August 24, 2022

Lisa R. Barton
Office of the Secretary
U.S. International Trade Commission
Washington, DC 20436

Via portal at: https://edis.usitc.gov

Re: **Economic Impact of Section 232 and 301 Tariffs on U.S. Industries; Investigation Number 332-591**

Dear Ms. Barton:

The Specialty Equipment Market Association (SEMA) appreciates this opportunity to provide comments to the International Trade Commission on the economic impact of the Section 232 and 301 tariffs on the specialty automotive aftermarket industry. These tariffs are continuing to negatively impact the industry, and the uncertainty of when or if they will be lifted has caused economic harm to SEMA member companies.

SEMA represents the $50 billion specialty automotive industry comprised of 7,500 mostly small businesses nationwide that manufacture, retail, and distribute custom parts and accessories for motor vehicles. The industry produces performance, restoration, and enhancement parts for use on passenger cars and trucks, collector vehicles, racecars, and off-highway vehicles. Products range from wheels and tires to engines, exhaust systems, lighting equipment, suspensions, truck caps, leather seating, mobile electronics, and more.

SEMA members are impacted by both the Section 232 tariffs on steel and aluminum, and the Section 301 tariffs on Chinese goods, particularly the List 3 tariffs. The List 3 tariffs, which include most automotive parts imported from China, have cost over $31 billion since their implementation. SEMA member companies have been negatively impacted by the direct cost of the tariffs and by higher prices for other products needed in the manufacturing process.

The Section 232 and 301 tariffs were imposed with little advance notice. The ability to absorb or pass-along the cost of the tariffs has caused economic strife. SEMA member companies develop supply chains by forming contractual relationships with their suppliers. Business models factor in quality controls and pricing arrangements. Unexpected tariffs are not part of the equation, including the List 3 tariffs which started at 10% and were then hiked to 25% less than eight months later.

The rationale for the tariffs has been confusing. The steel and aluminum tariffs were first imposed on a global basis rather than addressing specific countries that were over-supplying the market with highly-subsidized metal. The metal tariffs produced hoarding and unpredictable prices in the U.S. marketplace. The China tariffs were imposed as bargaining chips for a trade agreement; however, they have remained in place despite the U.S. and China signing a Phase One trade accord in February 2020.

The tariffs have also been used as a tool to encourage American companies to revisit their supply chains. While that is an important consideration, especially with respect to commodities associated with national security or health emergencies, the tariffs have contributed to uncertainty and chaos in the free economic marketplace, especially at a time when the nation has been dealing with the COVID pandemic and supply chain disruptions.

Compounding the problem, the exclusion process for the Section 232 and 301 tariffs has been confusing and arbitrary. SEMA member companies have spent time and money submitting exclusion requests that were then summarily denied. In the case of the Section 301 tariffs, most companies seemed to have met the threshold for demonstrating a business relationship with Chinese suppliers, with the prospect of economic harm if the tariffs were imposed, and no immediate supply alternatives. As a result, some companies had to lay off American workers when forced to cut costs or raise product prices.

It is worth noting that just before and after the pandemic, the U.S. economy has enjoyed record low unemployment. While this is good news, many of our member companies have been experiencing significant challenges in finding and hiring workers. In addition to coping with high inflation, companies are providing salary hikes and incentives to maintain their current workforce. If the tariffs are being used in part as a tool to return foreign supply chain jobs to the U.S., there is limited capacity in terms of available workers.

SEMA supports the swift removal of both the Section 232 and 301 tariffs. The tariffs have imposed significant costs on American companies, thereby making products made in the U.S. less competitive with products made overseas and eliminating capital that could have been reinvested into the company. SEMA contends that the Section 232 tariffs were the wrong solution for addressing a global over-supply of steel and aluminum. While SEMA agrees with the need to address intellectual property, counterfeiting, and other issues with China, we do not believe the Section 301 tariffs are the right measure to accomplish these goals. They have so far failed to force China to change any of its unfair trade practices, while hurting U.S. businesses and consumers.

Thank you for your consideration of these comments. Please feel free to contact me if you have any questions.

Sincerely,

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