

**Oral Testimony of Scott N. Paul President,  
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Before the United States House of Representatives  
Select Committee on the Chinese Communist Party  
June 26, 2024, Hearing Entitled  
“From High Tech to Heavy Steel:  
Combatting the PRC's Strategy to Dominate Semiconductors, Shipbuilding, and  
Drones”**

Chairman Moolenaar, Ranking Member Krishnamoorthi, and members of the Select Committee, I appreciate the opportunity to testify at today’s hearing entitled, “From High Tech to Heavy Steel: Combatting the PRC's Strategy to Dominate Semiconductors, Shipbuilding, and Drones.”

As I stated at the Select Committee’s inaugural hearing on February 28, 2023, the economic policies of the CCP represent a clear and present danger to the American worker, our innovation base, and our national security. To help illustrate these dangers, AAM’s June 2024 report, entitled, “SHOCKWAVES: The Ripple Effect of China’s Industrial Overcapacity on American Manufacturing and Factory Workers,” reminds us of great American industries like glass, paper, and tires have been decimated because of China's massive industrial overcapacity. Relevant to today’s hearing, we are now clearly seeing that other critical sectors – ranging from shipbuilding to semiconductors to drones – are at risk of a China Shock 2.0; a deluge of low-cost import competition that could again close tens of thousands of U.S. factories and lay off millions of U.S. manufacturing workers.

Existing policy measures are not enough to address the CCP’s predatory market distortions. We urge your attention to the report’s comprehensive set of policy recommendations to ensure American industry can compete and win in the 21st century.

Today I am here to focus primarily on China’s maritime, logistics and shipbuilding policies. Our nation has fallen frighteningly behind China as the result of decades of CCP policies aimed at dominating sectors, like shipbuilding, with clear economic and military applications.

From our earliest days as a nation, the United States has sought to develop and maintain a robust shipbuilding capability to keep our nation safe, project our strength,

and grow our trade. The maritime strength of the United States helped to boost prosperity across the globe and support well-paying jobs here at home.

In the 21st century, the People's Republic of China's approach to bolstering its own domestic shipbuilding capabilities threatens this prosperity, as well as the remaining shipbuilding jobs in the United States.

Today, China controls over half the world's shipbuilding and began construction on nearly 1800 large oceangoing vessels in 2022. During the same year, the U.S. began construction on just five such vessels. A briefing slide by the U.S. Navy reveals that China's shipbuilding capacity is 232 times greater than our own.

This has significant implications for our national security. The U.S. Merchant Marine currently consists of about 175 vessels that are 30 years old on average. This aging fleet, coupled with our dependence on foreign shipbuilders, puts our broader supply chain at risk.

Investing in our domestic commercial fleet and in manufacturing more broadly would help to shore up our economic security and bolster our naval and national security capabilities. To do this, we must first respond to China's policies.

The largest obstacles to shipbuilding in the United States are the unfair trade practices of China. While no nation should be faulted for seeking to develop maritime capabilities, Beijing's ambitions go well beyond that. China's shipbuilding capacity has been turbocharged through a series of efforts aligned with Five-Year Plans dating back more than two decades. Some of the support for Chinese industry identified in the petition include policy loans from state-owned banks, equity infusions and debt-for-equity swaps, the provision of steel plate from state-owned steel producers at below market prices, tax preferences, grants, and financing from China's state-owned export credit agencies. Shipbuilding was identified as a pillar industry in the Made in China 2025 scheme. Beijing sought nothing short of dominating global commerce.

There are also valid concerns about foreign capital and technology flowing into Chinese dual-use shipyards. China sought this transfer of technology, sometimes through means that are unfair or illegal, such as intellectual property theft, to help bolster its naval buildup, a goal laid out in the Thirteenth National Five-Year Plan of 2016. Things are so bad that our own Navy must rely on Chinese-made dry docks in certain circumstances.

The practices I referenced have allowed China to capture a massive portion of global shipbuilding orders, with reports indicating that China secured 76% of such orders in April 2024 alone. This dominance in the market

continues to have a detrimental effect on shipbuilders in other countries, including the United States.

Over time, the economic impacts of these unfair trade practices and shrinking share of global shipbuilding in America include the devastating loss of more than 70,000 shipbuilding jobs in the U.S. and many more indirectly.

Any hope of rebuilding these strategically significant sectors requires decisive action. For all these reasons, AAM strongly supports the ongoing United States Trade Representatives' Section 301 investigation into China's maritime, logistics, and shipbuilding sector. This investigation is rooted in a March 2024, petition filed by the United Steelworkers (USW) and a coalition of labor organizations. I implore you to read the Section 301 petition carefully, amplify its findings, and support the proposed relief measures.

This effort merits your support because there are direct and indirect connections to shipbuilding in every state. We must not allow our shipbuilding capabilities to continue to be victimized by the CCP's predatory domination of a sector critical to U.S. economic and national security.

Thank you for your consideration of AAM's views on this matter.