22 have increased more than 67 percent since the

1 financial crisis.

2 In terms of export, according to  
3 statistics from the United States International  
4 Trade Commission, the U.S. export on HDS 87  
5 increased by 17 percent from the year 2008  
6 through 2017. In 2017, the U.S. export was  
7 recorded as \$130 billion which had increased by  
8 44 percent in the comparison with previous years.

9 When it comes to employment, according  
10 to this report published by the American  
11 Automotive Policy Council, automotive employment  
12 increased by nearly one-half from 2011 through  
13 2016. Current predicts automotive employment  
14 will increase by 10.8 percent from the 2013 to  
15 2018, a compound at which growth rate of 2.1  
16 percent. The number of employees in the U.S.  
17 automotive industry is also increasing from the  
18 year 2010, reaching its peak in 2017.

19 The report also shows R&D activities  
20 in automobile industry continues to grow up. In  
21 Michigan alone, nine of world's largest ten  
22 automakers and 46 of the world's top-50 global

1 auto suppliers have opened R&D facilities in  
2 2017.

3 In the initiation notice of this  
4 investigation, it is stated that the aim is  
5 investigating whether the decline of domestic  
6 automobile and automobile parts production  
7 threaten to weaken the economy of the United  
8 States, including by potentially reducing  
9 research, development, and job force skilled  
10 workers in connected vehicle systems, autonomous  
11 vehicles, fuel cells, electric motors and  
12 storage, advanced manufacturing processes, and  
13 other cutting-edge technologies.

14 All, I will mention, indicate to show  
15 that domestic automotive industry is not  
16 suffering from increase in import of automobile  
17 and automobile parts. On the contrary,  
18 production and employment is growing continually  
19 from the year 2010. Also, automobile industry  
20 contributes to R&D development of the country  
21 with growing number of the new R&D facilities.

22 I would like to make some remarks on

1 the compatibility of investigation with WTO  
2 agreements. Turkey believes that Section 232  
3 investigation initiated for automobiles and  
4 automobile parts, although justified under the  
5 threat of national security, it is solely  
6 initiated on pure economic rationale.

7 Turkey fully respects WTO member's  
8 rights and willingness to seek methods to provide  
9 security and protection for their people. Turkey  
10 also understands the economic concern of the U.S.  
11 as far as the fair trade is concerned.

12 However, while recognizing the right  
13 of members to take the ultimate measures to  
14 achieve their legitimate objectives, Turkey  
15 believes that the chosen method to do so should  
16 not constitute baseless barriers to international  
17 trade.

18 Therefore, Turkey urges the U.S. to  
19 abide by provisions to safeguard agreements under  
20 the WTO in conducting this investigation. Thank  
21 you.

22 MS. NIKAKHTAR: Thank you to our

1 dignitaries. We appreciate your time here today  
2 to appear and share your valuable perspectives  
3 with us. And importantly, as well, we appreciate  
4 our bilateral relationship with each of your  
5 respective countries, and we look forward to our  
6 strong alliance with you and our long-standing  
7 relationship of close cooperation.

8 We will absolutely take each and every  
9 one of your points into serious consideration as  
10 we continue with our investigation, and we thank  
11 you for your most valuable insights today. Thank  
12 you again for your time.

13 MS. PARK-SU: At this time, I would  
14 like to welcome our seventh panel to take their  
15 seats. We have the Government of Japan, Deputy  
16 Chief of Mission Kazutoshi Aikawa. The  
17 Government of the Republic of South Korea, Deputy  
18 Minister Kang Sung-cheon. The Government of  
19 Malaysia, Minister Sabariah Ghazali. The  
20 Government of South Africa, Ambassador Mzinwa  
21 Mahlangu. The Taipei Economic and Cultural  
22 Representative Office, Ms. Jenny Van.

1                   Mr. Aikawa, you may begin when you are  
2 ready.

3                   THE HONORABLE AIKAWA: Thank you.

4                   MS. PARK-SU: Yes, and please make  
5 sure to bring the microphone up front. Thank  
6 you.

7                   THE HONORABLE AIKAWA: Okay, well,  
8 thank you for giving me the opportunity to  
9 present the Japanese Government's view on the  
10 investigation conducted by the Department of  
11 Commerce under Section 232 of the Trade Expansion  
12 Act of 1962.

13                   I would like to briefly touch upon the  
14 current situation of the U.S. automotive  
15 manufacturing base and contribution of the  
16 Japanese companies to the United States economy.  
17 I would then like to explain possible negative  
18 impacts on the U.S. economy in the event trade-  
19 restrictive measures are imposed.

20                   In regard to the current situation of  
21 the U.S. automotive manufacturing base, I would  
22 like to point out that the U.S. automotive

1 manufacturing base has sustained a nine-year  
2 production of more than 10 million vehicles since  
3 2012 and continues to steadily grow. The number  
4 of jobs in the U.S. automotive and auto part  
5 industry has increased accordingly with no  
6 indication of imports from Japan hurting the U.S.  
7 auto industry.

8 In our view, the growth of the U.S.  
9 automotive manufacturing base is owed much to the  
10 globalization of industry and it is far reaching.  
11 The exports of passenger vehicles manufactured in  
12 the U.S. have been on the rise, and the increased  
13 access of the global procurement network, that  
14 includes that of the United States, is a source  
15 of competitiveness for today's U.S. automotive  
16 industry.

17 Let me turn to the contribution that  
18 Japanese companies to the U.S. economy. Japanese  
19 automakers have been playing a vital role in  
20 creating many jobs and supporting the growth of  
21 the U.S. manufacturing base through investment.  
22 In particular, since January 2017, Japanese



1 companies have announced a number of new  
2 investments in the United States, and it is  
3 expected that at least 28,000 jobs will be  
4 created by those investments. This ranks the  
5 highest among foreign companies investing in the  
6 United States in that period. And it is Japanese  
7 automakers that are enormously contributing to  
8 it.

9 In the midst of a globalization of  
10 auto industry, Japanese automakers are currently  
11 manufacturing as many as 3.8 million odd cars in  
12 the United States, and the exports from the  
13 United States to the rest of the world amounts to  
14 \$23 billion in value. Japanese auto and auto-  
15 related companies in total have invested more  
16 than \$48 billion and creating more than 1.5  
17 million jobs directly or indirectly in the United  
18 States.

19 Those Japanese companies have  
20 sustained jobs in the United States for long and  
21 contributing to its local economy and communities  
22 in a no less meaningful manner than the U.S.

1 counterparts. The large portion of auto parts  
2 are purchased domestically in the United States  
3 buy the U.S. auto companies. Sorry. Purchased  
4 domestically in the United States by Japanese  
5 auto companies. In fact, their purchases of U.S.  
6 auto parts have increased by 28 times in value in  
7 the last 30 years.

8 As is seen in the new Alabama plant  
9 announcement by Mazda and Toyota, the Japanese  
10 companies' contributions to the United States has  
11 been an expansive trend. In the case of the new  
12 Alabama plant, efforts are underway for the  
13 commencement of the operations in 2021.

14 Lastly, let me say a few words on the  
15 trade-restriction measures on automobiles and  
16 auto parts, which will have a negative impact on  
17 the U.S. economy if implemented. According to  
18 the recent IMF reports, the U.S. could be the  
19 region most affected by trade tensions with a  
20 drop in GDP of about 0.8 percent in the worst-  
21 case scenario, which includes tariffs being  
22 imposed on imported automobiles and auto parts.

1           Even if the measures were imposed, it  
2 would all lead to the immediate expansion of  
3 domestic investments, the constrains on  
4 production capacity and employment, among others.  
5 The prospects of an unpredictable investment  
6 environment could be a hindrance to such an  
7 investment expansion.

8           The imposition of tariffs would  
9 instead invite an increase in vehicles prices and  
10 serve as a burden on consumer sentiment, and  
11 therefore could lead to the shrinking of the U.S.  
12 auto markets with consumer rollbacks in  
13 purchases. According to the trade partnership  
14 worldwide, a 25 percent tariff imposition would  
15 result in the increase of the price of \$30,000.00  
16 imported car by \$6,400.00.

17           In addition, when an inevitable  
18 increase of domestic production cost, U.S.  
19 automakers would eventually lose their  
20 competitiveness. According to a study of  
21 Peterson Institute for International Economics,  
22 an imposition of 25 percent tariffs on

1 automobiles and auto parts and the corresponding  
2 retaliatory measures by other countries, it might  
3 cause the unemployment of about 624,000 workers  
4 in the United States. The U.S. economy as a  
5 whole could consequently suffer.

6 The introduction of trade-restrictive  
7 measures would also have an adverse effect on the  
8 global trade and put market trading system as a  
9 whole at great risk. Such measures would rather  
10 raise serious questions as to the compliance with  
11 the WTO agreements.

12 U.S. manufacturing and agricultural  
13 industries could suffer as well. Japan is a  
14 proud and indispensable ally of the United  
15 States, and trade relations with Japan contribute  
16 not only to the economic prosperity of the United  
17 States but also to its national security. The  
18 importation of automobile and auto parts from  
19 Japan has not by any means increased the -- by  
20 any means threatened to impair the national  
21 security of the United States and will never do  
22 so in the future.

1                   Let me conclude by expressing once  
2 again our sincere hope that the Department of  
3 Commerce will take those concerns I have  
4 enumerated into serious considerations and concur  
5 with my fellow colleagues that those concerns  
6 should never be brought about. Thank you very  
7 much.

8                   MS. PARK-SU: Thank you. Deputy  
9 Minister Kang?

10                   MR. SUNG-CHEON: Thank you. Good  
11 afternoon. My name is Kang Sung-cheon. I am  
12 Deputy Minister for Trade from the Ministry of  
13 Trade, Industry, and Energy of the Republic of  
14 Korea.

15                   I would like to begin by emphasizing  
16 that Korea is a key security ally and a  
17 trustworthy trade partner of the United States.  
18 Our two countries have just reached an agreement  
19 in principle on KORUS FTA amendment negotiations  
20 this March which was focused primarily on autos.  
21 As such, we believe that Korea does not undermine  
22 or diminish in any way the national security of

1 the United States.

2 Now, allow me to elaborate. First,  
3 Korea and the United States have a longstanding  
4 bilateral security alliance that goes back for  
5 decades. This alliance has provided a peace and  
6 stability in Northeast Asia, and it has served as  
7 a bedrock for the ongoing best efforts for  
8 denuclearization of the Korean Peninsula. Korea  
9 is a partner in this U.S. national security  
10 initiative, not a threat to it.

11 Second, through KORUS, our two  
12 countries have established free, fair, and  
13 reciprocal terms of trade, elimination of tariffs  
14 on passenger cars, as well as other allowances  
15 given to U.S. autos under KORUS. Half of the  
16 U.S. exports of automobiles into Korea market  
17 increased by more than 300 percent since KORUS  
18 came into effect. The United States is now a  
19 major player in Korea's import auto market.

20 At the Trump administration's request,  
21 our two countries engaged in amendment  
22 negotiations on KORUS FTA, which is greatly

1 enhanced market access to Korean market for U.S.  
2 vehicles. Under the amended agreement, Korea  
3 doubled the allowance for U.S. cars under U.S.  
4 safety standards from 25,000 to 50,000 units per  
5 manufacturer.

6 Korea will also take into account U.S.  
7 standards in setting its own environmental  
8 standards. On the U.S. import side, Korea  
9 extended the phase out period of 25 percent  
10 tariff on trucks for 20 more years. In this  
11 regard, there is no surprise that in June,  
12 President Trump characterized the recent KORUS  
13 amendment as a wonderful deal for both countries.

14 Third, Korean car companies are now an  
15 important part of the U.S. economy. They have  
16 invested over \$10 billion in U.S. production,  
17 supporting more than 110,000 quality jobs for  
18 American workers. Their investment also helps  
19 address the U.S. trade imbalance and strengthen  
20 the U.S. industry's innovative capacity.

21 Korean automakers export 18 percent of  
22 their U.S. production and produce car components

1 in the U.S. and carry out numerous R&D projects  
2 on cutting-edge technologies across the United  
3 States. Furthermore, Korean auto industries are  
4 not in direct competition with U.S. industries.  
5 Korea exports to the U.S. mostly small and  
6 medium-sized cars while the U.S. automakers focus  
7 more on SUVs and pickup trucks. If anything,  
8 Korea can benefit U.S. customers by providing a  
9 wider set of models to choose from.

10 Last but not least, Korea would like  
11 to voice a general concern that the United States  
12 should be very cautious about asserting national  
13 security on autos and auto parts which have no  
14 clear relation to defense industry. We fear that  
15 expanding the scope of national security  
16 exception in such a manner might trigger a  
17 cascading series of abuses around the world.  
18 This in turn could cause harm to the global  
19 economy and present a very real threat to the  
20 national security interests of the United States  
21 as well as of Korea.

22 In closing, I would like to emphasize



1       once again that Korea and the United States have  
2       always maintained a strong bilateral security  
3       relationship, and further, our two countries  
4       already have a great deal on autos based on KORUS  
5       FTA. Any measure under Section 232 has the  
6       potential to fundamentally undermine the benefits  
7       of KORUS for both countries. In this regard,  
8       Korea requests that the United States carefully  
9       consider all relevant aspects to the  
10      investigation in deciding whether Section 232  
11      remedies are appropriate for the U.S. automotive  
12      sector. Thank you.

13                   MS. PARK-SU: Thank you. Minister  
14      Ghazali?

15                   MS. GHAZALI: Good afternoon members  
16      of the U.S. administration. I am Sabariah  
17      Ghazali, the Minister Counselor for Trade from  
18      the Embassy of Malaysia. Thank you for giving me  
19      the opportunity to present the government of  
20      Malaysia's view relating to the Section 232  
21      Investigation of Imports of Automobiles and  
22      Automotive Parts.

1 Malaysia and the U.S. have always  
2 enjoyed strong and close trade and investment  
3 relationships. However, this new investigation  
4 is a concern for Malaysia.

5 Any remedial measures introduced by  
6 this law could potentially jeopardize our exports  
7 to the U.S. Malaysia views that the usage of  
8 Section 232 Trade Expansion Act as defined by the  
9 U.S. administration as jeopardizing the multi-  
10 lateral trading system behind upheld by the WTO  
11 members.

12 Malaysia believes that the U.S.  
13 concerns can be appropriately addressed through  
14 the WTO agreement on safeguards as it will  
15 provide equal opportunities for trading members  
16 to address concerns within a set parameter of  
17 rules and transparency.

18 Nonetheless, if the U.S.  
19 administration chooses to continue the  
20 investigation, Malaysia requires for the U.S.  
21 administration to provide an avenue for fair  
22 assessment. It is proposed for the investigation

1 to take into account the following.

2           Number one, defining the terms of  
3 automobile and auto parts based on HS code.  
4           Number two, qualifying the value of imports by  
5 respective countries of the set product which is  
6 deemed to be impairing the U.S. national security  
7 and simulating in detail on how such imports  
8 could impact U.S. national security, and three,  
9 considering the trade balance of the set products  
10 between the U.S. and her partner.

11           Malaysia also requests that the U.S.  
12 administration provide adequate consultation  
13 sessions with trading partners, including  
14 Malaysia, especially in the case of adverse  
15 findings. Trading partners should be given the  
16 equal opportunity with clear parameters on how  
17 the country can address U.S. concerns as well as  
18 the trading partners' concerns. In the event  
19 that remedial measures are imposed, exemption or  
20 exclusion should be accorded to Malaysia based on  
21 the following reasons.

22           Number one, imports from Malaysia into

1 the U.S. for automobile and auto parts are very  
2 low. Between 2015 and 2017, imports of  
3 automobile and auto parts under HS 87 from  
4 Malaysia constituted only an average of 0.03  
5 percent from the U.S. overall imports of  
6 automobile and auto parts and 0.21 percent from  
7 the U.S. overall imports of products from  
8 Malaysia.

9 Such low imports, therefore, could not  
10 be a cause or even a threat to the U.S. national  
11 security. Low imports from Malaysia should also  
12 indicate that Malaysian products do not compete  
13 with the U.S. domestic production.

14 U.S. exports of the same products HS  
15 87 into Malaysia for the same period of 2015 to  
16 2017 were much higher, indicating a trade surplus  
17 for the U.S., and represents an average of 0.40  
18 percent of U.S. overall exports to Malaysia.

19 Imports from Malaysia in fact complement the U.S.  
20 production as most of the imports are supplied to  
21 sister companies in support of the U.S. domestic  
22 production.

1                   Any additional tariff imposed on  
2                   Malaysian-originating imports will not only add  
3                   cost to the production in the U.S. ending with  
4                   the U.S. consumers having to pay higher prices,  
5                   but also the exports of the final products where  
6                   Malaysia's imports as input will result in U.S.  
7                   losing export competitiveness.

8                   In summary, the low value of imports  
9                   in automobiles and auto parts from Malaysia and  
10                  that Malaysian companies are part of the U.S.  
11                  value chain are complementing the U.S. production  
12                  base. The imports from Malaysia are mainly  
13                  common items that could not be used for U.S.  
14                  defense purposes, and do not impair U.S. national  
15                  security or economic security.

16                  Malaysia believes that the imports  
17                  from Malaysia do not stifle the incentives for  
18                  innovation of U.S. firms, cause of U.S.  
19                  unemployment, or industry displacement given the  
20                  small amount of imports. Should there be  
21                  remedial measures taken by the U.S., the trading  
22                  relations of our two countries within the context

1 of the products should be taken into  
2 consideration.

3 How the relatively small imports of  
4 autos and auto parts from Malaysia impacts the  
5 U.S. national security and economic security must  
6 be made clear since such findings might weigh  
7 into the way forward for bilateral trade  
8 relations between Malaysia and the U.S. The  
9 Government of Malaysia hopes that serious  
10 consideration could be given based on the above  
11 points before imposing any measures against the  
12 imports from Malaysia under this investigation.

13 The Government of Malaysia also  
14 reserves its rights to raise any other issues  
15 concerning this investigation at a later date.  
16 Thank you for your attention and consideration.

17 MS. PARK-SU: Thank you. Ambassador  
18 Mahlangu?

19 AMBASSADOR MAHLANGU: Thank you,  
20 Chairperson. Thank you very much for giving  
21 South Africa the opportunity to present its case  
22 today in this public hearing.

1                   South Africa automotive exports to the  
2 U.S. amount to 1.17 percent billion in 2017,  
3 which is 0.4 percent of total U.S. automotive  
4 imports of \$294 billion U.S. dollars. Of the  
5 total South Africa automotive exports to the U.S.  
6 in 2017, 93 were passenger cars, four percent  
7 auto parts, one percent vehicles for transport of  
8 goods, and 0.68 percent for tanks and other  
9 armored vehicles, fighting vehicles.

10                   The share of South Africa vehicle  
11 exports destined for the U.S. has declined over  
12 the period from 40.9 percent in 2009 to only 12  
13 percent in 2017. South Africa has been exporting  
14 mainly passenger vehicles to the United States.  
15 In addition, South Africa automobiles were  
16 exported to supplement U.S. production when there  
17 were shortages in the U.S. production lines.

18                   However, since February 2018, one of  
19 the auto manufacturers will at this stage no  
20 longer export to the U.S., which will result in a  
21 reduction in South Africa export of passenger  
22 vehicles. Instead, South Africa will continue to

1 import automotive components from the U.S., thus  
2 supporting jobs in the U.S., therefore future  
3 South Africa automobile exports to the United  
4 States would be significantly reduced while the  
5 imports of high-value components from the U.S.  
6 will increase in view of the intra-industry  
7 linkages.

8 In a nutshell, South Africa exports of  
9 vehicles and parts do not threaten or harm the  
10 national security of the United States of  
11 America. The automotive parts exports to the  
12 U.S. includes engines and catalytic converters  
13 that makes the U.S. competitive, and also benefit  
14 consumers of automotive products in terms of  
15 cheaper products as a result of duty-free access  
16 that they enjoy and AGOA.

17 Ford engines in South Africa are  
18 manufactured with imports from the U.S. and  
19 create 800 jobs in the U.S. Catalytic converters  
20 are produced from minerals that are available in  
21 abundance in South Africa such as platinum and  
22 nickel. Since South Africa is well endowed with



1 minerals, the country remains a strategic source  
2 of catalytic converters for the automotive  
3 industry in the U.S.

4 Imports of tanks and armored vehicles  
5 into the U.S. from South Africa contributes  
6 towards the U.S. national security. Therefore,  
7 if the investigation on the national security  
8 impact on automotive imports results in an  
9 imposition of tariffs on these imports, such  
10 actions will most likely suspend AGOA GSP  
11 benefits for South Africa, and possibly increase  
12 the price of these automotive imports to U.S.  
13 manufacturers.

14 Section 232 Investigation on  
15 Automotives and Parts is taking place in the  
16 context of Section 232 duties applied on South  
17 Africa exports of steel and aluminum as of March  
18 2018. Since the establishment of AGOA 2001,  
19 automotives have been leading export sector to  
20 the U.S. market.

21 AGOA exports, including automobiles,  
22 auto components, aluminum, and steel amounted to

1       \$2.9 billion in 2005, and increased to \$27  
2       billion in 2016. However, when excluding autos,  
3       auto components, aluminum, and steel, the total  
4       exports were valued before \$4 billion ran to the  
5       U.S. market in this period. Thus, without  
6       automobiles and automotive parts, steel, and  
7       aluminum, the benefits of AGOA to South Africa  
8       will almost be extinguished.

9               The U.S. ITC study shows that during  
10       2010-2016, U.S. exports of motor vehicle parts to  
11       South Africa increased by 80.4 percent,  
12       corresponding to growth in South Africa  
13       automotive sector during this period. This is as  
14       a result of strong business links which were  
15       established by U.S. companies based in South  
16       Africa.

17               Furthermore, the study notes that a  
18       number of programs implemented by South Africa  
19       aimed at improving their competitiveness of the  
20       sector have lowered the barriers to entry into  
21       the industry. They have also significantly  
22       reduced import duties on vehicles, components,

1 and pre-assembled vehicles which may also have  
2 facilitated U.S. auto parts exports to South  
3 Africa.

4 Therefore, the intra-industry linkages  
5 have contributed to a mutually beneficial trade  
6 relation between the two countries. Thus, the  
7 implementation of Section 232 duties on imports  
8 of automotive products will have a significant  
9 and a negative impact on the existing trade  
10 relation in the sector for South Africa and the  
11 U.S.

12 In terms of AGOA, AGOA has supported  
13 the transformation of South Africa export from  
14 primary and mineral products to more value-added  
15 products such as automobiles and automotive  
16 parts. AGOA has also contributed to development  
17 of regional value chain in the continent, with  
18 countries such as Lesotho and Botswana producing  
19 and supply car seats and electric wiring  
20 respectively to the automotive industry in South  
21 Africa.

22 Accordingly, AGOA has been a catalyst

1 for the transformation of continent export. The  
2 imposition of Section 232 duties on imports of  
3 cars and parts from South Africa would render  
4 South Africa an exporter of commodities to the  
5 U.S. and undue benefits of AGOA. In terms of our  
6 relationship, bilateral trade between South  
7 Africa and the U.S. is growing mutually  
8 beneficial and relatively balanced.

9 In 2017, the U.S. was ranked as the  
10 third biggest source of imports globally in South  
11 Africa and was ranked second-largest export  
12 destination for South African products after  
13 China. South Africa remains a market for 35  
14 percent of goods that the United States exports  
15 to Sub-Saharan Africa. Regarding bilateral trade  
16 and services, total two-way trade was estimated  
17 at \$4.7 billion U.S. dollars in 2017 with U.S.  
18 enjoying a surplus of approximately \$900 million  
19 U.S. dollars.

20 Accordingly, according to the report  
21 of the foreign direct -- report of ITC, foreign  
22 direct investment in the United States, America

1 is estimated at \$4.2 billion in 2016. Therefore,  
2 we wish to put to you that the companies like  
3 Sasol from South Africa is investing currently  
4 \$11 billion U.S. dollars in the U.S., creating  
5 5,000 jobs in the United States of America, and  
6 we request -- we want to put forward that you be  
7 sympathetic in looking at this so that our  
8 relationships between the two countries could  
9 continue. Thank you very much.

10 MS. PARK-SU: Thank you, Mr.  
11 Ambassador. Ms. Van?

12 MS. VAN: Yes. Good afternoon. My  
13 name is Jenny Van, and I am the legal advisor to  
14 the Office of Trade Negotiations representing the  
15 Government of Taiwan. Thank you for the  
16 opportunity to testify today.

17 In our written submission, we have  
18 already addressed our observations on the healthy  
19 and growing state of the U.S. automobile  
20 industry. In my brief statement today, I would  
21 like to focus on two points that highlight the  
22 importance of imported auto parts to the U.S.

1 economy.

2 My first point, imported auto parts do  
3 not pose a threat to U.S. economic security.

4 Rather, as National Association for Manufacturers  
5 and other associations testified today, they are  
6 semi-finished products that sustain and fulfill  
7 the need of its automobile industry. Currently,  
8 the capacity utilization rate for U.S. auto  
9 industry manufacturing is above 80 percent.

10 However, the domestic industry still needs  
11 imported auto parts to meet the required demand,  
12 both in the OEM sector and the aftermarket.

13 This need for imported auto parts is  
14 especially salient for collision body parts like  
15 bumpers, mirrors, visual signaling equipment, and  
16 for miscellaneous parts and accessories. For  
17 body parts, this is mainly attributed to issues  
18 of cost competitiveness and economies of scale.  
19 For miscellaneous parts, in 2017, accessory and  
20 parts was the U.S. top import among all auto part  
21 imports according to customs statistics.

22 Thus, by leveraging comparative

1 advantages of U.S. domestic and foreign  
2 suppliers, in importing these more so-called  
3 peripheral auto parts from foreign suppliers,  
4 U.S. manufacturers can focus its R&D efforts on  
5 improving and producing products that generate  
6 more profits for its businesses and are more  
7 essential to national security.

8 Imported auto parts also drive  
9 employment in the U.S. auto industry. As  
10 detailed in our submission, our economic analysis  
11 found a positive correlation between consumer  
12 purchasing power, the demand for auto parts, the  
13 demand for auto part imports, and employment in  
14 the auto industry.

15 In this regard, we echo arguments put  
16 forth by my fellow presenters that additional  
17 tariffs on auto parts would drive up costs for  
18 manufacturing, reduce sales and revenues,  
19 decrease investment, and negatively affect  
20 employment of American workers.

21 Moving on to my second point, in  
22 addition to not posing a threat to the U.S. auto

1 industry, imported auto parts also fulfill  
2 special needs in the aftermarket that directly  
3 benefit the downstream auto industry. First,  
4 they help insurance companies and consumers by  
5 providing competition to OEM service parts and  
6 keeping premiums and repair costs in line for  
7 American drivers.

8 Higher repair costs will lower the  
9 number of cars repaired and increase the risks of  
10 consumers driving unsafe cars on the roads.

11 Furthermore, many auto part wholesales and  
12 retails are local small businesses that would not  
13 be able to stay in business if cost for parts  
14 becomes prohibitive.

15 Second, foreign auto part suppliers  
16 help U.S. aftermarket businesses because they are  
17 capable of filling orders with high variety but a  
18 very small scale. This is true for auto parts  
19 generally, but it is especially true for  
20 specialty parts used to restore classic and  
21 antique cars. As one specialty automobile  
22 manufacturer commented in the DOC -- to the DOC,



1 for many imported parts, there is no U.S. source.  
2 The volume is simply too small and U.S. companies  
3 have more profitable work at higher volume  
4 available.

5 Taiwan, as a champion for democracy  
6 and free trade, has been an U.S. long-term ally  
7 and strategic security partner in the Asia-  
8 Pacific region. Our firms are strong partners  
9 with major American auto companies and are cost  
10 effective and reliable general and specialty  
11 parts provide U.S. companies and consumers with  
12 more choices in their car purchase, maintenance,  
13 and repair.

14 With no prior FTA-related preferential  
15 treatments, Taiwanese companies have earned the  
16 trust of their U.S. suppliers to contribute to  
17 the U.S. and global economy. This is their  
18 success story.

19 In conclusion, we respectfully request  
20 that automotive parts be excluded from the scope  
21 of this investigation or any resulting remedy.  
22 If any remedy is imposed, we ask that a less

1       drastic remedy be accorded to auto parts. Thank  
2       you for your time.

3                   MS. NIKAKHTAR: Okay. Thank you to  
4       our foreign dignitaries for your comments. We  
5       know that you have worked today's hearing into  
6       your busy schedules, and we sincerely appreciate  
7       your taking the time to appear this afternoon.  
8       Furthermore, we truly appreciate our relationship  
9       and long-standing history of close cooperation  
10      and strong, strong economic ties with each of  
11      your countries. Your comments are truly quite  
12      important to us, and we will, rest assured, take  
13      them into very serious consideration as we  
14      continue our investigation. We thank you again  
15      for your time and comments. Thank you.

16                   MS. PARK-SU: At this time, I am going  
17      to go ahead and call a break. We will resume at  
18      3:10 and continue with the rest of the panel.  
19      Thank you.

20                   (Whereupon, the above-entitled matter  
21      went off the record at 2:47 p.m. and resumed at  
22      3:10 p.m.)

1 MS. PARK-SU: Thank you very much.  
2 I'd like to resume this hearing by welcoming the  
3 Eighth Panel to the stage. Today we have  
4 Sumitomo Rubber North America, Richard Smallwood,  
5 Tianhai Electronic North America, Richard  
6 Glidden, JTEKT North America Corporation,  
7 Michael R. Davidson, MAHLE Industries, Mr. Chris  
8 Heineman. Mr. Smallwood, you may begin when  
9 you're ready.

10 MR. SMALLWOOD: Good afternoon. I'm  
11 Richard Smallwood, CEO and President of Sumitomo  
12 Rubber North America, a subsidiary of Sumitomo  
13 Rubber Industries, which is headquartered in  
14 Kobe, Japan.

15 SR&A and Sumitomo Rubber USA --  
16 Sumitomo Rubber's US manufacturing affiliate --  
17 submitted joint comments for this investigation.  
18 SRA also filed a submission.

19 Today I plan to speak on behalf of all  
20 three Sumitomo Rubber entities. Sumitomo Rubber  
21 appreciates the opportunity to present our views  
22 at this hearing.

1           Sumitomo Rubber is a global tire and  
2 rubber company that manufactures a wide range of  
3 automotive tires for all types of vehicles,  
4 including passenger cars, trucks, buses, and  
5 motorcycles.

6           In the United States, Sumitomo Rubber  
7 tires are produced or imported, and sold under  
8 the Dunlop, Falken, and Sumitomo brand names.

9           Sumitomo Rubber has already invested  
10 substantially in US tire manufacturing, employing  
11 more than 1,600 American workers at our US  
12 facilities in seven states, and we are now  
13 planning a substantial expansion of our US  
14 manufacturing presence, having recently announced  
15 an investment of up to roughly \$80 million,  
16 that'll permit SRUSA to produce 15,000 tires per  
17 day by 2020.

18           These completed and future investments  
19 are part of the strategic plan announced two  
20 years ago, when Sumitomo Rubber made public its  
21 intention to more than double its American  
22 manufacturing capabilities in the coming years.

1           We believe that the imposition of  
2           tariffs on automotive parts under Section 232  
3           would harm, rather than help, US tire consuming  
4           industries and consumers, and would undermine the  
5           significant investments of Sumitomo Rubber in its  
6           US manufacturing operations.

7           The investments I just described  
8           reflect our strategy to be closer to the  
9           manufacturing facilities of our principal US  
10          customers, and to our consumers, including a  
11          range of automobile and motorcycle makers, as  
12          well as well-known automotive tire and parts  
13          retailers, such as Discount Tire and PepBoys.

14          Indeed, we have transferred production  
15          capabilities for our parts away from our non-US  
16          operations, to American plants to better meet our  
17          customers' needs.

18          Tariffs on imported tires would have  
19          some combination of two adverse economic  
20          consequences. That is, they will increase the  
21          cost of these critical components to US tire  
22          manufacturers, and retailers that the Sumitomo

1 Rubber Company serves.

2 Or they will decrease the profit that  
3 we receive. To the extent we are able to pass on  
4 this increased cost, it will be absorbed by our  
5 direct customers, or be passed on along, in the  
6 form of higher sticker prices and higher retail  
7 prices, to the American consumer.

8 Added tariff cost not pass on to our  
9 consumers, or to -- to our customers or to  
10 consumers, will reduce the amount of funding  
11 available for us to invest in new production  
12 facilities, or to hire additional personnel.

13 Tariffs will, therefore, hurt our  
14 business and that of our customers, while also  
15 raising prices and potentially limiting choices  
16 for US consumers.

17 Sumitomo Tire and Rubber is not aware  
18 of any US tire manufacturers advocating for the  
19 imposition of tariffs under Section 232, and no  
20 analysis from the US government or any other  
21 entity demonstrating that US tire imports  
22 threaten the national security.

1                   At the same time, the department is  
2                   hearing from many participants in the industry,  
3                   and their written submissions, and at today's  
4                   hearings, in detailed terms exactly how the  
5                   imposition of tariffs would harm US manufacturing  
6                   and investment. These industries are completing  
7                   their recovery from the great recession.

8                   Finally, alongside our expanding US  
9                   manufacturing operations, we do import tires from  
10                  Thailand, Indonesia, and Japan. These three  
11                  countries are all close military allies and  
12                  security partners of the United States, who  
13                  contribute positively to US national security in  
14                  many ways that we described in our written  
15                  submissions.

16                  Seen in its full strategic context, I  
17                  just cannot see how Sumitomo Rubber's engagement  
18                  with the United States -- both for US investment  
19                  and imports -- could have any conceivable  
20                  negative impact on national security.

21                  Certainly, our economic impact in the  
22                  United States is a reasonably positive one. On

1       behalf of the Sumitomo Tire and Rubber entities,  
2       I again would like to thank the Commerce  
3       Department for this opportunity to share our  
4       testimony. Thank you.

5                   MS. PARK-SU: Thank you. Mr. Glidden?

6                   MR. GLIDDEN: Thank you, Ms. -- thank  
7       you, Chairperson. My name is Richard Glidden. I  
8       am the Vice President of Tianhai North America,  
9       also known as TENA.

10                   I appreciate the opportunity to  
11       testify in opposition of the proposed tariffs.  
12       TENA's a Michigan-based company with 145 US  
13       employees. We provide wire harnesses to the  
14       automotive manufacturers.

15                   If the proposed tariffs on imported  
16       auto parts go into effect, we will be forced to  
17       lay off more than 45 US employees, cancel  
18       domestic plans for R&D in manufacturing  
19       facilities. This will occur because the cost of  
20       doing business in the US will be insurmountable.  
21       We will be selling products at a loss and be  
22       forced to cancel programs.



1                   In the past ten years TENA has  
2                   invested more than \$48 million in the US. We  
3                   have grown over 1500 percent, from \$13.6 million,  
4                   to over \$200 million annually. We're on track to  
5                   employ an additional 200 Americans, and reach  
6                   \$400 million in annual revenue by 2020.

7                   This is a feat that will not be  
8                   achieved if tariffs are ultimately applied.  
9                   While we are part of a global industry, we  
10                  continue to expand our domestic footprint. We  
11                  currently have an office at Pontiac, Michigan,  
12                  and a warehouse in El Paso, Texas.

13                  We're planning for two R&D centers to  
14                  support electrical distribution design and other  
15                  connected vehicle technologies in Michigan and  
16                  California.

17                  In the Michigan thumb, we are ready to  
18                  expand our domestic manufacturing capabilities by  
19                  adding wiring component plant, providing jobs in  
20                  an area desperate for such opportunities.

21                  Plainly, these projects will not be  
22                  achieved if the proposed tariffs are implemented,

1 because we will not be able to generate enough  
2 revenue to maintain our current operations, let  
3 alone expand.

4 One of the first and most critical  
5 elements of the success in this industry is the  
6 ability to predict and plan in production timing.  
7 Uncertainty impacts our ability to employ  
8 Americans, our ability to provide products to our  
9 customers, and ultimately, our ability to survive  
10 as a company.

11 Why? Distraction, destruction and  
12 overall distress on the global supply chain  
13 caused by these tariffs, will result in decrease  
14 in quality, ultimately harm the American  
15 automotive market, our customers will not support  
16 a price increase, which will force us to either  
17 pull out of existing contracts, or be forced to  
18 close our doors.

19 Frankly, the latter will be the  
20 inevitable result.

21 Looking at one example, 45 of my 145  
22 employees are dedicated to engineering and

1 manufacturing wiring harnesses in one of the  
2 largest truck brands in the United States.

3 This accounts for nearly 30 percent of  
4 our company revenue. These employees rely on  
5 their jobs to provide for their families. By  
6 implementing these tariffs, these 45 employees  
7 and their 100-plus family members will be the  
8 ones that suffer.

9 Any incremental tariffs on the imports  
10 that will make the product a non-financial  
11 starter. I will lose money for every wire  
12 harness I sell to this customer.

13 Unlike the component and design  
14 manufacturing we plan to do in Michigan, it's not  
15 easy to bring the labor-intensive assembly jobs  
16 to the US. Nonetheless, the money we generate in  
17 the US stays here and creates more jobs.

18 These tariffs will prevent us from  
19 adding more than 200 employees in the next two  
20 years. It will prevent the incremental spending  
21 of over \$200 million in the same time, and it  
22 will result in a reduction in my workforce by 40

1 percent.

2 In sum, I hope that it's clear. My  
3 focus is centered solely on the longevity of my  
4 company, the livelihood of my employees, and the  
5 impact that these tariffs will have on the same.  
6 It's not clear -- to myself or others -- how this  
7 proposed tariff could be considered a necessary  
8 device to protect national security, or in any  
9 way benefit the national economy.

10 Ultimately, the final burden will be  
11 felt by my customers, the American automotive  
12 consumer, and first and I might, American  
13 employees.

14 These tariffs will prevent companies  
15 like mine from completing necessary US research,  
16 development, and production of new vehicles, new  
17 vehicle technologies, and put more Americans out  
18 of work.

19 Thank you for your time.

20 MS. PARK-SU: Thank you.

21 Mr. Davidson?

22 MR. DAVIDSON: Good afternoon, and

1 thank you for the opportunity to testify on this  
2 important issue today.

3 My name is Mike Davidson, and I'm here  
4 on behalf of JTEKT North America Corporation,  
5 where I serve as Executive Vice President and  
6 Chief Operating Officer.

7 I've been with what is now JTEKT North  
8 America since 1999, and have worked in the  
9 automotive parts industry for more than 27 years.

10 JTEKT is a global supplier and  
11 manufacturer of automotive steering systems,  
12 driveline components, bearing technologies, and  
13 machine tools. And our North American  
14 headquarters is located in Greenville, South  
15 Carolina.

16 JTEKT employs more than 6000 Americans  
17 nationwide, and our 14 US manufacturing  
18 operations span seven states.

19 Since 2014, we've invested more than  
20 half-a-billion dollars in our US operations, and  
21 currently have a five-year plan that could  
22 potentially include an additional \$300 million of

1 capital investment in the US.

2 We support sourcing locally. But in  
3 some cases, we do import subcomponents, primarily  
4 due to lack of domestic capability or capacity.  
5 Ten of our facilities in Tennessee, Texas,  
6 Georgia and South Carolina depending on steering,  
7 driveline, engine and pump subcomponents, in  
8 order to produce more complex automotive systems  
9 for new passenger vehicles.

10 These subcomponents are manufactured  
11 primarily at JTEKT facilities and supplier  
12 partners that support our global operations.  
13 This reliable supply of subcomponents inputs  
14 enables our US facilities to focus on higher,  
15 value-added production of more complex automotive  
16 systems, using innovative and advanced  
17 technologies.

18 These technologies make the US  
19 automotive industry stronger, and contribute to a  
20 stronger US defense industry.

21 The imposition of a tariff on  
22 automotive parts will disrupt our supply chain

1 and result in higher final production costs.

2 This could severely limit our ability to invest  
3 in our growing US R&D efforts.

4 While we do actively work to identify  
5 and develop capable domestic suppliers, JTEKT  
6 cannot readily make changes to its supply chain.

7 Our steering and related systems are  
8 safety critical, and we must ensure American  
9 consumers' safety comes first. Our validation of  
10 a new supply source requires extensive testing,  
11 and lead time of up to two years.

12 Additionally, all automotive OEMs have  
13 their own validation requirements of our final  
14 product in order to allow sourcing changes.

15 The imposition of tariffs on  
16 automotive parts will weaken our national  
17 economy. Our extensive US manufacturing  
18 operation employs thousands of hardworking  
19 Americans.

20 Auto manufacturers like GM, Fiat-  
21 Chrysler, Toyota, Nissan, BMW and Honda, rely on  
22 our high-quality automotive systems to produce

1 passenger cars in the US for both domestic and  
2 export markets.

3           These OEMs oppose tariffs which would  
4 lead to higher production costs. Such costs  
5 would ultimately be passed along to consumers,  
6 forcing them to pay more for their vehicles, and  
7 the necessary automotive parts for repairs to  
8 keep them running safely.

9           This will negatively impact consumers'  
10 choice, and threaten the prosperity and the  
11 communities where JTEKT's team members and their  
12 families live and work.

13           For these reasons, we respectfully  
14 request that automotive components be excluded  
15 from tariffs. Imports of these products from US  
16 allies are not displacing domestic production in  
17 any meaningful way, and have no impact on our  
18 national security.

19           Rather, importation of these imports  
20 supports more complex and innovative  
21 manufacturing in the United States, and has  
22 enabled domestic producers to implement new



1 automotive technologies that make our US auto  
2 industry stronger, it's autos safer, and more  
3 competitive.

4 A thriving automotive industry will  
5 best contribute to the strength of our economy,  
6 including the US defense industry. I urge the  
7 Administration to continue to support pro-growth  
8 policies that will ensure continued investment  
9 and the success of this important sector.

10 Thank you for your consideration.

11 MS. PARK-SU: Thank you.

12 Mr. Heineman?

13 MR. HEINEMAN: Good afternoon, and  
14 thank you for allowing us to speak today.

15 My name is Chris Heineman and I am now  
16 the MAHLE's Senior Director for Purchasing,  
17 Thermal Management. MAHLE offers the following  
18 comments regarding the Section 232 investigation.

19 MAHLE manufacturers parts and  
20 equipment for the automotive industry, including  
21 pistons, crankshafts, intake manifolds,  
22 filtration, and engine cooling and HVAC

1 components.

2 MAHLE strongly opposes any tariffs,  
3 quotas, or other restrictive adjustments, to  
4 imports of automobiles or automotive parts, that  
5 do not provide protection to US national  
6 security.

7 Just like many other vehicle parts  
8 suppliers, MAHLE has a significant domestic  
9 presence, and invests heavily in the US. MAHLE  
10 and its subsidiaries and affiliates are US  
11 entities registered to do business in 25 states,  
12 with sales in all 50 states.

13 MAHLE has over 6000 employees in the  
14 US, as well as 22 facilities located throughout  
15 the country. MAHLE's largest customers in the US  
16 are US automobile manufacturers which have  
17 significant sales to American consumers.

18 During the next five years, MAHLE  
19 plans to invest over \$900 million in maintaining  
20 its existing facilities, planned expansions, and  
21 research and development efforts, throughout the  
22 US.

1 MAHLE provides a wide variety of high-  
2 quality, competitively priced parts to its US  
3 automobile manufacturing customers. Some of  
4 these customers provide vehicles to the US  
5 government and the national defense industry.

6 Additionally, MAHLE's entity most  
7 impacted by these tariffs assist the Department  
8 of Defense with research and development through  
9 its wind tunnel operation in Troy, Michigan.

10 In today's global economy, MAHLE and  
11 other vehicle parts manufacturers rely on open  
12 markets and integrated supply chains in order to  
13 produce high-quality products at competitive  
14 prices, allowing them to support economic growth  
15 and employment throughout the US.

16 If the US imposes tariffs, quotas, or  
17 other restrictive measures, it would cause  
18 uncertainty regarding MAHLE's ability to readily  
19 obtain the parts and components necessary for  
20 MAHLE to meet its manufacturing requirements,  
21 putting MAHLE and the jobs of its American  
22 workers in jeopardy.

1           If MAHLE does not have certainty as to  
2 when it can obtain parts and components, MAHLE  
3 cannot plan production accordingly.

4           As a global supplier with global  
5 automotive customers, MAHLE positions itself to  
6 manufacturer within the region of consumption.  
7 MAHLE has the majority of our US-based purchasing  
8 spent with the US Tier-2 supplier market, ranging  
9 from small businesses to Fortune-500 companies.

10           However, as a means of strategic and  
11 competitive priorities, MAHLE relies on open  
12 markets to access the global Tier-2 supplier  
13 market, for reasons including innovation,  
14 technical competence, diversification, and risk  
15 mitigation.

16           In fact, there are certain commodities  
17 and/or components that are not readily available  
18 within the US, either due to technical competence  
19 or capacity constraints, to support total demand  
20 or unique, low-volume, high-mix applications.

21           Therefore, access to an open, free-  
22 trade global supplier market is essential for a

1 healthy, viable automotive market.

2 Other recently enacted tariffs and  
3 duties have already negatively impacted MAHLE's  
4 business. Both the Section 232 tariffs on steel  
5 and aluminum, and the Section 301 tariffs on  
6 numerous products imported from China, that  
7 negatively affected MAHLE's business, as have the  
8 antidumping and countervailing duties on aluminum  
9 foil from China.

10 MAHLE's costs have increased  
11 significantly as a result of these tariffs and  
12 duties, forcing MAHLE to request price increases  
13 from its customers, potentially damaging critical  
14 customer relationships, and fostering contract  
15 disputes.

16 If MAHLE's customers are unable to  
17 assist MAHLE in absorbing these price increases,  
18 MAHLE's ability to provide parts to its customers  
19 is at risk, which negatively impacts the US  
20 economy.

21 MAHLE believes any threat to the US  
22 economy will have an immediate impact on US

1 national security. For all these reasons, MAHLE  
2 strongly opposes any tariffs, quotas, or other  
3 restrictive adjustments to imports of automobiles  
4 or automotive parts.

5 MAHLE does not believe these  
6 restrictive measures are needed to protect US  
7 national security, and may, in fact, weaken our  
8 national economy by harming US-based automotive  
9 suppliers and their domestic customers.

10 Ultimately, any restrictive measure  
11 could significant jeopardize the jobs and income  
12 of American workers whose livelihood is dependent  
13 on this industry.

14 Thank you for the opportunity to  
15 testify in this Section 232 investigation. I'll  
16 be happy to answer any questions the members of  
17 the panel may have.

18 MS. PARK-SU: Thank you. I'd like to  
19 open the floor now for any questions or comments  
20 from the US government.

21 MR. CASTRILLON: Well first of all,  
22 thank you all very much for your participation

1 today and your insight.

2 We do realize that you've all flown in  
3 from out-of-town, and that you have companies to  
4 run, and that this is not part of what you  
5 normally do as part of your day-to-day  
6 responsibilities, so we really appreciate you  
7 being here. With that being said, I think my  
8 colleague Michael has a question.

9 MR. VACCARO: Thank you. I'm not sure  
10 if you were here this morning, but I asked a  
11 similar question to an earlier panel. But from  
12 your perspective as large automobile parts  
13 suppliers, what is the relationship in the  
14 automotive industry between where R&D takes  
15 place, and where manufacturing take place?

16 MR. SMALLWOOD: Can I repeat that  
17 ques- -- is it what -- the relationship between  
18 location of the supplier, or where the  
19 manufacturer of the supplier is, and --

20 MR. VACCARO: Whatever you -- I mean,  
21 where you're conducting R&D today, how do you  
22 make a decision where you're going to conduct

1 R&D, and does that impact where you're actually  
2 going to end up manufacturing a product?

3 MR. SMALLWOOD: Actually, in the case  
4 of Sumitomo Rubber, our goal is to put production  
5 by where we're going to sell the product. So in  
6 North America, we want to have a North American  
7 production, where US, we want to have US  
8 production.

9 We need to keep it close to the  
10 consumer. That's really what our goal is. And  
11 that's -- in the case of the original equipment  
12 manufacturer, or for the consumer, we want local  
13 production for local sales. So that's what our  
14 goal is.

15 MR. GLIDDEN: Any type of R&D  
16 investment, what we do, it's all related to  
17 engineering of the customers' specification in  
18 quality control. It has nothing to do with any  
19 new technologies. That's what we focus on.

20 MR. DAVIDSON: And for JTEKT we have  
21 five regional headquarters around the globe, and  
22 in each of those regions they have separate



1 responsibilities for R&D. For North America --  
2 and for US in particular -- we are growing our  
3 technical center capacity to support the  
4 technologies needed to supply the market here.

5 So, our production strategy is  
6 basically local for local -- that's why we're  
7 located in over 25 countries -- but yet the R&D  
8 for the region is located in the US. We've  
9 increased those resources by 50 percent in the  
10 last three years for steering and driveline  
11 technologies, and continue to grow for our other  
12 technologies, as well.

13 MR. HEINEMAN: Our manufacturing is  
14 located in the region of consumption. We do have  
15 engineering locations around the globe. For  
16 specific applications, vehicle programs, it's --  
17 usually follows the customer home room.

18 So, for example, the traditional  
19 big-3, those platforms would normally happen in  
20 the US. If it's BMW or Daimler, those  
21 engineering resources are usually led out of  
22 Germany.

1                   MR. SMALLWOOD: May I add one point on  
2 that? One of the problems -- and I can only  
3 speak for the tire industry, not to the others --  
4 but there's a tremendous amount of complexity in  
5 the manufacturing of tires. You know, in terms  
6 of the chemicals, the components, and all of  
7 that.

8                   So that in the ideal world, we'd be  
9 able to build everything right here in the US.  
10 But from a practical standpoint, we can't.  
11 There's too much complexity in the manufacturing.

12                   So what we have to do is look at it  
13 from the very global basis. So we will build  
14 some product here, some products in other  
15 markets, so we can optimize the production.

16                   Because, again, we can't bring all of  
17 the materials into one plant because it makes it  
18 almost impossible to be able to build everything  
19 we need, but it is impossible for everything we  
20 need to one plant, because of all the different  
21 components that are required.

22                   So that's why for us it becomes very

1 global. We try to balance out everything with  
2 the different factors around the world.

3 MR. VACCARO: Thank you.

4 MR. CASTRILLON: I want to talk a  
5 little bit about the manufacturing footprint in  
6 the US for auto parts. Some of the folks on the  
7 panels this morning, and you all in your  
8 presentations just now, talked about the  
9 importance of inputs and cheaper low-tech inputs  
10 in order to drive more high-value, high-tech  
11 manufacturing in the US.

12 As you all know, the reliance on  
13 imported auto parts for US auto assembly appears  
14 to be increasing, and imports of auto parts  
15 continue to increase over time, and I think if  
16 you look at the trade data, it shows that it's  
17 not just low-value inputs coming in. It's also  
18 very high-tech, high-value products.

19 And I wonder if I could get your  
20 perspective, as Tier-1 suppliers, on, are we at  
21 risk of having the supply chains and the sources  
22 for these high-tech, high-value products be

1 established outside of the US, and are we at risk  
2 of not having US sources for some of these high-  
3 value, high-tech inputs, especially as we look  
4 towards what the automotive industry looks like  
5 in the future, as we advance towards  
6 electrification and autonomy.

7 MR. SMALLWOOD: I mean, I can give you  
8 an example from the tire industry, and that is  
9 that there's actually a resurgence in production  
10 in North America, or in the United States. I'm  
11 responsible for North America, so I keep saying  
12 North America. Sorry.

13 But there's actually a resurgence in  
14 production here. So if we look at just the last  
15 couple of years -- what's already occurred and  
16 what's happening in the future -- we have  
17 manufacturer coming here for the first time.

18 So, in our case, we took over a  
19 factory from Goodyear about two-and-a-half years  
20 ago. We have another company -- Kumho, Yokohama,  
21 GT, Century -- these are tire manufacturers who  
22 are coming into the US, and they could be -- you

1 know, some of the parts they would be selling  
2 would be considered high value. Others would be  
3 more commodity.

4 But again, this is a full spectrum of  
5 product, and it's on the whole notion of being --  
6 having production close to your customer, whether  
7 it's an OEM or to the consumer.

8 MR. GLIDDEN: Wire harnesses are very  
9 labor-intensive, and it's very low technology.  
10 So, bringing a wire harness back here into the US  
11 as we -- I believe that wire harness hasn't been  
12 assembled in the US in twenty-plus years.  
13 Bringing in a very labor-intensive-type operation  
14 here is not very -- it wouldn't be justified for  
15 our company, and in general. So --

16 MR. DAVIDSON: So, for JTEKT, I  
17 mentioned our production footprint basically is  
18 to provide locally as much as possible for the  
19 local market.

20 For the supply inputs, it really comes  
21 down to capability and capacity availability.  
22 So, we have some more cost inputs, we have some

1 higher-value inputs, but it really comes down --  
2 we have aggressive localization targets for each  
3 of our product groups and commodities, where  
4 we're trying to grow that local content, because  
5 we feel that that is the best long-term strategy.

6 The ability not to be able to do that  
7 all at once really comes down to capacity -- or  
8 capability and capacity. And for those higher  
9 technology or innovative technologies, we have a  
10 number of core competencies that we do in-house,  
11 so we develop those in-house and we don't  
12 supply -- don't rely on supply or partners.

13 So, we either have an in-house  
14 strategy, or we have a strategy to localize as  
15 much as possible, based on those factors.

16 MR. VACCARO: Thank you.

17 MR. HEINEMAN: I would point to, I  
18 guess, a couple of different trends on our side,  
19 similar to, I think it was Lobosco was mentioning  
20 before, as a German company, we -- it's not  
21 unusual we develop some products in Germany with  
22 a historical supply base, and then you look to

1 transition and find suppliers in the US, which we  
2 have done successfully over the 14 years I've  
3 been with the company.

4 Secondly, because we're a global  
5 company and we're linked to global OEM customers,  
6 we search the world for the best available  
7 suppliers. So that lends us to looking  
8 everywhere.

9 Specific electronics, I've been here  
10 the whole day, so I've heard the question. And  
11 from my judgment, we do have electronic suppliers  
12 in the US. The question starts to become a  
13 question of capacity. Because they are able to  
14 compete, the question is maybe why is there not  
15 more.

16 And the thought, to be honest, that  
17 was going through my head for most of the day was  
18 the carrot and the stick. And tariffs are sort  
19 of a penalty, and could impact areas that are not  
20 beneficial. Maybe the question, if the concern  
21 is electronics, if I might suggest, is how do you  
22 incentivize more electronic production in the US?

1                   But we do have suppliers that do  
2 compete, and we just don't have enough of them in  
3 our product line.

4                   MR. VACCARO: Thank you.

5                   MS. PARK-SU: Are there any other  
6 questions or comments? Thank you. At this time  
7 I'd like to welcome our ninth panel to take their  
8 seats. We have a German Association of the  
9 Automotive Industry -- Bernhard Mattes -- Japan  
10 Automotive Manufacturers Association -- Manuel  
11 Manriquez -- American International Automobile  
12 Dealers -- Cody Lusk. Mr. Mattes, you can begin  
13 when you're ready.

14                   MR. MATTES: Thank you, and good  
15 afternoon. My name is Bernhard Mattes. I'm the  
16 President of the German Association of the  
17 Automotive Industry.

18                   I would like to thank you for giving  
19 us the opportunity to speak today to this  
20 distinguished audience and explain the  
21 perspective of the German Association of the  
22 Automotive Industry, representing more than 620



1 companies, manufacturers of cars, trucks, buses,  
2 and automobile parts.

3           Personally, I have a long  
4 Transatlantic history. For many years I had the  
5 privilege to head Ford's operation in Germany.  
6 At Ford I learned about the responsibility that  
7 we share about the deep and longstanding ties  
8 that bind the automobile industry on both sides  
9 of the Atlantic.

10           Instead of harming the United States  
11 national security, the German automotive industry  
12 has proven to be an integral and vital part of  
13 the US economy.

14           Since the last recession, the US  
15 industry has experienced almost a decade of sales  
16 growth and growing employment in formerly  
17 deprived regions, and this is not least because  
18 of German automobile manufacturers' investments  
19 in the United States.

20           Today, our members, manufacturers, as  
21 well as suppliers, operate more than 300 plants  
22 in the US. We produce more than 800,000 cars

1 made in USA. We created over 100,000 high-  
2 quality jobs. And this is in production only,  
3 with many more in supply services.

4 In total, German companies are the  
5 fourth largest foreign employer in the US, and  
6 account for almost ten percent of the total  
7 6.8 million jobs created by foreign companies,  
8 with almost one out of every five German-created  
9 jobs being in the automotive sector.

10 Up to now, we have invested more than  
11 \$30 billion US, and additional investments of  
12 \$5 billion US. Just the next four years have  
13 already been announced.

14 The German auto industry in the US is  
15 not only a significant production location, but  
16 an important strategic market, and an export hub  
17 with more than 60 percent of our production being  
18 exported.

19 All this contributes to American  
20 wealth, prosperity and jobs, allowing this  
21 fantastic -- the country's economy -- to grow.

22 Take communities like Spartanburg,

1 South Carolina, home of the worldwide largest BMW  
2 production facility worldwide, Tuscaloosa,  
3 Alabama, home of Daimler, or the new VW  
4 manufacturing site in Chattanooga, Tennessee.

5 In these communities, we have created  
6 well-paid jobs. And even more, we help these  
7 communities thrive. We are part of the local and  
8 regional success stories, part of the  
9 communities.

10 Education. This is another very  
11 important aspect. We train our associates on the  
12 job in parallel to the attendance of theoretical  
13 engineering classes in specialized training  
14 centers.

15 With enhanced skills, they have a  
16 perspective for a successful future, we feel, as  
17 true American corporate citizens. And we want to  
18 continue our commitment and contribution to the  
19 wealth of American communities.

20 Companies in our industries are so  
21 deeply intertwined, that our fate is a common  
22 fate. Manufacturers heavily rely on open

1 markets, due to our integrated and interdependent  
2 supply chains.

3 Additional tariffs will cut deeply  
4 into the tightly knit net between our companies.  
5 They would threaten our ability to export  
6 successfully out of the US, and call future  
7 investment into question.

8 Tariffs on US products will not only  
9 harm exports, but undermine competitiveness and  
10 strengthen other production location, with a  
11 severe negative effect on investment and  
12 employment in the US.

13 This scenario terrifies me. And  
14 things can be made worse by countermeasures which  
15 other countries could take. Such a scenario,  
16 rather than free trade between partners, is a  
17 risk to national security.

18 US national security relies on its  
19 economic performance and strength. Therefore, we  
20 share ideas of lowering and eventually abolishing  
21 tariffs and other barriers to trade in the  
22 framework of the larger agreement between Europe

1 and the US.

2 We would appreciate if you and your  
3 partners in Brussels would proceed on this path.  
4 Our companies, manufacturers and suppliers are  
5 passionate about -- and proud -- of their  
6 investment in the US. And let me add, we feel  
7 that we are proud of the American dream, because  
8 what our members share is passion and  
9 responsibility, bringing jobs, skills, and  
10 prosperity to the US and to its people.

11 Thank you very much for your attention  
12 and the opportunity to elaborate on our comments.  
13 Thank you.

14 MS. PARK-SU: Thank you.  
15 Mr. Manriquez, whenever you're ready.

16 MR. MANRIQUEZ: Thank you for the  
17 opportunity to speak to you today on this  
18 important matter.

19 My name is Manny Manriquez. I am the  
20 General Director of the Washington, DC office of  
21 the Japan Automobile Manufacturers Association,  
22 known as JAMA.

1 JAMA represents Japanese-brand  
2 automakers, many of which have deep investments  
3 in the United States.

4 JAMA members are integral to a strong  
5 and highly productive American auto industry. As  
6 of 2017, our members have cumulatively invested  
7 over \$48 billion in their US manufacturing  
8 operations alone, and directly provide over  
9 92,000 high-quality American jobs.

10 Our members manufacturing, R&D, and  
11 design operations, are spread out across 19  
12 states, and when taking into account part  
13 supplier, dealership and spinoff jobs, our  
14 members support approximately 1.5 million jobs  
15 throughout the country.

16 We're proud to be a part of the  
17 globally competitive and technologically advanced  
18 US auto industry. Our US presence was not built  
19 overnight. Over the past 36 years, our members  
20 have continued to demonstrate their commitment to  
21 the US market and American consumers.

22 The strongest evidence of our

1       commitment is that JAMA members have increased  
2       production in the US tenfold since the mid-1980s,  
3       which has been matched by the decrease of  
4       Japanese vehicle exports to the US by half.

5                JAMA members now produce about one-  
6       third of the vehicles made in the US. That's  
7       nearly four million vehicles.

8                As we stated in our public comments,  
9       JAMA has critical concerns regarding the  
10      Section 232 investigation into automobiles and  
11      automotive parts, and the threat of import  
12      tariffs.

13               A number of economic analyses have  
14      concluded that automotive imports -- automotive  
15      import tariffs, rather -- would have a serious  
16      negative impact on the US economy, as well as on  
17      millions of American families who rely on  
18      competitively priced vehicles.

19               Tariffs are a tax on consumers that  
20      would add thousands of dollars to the price of  
21      any vehicle, whether it is built in the US or  
22      imported. This would lead to decreased US

1 vehicle sales and production, thereby threatening  
2 US jobs.

3 For example, the Peterson Institute  
4 study cited previously by some of my colleagues,  
5 shows that tariffs would cause up to 195,000 US  
6 workers to lose their jobs.

7 Manufacturing costs would increase at  
8 our members' US plants, negatively impacting  
9 American auto workers and their families, in  
10 communities like Lafayette, Indiana, Marysville,  
11 Ohio, San Antonio, Texas, and Smyrna, Tennessee.

12 If other countries retaliate against  
13 the US tariffs, this would further decrease the  
14 competitiveness of US exports, and up to 624,000  
15 American jobs could be lost.

16 In addition to our concerns about the  
17 negative economic impact of tariffs, we believe  
18 that the basis for this Section 232 investigation  
19 is wrong.

20 Imported vehicles do not threaten US  
21 national security. They increase consumer choice  
22 and create new demand in the market, contributing



1 to the sustainable growth of the US automobile  
2 industry, including vehicle dealerships and parts  
3 suppliers.

4 In our public comments, we've  
5 highlighted the dramatic increases in US jobs and  
6 production over our decades-long history in the  
7 United States. Just in the immediate post-  
8 recession time span, Japanese brand automakers  
9 increased their US direct manufacturing  
10 employment by 21 percent, whereas overall US  
11 manufacturing employment increased by only six  
12 percent during this same period.

13 This example shows the extent to which  
14 our members have contributed greatly to US  
15 economic recovery, and the strengthening of the  
16 US manufacturing base.

17 Our members also boost the US auto  
18 industry's global competitiveness and push the  
19 frontier of advanced mobility, by collaborating  
20 with US-based automakers, US government agencies,  
21 and companies from various sectors.

22 JAMA-member companies continue to

1 expand and add new production, while investing in  
2 new technologies that will set the trajectory of  
3 our industry.

4           However, tariffs would create negative  
5 conditions for such investment, and put current  
6 and future contributions at risk. Tariffs and  
7 other restrictive actions would also irreversibly  
8 undermine the auto sector's forward motion during  
9 this crucial time, as we craft the future of  
10 mobility and redefine our industry.

11           Ultimately, we are concerned about the  
12 lost opportunities for technological innovation,  
13 and prospects for the global leadership of the  
14 American auto industry. Applying devastating  
15 tariffs and engaging in trade disputes would mean  
16 that we are failing to prepare the next  
17 generation of American workers for an  
18 increasingly complex environment.

19           We urge the Administration to consider  
20 policies that strengthen the US auto industry and  
21 the American workforce, rather than restricting  
22 their potential.

1                   Thank you once again for the  
2 opportunity to testify on this important matter.

3                   MS. PARK-SU: Thank you. Mr. Lusk?

4                   MR. LUSK: Good afternoon. My name is  
5 Cody Lusk, and I am the President and CEO of the  
6 American International Automobile Dealers  
7 Association.

8                   Thank you for the opportunity to  
9 provide testimony on behalf of America's 9600  
10 international nameplate automobile franchises.  
11 These dealers have a positive impact both  
12 nationally and in the communities they serve,  
13 providing over half-a-million American jobs.

14                   AIADA's dealers see new opportunities  
15 to grow and thrive in this economy, but worry  
16 that possible 25 percent tariffs will negatively  
17 affect their ability to operate and provide work  
18 for hundreds of thousands of Americans.

19                   Across the US and in communities large  
20 and small, Americans are employed in the  
21 international nameplate automobile industry,  
22 including the 577,000 who are employed at AIADA

1 dealerships.

2 With an annual payroll of \$32 billion,  
3 these dealerships also account for an additional  
4 527,000 indirect jobs.

5 As data shows, over half-a-million  
6 Americans stand to be adversely impacted should  
7 25 percent tariffs be put in place on imported  
8 autos and auto parts. As has been referenced, a  
9 recent study by the Peterson Institute found that  
10 if those tariffs go into effect, there would be a  
11 total of 195,000 American jobs lost.

12 Additionally, should countries then  
13 retaliate in-kind and place tariffs on the US,  
14 the job loss would more than triple, to an  
15 astounding 624,000.

16 Another study by LMC Automotive on the  
17 effects of a 25 percent tariff on autos found  
18 that sales of new cars and trucks will also be  
19 impacted. Assuming automakers and dealers absorb  
20 at least half the cost of a proposed 25 percent  
21 tariff, these tariffs would lead to a loss of one  
22 million annual unit sales.

1           If the full burden of the tariff is  
2           passed on to the consumer, that would jump to a  
3           loss of two million units per year.

4           Global trade is an engine of economic  
5           growth, and is a proven strategy for building  
6           global prosperity. Open trade and investment  
7           policies play a vital role in allowing  
8           international nameplate dealers -- many of whom  
9           operate second- and third-generation family  
10          businesses -- to compete on a level playing field  
11          in cities and towns across the US.

12          Tariffs that take the form of taxes on  
13          consumers would significantly impact new car  
14          sales through higher prices, reduced demand,  
15          restricted choice, and new obstacles for  
16          consumers seeking auto loans.

17          Reasonably priced new cars keep  
18          American families safe on our road, allowing them  
19          to travel to and from school, work, and community  
20          events.

21          When Americans are priced out of safe,  
22          affordable transportation, those who can least

1 afford it will be the first to suffer. When the  
2 cost of new autos rises by even the smallest  
3 amount via regulation, tariffs, or taxes, auto  
4 dealers become concerned that those new costs  
5 will reduce sales.

6 As a study referenced this morning by  
7 the Center for Automotive Research found, that on  
8 average, new vehicle prices would rise by \$4400  
9 if a 25 percent tariff is imposed. For imported  
10 vehicles, costs would rise to almost \$7000.

11 Even among US-built vehicles, all of  
12 which include imported parts, prices would go up  
13 almost \$2300. The impact of this would be higher  
14 monthly payment for American car purchases.

15 Declining sales would have a clear and  
16 definable impact on America's international  
17 nameplate dealer community. The same car study  
18 estimates that annual revenues for auto  
19 dealerships would decrease by \$66.5 billion as a  
20 result of a new 25 percent tariff, and 117,000  
21 dealership employees in communities across the  
22 country would lose their jobs.

1           It's worth noting that numbers like  
2           these would cause a dramatic downstream impact,  
3           not just on dealership operations, but the  
4           American economy as a whole.

5           AIADA respectfully disagrees with the  
6           position that imported autos and auto parts are  
7           being brought into the US in such quantities or  
8           under such circumstances as to threaten to impair  
9           the national security.

10          In fact, foreign manufacture  
11          investment in our communities and workers has  
12          strengthened our economy, and greatly broadened  
13          consumer choice.

14          AIADA and its dealer members strongly  
15          support a pro-growth economic agenda, and believe  
16          it can be accomplished with a positive trade  
17          message, not through the threat of tariffs.

18          Trade keeps our economy open, dynamic  
19          and competitive, and helps ensure that America  
20          continues to be the best place in the world to do  
21          business. Thank you.

22          MR. CASTRILLON: Thank you very much,

1 gentlemen, for your participation here today. We  
2 really appreciate you taking the time. We really  
3 value both your comments today and the  
4 submissions that you've made for the record, and  
5 we'll certainly be considering those as we  
6 advance with our investigation. Thank you.

7 MS. PARK-SU: I believe we don't have  
8 any questions for this panel. Thank you. Now,  
9 I'd like to welcome our tenth and final panel to  
10 the stage.

11 And we have the China Chamber of  
12 International Commerce -- Xuejia Wang -- the  
13 China Chamber of Commerce for Import and Export  
14 of Machinery and Electronic Products -- Guiqing  
15 Wang -- Keidanren -- Scott Parven -- Organization  
16 for International Investment -- Clinton Blair --  
17 and the Law Office of William M. Hedrick -- Mr.  
18 William M. Hedrick.

19 Thank you. Ms. Wang, you may begin.

20 MS. X. WANG: Okay. Thank you,  
21 Chairperson, and good afternoon, members of the  
22 panel. My name is Xuejia Wang, with the China



1 Chamber of International Commerce, known as the  
2 CCOIC. We appreciate the opportunity to speak at  
3 this hearing.

4 Since we have submitted comprehensive  
5 comments and a rebuttal on behalf of the Chinese  
6 automobile and automotive parts industries, here  
7 I'd like to draw your attention to the following  
8 key points.

9 First, the CCOIC would draw the  
10 department's attention to the fact that US  
11 automobile sales have increased by more than 67  
12 percent since the 2009 financial crisis. US car  
13 sales are projected to exceed 17 million vehicles  
14 per year through 2022.

15 Meanwhile, US automobile production  
16 has more than doubled from 2009 through 2016. US  
17 automobile production is expected to exceed  
18 12 million vehicles per year through 2019, and  
19 reach 13 million by 2020.

20 Therefore, CCOIC believes that the US  
21 automobile industry is strong, and no evidence  
22 supports trade restrictions pursuant to this 232

1 investigation.

2           Instead, imposing trade restrictions  
3 will achieve just the opposite of what 232  
4 investigations are intended to do. New trade  
5 restrictions will undermine the competitiveness  
6 of the US automotive industry globally, and will  
7 jeopardize the welfare of the US economy.

8           New trade restrictions will invite  
9 retaliation and counter-retaliation, cause  
10 widespread abuse of the national security  
11 exception, will disturb the global order on  
12 international trade, and thereby reduce global  
13 economic growth.

14           Second, Chinese automobiles and  
15 automotive parts imported into the United States  
16 do not threaten the US automotive industry or the  
17 national security of the United States.

18           From 2010 through 2018, nearly all of  
19 the US imports of automobiles were from countries  
20 other than China. The top six largest source  
21 countries have consistently accounted for more  
22 than 93 percent of total US automobile imports.

1           In contrast, imports of automobiles  
2 from China are small. In 2017, US imports of  
3 automobiles from China accounted for less than  
4 one percent of total US automobile imports, by  
5 volume and value.

6           US automotive parts imports from China  
7 are low-value products imported in small volumes,  
8 and are commercial vehicle parts that do not pose  
9 a threat to US national security.

10           Therefore, the CCOIC requests that the  
11 department exclude imported automobiles and  
12 automotive parts from China from this  
13 investigation, and any new trade restrictive  
14 measures.

15           Third, as a country with a large  
16 population, in recent years China has become the  
17 largest potential automotive market in the world,  
18 because of its sturdy and rapid economic  
19 development and the comparatively low number of  
20 automobiles per capita. In fact, China only  
21 exports a very small number of automobiles  
22 relative to its domestic sales.

1                   From 2012 through 2016, exports of  
2                   automobiles from China, on average, accounted for  
3                   nearly 0.4 percent of China's domestic annual  
4                   automobile sales by value.

5                   In conclusion, the CCOIC and its  
6                   members hereby ask the US government not to  
7                   impose import tariffs on Chinese automobiles and  
8                   automotive parts.

9                   Trade restrictions will injure not  
10                  only the Chinese automobile and automotive parts  
11                  industries, but also the US automotive industry,  
12                  as well as related industries, which will reduce  
13                  US employment and burden American consumers.

14                  As there's no basis for this  
15                  investigation, the CCOIC urges the department to  
16                  cease the investigation. The CCOIC also urges  
17                  the US government to consider the impact of any  
18                  remedy resulting from this Section 232  
19                  investigation, on the multilateral trading  
20                  system, as well as the impact on the greater  
21                  economic welfare.

22                  Thank you very much for your

1 consideration. Thank you.

2 MS. PARK-SU: Thank you, Ms. Wang.

3 Mr. Wang, you may begin when you're ready.

4 MR. G. WANG: Good afternoon, members  
5 of panel. Thank you for the opportunity to  
6 testify at today's hearing. I'm Guiqing Wang,  
7 Vice President of China Chamber of Commerce for  
8 Import and Export of Machinery and Electronic  
9 Products, or CCCME.

10 CCCME has about 10,000 members,  
11 including nearly 1000 automotive companies. So  
12 following views are based on our members we back.

13 First, the US automotive industry  
14 commerce is the most advanced automobile-  
15 producing technology in the world. Produces  
16 automobiles and the critical automotive parts  
17 domestically, and leads the global supply chains  
18 through its worldwide production layout. As a  
19 result, the US automotive industry is healthy and  
20 very competitive.

21 In the last decade, the production,  
22 sales, and exports, of US automobiles have grown

1 steadily. The industry's employment has  
2 stabilized and increased, and the profits have  
3 constantly grown.

4 In addition, the US automotive  
5 industry has gained substantial returns through  
6 its investments in China. US consumers also  
7 benefit from it. They are able to enjoy more  
8 cost-effective products.

9 Therefore, any threat to US national  
10 security and the domestic automotive industry  
11 does not exist at all.

12 Second, automobile and automotive  
13 parts trade between China and the US is dominated  
14 by the US state. In fact, the majority of  
15 automobiles imported from China are manufactured  
16 by US automotive companies in their Chinese  
17 plants, and as such, imports only account for  
18 less than one percent of US total imports.

19 Furthermore, most US imports of  
20 automotive parts from China are purchased for the  
21 US aftermarket sector, and some others are used  
22 as accessories. However, these automotive parts

1 from China only amounted to less than four  
2 percent of US aftermarket sales.

3 Therefore, US imports of automobiles  
4 and automotive parts from China are negligible,  
5 and clearly do not threaten the national security  
6 of the United States or the US automotive  
7 industry.

8 Third, additional tariffs on imports  
9 of automobiles and automotive parts will cause  
10 many negative impacts to the US. Because  
11 automotive parts, testing and certificating is a  
12 time-consuming process.

13 If additional tariffs are imposed, US  
14 automotive manufacturers will be faced with  
15 difficulty of fighting other suppliers, and the  
16 increased cost, and eventually will lose their  
17 competitive advantage.

18 Further, US maintenance companies will  
19 also face the risk of the shortage of supply of  
20 automotive parts, as well as increasing costs and  
21 declining profits.

22 These negative impacts will, in turn,

1 increase prices of production in the market,  
2 directly harming the interests of American  
3 consumers.

4 Additional tariffs will also disrupt  
5 the global industries supply chain, harming  
6 international cooperation. We have noticed that  
7 many interested parties have expressed their  
8 opposition to trade restrictions.

9 They believe additional tariffs will  
10 impede the development of US automobile industry,  
11 harm the interests of consumers, and reduce the  
12 employment.

13 In conclusion, CCCME considers that US  
14 Department of Commerce should exempt Chinese  
15 automobiles and automotive parts from any  
16 restrictive trade measures being considered.  
17 Thank you.

18 MS. PARK-SU: Thank you, Mr. Wang.  
19 Mr. Parven?

20 MR. PARVEN: Thank you very much, and  
21 good afternoon, distinguished panelists. Thank  
22 you for the opportunity to provide brief remarks



1 on behalf of Keidanren and its 1,376-member  
2 companies, 109 trade associations, and 47  
3 regional economic organizations.

4 Many of the companies Keidanren  
5 represents have significant and long-running  
6 operations in the United States, employing  
7 hundreds of thousands of Americans. Like the  
8 vast majority of speakers today, Keidanren does  
9 not believe that imports of automobiles and auto  
10 parts undermine the national security interests  
11 of the United States, nor does it necessitate the  
12 imposition of tariffs.

13 For several decades, Japanese  
14 companies are very proud to have made billions of  
15 dollars of investments in communities throughout  
16 the United States.

17 Those investments have strengthened  
18 the economic security of the United States,  
19 without harming national security within the  
20 meaning of Section 232.

21 The United States and Japan are  
22 committed, trusted partners and global leaders.

1 They share security cooperation, trade ties,  
2 bilateral investments, and core values.

3 Japanese companies have invested  
4 billions of dollars in the United States to help  
5 grow the US economy, increase US GDP, and create  
6 hundreds of thousands of jobs.

7 It is disappointing that those  
8 Japanese companies with growing operations in the  
9 United States may be punished for their  
10 significant investments. Future investments and  
11 many American jobs depend upon the continued  
12 growth of those operations.

13 Currently, Japanese foreign direct  
14 investment in the United States is a whopping  
15 \$421 billion in stock value, and \$34 billion in  
16 flow, making Japan one of the top investors in  
17 the United States.

18 Potential tariffs imposed under  
19 Section 232 would have a chilling effect on  
20 foreign investment in the United States for many  
21 years to come. Without those key investments,  
22 the economic security and global competitiveness

1 of the United States may be undermined.

2 Japanese companies historically  
3 contribute to strengthening US national security  
4 through substantial investments in research and  
5 development.

6 Japanese companies have invested more  
7 than \$57 billion in R&D within the United States,  
8 and that number continues to grow. Those  
9 investments help train US workers, develop new  
10 technologies, and provide tremendous  
11 opportunities for US engineers and scientists.

12 In Mineral Wells, West Virginia, for  
13 example, Hino Motors Manufacturing is planning to  
14 open a \$100 million plant in 2019. In Alabama,  
15 Toyota and Mazda have established a joint venture  
16 company to manufacture automobiles together at a  
17 new \$1.6 billion plant.

18 Ultimately, Japanese companies  
19 contribute significantly to the economic security  
20 of the United States. Japanese businesses have  
21 created more than 856,000 jobs through direct  
22 investments as of 2015. On top of that, trade

1 with Japan accounts for an additional 1.3 million  
2 jobs throughout the United States.

3 In the auto sector alone, Japanese  
4 automakers, directly and indirectly, account for  
5 more than 1.5 million US jobs, many of which are  
6 highly skilled jobs that include significant  
7 worker training.

8 Japanese automakers and Japanese  
9 companies as a whole have consistently  
10 demonstrated their decades-long commitment to  
11 supporting the US economy.

12 Japanese companies are dedicated to  
13 upholding a rules-based, open and mutually  
14 beneficial global trading system.

15 Based on this testimony and the  
16 comments submitted, Keidanren asks that the  
17 department find that current auto and auto part  
18 imports do not harm national security interests,  
19 and therefore, tariffs or other restrictive  
20 measures are not necessary. Thank you very much.

21 MS. PARK-SU: Thank you. Mr. Blair?

22 MR. BLAIR: Good afternoon. My name

1 is Clinton Blair. I'm Vice President of  
2 Government Affairs at the Organization for  
3 International Investment, commonly known as OFII.

4 OFII members are among the largest  
5 international companies with operations here in  
6 the United States. That includes most of the  
7 international auto manufacturers and many of the  
8 leading auto parts manufacturing companies.

9 Every day at OFII, we work here in  
10 Washington to tell the good news story of foreign  
11 direct investment and its benefits to the US  
12 economy. Most OFII-member companies are in the  
13 manufacturing sector, in line with overall  
14 foreign direct investment here in the USA.

15 While more than 60 percent of all  
16 international companies in the United States have  
17 fewer than 1000 US employees, OFII members, on  
18 average, have more than 12,000 Americans for each  
19 company.

20 OFII-member companies are globally  
21 headquartered in countries largely considered to  
22 be America's long-time allies -- the United

1 Kingdom, France, Canada, Japan, Germany, and  
2 South Korea.

3 Not only do these companies make  
4 all -- make the US economy more resilient, they  
5 ensure nations all over the globe now have a  
6 stake in America's economic success.

7 On behalf of our 209-member companies,  
8 I'm pleased to be here to explain why the  
9 proposed national security tariffs are  
10 unnecessary and misguided.

11 Given the national security pretext of  
12 what seems to be the Administration's desire to  
13 consider a bygone industrial policy, I would  
14 request your full attention to the following two  
15 powerful stories from veterans of our armed  
16 services. I'm quoting now.

17 It was a struggle. As soon as I got  
18 accepted into the program, I saw kind of a light  
19 at the end of the tunnel. Now I can't wait to  
20 get back to work and get my hands dirty.

21 Those are the words of an aircraft  
22 electrician who defended this country's national

1 security through a 20-year Air Force career that  
2 included nine tours in Asia. He's describing the  
3 challenges he faced in transition into civilian  
4 life in finding a job in the country that he  
5 spent decades defending overseas.

6 I'd like to share another one with  
7 you, this from a V-22 Osprey mechanic, a sergeant  
8 in the United States Marine Corps. Quoting  
9 again.

10 When I left the military, I didn't  
11 really have a mission anymore. I was on my own,  
12 trying to fit in, trying to figure out where I  
13 was and what my purpose was again. The program  
14 has been pretty awesome. Finding something that  
15 actually helps veterans is number one in my book.

16 My future is now clear and I am going  
17 to keep expanding my horizons with this company,  
18 and see where the road takes me.

19 The program these American heroes are  
20 describing was developed by Jaguar Land Rover  
21 North America, through its Veterans Career  
22 Program.

1 Further, Mercedes-Benz was the first  
2 luxury automotive manufacturer to partner with  
3 the US Department of Labor and the Department of  
4 Veterans Affairs, to offer a registered  
5 apprenticeship program.

6 Ironically, on the same day that the  
7 President has unveiled his pledge to American  
8 workers initiative, which is intended to provide  
9 "new opportunities for students and workers  
10 through apprenticeships and work-based learning,"  
11 the Department of Commerce is holding this  
12 hearing to determine whether international  
13 automakers which have a long track record of  
14 providing world-class workforce training  
15 programs, are a threat to US national security.

16 For example, Toyota developed the  
17 advanced manufacturing AMT program designed to  
18 provide both classroom instruction and paid,  
19 hands-on experience at world-class manufacturing  
20 facilities.

21 Students in this program can graduate  
22 debt-free from the income they earn through the



1 program, earning an Associate's and Advanced  
2 Manufacturing degree. Likewise, Hyundai Motor  
3 manufacturing in Montgomery, Alabama, partners  
4 with Trenholm State Community College to run a  
5 six-month maintenance apprenticeship program that  
6 includes both classroom and hands-on training.

7 I could provide you with additional  
8 examples, but suffice it to say, invoking US  
9 national security to impose a bygone industrial  
10 policy intended to hamper the ability of these  
11 companies to benefit the US economy, is very  
12 difficult, is an affront to the economic  
13 contributions and support of America's workforce,  
14 including veterans and transitioning military.

15 Thank you for your time. Pleased to  
16 be here today.

17 MS. PARK-SU: Thank you, Mr. Blair.  
18 Mr. Hedrick, whenever you're ready.

19 MR. HEDRICK: Hi, good afternoon, and  
20 thank you for allowing me to testify today.

21 My name is William Hedrick. I am an  
22 attorney specializing in automotive import law

1 and seizure and forfeiture defense in Raleigh,  
2 North Carolina.

3 I first became involved in automotive  
4 import law within the last four to five years as  
5 a result of numerous seizures that happened  
6 throughout the United States by the Department of  
7 Homeland Security.

8 Predominantly, I represent consumers.  
9 Those who are collectors, world travelers, people  
10 traveling through the US. I also do a lot of  
11 representation with regards to US military  
12 service members who are returning from duty  
13 stations overseas, who run into issues with  
14 having vehicles which they drive while they're  
15 stationed in Europe, Australia, and Japan --  
16 wherever they may be -- and they want to bring  
17 those vehicles back with them, but they run into  
18 compliance issues.

19 I work with both USDOT and the EPA to  
20 oversee, and hopefully overcome, those issues in  
21 most cases.

22 I thank you for your time this

1       afternoon.  It's my position that, predominantly  
2       with regard to classic motor vehicles, these  
3       don't present a national security risk, let alone  
4       the majority of newer motor vehicles.

5               And this law, as it is proposed -- or  
6       this tariff is proposed -- would significant  
7       prejudice those interests.  Under the Harmonized  
8       Tariff Code, Sections 703 and 8707, they don't  
9       make any delineation between a used car and a new  
10      car.

11             What constitutes a classic vehicle  
12      under both NHTSA regulations and EPA regulations,  
13      are vehicles that are over 25 and 21 year-old,  
14      respectively, and those vehicles are exempted  
15      from those regulations.

16             Classic car industry here in the US  
17      represents a multi-billion dollar industry, and  
18      the proposed tariff could meet with some somewhat  
19      varied test results.

20             I represent a number of collectors who  
21      purchase vehicles at auctions or otherwise  
22      overseas.  For example, if a classic car

1 collector were to purchase at auction or  
2 elsewhere, a vehicle such as a Ferrari or  
3 Mercedes -- you can pick one -- that had a value  
4 of \$1 million, under the current tariff schedule,  
5 they would pay \$25,000 in import duty upon  
6 arrival here in the US.

7 Under the proposed schedule, that  
8 would be a quarter million dollars, which seems a  
9 bit off when you consider the implications or the  
10 impact of that vehicle upon its arrival here in  
11 the US.

12 In addition to that, if you look at  
13 the number of vehicles -- and this is per NHTSA's  
14 regulation -- no less than 20 percent of any  
15 vehicle built here in the US of A is comprised of  
16 foreign manufactured parts. And actually, that  
17 number speaks to the percentage of parts that are  
18 manufactured both US and Canada. These were  
19 published on NHTSA's website.

20 To that end, I'm here to advocate for  
21 those consumers who are classic car collectors,  
22 those who import vehicles from abroad -- we have

1 a long history of supporting classic vehicles  
2 here in the United States, and -- I think  
3 actually Congress submitted the alliance a couple  
4 of years, actually made it an official Classic  
5 Car Day, which is, I believe, represented in  
6 June.

7 So I am here to represent the  
8 interests of those individuals, and I thank you  
9 for your time this afternoon.

10 MR. CASTRILLON: Well, thank you all  
11 very much for your willingness to participate and  
12 advise us on the unique perspectives of your  
13 companies, your countries, the industries that  
14 you represent. We'll be taking into account both  
15 your comments today and the submissions that  
16 you've made, as part of our investigation.

17 We don't have any further questions  
18 for you. I know it's been a long day. At this  
19 time I'd like to invite our Assistant Secretary  
20 for Industry and Analysis, Ms. Nazak Nikakhtar,  
21 to come up and give some closing remarks.

22 MS. NIKAKHTAR: Thank you. I just --

1 in closing remarks very briefly, I wanted to  
2 sincerely thank all the US government officials  
3 from the different agencies for taking the time  
4 to come in here today.

5 This investigation, we understand that  
6 it's a complex investigation. So we are pulling  
7 in our colleagues at different government  
8 agencies, who've all enthusiastically volunteered  
9 to help us scope out these complex issues.

10 So we're grateful for them. I know  
11 it's been a long day for many of you, so thank  
12 you for taking the time, not just to submit  
13 comments, but provide all the data, provide all  
14 the input, and submit those comments to the  
15 Commerce Department, and then, of course, take  
16 the time out of all your busy schedules to be  
17 here today.

18 We are carefully -- I can't emphasize  
19 enough -- we are really, really are carefully  
20 analyzing all the information that's been  
21 provided today, that's been provided in the  
22 comments, some of the statistical analysis

1 reports that commenters have cited, we're looking  
2 at those.

3 We're doing our own industry and  
4 economic analysis. We really underscore the  
5 complexity of this industry, and the global  
6 nature of supply chains in the production  
7 systems.

8 Many of the testifiers described those  
9 supply chains today, and it's for that reason  
10 that we wanted to ensure that we had open,  
11 transparent comment system that really enabled  
12 stakeholders to voice -- to provide a platform  
13 where they could share their inputs with them, so  
14 we have the opportunity -- and also to --  
15 importantly, to rebut each other's input too, so  
16 that we have -- we're able to scope these issues  
17 out from all different angles, so we really  
18 understand -- so we can really understand all the  
19 complexities of the industries and where the  
20 details lie. So our analysis takes into account  
21 all of those details.

22 We will, in the coming weeks, conduct

1 a thorough, fair, and transparent, investigation  
2 that takes into account all the relevant facts,  
3 all the input from stakeholders, all the economic  
4 analysis that's been provided to us before  
5 reaching a final determination.

6 We can't thank you enough for your  
7 input and your assistance and your participation.  
8 We value all of your input, and thank you again  
9 for your participation and contributions.

10 (Whereupon the above-entitled matter  
11 went off the record at 4:24 p.m.)  
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This is to certify that the foregoing transcript

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Before: US DOC

Date: 07-19-18

Place: Washington, DC

was duly recorded and accurately transcribed under  
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Court Reporter

**NEAL R. GROSS**

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