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Transcript of Remarks At

A NORTH AMERICAN CHECKLIST:  
The Metal Tariffs and The USMCA

The National Press Club  
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This is an informal, lightly edited transcript. It has not been reviewed by the speaker, and any errors it may contain are the responsibility of the Global Business Dialogue. It was made from a recording of the above mentioned from the GBD program.

Thank you, John¹, and thank you everybody for including me on this panel. I’ll try to make my comments as brief as possible so that we can get into your questions, but it is a privilege to be on the panel with some real experts on the topic, and it’s always good to be on a panel with another Missourian.² And I’m a part time famer; so I’m a Farm Bureau member. So, it’s good to see my Farm Bureau dollars at work here on this panel.

USMCA BENEFITS

I might begin with just some positives, and there are some things I want to commend the Administration for. And that would be the USMCA itself. We went into the NAFTA renegotiations with a number of objectives, really four key objectives though. And we would have to say that the Administration met our hopes and aspirations for those objectives.

The first was to preserve NAFTA. I think the Chamber and John’s line was “to do no harm” was the Chamber’s argument throughout the NAFTA renegotiation. We would argue that that was achieved, that the market access we have in NAFTA was preserved and that’s important for us. There are only 14 markets in the world that sell more than 1 million cars a year, and Mexico and Canada are two of those. So that market access is important, and those are markets where U.S. automobile manufacturers do exceedingly well. They are also important points of exports for us. 63 percent – over $140 billion that we export in cars and parts we export every year – goes to Mexico and Canada.

¹ The reference is to John Murphy of the U.S. Chamber of Commerce. Mr. Murphy was the moderator for this event.
² Chris Pratt of Mid-Continent Steel and Wire in Missouri was another panelist.
And, we believe NAFTA kept us competitive. There is indeed a trade deficit in NAFTA but it's not because of unfair trade practices. It's just because of the synergies that we enjoy with our Mexican and Canadian partners.

If you think about automobile production, there really are three big centers of automobile productions in the world: North America, Europe, and Asia, and they have all got a similar mix of complementary economies. So, preserving NAFTA was important. We went into NATA, the renegotiation, hoping that we would have a reasonable rule of origin, recognizing that the rule of origin would change. And, indeed, it did. The old NAFTA had the most stringent rule of origin of any trade agreement anywhere in the world. And the USMCA’s rule of origin is even more stringent. Clearly the most stringent in the world, but it is something that we believe, given our deep North American and U.S. roots, that we can meet.

And then we encouraged the Administration to address automotive standards in the NAFTA renegotiation. We have been in a global battle with, really, Europe in terms of ensuring that other markets continue to accept products built to U.S. safety standards. The U.S. had never had an agreement that explicitly stated that our trading partner would accept products built to U.S. safety standards, and the USMCA does that. It’s got the best language on automotive standards of any U.S. free trade agreement.

And then finally, as many of you know, the American Automotive Policy Council has been a long-standing advocate for a more robust response to foreign currency manipulation and has long called for the inclusion of currency measures in our trade agreements. And the currency provisions of USMCA are the strongest of any free trade agreement in the world.

CONCERNS ABOUT THE METAL TARIFFS
So, we’re earnest supporters of the USMCA, and we’ll be encouraging the Congress to pass the implementing legislation as quickly as possible. But we do so with some caveats, and that is that the continued imposition of the steel and aluminum tariffs, particularly on Canada and Mexico, are extremely harmful to our industry and risk undermining all of the potential benefits of the USMCA. They are also unnecessary. In the automotive sector, the new rule of origin has a first ever aluminum and steel provision, which, we think, does everything you need to do and more to ensure that an appropriate amount of North American steel and aluminum – more than 70 percent in fact – is from North America.

So they are unnecessary, and they are indeed harmful. From the moment the President announced the tariffs, the price of steel and aluminum in the United States has risen. Today, we believe that to build a car in the United States, you spend about $464 more in additional costs because of the tariffs as well as
some other policies that are in effect. But $464 on a passenger vehicle, when
you are talking about a product that often doesn’t have a lot of margin, is very
significant and places us at a competitive disadvantage with the rest of the
world, the entire rest of the world in terms of price. So, we think it’s imperative
that the tariffs on Mexico and Canada be removed.

And certainly, IN every door we knock on, where we encourage support for
USMCA, in the same breath, we’ll be encouraging Members and folks in the
Administrations to deal with this real challenge that risks undermining the
good work that the Administration did on the USMCA.

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