

Statement by Ambassador Geronimo Gutierrez Fernandez
Hearing on Section 232 National Security Investigation
of Imports of Automobiles and Automotive Parts
U.S. Department of Commerce
July 19, 2018

Good afternoon.

On June 29, the Government of Mexico submitted written comments regarding the Section 232 National Security Investigation of Imports of Automobiles and Automotive Parts initiated by the Department of Commerce.

I appreciate the opportunity provided by today's hearing to stress our position. More importantly, my comments today, as Mexico's Ambassador to the United States, reflect our honest conviction that thoughtful consideration should be given to the concerns voiced, not only by my Government, but also by many other within the U.S. and abroad. Allow me to summarize in the following four points.

- 1. Trade integration with Mexico is beneficial to American automobile industry.** Clear rules and certainty of market access under NAFTA enable intra-industry trade and contribute to the U.S. automotive industry's global competitiveness. The high degree of integration between the United States, Canada, and Mexico enables U.S. producers to effectively manufacture and compete as a regional bloc, while other regions also rely on tightly integrated regional supply chains.

The nature of modern global supply chains implies, for example, that half of the \$13 billion in automotive industry trade between the U.S. and Mexico are vehicle parts shipped back and forth across borders several times before reaching the final consumers.

Mexico is currently the top automobile parts supplier to the U.S., accounting for 40% of total imports and, at the same time, the United States is Mexico's top automobile parts supplier.

The benefits of this integration are clear. Since 1990, U.S. automobile production, the per-unit value of vehicles and the industry's overall contribution to U.S. gross domestic product have increased.

2. **Subjecting vehicles and auto parts from Mexico to Section 232 tariffs would disrupt supply chains that make U.S. auto manufacturers competitive. It would harm U.S. auto makers and consumers.** The Peterson Institute for International Economics, for example, predicts that with this measure the automotive industry of the U.S. could lose 1.5% in production, close to 200,000 jobs and consumers will pay more to buy a car, reducing the demand.
3. **Imports of vehicles and auto parts from Mexico do not threaten or undermine United States national security.** Applying Section 232 tariffs would be a misapplication of the Trade Expansion Act. This view, we believe, has been recently and clearly expressed by a significant number of U.S. legislators. Indeed, in 2001, the Department of Commerce in a similar case stated perhaps the obvious: that Mexico is a close ally and is a party to NAFTA.

In any one of our international trading relations, Mexico stands firm against the use of a national security argument in an effort to restrict trade or gain negotiation leverage. We will remain vigilant for any unjustified trade restriction and will exercise our rights to ensure that the Mexican automotive industry is not adversely affected.

4. **Mexico and the U.S. have a robust and increasingly important cooperation to address our shared security concerns.** Our countries jointly face important security challenges. Transnational organized crime that deals with drugs, illegal weapons, people, and money stands out.

Daily our security agencies work together to stem the destructive activities of these organizations. As the 2018 Department of State Report on International Narcotics states: "...the U.S. and Mexico have one of the most extensive bilateral law enforcement relationships in the world, as a foundation on which to build".

Earlier this year, ten former commanders of the U.S. Northern and Southern Commands, in a letter addressed to the President asserted that: "Effective pursuit of U.S. security and economic interests depends on partnership with those nations that share our borders, Canada and Mexico. While contributing to economic growth, NAFTA has also established a framework of trust among all three parties, leading to close cooperation to address a range of pressing concerns including drug trafficking, terrorism, cybersecurity, organized crime, and migration".

In sum, my comments today reaffirm our commitment to free trade and come from the certitude that a strong and successful United States is in the interest of Mexico, as much as a strong and successful Mexico is in the interest of the United States.

Thank you very much.