

September 6, 2018

Docket No. USTR-2018-0026-0001

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Subject: SEMA Comments on Proposed Modification of Action Pursuant to Section 301:
China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual
Property, and Innovation

Dear Ambassador Lighthizer:

The Specialty Equipment Market Association (“SEMA”) respectfully submits the following comments in opposition to the United States Trade Representative’s (the “USTR”) proposed 10% or 25% tariffs on over 6,000 8-digit tariff lines valued at \$200 billion in imported products from China. This is the third list of products identified by the USTR. Two previous lists covering \$50 billion worth of products are now subject to 25% tariffs. The current and threatened tariffs are already economically harming members of SEMA and their customers.

Based in Diamond Bar, California, SEMA is the principal organization representing the automotive specialty equipment aftermarket. SEMA’s membership includes more than 7,500 businesses that manufacture, distribute, market, and sell specialty parts for vehicles, and contributes approximately \$43 billion to the U.S. economy annually. Approximately 92% of SEMA members qualify as small businesses, and the industry employs more than one million Americans.

SEMA and its members believe in fair and reciprocal trade, and support efforts to protect intellectual property rights. However, SEMA opposes the imposition of tariffs on a vast and seemingly indiscriminate selection of products worth hundreds of billions of dollars. The U.S. tariffs along with equal retaliatory tariffs imposed by China have harmed American businesses, workers and consumers. The additional tariffs being proposed only threaten to escalate the problem rather than resulting in constructive negotiations and meaningful results.

SEMA’s membership is comprised of manufacturers that produce, distribute, and sell specialty automotive parts for the aftermarket. Such parts are made primarily for comfort, convenience, performance, safety, or customization and designed for add-on after the original sale of the

Specialty Equipment Market Association (SEMA)
1317 F Street, NW; Suite 500; Washington, DC 20004
Telephone: 202/783-6007; Fax: 202/783-6024



the motor vehicle. Products ranging from custom wheels to exhaust systems, suspensions, turbochargers, lighting equipment, truck caps, mobile electronics, and other parts that enhance a vehicle's appearance and performance. SEMA members market specialty auto equipment that is installed on all types of motor vehicles, both domestic and international.

The USTR's first two lists identifying Harmonized Tariff Code lines for about \$50 billion worth of products included numerous metal, rubber and plastic parts that are auto equipment components. The third list is even more expansive, covering everything from engines and metal fasteners to tires, steering wheel components, gaskets, transmission belts, brake pads, windshields, and suspension springs.

Access to international markets is essential for the U.S. auto industry to remain competitive. Specialty parts manufacturers rely on complex, integrated, and long-standing global supply chains to procure parts and materials that they then further manufacture in the United States. Auto-parts manufacturers expend considerable time, expertise, and financial resources in identifying, vetting, equipping, testing, and validating both domestic and international suppliers. Automobiles and auto parts are subject to stringent safety and quality requirements to allow their operation both internationally and within the United States. In addition, the manufacture of auto parts often requires licenses due to intellectual property protections. It would be extremely difficult, if not impossible, for auto parts manufacturers to replace existing suppliers in response to the sudden imposition of significant additional tariffs.

SEMA member manufacturers, most of whom are small businesses, cannot absorb 10% or 25% tariffs on the importation of component parts and finished products and continue to function, let alone grow their businesses, nor can they weather the disruption in their supply chains. As a practical matter, many manufacturers are already facing increased manufacturing costs and disruption due to the Section 232 tariffs imposed on steel and aluminum, as well as the \$50 billion worth of Section 301 Chinese tariffs already in place. Further, many of our companies are threatened with 25% tariffs on imported auto parts under a current Section 232 investigation. These tariffs are cumulative and none of our companies anticipated such tariffs in their business plans or supply contracts. Individually and collectively, the tariffs are threatening the economic wellbeing of many SEMA member companies and the workers and families they support.

The U.S. automobile sector is the leading U.S. exporter of manufactured goods, and SEMA members currently enjoy strong export markets for their products. SEMA itself has been recognized by the U.S. Department of Commerce for its sustained commitment to export expansion having won achievement awards including the President's "E" Star Award for Export Service in 2018.

U.S. automobile and auto parts manufacturers are thriving in the competitive international marketplace, which spurs innovation, benefitting both U.S. businesses and consumers. The imposition of additional tariffs, as well as the increasingly uncertain international trade environment, will divert U.S. manufacturers from investing in research and development of new technologies to merely surviving in an increasingly fraught global environment.

Rather than impose additional tariffs, SEMA urges the Trump Administration to support policies that encourage U.S. exports while removing barriers to fair and reciprocal international trade. SEMA is confident that its members and the rest of the U.S. automobile industry can continue to thrive in the international marketplace under fair, open, and predictable conditions, producing jobs for U.S. workers and high-quality, affordable products for domestic and international consumers.

Thank you for considering our comments.

Sincerely,



Christopher J. Kersting
President & CEO
Specialty Equipment Market Association