



What's the **Big Deal** About *Trade*?

TRADE IS A BIG TOPIC ON THE CAMPAIGN TRAIL, AND DEALERS ARE TAKING NOTE

BY AIADA STAFF

To date, the 2016 presidential race has had its fair share of unexpected twists and turns. With much of the electorate polarized over a wide array of issues, one topic has drawn what some may consider surprising bipartisan fire: trade.

It's a pivotal issue for AIADA and its dealers. Almost 50 years ago, AIADA was founded by a group of Volkswagen dealers in response to a trade war between the U.S. and Germany that resulted in a 25-percent tariff imposed on imported trucks. Widely known as the "Chicken Tax," thanks to the fact that the U.S. used the tariff to counter Germany's own tariff on U.S. chicken, the tariff is still imposed to this day and impacts every international automaker seeking to sell imported trucks on their American dealer lots.

"I think it comes as a surprise to some that such a steep tariff is still tacked on to certain vehicles entering the U.S. today," says Rachel Robinson, AIADA's vice president of Government Relations. "It's proof that AIADA's dealers need to take note of the trade issue because the costs of something like the Chicken Tax are passed on to dealers and their customers."

Trade Misconceptions Abound

The 2016 presidential race is certainly not the first time free trade has come under fire. Many will remember the battles surrounding passage of the North American Free Trade Agreement (NAFTA) in 1993, while younger dealers are likely familiar with the fact that lopsided trade deficits are often pointed to as the root cause of American job loss. But, what's different about 2016?

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AIADA's Rachel Robinson points to economic factors, including stagnant wages, as a cause of frustration with trade. "It seems to be stacked with so much anger this time around. People are also afraid of the unknown," she says. "For example, people are afraid of what China is going to do on many levels."

Jonathan Huneke, the vice president of Communications at the U.S. Council for International Business, echoes that belief, noting that many Americans believe the economic climate is working against them. "Despite steady growth in jobs since 2010, wage stagnation in the United States has led many in the United States to believe that the odds in the current economy are stacked against them," he notes.

David Thomas, president of the Trade Benefits America Coalition — of which AIADA is a member — says that this year's anti-trade sentiment is the result of economic anxiety and rising anti-trade rhetoric. "It's interesting to look at recent polling that reflects the economic anxiety being felt by many Americans, on the one hand, and the misleading and politicized efforts of trade skeptics to principally blame trade and U.S. trade agreements, on the other hand."

Finally, Robinson points out that this year's trade climate is simply a matter of timing. "We have a major trade agreement — the Trans-Pacific Partnership — coming to fruition right in the heart of a presidential election cycle, along with an administration focusing on its legacy" she says. "It's a perfect storm of political timing."

Despite the bluster, Thomas, of the Trade Benefits America Coalition, believes it is worthwhile to remember that anti-trade rhetoric is nothing new. "Many of the same trade critics using the same types of arguments make a lot of the noise during every trade agreement debate," he says. "What's important to recognize is every U.S. president since Franklin Roosevelt, Republican and Democrat, has rejected those types of arguments because they understood expanding trade benefits the U.S. economy and American jobs."

Dealers: Trade Matters and Here's Why

The auto industry has often found itself at the center of the trade debate. For the average dealer or dealership employee — who may get confused by acronyms like TPA, TPP, TTIP, and more — trade matters in a very real way.

First, trade enables international automakers like BMW, Honda, Hyundai, Kia, Mercedes-Benz, Toyota, and Volkswagen to build their factories in America, open research and development centers, and maintain U.S. headquarters. These provide jobs for American workers and vehicles for Americans to drive.

Second, trade agreements impact the price Americans pay for their vehicles. In the case of the Trans-Pacific Partnership (TPP), an agreement would put an end to the 50-year-old Chicken Tax, which is always passed on to dealers and consumers. "Those costs are passed on to the dealer and consumer. Getting rid of tariffs will make vehicles more affordable and give people more choices," says Robinson.

Third, trade should matter to dealers because they are at the intersection of providing Americans with innovative, cutting-edge vehicles. Free trade ensures automakers can supply these vehicles to dealers. According to Huneke, "American dealers have a lot at stake in keeping our trade policy fundamentally open and forward-leaning. There is huge demand and growth potential for innovative automobiles that meet the needs of U.S. consumers. Many of the most innovative automakers rely heavily on the American market, and on skilled American workers, to compete globally."

David Thomas of the Trade Benefits America Coalition agrees that trade benefits the entire auto industry — from the manufacturing level down to dealers and their employees. "Trade and U.S. trade agreements like the TPP and TTIP help create new opportunities for U.S. trade with other countries, stimulate investment in the United States, and support U.S. growth and jobs in local communities across the country. As such, they help businesses like auto dealerships sell more of their products to their customers and support their employees."

Finally, beyond the economic arguments, trade plays an important role in preserving U.S. interests abroad. Robinson points to China's growing involvement in the Asia-Pacific region and the need for the U.S. to use trade as a counterweight. "China has made plenty of overtures in the South China Sea, and the U.S. needs a presence to help protect our security interests," she says. "America needs to engage. We need to be involved in other countries in the region. Economic development — influenced by the U.S. through trade agreements — can help these countries grow and become stronger. We don't want to cede influence to China and allow them to set the standards. The United States needs to maintain the mantle of being THE global leader."

According to Thomas, "U.S. trade agreements include strong and fair rules to open international markets and prevent unfair foreign trade practices. If the United States doesn't complete trade agreements like the TPP and TTIP, other countries will — on terms that advantage their businesses and workers at the expense of ours. U.S. rule of law is based on fairness and transparency and the idea that marketplaces should reward the best products and services, not products and services that benefit from unfair trade practices."



He also notes that “U.S. trade agreements like the TPP and TTIP promote American strategic and economic leadership around the world. For example, in a letter to Congress earlier this year, eight former Republican and Democrat defense secretaries urged Congress to support the TPP because of the importance of the Asia-Pacific region to U.S. economic growth and national security, writing ‘No region will impact American prosperity and security more in the coming century.’”

Huneke agrees. “Trade agreements serve important diplomatic and geopolitical purposes in addition to their economic benefits, something that most Americans probably understand,” he says. “For example, the TPP and TTIP agreements can play an important role at a time when we are seeking to strengthen our Asian and European alliances in the face of threats like North Korea and ISIS.”

Making a Difference Starts with the Facts

The case for free trade is clear. AIADA is actively working this year to ensure passage of the crucial Trans-Pacific Partnership (TPP), but needs dealers to get involved in this critical campaign season. Dealers can start by understanding the facts and communicating them to those who matter, including members of Congress and candidates who will be out and about in communities this fall.

Thomas also encourages dealers to familiarize themselves with trade’s importance to their industry, noting five key reasons why trade and trade agreements like TPP are important to their businesses: “Trade already supports 41 million American jobs in every state — more than 1 in 5 of all American jobs; expanding trade will help add new American jobs — U.S. job growth from 2004-2014 was three-times higher for trade-related jobs compared to total U.S. employment; American jobs in more export-intensive industries pay about 16 percent more than jobs in less export-intensive industries; small American businesses win with trade — 98 percent of U.S. exporters are small- and medium-sized businesses with fewer than 500 workers; and American companies and workers need trade agreements to open foreign markets to the goods and services they produce (e.g. in 2014, over \$760 billion — 47 percent — of

U.S. goods exports worldwide went to the United States’ 20 free trade agreement or FTA partner countries).”

While the current campaign tone derides trade as a jobs thief, Robinson encourages dealers to point out how trade has helped the international nameplate auto industry create jobs for Americans. For example, international automakers directly employ 126,500 Americans, according to the latest international auto industry Economic Impact Report, conducted by AIADA and The Association of Global Automakers. In places like South Carolina, which have benefitted from this job creation, the results have been especially pronounced. “In places like South Carolina that have perhaps lost jobs in textiles, manufacturing facilities from companies like BMW have come in to take their place,” says Robinson.

Huneke says that dealers should note trade means investment by automakers right here in the U.S. “One key fact that is often overlooked is the extent to which new trade agreements drive investment in the United States by foreign auto companies like Honda and BMW,” says Huneke. These companies, and U.S. exporters in general, provide higher-paying and higher-skilled jobs overall. What’s more, something like 40 percent of the value of U.S. exports comes from imported components. Raising barriers to imports would ironically be a way of shooting ourselves in the foot.”

Robinson agrees: “International automakers produced 5.4 million vehicles in America last year. Of those, they exported 750,000 to 140 countries. Impressive numbers like this would be impossible without trade.”

Trade’s importance to the auto industry is about more than manufacturing, though. Dealers should note that the ability of automakers to manufacture cars close to where they sell them is a key driver behind the fact that international dealers now sell the majority of America’s vehicles and employ more than half-a-million Americans. In 2015, they sold 8.3 million vehicles — resulting in a 59 percent share of the U.S. auto retail market. These impressive sales have enabled 9,500 dealers to employ 570,000 Americans with an overall payroll of \$32 billion.

Dealers can help educate lawmakers by participating in campaign events and by inviting their members of Congress to their

stores for a Dealer Visit. AIADA also encourages dealers and employees to utilize social media this fall to participate in the conversation surrounding trade using hashtags like #TPP4USJobs. Follow @AIADA_News and @YouAutoKnowNow throughout the coming months for information and facts you can share with your elected officials, candidates, and anyone who will listen. **AD**

Trade: Myths vs. Facts

When it comes to trade, the facts add up. Trade is good for America.

Myth: Trade steals U.S. jobs.

Fact: According to *Business Roundtable*, an estimated 21 million U.S. jobs were supported by trade in 2014. Also, from 2004 to 2014, trade-related employment grew more than three times faster than total U.S. employment.

Myth: The TPP is a bad trade deal with China.

Fact: China is not part of the TPP. Rather, the trade deal is a way for the U.S. to counter China’s influence in the Asia-Pacific region.

Myth: Trade only benefits the wealthy.

Fact: The President’s Council of Economic Advisors shows that trade provides middle-income consumers with 29 percent greater purchasing power, while low-income consumers see their purchasing power increase by 62 percent.

Myth: Trade is bad for America’s auto industry.

Fact: Trade has enabled international automakers to build and sell more cars in America than ever before. International automakers have invested \$73 billion in the U.S. economy through 36 manufacturing facilities, 63 research and development facilities, and more than 9,500 dealer franchises.