

September 24, 2018

Ambassador Robert E. Lighthizer
U.S. Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Auto Care Association Requests Process for Product Exclusions for Imports
from China in Section 301 Investigation (USTR-2018-0026)

Dear Ambassador Lighthizer,

The Auto Care Association submits this letter requesting the administration to adopt a process for our members and stakeholders to request exclusions for products covered in the latest Section 301 tariff list on imports from China that, if tariffed, would cause significant economic harm to American companies and consumers.¹

The auto care industry, also commonly referred to as the automotive aftermarket, is the part of the automotive industry that deals with the manufacture, remanufacture, distribution, wholesaling and retailing of all vehicle replacement parts, accessories, tools, equipment, chemicals and services. Any product or service that a vehicle may need after the original equipment (OE) manufacturer assembles it is an auto care industry product or service.

As outlined in our comments,² our industry services and provides unique parts covering every year, make and model vehicle 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 the U.S. aftermarket. As the aftermarket, the variable production line of broad parts in low volumes 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.

¹ *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 Fed. Reg. 47974 (Sept. 21, 2018) ("Third Tariff List").

² *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).

The administration's exclusion process set up for products covered in the previous two Section 301 tariff lists³ provides an important opportunity for stakeholders to mitigate the negative impact these additional tariffs may have on the U.S. automotive industry and U.S. consumers.

Our members have already started to feel the negative impact of these tariffs. Many have had to place investments on hold or reduce their workforce. Their supply chains are global and complex. It is not possible to easily or quickly modify supply chains without experiencing a ripple effect. In many cases, companies have no choice but to manufacture in China, as there are no alternative options due to capacity issues, quality control or customization.

Additionally, imposing additional tariffs would increase the price substantially, delaying safety-critical repairs and making it difficult for U.S. consumers to afford cost-effective options when repairing their vehicles.

As mentioned in our hearing testimony⁴ regarding brake rotors, reshoring the industry for 2,600 different rotor parts could take up to 10 years and would require a significant financial investment to retool each individual part. We're not even sure the casting foundries in the U.S. have the capacity to support the demand.

We urge the administration to adopt a process for stakeholders to submit product exclusion requests using the same procedures and criteria as implemented in the previous two Section 301 lists⁵ and to review them in a timely fashion. This includes, but is not limited to:

- A determination to grant a product exclusion request be extended to all U.S. importers who import the same product from China;
- A determination that a product exclusion request would retroactively grant tariff relief to the tariff effective date of Sept. 24;
- Requesters to have the ability to protect business proprietary information; and
- USTR to provide guidance on exclusion request review criteria and timely updates on the status of applications.

³ *Procedures To Consider Requests for Exclusion of Particular Products From the Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 Fed. Reg. 32181 (July 11, 2018); *Procedures To Consider Requests for Exclusion of Particular Products From the Additional Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 Fed. Reg. 477236 (Sept. 18, 2018).

⁴ United States Trade Representative, 301 Committee, Section 301 Tariffs Public Hearing, Thursday, Aug. 23, 2018.

⁵ *Id.*

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At the same time, we believe a trade war and tariffs will cause severe economic harm to U.S. interests and we urge the administration to continue pursuing a bilateral, enforceable, rules-based trade agreement with China.

We appreciate the opportunity to provide these comments and welcome the administration to contact us if there are any additional questions. We look forward to the administration's response to ensure a fair and transparent process for submitting product exclusion requests.

Respectfully submitted,

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