OFII | GLOBAL INVESTMENT GROWS AMERICA'S ECONOMY

June 29, 2018

TO: Section 232 Automobile and Automotive Parts Imports Investigation

The Organization for International Investment ("OFII") is a U.S. business association that represents the U.S. subsidiaries of international companies headquartered outside the United States.[1] In fact, OFII is the only organization focused exclusively on supporting the international business community in Washington. OFII advocates for fair, non-discriminatory treatment of foreign-based companies and promotes policies that will encourage them to establish U.S. operations, which in turn increases American employment and U.S. economic growth. Over the course of more than two decades of promoting inbound investment in the United States, OFII has always supported transparency, compliance with U.S. laws, and a level playing field for U.S. inbound investment.

As of 2016, there was more than $3.7 trillion of cumulative foreign direct investment (FDI) in the United States. This investment supports more than 24 million workers in the United States, including 6.8 million American workers directly employed by U.S. subsidiaries of foreign-based companies. Importantly, compensation for these U.S. workers is 24 percent higher than the private-sector average.

International companies are also responsible for creating one-in-five of all U.S. manufacturing jobs, including 54 percent of the manufacturing jobs created in the past few years. Furthermore, U.S. workers of international companies produce 23 percent of U.S. exports, shipping nearly one billion dollars in goods per day to customers around the world. International companies help diversify America's economy, making it more resilient, and open new markets. They also pay 17 percent of all federal corporate income taxes. In fact, over the past five years, federal tax revenue from international companies has increased by 77 percent.

The Department's Section 232 investigation into whether, "imports of automobiles, including SUVs, vans and light trucks, and automotive parts into the United States threaten to impair [U.S.] national security," is misguided and unnecessary.

In launching the investigation, Secretary Ross wrote to Secretary of Defense James Mattis: 'There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry.' Yet, when asked by Senator Orrin Hatch during a Senate Finance Committee hearing on June 20, to provide the requisite evidence upon which this investigation was initiated, Secretary Ross stated: "Well, as you know, the investigation, Mr. Chairman, has just begun so we do not have the detailed answers to any of those questions."

Here are some facts that are evident:

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[1] OFII 2018 Membership List is enclosed.

- International companies investing in the U.S. auto sector are especially integral to the U.S. economy. The Bureau of Economic Analysis (BEA) reports that job creation by international auto manufacturers in the United States has increased by 79 percent in the last five years, compared to a 35 percent increase from the overall U.S. auto industry. International companies in the automotive industry support nearly 518,000 jobs in the United States. More than 411,000 of these U.S. jobs are in the manufacturing sector. In fact, international auto companies have longstanding manufacturing operations in 14 states, research and development facilities in 16 states, and dealerships employing Americans in all 50 states.[2] These companies have invested $75 billion into their U.S. businesses, nearly 85 percent of which occurred after the North American Free Trade Agreement (NAFTA) went into effect.[3]

- This surge in investment proves that free trade policies boost U.S. competitiveness and economic growth. Trade also continues to create employment opportunities in the United States. According to BEA, U.S. exports by international companies in the automotive sector have also grown by a staggering 200 percent in the past five years, reaching $68 billion in 2015. The production and exporting of American-made automobiles in 2016 alone created 265,000 new jobs.[4]

- The administration's proposed tariffs would disrupt U.S. employers' global supply chains, hampering investment in the U.S. automotive sector and limiting the ability to broaden America's economy and open new markets for products made here. Modern U.S. manufacturing requires a functioning global supply chain and the ability for companies to source components and parts from all over the world. To preserve the competitiveness of exported construction and agriculture equipment produced in the United States, equipment manufacturers need the ability to purchase parts and components from U.S. and foreign suppliers at prices that are not artificially inflated.

- Furthermore, the proposed tariffs would have negative ripple effects across countless sectors of the U.S. economy. The International Trade Administration's Office of Transportation and Machinery has defined the scope of "automotive parts" in such a way that there is significant overlap with parts and components used in the equipment sector. For example, the manufacturing of a tractor can include an engine, water pump, windshield or transmission categorized by the same Harmonized Tariff Schedule codes as those used in a pickup truck or passenger vehicle. Therefore, in order to maintain the competitiveness of U.S. manufactured equipment, it is extremely important that no measures be taken to increase tariffs or place quotas on imported automotive parts and components. In fact, during the previously mentioned June 20 Senate Finance Committee hearing, Secretary Ross stated that the "intention [of the investigation] is to deal with automotive parts, not to deal with parts throughout the economy."

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[2] Here for America: International Automakers and Dealers in America (Association of Global Automakers 2017).
[3] Ibid.
[4] Ibid.

- The Section 232 tariffs raised on steel and aluminum imports have already begun to have negative impacts on U.S. manufacturers and consumers, imposing severely high costs and increased regulatory burdens the administration promised to reduce. Enacting further tariffs would only add additional unnecessary costs on goods to be paid by the American consumer. By raising further tariffs, the administration also risks inciting a global trade war, damaging the U.S. economy and harming hardworking Americans.

- International companies from longtime U.S. allied countries like the United Kingdom, Canada, Japan, Germany and South Korea provide the vast majority of foreign direct investment to the United States, creating millions of high-quality jobs across the country. Increased investment in the United States translates to a foreign country's increased stake in the success of the U.S. economy, a two-way street that is mutually beneficial to both countries. It would be misguided for the United States to suddenly deem certain segments of these deep and longstanding economic relationships as threats to U.S. national security.

- Further, the terms "imported vehicles," "vans," "light trucks," "automotive parts" and "SUVs" are conspicuously absent from the Director of National Intelligence's Worldwide Threat Assessment review for 2018, which is intended to provide, "the nuanced, independent, and unvarnished intelligence that policymakers, warfighters, and domestic law enforcement personnel need to protect American lives and America's interests anywhere in the world." Nor do those terms appear in the testimony of USMC Lieutenant General Vincent R. Stewart, director of the Defense Intelligence Agency, when he testified before the Senate Armed Services Committee last year in regard to U.S. national security threats.

International companies in the U.S. auto industry do not just create jobs and open markets, they help grow a more skilled U.S. workforce through state-of-the-art training programs. For example, Toyota developed the Advanced Manufacturing Technician (AMT) program, designed to provide both classroom instruction and paid, hands-on experience at world-class manufacturing facilities. Students in this program can graduate debt-free from the income they earn through the program, earning an Associate of Applied Science (AAS) in Advanced Manufacturing degree. Importantly, the program creates more than just a direct pipeline of high-quality talent for Toyota. Some 300 other companies, from large U.S.-based multinationals to small- and medium-sized manufacturers across nine states, also benefit from that same workforce pipeline. As a result, the Toyota AMT program is strengthening American manufacturing across the nine states in which it operates.

Mercedes-Benz – which employs thousands of U.S. workers and has invested more than $5 billion in its Vance, Alabama plant – created the Mechatronics training program in partnership with Shelton State Community College and AIDT. Combining mechanical, electrical, computer, and control engineering training, the Mechatronics program at Shelton State prepares students for advanced manufacturing jobs, including potential full-time positions at Mercedes-Benz.

In addition to employing thousands in South Carolina, Michelin also collaborates with the state's outstanding technical schools, such as Greenville Tech, Spartanburg Community College, Midlands Tech and Tri-County Tech. Michelin's Technical Scholar program allows students to co-op in the company's plants to gain real-world experience. Michelin covers the costs of the students' books and tuition, and they are paid to work 20 hours per week with a Michelin Technician. Upon successful completion of their technical education, Michelin Technical Scholars are often hired for a full-time position with a starting annual salary of more than $54,000.

Similarly, Hyundai Motor Manufacturing Alabama (HMMA) in Montgomery partners with Trenholm State Community College to run a six-month maintenance apprenticeship program for HMMA team members that includes both classroom and hands-on training. The Hyundai manufacturing plant also offers internship programs for undergraduate students who attend designated universities in a variety of disciplines, including accounting, human resources, legal, production control and engineering.

It is also worth noting that global automakers and suppliers are strong supporters of America's veterans. For instance, Jaguar Land Rover North America launched the Jaguar Land Rover Veterans Careers Program to connect "skilled and experienced transitioning service members and veterans with positions across the Jaguar Land Rover retail network." Mercedes-Benz was the first luxury automotive manufacturer to partner with the U.S. Department of Labor and Department of Veterans Affairs to offer a Registered Apprenticeship Program. This apprenticeship program prepares veterans and transitioning servicemembers for in-demand technician careers at authorized Mercedes-Benz dealerships.

Imported automobiles and parts do not pose a national security threat to the United States. Given that cross-border automotive trade and investment takes place between the United States and most of our key, long-term allies, it would be a grave mistake to impose tariffs on the sector based on the Department's alleged, yet indeterminate, national security concerns.

I hope to have the chance to further discuss my comments at the public hearing before the U.S. Department of Commerce on July 19 and 20. Thank you for your time and consideration.

Sincerely,

Clinton Blair
Vice President, Public Policy & Government Affairs
Organization for International Investment

2018 OFII Membership List

ABOUT OFII The Organization for International Investment is a not-for-profit business association in Washington, D.C., representing the U.S. operations of many of the world's leading international companies. OFII advocates for fair, non-discriminatory treatment of foreign-based companies and promotes policies that will encourage them to establish U.S. operations, increase American employment and boost economic growth to ensure the United States remains the top location for global investment. For more information, please visit www.OFII.org.

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