



October 03, 2016, 02:56 pm

# For the American auto industry, open trade and globalization mean a more promising future

By Manny Manriquez

The future of the American automobile industry is promising thanks to fierce competition, technological innovation, and supply chain efficiency. Open trade and enhanced integration of the industry will make its future even brighter. In an industry that relies on the constant flow of international trade to support its daily operations, investment and production decisions are based on the key factors that enable this complex system to function efficiently and responsively. Unfortunately, our collective understanding of the benefits of trade and globalization is clouded by the misguided rhetoric surrounding these issues. Yet, there is hope for a clearer understanding.

Countries with more free trade partners enjoy lower trade barriers to export destinations around the world, and therefore attract more investment. This is a particularly essential understanding in the manufacturing sector, because every year, manufacturing firms looking to make new investments must base their decisions on multiple factors—preferential access to overseas markets through free trade agreements being one of the most influential. According to a **2016 survey of CFOs** from foreign-headquartered companies with U.S. investments, published by the Organization for International Investment (OFII), free trade ranks third among the top five most important federal issues that need to be addressed in the United States. But free trade and globalization are under fire in America at a time when the political stakes are high and trade policy presents an easy target, due in large part to its complexity.

That's why it's imperative to have a fact-based discussion about these issues—and the facts show that the U.S. is a leading global manufacturing hub and export platform, where the final products and the jobs tied to them are of the highest quality, often requiring advanced technical training. The Japan Automobile Manufacturers Association (JAMA), represents companies that are among the best examples we can look to for evidence of this: Last year, Japanese-brand automakers produced a record-high of nearly 3.9 million vehicles at their U.S. plants and exported more than 417,000 of those cars and trucks to dozens of countries all over the world. To give you an idea of the growth that this represents, from 2011 to 2015, our members' U.S. production grew by 59 percent while U.S. exports increased by 61 percent. Likewise, JAMA members' cumulative investment in America has steadily increased for decades, reaching over \$45.4 billion in 2015. Achieving greater economic openness and lower barriers to global trade will enhance these trends.

Such trends have also enabled the growth of our members' American workforce. From 2011 to 2015, the number of American jobs provided directly by JAMA members' U.S. manufacturing and R&D operations has grown by more than 20 percent, to a total of nearly 88,000 jobs according to a recent **study by Rutgers University Professor Tom Prusa**. Compared to the overall increase in manufacturing jobs in the U.S., which is approximately 5 percent over the same period, our employment figures highlight a compelling development in the American auto industry: Japanese-brand automakers are playing a leading role in supporting U.S. economic growth and the future of American manufacturing. The full impact of this is made clearer given that JAMA members continue to support a record-high 1.5 million U.S. jobs through direct, dealership, supplier, and spin-off employment, according to Professor Prusa's study. Keep in mind that most of these are high-quality jobs that require our companies and their affiliates to provide forward-thinking workforce development initiatives, such as advanced STEM education, for their employees and members of the surrounding communities.

In today's world, trade is no longer a zero sum game. As the auto industry becomes more competitive and global, the conversation around trade and globalization should focus on the value of international investment, advanced production, workforce development, and the importance of efficient manufacturing supply chains. We certainly cannot turn back the clock, and if we understand that globalization and open trade are catalysts for growth and greater competition, enabling automakers to offer consumers more affordable vehicles of greater variety and higher quality, why would we even want to try?

*Manny Manriquez is general director of the Washington, D.C. Office of the Japan Automobile Manufacturers Association, Inc.*

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