

February 2, 2022

Ambassador Katherine Tai
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Tai,

The Auto Care Association appreciates the Office of the U.S. Trade Representative's ongoing efforts to address unfair trade policies and practices that jeopardize United States' competitiveness and innovation. We welcome USTR's recent announcement to reinstate an exclusion process for a limited number of Section 301 tariff exclusions. However, we are writing to strongly urge USTR to establish a comprehensive exclusion process and to broaden the scope of products eligible for exclusions.

The Auto Care Association is a trade association with 3,000 member companies representing the entire automotive aftermarket supply chain, including manufacturers, distributors, retail stores and independent automotive repair shops. Our industry is a significant sector of the U.S. economy. We represent 538,000 businesses that employ 4.5 million people and generated revenue of \$383 billion in 2020 (2% of the nominal GDP).

As explained in our Section 301 investigation comments and hearing testimonies,¹ our industry services and provides unique parts covering every year, make and model of vehicles on the road today. Our members have built supply chains over the past two decades to develop products that meet a high standard of safety and quality while supporting the demand of U.S. consumers.

The variable production line of broad parts in low volumes needed by our industry to support vehicle maintenance and repair requires a tremendously complex network of smaller sub-suppliers that does not exist in the U.S. and would be both time- and cost-prohibitive to replicate.

Since the imposition of Section 301 tariffs in 2018, many members have explored sourcing options outside of China, and some have been successful (at an overall higher cost). However, in many cases, attempting to move manufacturing out of China would require

¹ Auto Care Association Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, Submitted in Docket No. USTR-2018-0026 (Sept. 6, 2018).

several years to qualify a new supplier, redevelop and retool individual parts, and undergo a validation and approval process, in addition to the tremendous monetary startup investment required.

In some cases, companies have no choice but to continue manufacturing in China due to manufacturing challenges in other countries, such as capacity issues, quality control, absence of material supply, infrastructure and logistics to cost-effectively produce and move product.

The tariffs have put many U.S.-based importers in a precarious financial position. Members have reported that the Section 301 tariffs have led to payments from importers to U.S. Customs and Border Protection to expand 10-fold. Small and mid-size importers that lack strong financing cannot afford the burdensome tariff payments and have been forced to reduce purchasing volume despite the demand necessary to support the U.S. automotive aftermarket.

Importers faced with significant cost increases on goods imported from China are forced to raise prices to their customers and the impact is felt at each step of the supply chain. Absent a tariff exclusion, increased prices on auto parts and components are impacting U.S. consumers who are currently experiencing high repair costs and likely delaying critical vehicle maintenance procedures as a result.

While the new exclusion process is a critical first step, it is extremely narrow and only represents 1% of all tariff exclusion applications. We strongly support adopting a full exclusion process to allow U.S. industries facing unprecedented challenges during the COVID-19 pandemic to benefit from tariff relief.

We encourage USTR to adopt the recommendations as outlined in the U.S. Government Accountability Office report² when developing a Section 301 tariff exclusion and extension process, including:

- Establishing a transparent process for all stakeholders to submit comments in support of or opposition to particular exclusions requests;
- Clearly communicating factors used in evaluating exclusion requests;
- Documenting knowledge and implementing decisions consistently when reviewing product information and data; and
- Providing justification for any exclusion request approvals or denials.

² U.S. Government Accountability Office. U.S.-China Trade, USTR Should Fully Document Internal Procedures for Making Tariff Exclusion and Extension Decisions, GAO-21-506 Report (July 2021).

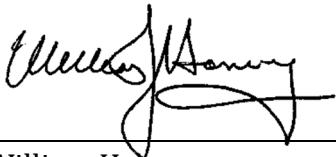
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Reinstating a comprehensive tariff exclusion process will provide immediate relief and allow U.S. businesses to support their employees, support the U.S. economic recovery, and ensure the U.S. automotive aftermarket remains competitive in the global marketplace.

We would appreciate the opportunity to meet with you and/or your staff to share the challenges our industry is facing in the U.S.-China trade relationship.

Thank you for your consideration.

Respectfully submitted,



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