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Time for Hoosiers to put foot on the gas

October 19, 2012 | By RACHEL BENNETT STEURY

Recently the Obama Administration announced its request for consultations with the World Trade Organization to address China's export subsidies, a critical component of their programs to flood the U.S. with unfairly priced auto parts. Using the newly formed Interagency Trade Enforcement Center the effort will challenge policies China has developed that are illegal under the terms of China's WTO membership. At a time when many of our industries are in flux, the question is asked: Why is the Obama administration focusing on auto parts manufacturing? If you live in Indiana, the answer should be simple; it is a primary engine of our economic growth and we are in danger of increased job loss if we do nothing.

While innovation and government involvement has made a real difference in creating jobs at assembly plants, this growth is not reflected in auto parts manufacturing. Data from 2009 and 2010 reveal auto assembly employment rose 3.3 percent but parts manufacturing employment rose only 0.1 percent. The automakers themselves make up only part of the industry, accounting for one quarter of auto industry jobs. The meager growth of companies making auto parts, where three quarters of these jobs reside, is concerning.

The primary reason for the slower recovery of auto parts manufacturing is the rapid growth of imports from China, which has increased our auto parts trade deficit eightfold since 2001. The success of the auto parts export industry in China is not due to any inherent comparative advantage. Rather, it is a result of the explicit illegal and predatory policies of the Chinese government. According to a recent Economic Policy Institute report by Usha C.V. Haley, between 2001 and 2010 the auto parts industry in China received \$27.5 billion in government subsidies, many of which violate international commitments and undermine the international trade system. Factor in the steep discount all manufacturers in China enjoy due to manipulation of the country's currency and we have a bigger crises. Intentionally 40 percent undervalued by some estimates, this tactic *is* the elephant in the room. Everyone knows it is happening but few are brave enough to do anything about it.

Throughout our history Indiana has led in automotive ingenuity, with more than 400 automobile models crafted in 78 Hoosier counties. Kokomo's pride was the 1893 Haynes Pioneer, the first gas-propelled automobile created. Seymour lays claim to its predecessor, the 1880 Siefker Steam buggy. Jay County proudly notes its first settler was Peter Studebaker in 1821, a member of the Studebaker family, widely known for manufacturing farm wagons, then carriages and then electric vehicles by 1902 in South Bend. DeKalb County, famously known as the "Hub of Transportation Heritage" is home to museums showcasing every mode of transportation that used to be made in the county and beyond: planes, trains and of course, automobiles.

Today the automotive industry continues to be celebrated and innovative across the state. The world's largest manufacturer of fully-automatic transmissions, Allison Transmission, is headquartered in Indianapolis. Honda in Greensburg is the first of its U.S. plants to build hybrid vehicles. Federal Mogul has a presence in six Indiana locations, with its fuel pump operations being one of the biggest employers in Cass County. BF Goodrich has produced millions of tires over the past 50 years in Woodburn, employing more people than the town's population. General Motors in Fort Wayne and Subaru in Lafayette have both achieved "zero waste" status, firsts for their U.S. operations with nine component manufacturers to the Fort Wayne plant following suit. From final assembly to the nuts and bolts, in almost every pocket of this state, *we are* the auto industry.

According to the EPI, Indiana ranks second in the nation by share of employment in auto parts employment. Out of

1.6 million auto parts jobs in the nation, Indiana has 132,769 of them. Most of us know at least one person relying on the automotive industry for their livelihood. Most of us can also imagine what life would be like without those good jobs in our state.

Earlier this year, 189 members of Congress sent the president a letter urging him to address China's trade practices with three congressmen from Indiana signing on. As the case unfolds, we must continue to support this effort to level our playing field. The future of the American auto parts industry and its employees can be bright, but only if there is a will to make it so. Let's not trade away our automotive jobs for automotive museums. We can and should have both in Indiana. Please ask your legislators what they plan to do to level the playing field. After all, our state motto shouldn't be "Restart your Engines" if we aren't ready to put our foot on the gas.

Rachel Bennett Steury is Indiana field coordinator for the Alliance for American Manufacturing.

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