June 29, 2018

The Honorable Wilbur L. Ross
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230

Re: Section 232 Investigation of Imports of Automobiles and Automotive Parts

Dear Mr. Secretary:

On behalf of the 244 member companies of the Japan Machinery Center for Trade and Investment ("JMC"), I am writing to express our concerns regarding the U.S. Department of Commerce’s ("the Department") investigation into the effects of imports of automobiles and automotive parts on the national security of the United States, pursuant to Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862) ("the investigation").

JMC is a non-profit industry organization comprised of Japan’s major electronics manufacturers, machinery manufacturers, and trading companies, including exporters of automobiles and automotive parts. The Japanese automotive industry has invested heavily in U.S. manufacturing, and these investments, as well as Japanese automotive exports to the United States, support the U.S. automotive industrial base and the U.S. economy more broadly. The Department therefore should conclude in this investigation that imports of automobiles and automotive parts from Japan do not threaten to impair the national security of the United States.

I. **Imports of Automobiles and Automotive Parts from Japan Do Not Threaten to Impair U.S. National Security**

The Japanese automotive industry not only exports automotive goods to the United States, but also invests heavily in U.S. manufacturing. Both of these activities benefit U.S. workers and consumers and strengthen the U.S. economy. For example, Japanese manufacturers of automotive parts supply high-quality products not only to the affiliates of Japanese
manufacturers in the United States, but also to U.S. automobile manufacturers, who like all automotive companies must utilize global supply chains in order to remain competitive.

By supplying high-quality automotive parts to both domestic and foreign-owned automobile manufacturers in the United States, Japanese automotive parts companies enhance the quality and competitiveness of American-made automobiles, thereby strengthening the American automotive industrial base and supporting U.S. employment in automobile manufacturing. As of 2017, Japanese-branded automakers alone directly employed 92,710 workers in the United States and invested $48.3 billion in U.S. manufacturing operations.1 These workers and manufacturing operations are an integral part of the American automotive industrial base, and are reliant on both American and Japanese-origin automotive parts in order to remain competitive. Far from imperiling the American automotive industrial base, imports of automotive parts from Japan contribute significantly to it and therefore do not threaten to impair U.S. national security.

Imports of finished vehicles produced in Japan also strengthen the U.S. economy, supporting hundreds of thousands of American jobs and several billion dollars’ worth of U.S. economic activity annually. In 2015 alone, the Japanese-brand automobile companies’ dealer networks directly employed approximately 375,000 U.S. workers and paid an estimated $55.8 billion in compensation.2 Adding indirect employment such as intermediary and spin-off to direct employment, the Japanese-brand automobile companies have a total employment effect of over 1.5 million U.S. jobs.3 These U.S. jobs are dependent on the availability of Japanese-origin automobiles and parts. Moreover, the “Big 3” American automakers are not in crisis or decline due to such imports, but in fact are thriving. Between 2009 and 2016, Ford, General Motors, and Fiat Chrysler increased their total U.S. production by 72 percent, 112 percent, and 220 percent, respectively, and these companies accounted for the majority of the 130,000 U.S. automobile manufacturing jobs added between 2011 and 2016.4 The U.S. automobile industry also currently utilizes more than 80 percent of its available production capacity, and capacity utilization in the industry has neared record-highs in recent years.5 These data strongly support a finding that automobile imports from Japan are not weakening the U.S. automobile industry or threatening to impair U.S. national security.

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3 ibid
5 https://fred.stlouisfed.org/series/CAPUTLG33611SQ
II. THE IMPOSITION OF IMPORT RESTRICTIONS UNDER SECTION 232 WOULD WEAKEN THE U.S. ECONOMY

The imposition of an additional tariff on imports of automobiles and automotive parts would increase the prices of both imported and American-made automobiles. American-made automobiles would become less competitive globally and less affordable to U.S. consumers, and the many U.S. businesses that rely on imported automobiles would suffer as well. Furthermore, because the automobile and automotive parts industries involve complicated and multi-layered supply-chain networks with a wide variety of associated industries, the negative impact of the additional tariffs would likely spread to other U.S. manufacturing sectors. Such actions would put at risk thousands of U.S. jobs in automotive manufacturing and other sectors throughout the country, and would weaken, rather than strengthen, the United States’ economy and global competitiveness.

III. RELYING EXCESSIVELY ON NATIONAL SECURITY JUSTIFICATIONS WILL HARM US INTERESTS

Most automobiles and automotive parts have no plausible nexus to national security, and restricting imports of such products therefore cannot be justified under the GATT Article XXI national security exception. If the United States proceeds to restrict automotive imports on national security grounds, other countries eventually will rely on the same logic in order to restrict imports of specific products (e.g., U.S. agricultural exports). Therefore, it is not in the long-term interests of the United States to restrict imports based on overly-broad definitions of “national security”.

IV. IMPOSING ADDITIONAL TARIFFS ON AUTOMOBILES AND AUTOMOTIVE PARTS COULD CAUSE WORLDWIDE TRADE WARS

The United States has already imposed additional tariffs on steel and aluminum imports as a result of other Section 232 investigations. This has already caused or may cause countermeasures at least by the European Union, Canada, Mexico and China, in the form of retaliatory tariffs against U.S. exports. Further, the United States intends to impose additional tariffs on certain imports from China in July 2018 based on Section 301 of the Trade Act of 1974. China has vowed to impose equivalent tariffs on U.S. exports as a countermeasure.

In these circumstances, if the United States were to impose additional tariffs on several hundred billion dollars’ worth of imports of automobiles and automotive parts, U.S. trading partners very likely would impose equivalent retaliatory measures against U.S. exports. U.S. import restrictions and retaliatory measures of this scale would cause a slowdown in economic growth globally, and particularly in the United States, the European Union and Japan. These outcomes would not benefit the U.S. economy or national security.
V. CONCLUSION

The Department should conclude in this investigation that imports of automobiles and automotive parts from Japan do not threaten to impair the national security of the United States. The imposition of additional tariffs on automobiles and automotive parts would negatively impact the U.S. automotive industry and the U.S. economy as a whole, given the importance and multi-layered nature of modern supply-chains. Second, restricting U.S. automotive imports on national security grounds would encourage other countries to enact copycat measures, which would not be in the long-term interests of the United States. Finally, restricting U.S. automotive imports would likely prompt substantial retaliation by U.S. trading partners, causing a slowdown in global and U.S. economic growth.

We would be pleased to answer any question that the Department may have. JMC appreciates the Department's consideration of these comments.

Sincerely yours,

Haruhiko Kuramochi
Executive Managing Director
Japan Machinery Center for Trade and Investment (JMC)

See attached member list
Japan Machinery Center for Trade and Investment

JMC Membership

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Alfa Co., Ltd.
AvantPower Japan Ltd.
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Voith HI Paper Technology Co., Ltd.
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(As of June 2018)