Center for Strategic and International Studies

The Trade Guys Podcast

“The Trade Guys Welcome the Trade Lady”

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SCOTT MILLER: I’m Scott.

WILLIAM ALAN REINSCH: I’m Bill.

MR. MILLER and MR. REINSCH: (Together.) And we’re The Trade Guys.

(Music plays.)

H. ANDREW SCHWARTZ: You’re listening to The Trade Guys, a podcast produced by CSIS, where we talk about trade in terms that everyone can understand. I’m H. Andrew Schwartz. And I’m here with Scott Miller and Bill Reinsch, the CSIS Trade Guys.

On this episode The Trade Guys welcome a very special guest, The Trade Lady, Leila Afas. Leila is the director of international public policy at Toyota North America and was formerly the director of export promotion at the U.S. Trade and Development Agency. We’re thrilled to welcome The Trade Lady to talk tariffs, the new USMCA, and the changes in the auto industry, all and more on this episode of The Trade Guys.

You’re about to hear the greatest Trade Guys episode of all time because The Trade Guys are meeting The Trade Lady. Leila Afas is here from Toyota. And Leila Afas, her Twitter handle is @TheTradeLady, like @TheTradeGuys, although we’re not on Twitter, we’re just at CSIS. But that’s beside the point. The real news is, is The Trade Guys are meeting The Trade Lady. Welcome!

LEILA AFAS: Thank you so much for inviting me. I’m thrilled to finally join you guys.

MR. SCHWARTZ: Oh, man, this is like – this is a dream come true, because when The Trade Guys meet The Trade Lady there’s going to be a lot to talk about.

Guys, what’s the first thing we have to talk about? I mean, it’s got to be auto tariffs.

MR. REINSCH: What else could we possibly be talking about?

MR. MILLER: Yes. We’ll get into rules of origin for the nerds that are still out there listening later in the – later in the podcast. (Laughter.)

MR. REINSCH: If anybody’s still –

MS. AFAS: That will be the reward. (Laughs.)

MR. REINSCH: And I – at the very end – at the very end I want to talk about export controls because you mentioned that before we began, and I want to hear what – why that matters for Toyota because we’re doing some work on that.

MR. SCHWARTZ: Right, but meanwhile, Toyota is impacted by the trade negotiations that are going on. Leila, can you tell us how that is? I mean, there’s 137,000 Americans who have jobs in the United States working for Toyota, so that’s not a small amount of jobs.

MS. AFAS: Not at all.
MR. SCHWARTZ: And tell us how the current trade negotiations and all the stuff that’s been swirling around, how is it impacting your business?

MS. AFAS: Well, to begin with, the most important trade negotiation for us was the renegotiation of NAFTA, which just concluded, and now we have the new U.S.-Mexico-Canada Agreement. And to put that in perspective, Toyota really grew up under NAFTA. We had two plants in the United States before NAFTA became law in 1994, and since then we’ve built an additional eight plants, which led to a total of 10 throughout the United States. And that’s where our 137,000 employees that either work at Toyota’s plants, in our offices, for Toyota and Lexus dealers all across the country. And through that we’ve invested more than $25 billion in the U.S. market, so what happens in the trade arena really impacts us greatly.

And we’re very pleased that all three countries were able to agree to a trilateral deal. You know, there was a little bit of concern that they might not reach that point. And now we really want to make sure that that deal is able to be implemented because the one thing our industry greatly needs is certainty. But unfortunately, we are faced with great uncertainty almost everywhere we turn at the moment.

MR. SCHWARTZ: All right. So, Trade Guy Bill Reinsch, why do we have such uncertainty, specifically with the new USMCA agreement or, you know, new NAFTA as some people are calling it, or NAFTA 2.0 as some people are calling it? There’s talk about right now that we have to withdraw from the old NAFTA to get onto the new NAFTA. What’s the beef?

MR. REINSCH: That just heightens the uncertainty. That particular piece of it, I think, is a hardball move by the president to squeeze the Congress to pass the new one. And they’ll complain. They already are complaining that this is outrageous.

MR. SCHWARTZ: They’re complaining.

MR. REINSCH: But I think it’ll work because for all of them, in both parties, the worst possible outcome is nothing – no old NAFTA, no new NAFTA. And he’s going to take the old one away and give them essentially the choice of nothing or my NAFTA, the new one. And like I said, they’ll complain all the way, but in the end I think – I think we get there.

And I don’t think the president cares about uncertainty. He likes uncertainty because that way American companies –

MR. SCHWARTZ: He, like, is uncertain who his new chief of staff is going to be.

MR. REINSCH: Well, there is that, yes. It’s uncertain what he’s going to tweet tomorrow.

MR. SCHWARTZ: Uncertain what he’s going to – yeah.

MR. REINSCH: There’s a lot of – there’s a lot of uncertainties.

MR. SCHWARTZ: You know, Andy Borowitz of The Borowitz Report, the comedian, he put out a piece yesterday that said President Trump’s new chief of staff – he has nominated for his new chief of staff to be a television remote control. (Laughter.) I thought that was funny. I mean, he –
MR. MILLER: In fairness, John Kennedy was his own chief of staff.

MR. SCHWARTZ: Yeah, no, I’m not saying there’s anything wrong with having a remote control –

MR. MILLER: He had a personal secretary but no chief of staff.

MR. SCHWARTZ: Look, if I was president, I might want to have a remote control or a surfboard or a football or, you know, something else like that. But, you know, there’s some uncertainty.

MR. MILLER: Bill’s right about uncertainty. Look, uncertainty as a general matter is the enemy of prosperity. Planning is really important. Being able to predict a business environment is very important. Particularly, a company like Toyota, any company that capital-intensive has very long product-planning cycles. However, the president has a – has a tactical approach to negotiations. He’s always looking for leverage. And one of the places he has found leverage is by creating uncertainty. So that’s one of the tensions in trade policy. It’s one of the reasons we talk about trade policy now and why it’s – why it’s at least of passing interest to Americans.

MR. SCHWARTZ: Well, in addition to the uncertainty about USMCA, President Trump’s made it clear he’s considering slapping tariffs on U.S. imports of Japanese cars. Leila, how has this administration’s trade policies impacted Toyota in North America and beyond?

MS. AFAS: Well, Toyota, you know, we are a global company, and our overriding philosophy has always been to build where we sell and to buy where we build. So regardless of who’s in political power, regardless of sort of what’s happening on so many different scales, that’s sort of what’s been able to fuel the tremendous growth of our company over several decades.

And, you know, we make decisions for the long term. So speak to Scott’s point, I mean, you talk about building a vehicle. They don’t just go from the design, rolling off the plant the next day. I mean, you’re talking about a five- to seven-year window. And so with things like the new USMCA or future agreements, we need to know what those rules are going to be because we’re designing the vehicles now that are going to have to comply with those rules.

Also, when you’re talking about something like building a plant for the auto industry, that plant has a 20- to 30-year life cycle. And just to even construct a plant you have to look at things like siting, like supply chains, like how do we get goods in and out, access to electricity, to water, workers, I mean, all these different things. And I understand the goal is to increase investment in the United States in order to increase American jobs. But the United States has already been the leading destination for foreign direct investment for years, and that’s because we have just an incredibly skilled workforce, we have the most sophisticated capital markets, we have the most robust intellectual property protections. We were already such an attractive destination.

But when you talk about things uncertainty, you talk about things like tariffs, that makes it harder to operate because for many companies – and most importantly for our industry – the United States is an export hub. I think a lot of people don’t realize that. I mean, Toyota last year alone exported the vehicles that we make right here in the United States to 31 countries all over the world.
MR. SCHWARTZ: Right. And you don’t want to end up in a situation like GM just announced a couple weeks ago where they said, well, we’re going to have to close the plant in Lordstown, Ohio; we’re going to have to close a couple more of our plants. You don’t want to have to close one of your 10 plants that you mentioned before. You don’t – and in order to do that, you have to have long-range planning.

MS. AFAS: Absolutely. And it was just really sad news coming out of GM. I know those decisions are never made easily. I mean, my father was a small-business owner, and even just with his staff of 20 having to lay somebody off was a deeply, deeply difficult decision for him.

MR. SCHWARTZ: Yeah. Sure.

MS. AFAS: But at the same time as they’re closing a plant, I mean, we’re very proud of the fact that we’re building a new plant through our joint venture with Mazda in Alabama. And so we have the opportunity to sort of employ 4,000 additional people at that plant in Alabama.

MR. SCHWARTZ: I bet they’re going to be Crimson Tide fans, too.

MR. MILLER: Most likely.

MR. SCHWARTZ: Trade Guy Scott and I do not particularly like –

MR. MILLER: I do respect the program, but –

MR. SCHWARTZ: We respect the program, right.

MR. MILLER: But come on, lose once in a while. (Laughter.) In any case – it was a jest.

MR. SCHWARTZ: Just literal lose a recruit. How about lose a game, lose a recruit? My goodness.

MR. MILLER: A quarter, you know? (Laughter.) A series.

MR. SCHWARTZ: Yeah.

MR. MILLER: In any case, but, look, one of the interesting things about a company like Toyota is when they decide to come to the United States where they land is fascinating because it shows the greatness of American competitive advantage. For instance, the manufacturing – Georgetown, Kentucky, plant is very impressive, but almost all the manufacturing plants are along Interstate 95 – Interstate 75, I’m sorry, which is where – is the backbone of automotive supply in the United States. So that’s kind of the heartland side. But where you do design, you do design in Newport Beach, California. Your R&D is in Michigan – Ann Arbor, Michigan, which is where – almost three-quarters of American R&D for automotive industry happens in Michigan. For technology, you have an office in –

MR. SCHWARTZ: Silicon Valley, right?

MR. MILLER: Silicon Valley, Mountain View, California.
MR. SCHWARTZ: Right.

MR. MILLER: Toyota Racing Development – I follow auto racing, and Toyota Racing Development is in North Carolina, heart of NASCAR country. And, of course, TRD has many winning teams in NASCAR. So you manage to look at – as someone who has a 30-year history here in the United States – or longer than that for sales, since the ‘50s –

MS. AFAS: Sixty years, yeah.

MR. MILLER: Sixty years for sales. But in terms of locating your facilities, it’s very impressive the way companies find where the advantages are and make the most out of them for your own – whether it’s local knowledge or design quality or whatever it might be, it’s a very impressive map.

MR. SCHWARTZ: Leila, if this Trade Guys thing doesn’t work out for me, hosting The Trade Guys, can you get me a job at the Newport Beach Toyota.

MS. AFAS: Yeah. (Laughs.) I’ll do what I can for you, yeah.

MR. SCHWARTZ: All right. Thank you, thank you.

MS. AFAS: Yeah.

MR. SCHWARTZ: But your CEO recently said that we urge elimination of the threat of auto-related tariffs to provide much-needed certainty to the American auto industry. He’s not talking about the – you know, he’s the North American CEO, but he’s not just talking about Toyota.

MS. AFAS: No.

MR. SCHWARTZ: He’s talking about everyone.

MS. AFAS: The entire industry, and I think that’s an important point. That’s actually a threat to the entire auto industry, any imports coming to the United States, depending on what the Department of Commerce finds in their Section 232 investigation whether auto imports threaten national security. And, you know, for us, it’s impossible for us to consider that our workers at our plants or the vehicles are any form of threat to national security. And although we support that – anything that would sort of protect our homeland, so to speak, we don’t think that’s the way to go about it. In fact, you know, we’re working towards the goal of eliminating vehicle crashes, which is one of the leading causes of death here in the United States and around the entire world.

MR. REINSCH: What are you hearing about that report? What’s the gossip? Is it done? What’s it – what’s it say?

MR. SCHWARTZ: Trade Guy Bill, you don’t know the gossip, or are you just fishing for more gossip?

MR. REINSCH: I want to hear what she – I want to hear what she says.

MR. SCHWARTZ: OK.
MS. AFAS: Well, I’d probably say what we’ve heard and a lot of the media reports is that the report has been completed, but they’re, you know, sort of going through it. And, you know, the deadline to actually release the findings is mid-February, based upon the relevant trade laws that govern Section 232. So, I mean, it’s anyone’s guess, but I speculate it could come out anytime between now and that deadline. And one thing to keep in mind is, of course, beginning in mid-January, the U.S. can officially begin talks with both the European Union and Japan, since they notified Congress in October about their intent to negotiate trade deals with them.

MR. REINSCH: Yeah. On that, that’s an interesting question. We met with a different auto company the other day, and they were sort of interested in how that was going to play out. Has your company had conversations with the Japanese government about those talks?

MS. AFAS: Not directly, no, not here in the U.S. at all. I mean, we work for, like, the American arm of Toyota here, and we’re looking at it from what does it mean for our North American footprint and how would it impact us.

MR. REINSCH: What could it – well, how could it impact you? Let’s do that first. That’s a really interesting question.

MS. AFAS: Well, I mean, the important thing is, is when I was talking about earlier about where companies look to invest, one of the important things they look at is the trade agreements. I mean, that’s one thing that we did not hear a lot during the NAFTA renegotiation, is why companies chose to invest in Mexico versus the United States, not just for the auto sector but for any sector. And it’s impossible to answer that question without considering the fact that the United States has about 14 trade agreements with only 21 trade partners; Mexico has 45 trade partners that they can directly export to, including most importantly the European Union. So when you talk about any opportunity to expand our ability to sell our U.S.-made products to overseas markets, that’s a huge plus, and so that is something that we strive towards. And so, you know, when we talk about ways that we could increase sort of investment in the United States and jobs for Americans, rather than looking at tariffs or sort of these barriers, look at opportunities to make it easier for us to sell these U.S.-made products all over the world.

MR. MILLER: That’s absolutely the right way to think about this. And, of course, what we’re doing – this (cable ?) has always been there in terms of the trade agreements that overlap, and certainly export opportunities have been great for – some of your competitors have chosen to locate in Mexico versus the United States because of those export opportunities. So it is a part of the business calculus. But now in North America you have basically two agreements to deal with. You have CPTPP, of which, obviously, Japan is a party, as are Canada and Mexico. And then you have USMCA, U.S.-Canada-Mexico. Very different approach to the origin rules, OK? The origin rules, as I understand them, in CPTPP, were designed to make the industry more globally competitive; whereas in the U.S., according to the Center for Automotive Research, USMCA rules would make cars more expensive and less globally competitive. I don’t know what – is there a factor that –

MS. AFAS: That’s an important point.

MR. MILLER: Yeah.
MS. AFAS: Yeah, because I mean, how cost-competitive will we be in those third-party markets if it’s more expensive to build it here in the United States? And that’s something we have to consider. And you’re—in terms of looking at the world, you look at the globe in one piece and you break it up into regions, not necessarily discrete countries, and that’s sort of how we make our decisions. And in addition to CPTPP, which of course will enter into force on December 30th, you’ve also got the Japan-EU agreement which will enter into force in 2019. And when you take those together, you’re talking about, what is that, two-thirds of the world’s economy combined in those agreements. But most importantly, the U.S. is not part of either.

MR. REINSCH: Well, if Scott’s right that the USMCA rules will make us over the long term less competitive and make American cars more expensive, does that mean that a company like yours is going to end up producing more cars outside of the United States than they’re currently producing?

MS. AFAS: We’re very committed to the U.S. market. And again, because of our philosophy—

MR. REINSCH: But it’s a slow-growth market, isn’t it?

MS. AFAS: It depends on where you’re looking. And I think the one thing is you mentioned R&D earlier, Scott. And so, in 2017, Toyota celebrated its 40th anniversary of doing advanced research and development here in the United States. In 2015, we invested $1 billion building the Toyota Research Institute, which has three campuses. You mentioned, you know, Silicon Valley, Michigan, but also in Cambridge, Massachusetts. So we’re working with Stanford, University of Michigan, and of course MIT. And so we’ve really bet really big on the U.S. market and the tremendous talent that is here. And, you know, a lot of people don’t realize when you talk about sort of the future of mobility and the future of the auto industry, since 2009 Toyota’s had 14,000 patents here in the United States. That’s more than any other automaker.

MR. SCHWARTZ: Well, and also, while American car companies are making their bets on trucks, Toyota is—correct me if I’m wrong, Toyota’s making big bets also on passenger cars and continuing to do passenger cars, both with Toyota, Lexus, and, you know, that’s what Americans—when Americans are choosing a passenger car, increasingly they’re going to be maybe choosing those cars?

MS. AFAS: We hope so.

MR. SCHWARTZ: Yeah?

MS. AFAS: I mean, we want to provide what consumers what, right? And that’s a full array of vehicle choices, whether it’s a sedan, whether it’s a family SUV, whether it’s a pickup truck. I mean, whatever that is, we want to be the company that they come to meet their mobility need. And whether that’s current—you know, how we think of a car now or how we think of a mode of transport in the future. And so, you know, you mentioned our CEO Jim Lentz’ comments earlier. And that, you know, obviously we saw last month that the passenger car market throughout this year, sales have shrunk by 30 percent. And so a lot of automakers have made the decision to exit that market, and to really just double down on the light trucks, which is obviously a growing segment. But, you know, although these sedan sales are decreasing, they’re not disappearing. And so we’re still looking at 4 million units a year. And that’s something that we’re going to very much go after.

MR. SCHWARTZ: So you’re making a bet that cars are still where it’s at, to a certain extent.
MS. AFAS: We’re making the bet that we want to provide the products that our consumers want, whether that is cars, trucks, or anything – SUVs, whatever the case may be. But we don’t think that market is going to vanish overnight.

MR. SCHWARTZ: So I’ve got an idea. You can take this to your CEO.

MS. AFAS: OK. Bring it on.

MR. SCHWARTZ: So you know how Domino’s Pizza says they’re going to fix potholes so your pizza doesn’t get, like, tilted up.

MS. AFAS: I’ve heard that.

MR. SCHWARTZ: If you guys promise to fix potholes, people are going to be able to buy cars again and they’re not going to have to buy trucks.

MS. AFAS: (Laughs.)

MR. SCHWARTZ: Like, this – I mean, this – I’ve solved everything for you guys.

MS. AFAS: Thank you, Andrew. I will take that back and let you know what he said.

MR. SCHWARTZ: I’m pining for the job in Newport Beach, as you can tell.

MR. MILLER: We can fill up the suggestion box completely here.

MR. SCHWARTZ: Yes. (Laughter.)

MR. MILLER: Leila described something that is really important, which is you have this company that is historically a capital-intensive, hard-goods producer needing to move at the speed of a technology company because the frontier is changing quickly, both in terms of consumer demand and in terms of what the technology is capable of – AI, driverless vehicles, all those kinds of things. And you have to be in both worlds. You’re still making stuff that requires pounding the bending metal, and all those old sort of core values of an industry like automobiles. But you’re really a tech company at the fringes.

MS. AFAS: Yes, absolutely.

MR. MILLER: This is really – it’s exciting. But it makes me fear for the amount of help you get from Washington, and how you’d probably be better off with a little less once in a while.

MR. REINSCH: One of your colleagues, who shall remain nameless, told me a few years ago, what is a Toyota? It’s a computer on wheels. And what has transformed in the last 20 or 30 years really is the nature of the – the nature of the vehicle. You know, it still is steel and aluminum, but it’s not as much steel and steel and aluminum as there used to be. It’s a lot more computing power, a lot more –

MR. MILLER: It’s a mobility business.
MR. SCHWARTZ: It’s a computer – it’s a computer, though, that still needs steel.

MS. AFAS: Right. Right.

MR. SCHWARTZ: And Robert Young, who’s Toyota’s chief purchasing officer –

MS. AFAS: Yes. Bob Young.

MR. SCHWARTZ: Said recently that, you know, the estimated – he estimated that the new tariffs on steel is going to cost Toyota $100 million this fiscal year alone, and likely even more the following year. So, Trade Guy Bill Reinsch, Trade Guy Scott Miller, Trade Lady Leila Afas, what about the steel tariffs? Is this—how is this affecting Toyota and the rest of the industry?

MS. AFAS: That’s also affecting the entire industry, not just the auto sector but may others, as you’ve seen in the papers. And so although Toyota, and more than 90 percent of the steel that we use to build our cars in the United States is sourced from the United States, we’ve seen even the price of domestically sourced metals increase by 40 percent as a result of these tariffs. And as you economists well know, that’s unfortunately what happens when you impose tariffs.

MR. REINSCH: That’s the point.

MS. AFAS: That’s the whole point, yeah.

MR. MILLER: That’s a feature not a bug, as they say.

MS. AFAS: And –

MR. REINSCH: It’s the point of the – the point of the tariffs from the beginning has been to allow the American companies to increase their prices. Now, one of the ironies – I mean, you just had a statistic – one of the ironies is in some cases the prices have gone up more than the tariffs has.

MS. AFAS: Right. Right. And we saw that in 2002 when President George W. Bush imposed steel tariffs and unfortunately led to 200,000 American jobs lost, so they had to pull them back after two years. And, you know, they were intended to protect a very small part of the market, but the unintended consequences were that it hurt a greater share of the steel market. And that’s sort of what we don’t want to see happen. And as pleased as we were to see the USMCA agreement signed, we were not as happy that the steel and aluminum tariffs remain in place on not only our two NAFTA partners but our neighbors.

MR. MILLER: Just to connect the dots outside the auto industry, yesterday the United States Chamber of Commerce announced its position to be in favor of the USMCA, but only once the steel and aluminum tariffs are lifted. So I think they’re hearing that from a lot of their members.

MR. REINSCH: Now, let me ask you this: On the tariffs, the current more than gossip I think – reliable gossip is that what the administration wants to do with the steel and aluminum tariffs with Canada and Mexico is the same thing it’s doing everywhere else, which is convert them to quotas. Would that affect you at all?
MS. AFAS: The important thing –

MR. SCHWARTZ: Good question, Bill Reinsch.

MS. AFAS: Yeah. So the important thing in –

MR. REINSCH: Even a blind hog gets an acorn now and then, Andrew. (Laughter.)

MS. AFAS: The important thing to consider, you know, the difference between tariffs and quotas, in some ways quotas are much worse, because at least tariffs you can still bring in the materials that you need to build your products. With quotas, you hit that cap and you can’t go above it, you know, especially if it’s a hard quota. And for the auto industry, I mean, you’re dealing with highly specified metals, materials, components. Not just – not just steel and aluminum, but just across the board. And, you know, the certification process for a company to become a Toyota supplier – I mean, talk to Bob Young. This is a really intricate and really incredible sort of process they have to go through in order to meet our safety standards, our quality standards.

You can’t just switch suppliers overnight. We need that timeline to make sure they can provide the quality products that we need to provide vehicles that are safe, that are efficient, and that our consumers want. And a lot of times you have the issue of scale, where the orders that not just Toyota but other automakers or other manufactures have is so small it’s just not worth a domestic producer taking it on.

MR. MILLER: Once again, you’ve identified an area where Washington thinks it’s a light switch and the reality is it’s like the weather. It’s really intensely complicated and requires real skill to manage it. And that all gets thrown out.

MR. SCHWARTZ: And once you flip the switch what happens, Bill Reinsch?

MR. REINSCH: You’re stuck with whatever you did.

MR. SCHWARTZ: Right.

MR. REINSCH: And the general outcome is that – assuming your supply chain managers now are any good –

MS. AFAS: They’re excellent.

MR. REINSCH: (Laughs.)

MR. SCHWARTZ: I knew you were going to say that.

MR. REINSCH: That was a predictable response, yes.

MR. MILLER: Probably better than the competition as well. (Laughter.)

MR. REINSCH: Way better than the competition of course.

MR. REINSCH: Assuming they’re – let’s just assume that they’re wonderful. They presumably have already constructed the most economic, efficient supply chain you could find.

MS. AFAS: Absolutely.

MR. REINSCH: So when they’re told to change, and they’re told to change for political changes not economic reasons, you have two new costs to incur – one, the cost of changing, which means you’ve got contracts to change, you’ve got logistics, you’ve got to get things from a different place, all these associated costs. And you’re going to have a less efficient supply chain because you’re going to be going to domestic manufacturers who are maybe not as competitive as the ones you’re using now. So you got a double whammy.

MR. SCHWARTZ: Well, let me ask you this, Leila: What are the implications of passing all of these costs onto the consumer?

MS. AFAS: Well, the one thing I want to talk about with – that you, Bill, raised – was about the supply chain, because I don’t think people really realize – I definitely didn’t. I’ve been with Toyota for two and a half years and this was something I did not grasp before entering their industry, that 70 percent of our spend to build a vehicle is our suppliers, you know? And we have 500 direct suppliers here in North America and about over 1,000 indirect suppliers. And so how these tariffs and things affect them directly affects us.

And many times, these aren’t massive corporations that have the world-class procurement and supply-chain folks that we have here at Toyota to be able to grapple with this, or even have someone who’s acting as their warning bell in Washington alert them that these changes are on the horizon and they need to start reconfiguring how they’re working. And a lot of the innovation that we have is from our suppliers. I mean, we truly believe they are our supplier partners in this. And so when you talk about, oh, we need to change this, it’s not just us. It’s everybody.

And I think it’s important to realize too that many automakers coming here, especially the international automakers which, by the way, you know, we reached parity with the domestic automakers in terms of production of vehicles in the United States. You know, if you were to go, again, before NAFTA, it was probably about, you know, 70 – over 75 percent of vehicles produced in the United States were produced by what we think of as the U.S. automakers, the Detroit companies. Since then, it’s now 50/50 that we produce. And now we consider ourselves an American company. And we definitely think our American workers is just as American as any other workers within the auto industry.

And so when you talk about something like tariffs, anything that harms our industry and harms, you know, our consumers, our workers, our supplier partners, our dealers, that’s a threat to all of us. And that’s one that we want to fight together.

MR. REINSCH: Well, full disclosure, I’m also 50/50. My wife drives a Toyota Prius.

MS. AFAS: Oh, so do I.

MR. REINSCH: And I drive a Ford Mustang. So –
MR. SCHWARTZ: Fifty/fifty?

MS. AFAS: Wow.

MR. REINSCH: Indeed.

MS. AFAS: You –

MR. REINSCH: It hasn’t always been that way, but it’s that way right now.

MR. SCHWARTZ: Scott Miller? Are you willing to divulge?

MR. MILLER: We’re 100 percent import family.

MR. SCHWARTZ: Yeah?

MR. MILLER: But including one import made in the United States. My daughter drives – she drives the car we gave her, which is a 2010 Honda Accord, made in Marysville, Ohio.

MS. AFAS: Yes.

MR. SCHWARTZ: Excellent. Well, I can tell you this, the next car we buy might be a Toyota.

MS. AFAS: Oh. You know what? Call me. Or a Lexus. You know, we’d be happy putting you in a Lexus as well.

MR. REINSCH: Safe prediction.

MR. SCHWARTZ: Fine. Fine.

MS. AFAS: Either one.

MR. REINSCH: The next car you buy will probably have four wheels too.

MR. SCHWARTZ: I was thinking more for my sons. They’re not getting a Lexus. (Laughter.)

MR. REINSCH: Yeah.

MR. SCHWARTZ: They’re going to get something, you know, a little more modest.

MS. AFAS: Well, I’ll tell you, the new Corolla, they are beautiful vehicles.

MR. REINSCH: One of the things we said at the beginning was we were going to ask you about export controls. Why in the world does an automobile company care about national security export controls?

MS. AFAS: Well, as we discussed, we’re not just automobile companies. I mean, it’s mobility companies. We’re technology companies. And, again, Toyota invested a billion dollars in building the Toyota Research Institute. This is our center of gravity when it comes to advanced manufacturing,
research and development. And so we want to make sure that those technologies, especially those that are designed to save lives, because I think what a lot of people don’t quite consider when they think about self-driving cars is the fact that our goal is to prevent vehicles that no longer crash and to save lives. And more than a million people worldwide have died in auto fatalities. And being able to prevent that is something we want to do. So if we can develop that technology and be able to export it to our affiliates all over the world – and we have production facilities in 28 markets, and then we of course export to over –

MR. REINSCH: So you’re worried that’s going to be subject to export controls?

MS. AFAS: Well, if you look at the list right now, they’ve very broad. The categories of technologies that they have on the list is very broad. So, yes, it absolutely includes self-driving vehicles, artificial intelligence, robotics, advanced manufacturing –

MR. MILLER: The systems, think about it.

MR. REINSCH: Ah, I – yeah.

MS. AFAS: And so – exactly. And so depending – you know, and we hope that in line with sort of what the legislative process revealed, they keep it narrow enough so it targets those technologies that really are – we are concerned about but doesn’t sort of cast a wide enough net that it kind of captures the technologies that really are much more consumer-focused and really will be able to propel the U.S. to the forefront of this dynamic industry. And, you know, we are on the leading edge when it comes to technology and innovation. And we don’t want to undermine that by prohibiting the export of these critical technologies, which would be, licensing agreements, anything unable to get them overseas.

MR. REINSCH: That explains it. And, I think, illustrates, once again, the complexity of global manufacturing. People don’t think of a car as a national security item. In fact, Toyota and everybody else in the industry is arguing exactly the opposite when it comes to tariffs.

MS. AFAS: Right. Right.

MR. REINSCH: You know, because the Section 232 process is supposed to reflect national security threats. And you’re saying cars are not threats.

MS. AFAS: No.

MR. REINSCH: But then on the other hand, the government is also thinking about maybe some of your technology, not the car itself, but maybe some of the technology, especially if it’s associated with AI, is a threat, or is a risk. Interesting. Too soon to say how broad the net is going to – is going to be. That’s something we’re following here rather closely, and I think probably at a future podcast we’ll get into that in greater detail, once we know something.

MS. AFAS: Oh, great.

MR. SCHWARTZ: Yeah. You’re coming back on The Trade Guys. You know – you know you’re coming back. I mean –
MS. AFAS: Oh, that makes my day, Andrew.

MR. SCHWARTZ: Just so you know, listeners out there, we have invited The Trade Lady to come on whenever she wants.

MS. AFAS: (Laughs.)

MR. SCHWARTZ: This is not a Toyota thing. We’re not, like, boosting up Toyota. This is a trade lady thing.

MR. REINSCH: Actually, I wanted – I was going to ask you this earlier and I forgot. If you’re planning five to seven years out, then you know what the Toyota of 2023 is going to look like.

MR. SCHWARTZ: Oh, that’s good.

MR. REINSCH: Give us a peek.

MR. MILLER: Well, the people in Newport Beach do.

MS. AFAS: If I worked at that research facility in California, I might be able to tell you. But unfortunately, I’m not one of the chosen few. So I am –

MR. SCHWARTZ: You’re here – and you’re here dealing with the policies to try to keep everybody smiling.

MS. AFAS: Yes, exactly. I am among the public in terms of the release of those plans. But I’m very excited about the new Supra. That one’s going to be –

MR. MILLER: Yes, you’re bringing back the Supra? That’s amazing.

MS. AFAS: Yes. It is amazing.

MR. SCHWARTZ: What is the – tell us about what the Supra is.

MR. MILLER: The Supra was the – basically it was Toyota’s Mustang, how it originally begin, as the Corolla Supra, as Toyota’s Mustang. But it became a true high-performance car. The last Supra, I think, was 1994 or so.

MS. AFAS: Yep.

MR. MILLER: That generation was an amazing automobile in terms of its performance and value as a sports car. And so as a car nut, and a racing car nut, I’m thrilled to see Toyota coming back to the Supra.

MR. REINSCH: When’s it coming back?

MS. AFAS: They’re going to launch it next year – early next year. So, Bill –

MR. REINSCH: Well, I’ll pay attention.
MS. AFAS: I was going to say, I would be happy to do a test drive with you, so.

MR. SCHWARTZ: There we go.

MR. REINSCH: All right. I’ll see.

MR. SCHWARTZ: Promises made, and I know promises will be kept. (Laughter.)

Leila Afas, thank you so much for being on The Trade Guys. The Trade Guys have met The Trade Lady and had a great result. Thanks for being here.

MS. AFAS: Oh, my pleasure. It’s been a lot of fun, guys.

MR. MILLER: Thank you.

MR. REINSCH: Thank you.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at TradeGuys@CSIS.org. That’s TradeGuys@CSIS.org. We’ll read some of your emails and have The Trade Guys react to it. Thank you, Trade Guys.

MR. MILLER: Thanks, Andrew.

MR. REINSCH: Thank you.

MR. SCHWARTZ: You’ve been listening to The Trade Guys, a CSIS podcast.

(END)