

Trump Administration Self-Initiates Section 232 National Security Investigation into Automobile and Automotive Parts Imports

Key Notes:

- On May 23, 2018, the Department of Commerce self-initiated a Section 232 national security investigation concerning the imports of automobiles and automotive parts.
- A formal docket has been opened for the submission of public comments and requests to appear at a public hearing July 19-20, 2018.
- The Department of Commerce has 270 days to issue its findings and submit a report to the president.

Overview

On May 23, 2018, following comments from President Donald Trump that “core industries such as automobiles and automotive parts are critical to our strength as a Nation,” Secretary of Commerce Wilbur Ross announced the initiation of an investigation to determine the effects on the national security of imports of automobiles – including cars, SUVs, vans and light trucks – and automotive parts. The investigation has been initiated under Section 232 of the Trade Expansion Act of 1962. This marks the third Section 232 investigation that the Trump administration has self-initiated, including the recently completed Section 232 investigations into imports of certain steel and aluminum products. Another Section 232 investigation into uranium imports that domestic uranium producers requested is still awaiting initiation. On May 30, 2018, the Department of Commerce (Commerce) formally announced the initiation of its investigation into the imports of automobiles and automotive parts in the [Federal Register](#).

In announcing the investigation, Secretary Ross stated, “There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry.” According to Commerce, imports of passenger vehicles during the past 20 years have grown from 32 percent of cars sold in the United States to 48 percent. From 1990 to 2017, employment in motor vehicle production in the United States declined by 22 percent. The investigation will consider whether the decline of domestic automobile and automotive parts production threatens to weaken the internal economy of the United States by potentially reducing research, development and jobs for skilled workers in connected vehicle systems, autonomous vehicles, fuel cells, electric motors and storage, advanced manufacturing processes and other cutting-edge technologies.

Written Comments, Public Testimony Requested for July Hearing

The investigation will be conducted by Commerce’s Bureau of Industry and Security (BIS). Interested parties may submit written comments for the record no later than June 22, 2018. Comments must be filed via the Federal eRulemaking Portal at www.regulations.gov by entering Docket No. DOC-2018-0002 and uploading the comments and any attachments. Submitted comments will be placed in the docket and be open to public inspection; procedures will be available for the submission of any necessary confidential business information for consideration by Commerce. Any rebuttal comments must be submitted by July 6, 2018.

Commerce has indicated that interested parties should consider responding to these points in their written comments:

- The quantity and nature of imports of automobiles, including cars, SUVs, vans and light trucks, and automotive parts and other circumstances related to the importation of automobiles and automotive parts;
- Domestic production needed for projected national defense requirements;
- Domestic production and productive capacity needed for automobiles and automotive parts to meet projected national defense requirements;
- The existing and anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce automobiles and automotive parts;
- The growth requirements of the automobiles and automotive parts industry to meet national defense requirements and/or requirements to assure such growth, particularly as to investment and research and development;
- The impact of foreign competition on the economic welfare of the U.S. automobiles and automotive parts industry;
- The displacement of any domestic automobiles and automotive parts causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects;
- Relevant factors that are causing or will cause a weakening of our national economy;
- The extent to which innovation in new automotive technologies is necessary to meet projected national defense requirements;
- Whether and, if so, how the analysis of these stated factors changes when U.S. production by majority U.S.-owned firms is considered separately from U.S. production by majority foreign-owned firms; and
- Any other relevant factors.

A public hearing will be held July 19-20, 2018. The hearing will occur at the Department of Commerce's auditorium at 1401 Constitution Avenue NW, Washington, D.C. 20230, beginning at 8:30 a.m. and concluding at 5 p.m. each day. Those wishing to appear at the hearing must submit a written request to Commerce by June 22, 2018.

The request to appear at the hearing must include: (1) the name and address of the person requesting to speak; (2) a daytime phone number for that person; (3) the organization or company represented; and (4) an email address. The request to appear must also include a summary of the expected testimony and may also be accompanied by additional material. Persons selected to testify at the hearing will be notified no later than July 12, 2018. Oral testimony at the hearing will be limited to five minutes.

Reactions to the Investigation

President Trump has reportedly asked for additional tariffs of up to 20-25 percent on automobile imports. During a meeting with U.S. automobile manufacturer CEOs recently, the president also [suggested](#) subjecting automobile imports to tougher emissions standards. Based on [additional comments](#) to the press by President Trump, it is believed that the investigation may be a negotiating tactic primarily focused on Canada and Mexico, the largest automobile exporters to the United States, in an effort to finalize NAFTA negotiations. The president stated, "NAFTA is very difficult. Mexico has been very difficult to deal with. Canada has been very difficult to deal with. They have been taking advantage of the United States for a long time. I am not happy with their requests ... what they ask for is not fair. Our autoworkers are going to be extremely happy." The president, however, has also expressed frustration over automobile imports from China, Japan and Germany.

Initial reaction from Congress has been mixed. Senator Bob Corker (R-Tenn.), chairman of the Senate Foreign Relations Committee, stated that he is "very concerned" about the president abusing his authority under Section 232, and that "this appears to be either an attempt to affect domestic politics ahead of the election or for some other transactional purpose regarding ongoing trade discussions. This is a dangerous course and should be abandoned immediately." Senator Robert Casey (D-Penn.), however, indicated that he was "in favor of using [Section 232 investigations] among many tools we have to make sure our workers aren't getting the short end of the stick."

Cody Lusk, president and CEO of the American International Automobile Dealers Association, [stated](#) that “to treat auto imports like a national security threat would be a self-inflicted economic disaster for American consumers, dealers, and dealership employees.” Lusk added, “It can’t be repeated enough: Tariffs are taxes. American families who can least afford a 25 percent price increase on vehicles will bear the burden of this tariff.”

Thompson Hine will be closely monitoring this investigation and will provide further updates as necessary.

FOR MORE INFORMATION

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