AIADA
American International Automobile Dealers Association

POSITION PAPER

TRANS-PACIFIC PARTNERSHIP TRADE AGREEMENT

BACKGROUND

In the summer of 2015 Congress took a positive step and passed Trade Promotion Authority (TPA), allowing the President to submit a trade agreement for a straight up or down vote. TPA, good for the next six years, gives the Administration the authority to negotiate trade agreements in good faith and ensures that Americans are not left behind as other countries form strategic trade partnerships.

The completion of TPA led to the conclusion of the Trans-Pacific Partnership (TPP) in the fall of 2015. The countries involved in the negotiating to enter into the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. The TPP agreement covers many issues and economic sectors, including auto specific language. A U.S.-Japan bilateral agreement addresses a wide range of non-tariff measures in Japan that were concerns of U.S. auto manufacturers. At the same time, negotiators agreed to a roll back of the 25% tariff on import trucks at the end of 30 years and a roll back of the 2.5% tariff on imported cars at the end of 25 years.

POSITION

AIADA and the nearly 570,000 employees of the 9,500 international nameplate dealership franchises with a total combined average payroll of $32 billion strongly support passage of the TPP. The truth is that free trade spurs global competition. That competition, combined with adaptable skills and hard work, is inextricably connected to the drive for continued innovation, productivity, and ultimately, more abundant and desirable choices for American consumers.

MORE ABOUT THE ISSUE

- A study by the Peterson Institute for International Economics estimates the TPP could boost U.S. exports by $124 billion by 2025, generating hundreds of thousands of American jobs.
- In 2014, trade with the TPP countries supported an estimated 15.6 million American jobs and 45 percent of U.S. goods exports went to those countries.
- Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way.
- AIADA and the Association of Global Automakers released a study in May of 2016 that found international automakers have invested more than $73 billion into 463 facilities and offices, with 36 manufacturing plants and 64 research and development centers located in the U.S. with more than $9.9 billion in direct U.S. payroll.
- According to a report released in January of 2105 by the Japan Automobile Manufacturers Association, Inc., a record high 71 percent of Japanese-brand vehicles in the U.S. are built in North America.
- In 1963, in response to European tariffs on U.S. exports of frozen chicken, U.S. trade officials began collecting a 25 percent tariff on imported trucks; many have named it the "chicken tax". While most retaliatory tariffs are eliminated when the trade dispute is resolved, the import truck tariff was written into law, and has remained on the books for five decades. This high tariff is out of sync with general U.S. trade policy. Today, the average U.S. import duty on imported manufactured goods is 3.3 percent. In other words, the tariff on imported trucks is nearly seven times higher than the average U.S. tariff on manufactured products. It is also ten times higher than 2.5 percent tariff on imported cars. The 50-year-old import truck tariff has long outlived its original purpose; the U.S. has negotiated the eventual elimination of the import truck tariff in every free trade agreement it has completed and it is time to do so with TPP.

October 2016