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June 28, 2024

Mr. Juan Millan
Acting General Counsel
Office of the United States Trade Representative
600 17th Street N.W.
Washington, DC 20508

**RE: Request for Comments: Proposed Modifications to Section 301 Action**
**Docket Number USTR-2024-0007**

Dear Mr. Millan:

On behalf of the Auto Care Association and our members, we respectfully submit these comments regarding the proposed modifications to the ongoing Section 301 tariffs on imports from China. We urge the administration to reconsider these tariffs, which have not achieved their intended goals and continue to impose significant economic burdens on American businesses, workers and consumers.

We hope our submission will assist the USTR in evaluating the economic harm the Section 301 tariffs have had on American businesses, workers and consumers.

**Auto Care Industry**

The Auto Care Association is a trade association with more than 8,000 member companies that represents an industry of 557,000 businesses. Our members manufacture, distribute, and sell parts, and perform vehicle repairs that ensure safety, promote vehicle maintenance, and facilitate the delivery of goods and services.

The auto care industry is also known as the automotive aftermarket and is a strong and growing sector of the U.S. economy. Total U.S. aftermarket accounted for 1.9% of U.S. GDP in 2023 and grew 8.2% in 2023.[1]

**Effectiveness of the Proposed Modification in Addressing China's Trade Practices**

While China has taken some steps in response to the U.S.-China Economic Trade Agreement and the imposition of the Section 301 tariffs, "many elements remain unaddressed", as detailed in Section II.C of the Four-Year Review Report[2]. According to the report:

[1] 2025 Auto Care Association, Auto Care Factbook, 34th edition, pg. 4, 15.
[2] Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, May 14, 2024, pg. 15,

"China has not eliminated many of its technology transfer-related acts, policies, and practices. Instead of pursuing fundamental reform, the Chinese government largely took superficial measures aimed at addressing negative perceptions of its technology transfer-related acts, policies, and practices. At the same time, China has persisted and even become more aggressive, particularly through cyber intrusions and cybertheft, in its attempts to acquire and absorb foreign technology, which further burden or restrict U.S. commerce."

We do not believe the continuation of the Section 301 tariffs is likely to eliminate or counteract China's acts, policies, and practices related to technology transfer, intellectual property, and innovation.

**Impact of the Section 301 Tariffs on the U.S. Economy and Consumers**

The continuation of the Section 301 tariffs has a significant negative impact on the U.S. economy and consumers, including an increase in the cost of goods imported from China. According to U.S. Customs and Border Protection, $219 billion in tariffs have been collected since 2018.[3] These costs are not paid by China, they are paid by American businesses and ultimately passed on to consumers, contributing to inflation.

Consumers are experiencing higher repair costs due to several factors, including: tariffs imposed on auto parts and components; supply chain disruptions; vehicle technician shortages; increasingly complex repairs; inflation and more. The consumer price index (CPI) for motor vehicle parts and equipment has risen from 143.93 in August 2018 to 179.50 in April 2024 - a 24.7% increase.[4]

With the average age of light vehicles in the U.S. rising to 12.6 years as of January 1, 2024[5], it is critical for consumers to have access to cost-effective options to repair aging vehicles. Rising costs may lead to delays in critical vehicle maintenance, potentially resulting in serious roadway safety concerns.

**Impact of the Section 301 Tariffs on U.S. Businesses**

*Diversification and Challenges*

The U.S. aftermarket industry supports the maintenance and service of 295.7 million vehicles[6] on U.S. roads today, covering parts for every different year, make, and model vehicle. This variable model typically requires a wide range of parts produced in low volumes. It requires a tremendously complex network of smaller sub-suppliers that does not exist in the United States and in some cases, does not exist outside of China.

While our members have reported some success in diversifying their supply chains and reducing reliance on sourcing from China, our industry still faces significant challenges. Our members have built and

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https://ustr.gov/sites/default/files/05.14.2024%20Four%20Year%20Review%20of%20China%20Tech%20Transfer%20Section%20301%20(Final).pdf.

[3] U.S. Customs and Border Protection Trade Statistics, https://www.cbp.gov/newsroom/stats/trade.
[4] U.S. Department of Labor, One-Screen Data Search, Consumer Price Index for All Urban Consumers (CPI-U), https://data.bls.gov/PDQWeb/cu.
[5] 2025 Auto Care Association, Auto Care Factbook, 34th edition, pg. 41.
[6] 2025 Auto Care Association, Auto Care Factbook, 34th edition, pg. 124.

developed relationships with suppliers in China over many years to ensure products meet a high standard of safety and quality. China remains a critical trading partner in our industry's supply chain.

Our members have invested substantial resources in finding alternative sources and manufacturing outside of China. However, transitioning manufacturing to another country or back to the United States involves retooling each individual model, acquiring new equipment, transferring intellectual property, training, and implementing quality control measures. This process is time-consuming and capital-intensive.

Sourcing from other low-cost countries presents its own set of challenges, such as a lack of material supply, infrastructure, and logistics to efficiently produce and move products. There is also the risk that companies may turn to less experienced manufacturers, potentially compromising product quality.

Redeveloping and qualifying a new source can take several years and substantial capital, and success is not guaranteed. Even after significant investments of energy, time, and money, members have found it extremely difficult to replicate a supplier network outside of China that can produce the high mix, low volume, complex parts required in the automotive aftermarket while meeting stringent quality standards.

Alternatives often fall short in terms of quality, capacity, or logistical feasibility, making it difficult to transition away from established Chinese suppliers. For many businesses, continuing to manufacture in China remains the only viable option.

*Economic Burden and Resource Strain*

Members report that the implementation of Section 301 tariffs has had a negative effect on their businesses, customers, employees, and final consumers.

Margin pressure and the cash flow impact of financing the tariff are causing economic stress for many U.S. companies at each step of the supply chain. Importers pay the 25% tariff when goods enter the country, but do not get paid by their customers until the product is sold months or up to a year later. One Auto Care Association member company reported that the 25% tariff increased its monthly tariff payment tenfold, from $30,000 to $300,000 a month.

The impact of the Section 301 tariffs extends beyond the cost of the tariff itself, consuming significant company resources. Nearly all of our members have reported the burden and strain that the tariffs are having on the utilization of a company's resources. Members report that understanding the impact and managing the tariffs has consumed resources in every department, including manufacturing, purchasing, finance, sales, human resources and customer service functions that otherwise would be devoted to growing their businesses.

*Competitiveness*

The tariffs have ironically put U.S. manufacturers in a disadvantageous position and made them less competitive in the global marketplace. One manufacturing member company reported that it imports components and inputs to support its U.S. manufacturing production. Unlike companies that import and sell finished goods, which can be quickly brought to market, this manufacturer must finance the tariffs over an extended period of time while completing production. As a result, the company is essentially penalized for supporting U.S. manufacturing and jobs.

In the global marketplace, several members reported losing sales to products being produced in other markets by competitors using components from China that are tariff-free, and then subsequently selling the finished product into the U.S. market. Additionally, U.S. exporters that rely on imported auto components from China are not able to compete with local market importers that are not subject to the tariffs, making them less competitive in the global market for those products.

**Recommendation: Implement a Comprehensive and Transparent Exclusion Process**

While USTR's proposed exclusion process for certain machinery is aimed at supporting domestic manufacturing, it is very narrow and does not take into consideration the products that cannot be sourced outside of China or for components that are needed to support manufacturing in the United States.

China remains an important source of many parts and components, and the ability to apply for exclusions is critical for maintaining the stability and competitiveness of U.S. businesses.

Given the substantial negative impacts of the Section 301 tariffs on businesses, customers, employees, and final consumers, it is imperative for the USTR to implement a broadened, comprehensive, fair, predictable and transparent exclusion process.

A comprehensive exclusion process would help mitigate the burdens caused by the tariffs by providing clear guidelines and predictable relief, allowing businesses to make informed strategic decisions, maintain competitive pricing and protect American jobs.

**Conclusion**

The Auto Care Association urges the USTR and the administration to reevaluate the proposed modifications to the Section 301 tariffs. A comprehensive and transparent trade strategy that addresses the root causes of unfair trade practices is essential. We believe that a collaborative approach, involving all stakeholders and international partners, will be more effective in promoting fair trade and protecting U.S. economic interests.

We thank you for the opportunity to provide comments. We look forward to continuing this dialogue and welcome the administration to contact us with any questions.

Respectfully submitted,

Bill Hanvey
President and CEO
Auto Care Association