ALLIANCE FOR american manufacturing

March 11, 2025

Honorable Jamieson Greer
United States Trade Representative
600 17th Street NW
Washington, DC 20508
Submitted via https://comments.ustr.gov/s/docket?docketNumber=USTR-2025-0001

RE: Alliance for American Manufacturing Comments to Assist in Reviewing and Identifying Unfair Trade Practices and Initiating All Necessary Actions to Investigate Harm From Non-Reciprocal Trade Arrangements, Docket Number USTR-2025-0001

Dear Ambassador Greer:

The Alliance for American Manufacturing (AAM) respectfully submits the following comments in response to the Office of the United States Trade Representative request for comments to assist in reviewing and identifying unfair trade practices and initiating all necessary actions to investigate harm from non-reciprocal trade arrangements (Docket Number USTR-2025-0001).

About the Alliance for American Manufacturing (AAM)

The Alliance for American Manufacturing (AAM) is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America's manufacturers and workers.

Unfair Trade and Massive Trade Deficits Harm U.S. Economic and National Security

The predatory industrial policies and unfair trade practices of the People's Republic of China (PRC) and many other trade partners – including developing countries and in some cases even U.S. allies – are an everyday reality for U.S. manufacturers and their workers and a broader existential danger to our free and rules-based market economy. Left unchecked, persistent trade cheating results in significant, negative community and personal impacts on people's lives when a factory closes due to unfair trade. Moreover, tariff and non-tariff barriers of our trading partners distort markets and deny U.S. products a level playing field when competing against foreign goods. This affects U.S. companies and their workers competing both here in the United States and globally. The strength of the U.S. industrial base – including its upstream supply chains – is paramount for our economic and national security. At present, the United States continues to rely on offshore supply chains dominated by adversaries and unreliable sources.

For these reasons, AAM appreciates the administration's efforts to identify unfair trade practices and its willingness to confront them in a meaningful manner that levels the playing field for U.S. companies and their workers. In these comments, AAM outlines issues that merit careful consideration by the administration to determine what actions may be appropriate to rebalance lopsided trade deficits, enforce our trade laws, and protect our national security interests.

The United States maintains one of the most open markets in the world compared to its major trading partners, has one of the lowest average weighted tariff rates, imposes far fewer barriers to imports, and has entered into many free trade agreements further opening its market to imported products. The USTR itself notes that approximately 94 percent of U.S. merchandise imports by value are industrial (non-agricultural) goods, and the United States has a trade-weighted average import tariff rate of 2.0 percent on industrial goods. One-half of all industrial goods imports enter the United States duty free.[1]

Regrettably, many of our trading partners impose high tariffs on many U.S. products and maintain non-tariff barriers that limit U.S. exports of industrial goods, agricultural products, and services and other commerce. For instance, according to USTR's 2024 Foreign Trade Barriers report: [2]

> "India's average Most-Favored-Nation (MFN) applied tariff rate was 18.1 percent in 2022 (latest data available), which was the highest of any major world economy, with an average applied tariff rate of 14.7 percent for non-agricultural goods and 39.6 percent for agricultural goods."

Examples of non-tariff barriers include non-recognition of U.S. motor vehicle standards, a lack of uniformity among European Union Member States, and many other non-market policies and practices that provide unfair competitive advantages. These barriers impact customs, labeling, packaging, government procurement, investment, intellectual property enforcement, and other concerns that impact U.S. workers and businesses.

These tariff and non-tariff barriers facing U.S. exports, coupled with unfair practices that benefit foreign products imported into our own market, have contributed to massive and growing trade deficits across U.S. trading partners. According to the Bureau of Economic Analysis,[3] the goods and services deficit reached $918.4 billion in 2024, up $133.5 billion from 2023. This increase was primarily driven by a $187.1 billion increase in imported goods – a 14 percent goods deficit increase of $148.5 billion. The largest 2024 bilateral goods deficits follow:

- China ($295.4)
- the European Union ($235.6)
- Mexico ($171.8)
- Vietnam ($123.5)
- Ireland ($86.7)
- Germany ($84.8)
- Taiwan ($73.9)
- Japan ($68.5)

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[1] USTR "Industrial Tariffs": https://ustr.gov/issue-areas/industry-manufacturing/industrial-tariffs
[2] "2024 National Trade Estimate Report on FOREIGN TRADE BARRIERS," USTR. March 2024. https://ustr.gov/sites/default/files/2024%20NTE%20Report.pdf
[3] BEA: U.S. International Trade in Goods and Services, December and Annual 2024: https://www.bea.gov/news/2025/us-international-trade-goods-and-services-december-and-annual-2024#:~:text=The%202024%20figures%20show%20surpluses,$4.4%20billion%20to%20$34.1%20billion.

- South Korea ($66.0)
- Canada ($63.3)
- India ($45.7)
- Thailand ($45.6)
- Italy ($44.0)
- Switzerland ($38.5)
- Malaysia ($24.8)
- Indonesia ($17.9)
- France ($16.4)
- Austria ($13.1)
- Sweden ($9.8)

Contrary to assertions made by free trade thinktanks funded by multinational corporations, trade deficits are deeply impactful for U.S. economic and national security. It is simply absurd to suggest that massive and growing trade deficits are a sign of a strong economy and should be overlooked. Trade deficits are the clearest sign that imports have replaced domestic production throughout our supply chains at an alarming rate, leading to the loss of millions of good, middle-class jobs and devastating communities across our nation. The displacement of domestic production has left our nation increasingly dependent on imports as the foundation of our critical supply chains, often from adversarial countries like China, for everything from consumer goods and advanced technology products to the personal protective equipment.

Over 90,000 American manufacturing facilities have closed their doors since the late 1990s. While many factors impact U.S. manufacturing employment, the surge of Chinese imports has been measurable and devastating: the Economic Policy Institute (EPI) estimates they displaced 3.7 million American jobs, including 2.8 million in manufacturing, between 2001 and 2018.[4] China surpassed the United States as the world's largest manufacturing nation in 2010, and in 2019 held nearly 29 percent of global factory output while the U.S. share had shrunk to 17 percent.[5]

Even though the United States generally accounts for 20 percent of the world's consumption, our global market share for making things falls woefully short of that. We manufacture only about 11 percent of automobiles,[6] 7 percent of lithium-ion batteries,[7] 12 percent of semiconductors (down from 37 percent in less than a generation),[8] and 4 percent of printed circuit boards.[9] There are many other examples of greatly diminished capacity in critical industries such as machine tools, shipbuilding, and pharmaceuticals. Our vulnerabilities reflect an outdated notion of the benefits of hyper-globalization, where our consumers, workers,

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[4] "Growing China trade deficit cost 3.7 million American jobs between 2001 and 2018Jobs lost in every U.S. state and congressional district," Scott and Mokhiber. Economic Policy Institute (EPI). Jan. 30, 2020. Link: https://www.epi.org/publication/growing-china-trade-deficits-costs-us-jobs/

[5] "China Is the World's Manufacturing Superpower," Felix Richter. Statista. May 4, 2021. Accessed via Web Link: https://www.statista.com/chart/20858/top-10-countries-by-share-of-global-manufacturing-output/

[6] Visual Capitalist: https://www.visualcapitalist.com/ranked-top-30-countries-automobiles-manufactured/#:~:text=Following%20behind%20China%20is%20the,carmakers%20like%20Toyota%20and%20Honda.

[7] "Share of the global lithium-ion battery manufacturing capacity in 2021 with a forecast for 2025, by country," statista. Link: https://www.statista.com/statistics/1249871/share-of-the-global-lithium-ion-battery-manufacturing-capacity-by-country/

[8] "The chip shortage won't be fixed without major federal investment," Muro and Maxim. Brookings. Feb. 1, 2022. Link: https://www.brookings.edu/blog/the-avenue/2022/02/01/the-chip-shortage-wont-be-fixed-without-major-federal-investment/

[9] The Printed Circuit Board Association of America, Link: https://www.pcbaa.org/uploads/1/3/7/8/137883711/pcbaa_one_pager-2.pdf

domestic businesses, and our national security suffer. We must break the vicious cycle of implementing policies that reward imports over domestic production.

<u>USTR's Foreign Trade Barriers Report Identifies Distortions Across Many Countries</u>

Steel

China is not the only country that maintains policies that distort markets to gain an unfair, competitive advantage over U.S. steel products. Steel industries in Latin America are beginning to react to Chinese imports while Mexico, Chile and Brazil have all hiked tariffs in response to the flood. USTR's 2024 National Trade Estimate Report on Foreign Trade Barriers notes that many U.S. trade partners maintain tariffs and other non-tariff barriers on steel products:[10]

- "Brazil imposes relatively high tariffs on imports across a wide range of sectors" including steel and downstream products that incorporate steel such as automobiles, automotive parts, and industrial machinery.

- A Dominican Republic technical regulation (RTD 458) constitutes a barrier to trade by requiring imported U.S. rebar to be sampled and tested by third-party laboratories, which is not required of domestic production.

- Qatar subjects steel to a 20 percent tariff.

- Most Indonesian tariffs on non-agricultural goods are bound at 35.5 percent, although tariff rates exceed 35.5 percent or remain unbound on automobiles, iron, steel, and some chemical products. And in October 2023, Indonesia imposed new tariff rates, including on iron and steel goods.

- In May 2023, Turkey increased tariffs on certain flat steel products, ostensibly to protect Turkish steel producers and encourage local production following earthquakes.

- Vietnam has increased MFN applied tariff rates on a number of products, including stainless steel bars and rods – products which are also produced by companies in Vietnam.

Autos

With respect to automobiles, the U.S. automotive sector faces a litany of unfair and discriminatory policies. The USTR's 2024 National Trade Estimate Report on Foreign Trade Barriers notes that many U.S. trade partners maintain tariffs and other non-tariff barriers on the auto sector:[11]

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[10] "2024 National Trade Estimate Report on FOREIGN TRADE BARRIERS," USTR. March 2024. https://ustr.gov/sites/default/files/2024%20NTE%20Report.pdf
[11] Id.

- Colombia requires third-party safety certification for vehicle components even though U.S. manufacturers already test their products and there are no laboratories or organizations in Colombia.

- Egypt's tariff on passenger cars with engines of 1600 cubic centimeters (cc) or less is 40 percent, and its tariff on cars with engines of greater than 1600 cc is 135 percent.

- As of June 2014, Egypt has applied European Union regional emissions and UNECE safety standards for vehicles and automotive parts, thereby blocking imports of U.S. vehicles that meet comparable U.S. regulatory emissions and safety standards.

- Egypt does not recognize U.S. Federal Motor Vehicle Safety Standards (FMVSS), even though U.S. standards achieve comparable regulatory goals.

- Saudi Arabia's adoption of non-U.S. standards creates significant market access restrictions for automobiles and other industrial and consumer products.

- India maintains high applied tariffs on a wide range of goods, including motorcycles (50 percent) and automobiles (60 percent).

- India increased tariffs in the 2019/2020 budget without any notice or public consultation process on approximately 70 product categories, including those covering key U.S. exports in the automotive parts sector.

- Most Indonesian tariffs on non-agricultural goods are bound at 35.5 percent, although tariff rates exceed 35.5 percent or remain unbound on automobiles.

- A variety of non-tariff barriers impede access to Japan's automotive market, and overall sales of U.S.-made vehicles and automotive parts in Japan remain low. Non-tariff barriers include the non-acceptance of U.S. Federal Motor Vehicle Safety Standards certification as providing an equivalent level of protection as the Japanese vehicle safety standards; unique standards and testing protocols; unique spectrum allocation for short-range vehicle communications systems; a lack of opportunities for input by interested persons throughout the process of developing regulations; and hindrances to the development of distribution and service networks.

- The U.S. Government has raised concerns about Korea's emission-related components (ERC) regulations under Korea's Clean Air Conservation Act, including a lack of clarity and potential criminal prosecution of violations – the latter of which is not applicable to domestically manufactured vehicles.

- Malaysia imposes import restrictions on automobiles under the Malaysian National Automotive Policy, which makes a fundamental distinction between "national" cars (e.g., domestic automakers Proton and Perodua) and "non-national" cars, which include other vehicles produced or assembled in Malaysia, as well as imports.

- In addition, Malaysia applies high tariffs in the automobile sector, and has traffic restrictions and noise standards that affect the usage of large motorcycles.

- Morocco generally only allows the importation of automobiles meeting the United Nations Economic Commission for Europe (UNECE) 1958 Agreement vehicle standards, effectively barring many automobiles produced in the United States from entering the Moroccan market.

- U.S. companies have cited concerns that Pakistan has been imposing high tariff rates and, in some cases, additional duties, on products such as automobiles and finished goods.

- The Philippines continues to apply high tariffs on finished automobiles and motorcycles. A 30 percent tariff is imposed on completely built passenger vehicles with capacity of less than 10 persons (i.e., automobiles), as well as motorcycles.

- Russia has banned states and municipalities from purchasing foreign-made automobiles, other vehicles, and machinery, and banned procurement of a broad array of consumer goods produced outside the EAEU, unless there are no domestic or EAEU alternatives.

- Brazil imposes relatively high tariffs on imports across a wide range of sectors, including automobiles and automotive parts.

Thus, while China is a core concern for the U.S. manufacturing sector, it is clearly not the only concern with respect to domestically produced steel and autos in global markets.

Non-Reciprocal Procurement Markets Undermine Buy American Policies

U.S. procurement market access concessions have proven to be anything but reciprocal when considering the monetary value of the market access. The U.S. Government Accountability (GAO) Office concluded in its report, *United States Reporting Opening More Opportunities to Foreign Firms Than Other Countries, but Better Data Are Needed*, GAO-17-168 (Feb. 2017), that the extent of negotiated procurement market access for U.S. goods is a mere fraction of the access to U.S. procurement markets the United States has granted its trading partners.

Specially, the GAO determined that the United States' 2010 procurements subject to the WTO GPA ($837 billion) were more than double the monetary value of the GPA-covered procurements of the next five largest GPA countries combined.[12] Those five nations included the European Union (EU), Japan, South Korea, Norway and Canada. The GAO report found the EU and U.S. procurement markets to be comparable in size overall ($1.7 and $1.6 billion, respectively). However, in 2010, the U.S. reported more than twice as much covered government procurement as the EU – $837 billion versus $331 billion. Thus, as a percentage of overall procurements, the United States' government procurement market access concessions were substantially greater than those of the European Union.

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[12] GAO-17-168.

Moreover, the GAO's analysis above focused on "central government (federal) level" procurement market access.[13] In other words, the changes wrought by the 2021 Build America, Buy America Act, which applied to sub federal spending, had no impact on imbalances between U.S. federal level government procurement market access and those of our trading partners.

The U.S. government procurement market access concessions have come at the expense of domestic manufacturers.

USTR's 2024 National Trade Estimate Report on Foreign Trade Barriers[14] notes that countries that are a Party to the WTO Agreement on Government Procurement nevertheless impose barriers for U.S. products in their own procurement markets:

- U.S. companies in several sectors have expressed concern that the Japanese Government sometimes uses technical specifications that could exclude U.S. products and services and, in some cases, may exert pressure on various entities to select domestic companies for procurement opportunities.

- U.S. stakeholders remain concerned that the opaque mechanism for determining compliance with Ukraine's local content requirements in public procurement of urban transport, utility equipment, railway transport, aerospace products, and energy engineering products could increase the risk of corruption in the procurement process.

- Lack of transparency in certain European Union Member State public procurement processes continues to be a barrier to the participation of U.S. firms. U.S. firms have also voiced concerns over onerous documentation requirements and implicit biases in favor of local vendors and other suppliers based on lowest cost instead of the full lifecycle of the procurement.

- U.S. suppliers have indicated that they believe that the size and nature of their offset proposals can be a decisive factor in close tender competitions, despite an Israeli court decision that prohibits the consideration of offset proposals in determining the award of a contract. Small and medium-sized U.S. exporters often are reluctant to commit to making purchases in Israel in compliance with the IC agreements. As a result, their participation in Israeli tenders is limited.

- The inclusion of unlimited liability clauses in many [Israeli] government tenders discourages U.S. firms from competing. When faced with the possibility of significant legal costs for unforeseeable problems resulting from a government contract, most U.S. firms choose to insure against the risk, which raises their overall bid price and reduces their competitiveness, as compared to bids from Israeli firms.

USTR's report also observes that China's central government procurement totals approximately $500 billion even without considering procurement by state-owned enterprises. USTR states

[13] Id at p. 8. ("At the central government (federal) level, U.S. covered government procurement reported for 2010 was also higher than the combined total reported by the next five largest GPA parties.")
[14] "2024 National Trade Estimate Report on FOREIGN TRADE BARRIERS," USTR. March 2024. https://ustr.gov/sites/default/files/2024%20NTE%20Report.pdf

that “Under both its government procurement regime and its tendering and bidding regime, China continues to implement policies favoring products, services, and technologies made or developed by Chinese-owned and Chinese-controlled companies through explicit and implicit requirements that hamper foreign companies from fairly competing in China.” Despite a commitment to accede to the WTO’s GPA, Beijing’s offers have been disappointing in scope and coverage.

The administration should be deeply skeptical that China would adhere to any procurement commitments and discourages consideration of any such offers.

China is the Leading Cause of Global Market Distortions and Overcapacity

As detailed in a June 20, 2024, AAM report entitled, “*Shockwaves: The Ripple Effect of China’s Industrial Overcapacity on American Manufacturing and Factory Workers*,” overcapacity and overproduction are problems across China’s vast manufacturing sector, where dedicated state support combined with low rates of household consumption create an environment where many industries produce far more than the Chinese market will absorb.

Addressing the role of market-distorting forces in creating and maintaining excess capacity must be a key component of the administration’s approach to identifying and addressing non-reciprocal trade concerns. While a lack of transparency often clouds Beijing’s interventions through its state-owned and state-supported enterprises, it is clear that there are many factors that contribute to overcapacity. This includes China’s nonmarket support to industries and past capacity expansion driven by subsidies. China’s persistent non-market behavior has an enormously negative effect on markets worldwide, including significant harm to U.S. exporters, import-competing industries and their workers who are forced to compete against these subsidies. The breadth and depth of Beijing’s subsidies, intervention, and market distortions are directly responsible for the immense overcapacity in numerous industrial sectors – including, but not limited to, steel, aluminum, tires and auto parts, paper, solar, batteries, cement, glass, and shipbuilding.

Steel

In the early 1990s, the Chinese government deemed steelmaking “strategic”[15] and then pumped in incredible amounts of state support – in the form of low-cost loans, discounted energy and inputs, and tax incentives – to boost production capacity. China’s annual steel output grew exponentially during the 2000s, with crude steel production growing from 23.7 metric tons (MT) in 1977 to 804 MT annually by 2015,[16] roughly half of global output.

The results were dramatic. Global steel overcapacity by 2014 was over half a billion MT. China’s surpluses alone accounted for a third of it.[17] “From 2000-2015, nominal global steelmaking capacity additions averaged 82 MT per year, which is roughly equivalent to total annual U.S. steel production. In other words, the world was adding steelmaking capacity equivalent to U.S.

[15] Brun, L. (2016, Sep.). Overcapacity in Steel: China’s Role in a Global Problem. Alliance for American Manufacturing, Retrieved June 3, 2024, https://www.americanmanufacturing.org/wp-content/uploads/2023/08/OvercapacityReport2016_R3.pdf
[16] “Factbox: A history of China’s steel sector.” Reuters. (2016, Apr. 12), https://www.reuters.com/article/idUSKCN0XA03A/
[17] Stewart, T., Drake, E., Wang, J., Bell, S., & Scott, R. (2014, May 13). Surging Steel Imports Put Up To Half a Million Jobs at Risk. Economic Policy Institute, Retrieved June 3, 2024, https://www.epi.org/publication/surging-steel-imports/

annual steel production for more than a decade, a remarkable rate of growth in steelmaking capacity, most of it centered in China," a 2016 Duke University report found.[18]

The resulting flood of Chinese steel imports had a dire effect on the American steel industry. The U.S. steel industry suffered a series of shocks from 2000 to 2015, the closure of 10 major mills and the layoff of 225,000 steelworkers during the same time period, according to the U.S. Bureau of Labor Statistics.[19]

Despite repeated promises to rein it in, China's steelmaking overcapacity continues to increase. After the last global overcapacity crisis, again largely at the feet of its massive steel industry, China embarked on a four-year effort during which it mothballed 700 small steel mills with 140 MT of steel capacity deemed substandard and reduce another 150 MT of capacity from larger firms. Chinese steelmakers still managed production increases. It produced a record 928.26 MT of crude steel in 2018; a record it has since broken.[20,21]

The OECD reports that in 2024 new steelmaking investments have pushed excess capacity to 573 MT. Steelmaking capacity within China appears to have stabilized, but its state-owned enterprises are "investing heavily in new capacity in Southeast Asia and Africa." Production and exports continue to climb, explains the OECD, and despite capacity cuts Chinese steel manufacturers still benefit from "strong financial and non-financial incentives and subsidies from many levels of governments. Such incentives can act in similar ways as a cost reduction, thereby artificially boosting the price competitiveness of exports."[22]

Autos

The U.S. auto sector and its extensive domestic supply chain face a growing threat from Chinese competitors, buoyed by the Chinese state. China maintains many tariff and non-tariff barriers, demands technology transfer and indigenous innovation policies in exchange for market access, applies export restraints on rare earth minerals, and has a supply chain tainted by forced labor.

The Chinese auto industry's growth has been exponential and now leads the world in electric vehicle (EV) production and sales by wide margins. China's auto champions – including mammoth entities like BYD, SAIC Motor, and battery maker CATL – appear to be expanding rapidly without consideration to supply and demand and basic market forces, so much that the Chinese auto sector is estimated to have a production overcapacity of millions of vehicles per year. That overcapacity is now facing outward, in search of new markets to soak up the largesse.

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[18] Brun

[19] U.S. Bureau of Labor Statistics. (n.d.). "All employees, thousands, primary metal manufacturing, seasonally adjusted." Retrieved June 3, 2024, https://beta.bls.gov/dataViewer/view/timeseries/CES3133100001

[20] Zhang, M. & Singh, S. "China's steel sector still battling rising illegal capacity." Reuters, (2019, Sep. 26), https://www.reuters.com/article/idUSKBN1WB112/

[21] "China's 2023 crude steel output halts two-year downturn." Reuters, (2024, Jan. 17), https://www.reuters.com/markets/commodities/chinas-2023-crude-steel-output-halts-two-yeardownturn-2024-01-17/

[22] Steel Market Developments Q4 2023. (n.d.). Organisation for Economic Co-operation and Development, Retrieved June 3, 2024, https://www.oecd.org/industry/ind/steel-market-developments-Q4-2023.pdf

BYD, which became the world's largest EV manufacturer in 2023, is building a factory in the heart of the European Union and is among half a dozen Chinese companies preparing to manufacture in Thailand, thereby gaining access to nearby markets through regional trade pacts. More alarming, however, are Chinese firms' heavy spending on plants in Mexico, through which they can access the United States by way of the more favorable tariffs under the United States-Mexico-Canada Agreement (USMCA). This strategy is, in effect, an effort to gain backdoor access to American consumers by circumventing existing policies that are keeping China's autos out of the U.S. market.

On February 23, 2024, AAM issued a report entitled, "*On a Collision Course: China's Existential Threat to America's Auto Industry and its Route Through Mexico*," that documents the threat of Chinese autos to U.S. national security and economic stability. The report states that "[t]he introduction of cheap Chinese autos – which are so inexpensive because they are backed with the power and funding of the Chinese government – to the American market could end up being an extinction-level event for the U.S. auto sector, whose centrality in the national economy is unimpeachable."

Shipbuilding

For decades, China has carried out a comprehensive strategy to dominate global the maritime, logistics, and shipbuilding sectors – threatening both U.S. economic and national security.

As outlined in USTR's recent proposed action in connection with the Section 301 investigation of China's targeting of the maritime, logistics, and shipbuilding sectors for dominance:

> "China's targeting of these sectors for dominance has undercut competition and taken market share with dramatic effect: raising China's shipbuilding market share from less than 5 percent of global tonnage in 1999, to over 50 percent in 2023; increasing China's ownership of the commercial world fleet to over 19 percent as of January 2024; and controlling production of 95 percent of shipping containers and 86 percent of the world's supply of intermodal chassis, among other components and products."

This has had a devastating impact on U.S. shipbuilding capacity, as well as the domestic supply chain of manufacturers and America's workers who serve this vital sector. As shipyards close, demand drops for U.S.-produced steel, aluminum, cables, glass, forged products, maritime engines, springs, anti-skid grating material, paint and other items needed to construct modern container ships and tankers. The loss of that supply chain further undermines a commercial sector vital to maintaining healthy and stable national security suppliers. This delays production and forces American security to be reliant on sole source suppliers for critical inputs.[23]

This investigation is rooted in a March 2024, petition filed by the United Steelworkers (USW) and a coalition of labor organizations.[24] Some of the support for Chinese industry identified in the nearly 5,000-page Section 301 petition include policy loans from state-owned banks, equity

[23] https://www.businessdefense.gov/docs/resources/USA002573-20_ICR_2020_Web.pdf
[24] The United Steelworkers joined with the International Brotherhood of Electrical Workers (IBEW), International Association of Machinist and Aerospace Workers (IAM), the Maritime Trades Department, and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (Boilermakers) in filing a Section 301 petition with the United States Trade Representative (USTR) to investigate the People's Republic of China's (PRC) maritime, logistics, and shipbuilding sector.

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. For instance, CCP support for shipbuilding provided over $130 billion in funding just between 2010 and 2018. This may only touch the surface of Beijing's support for its shipbuilding and maritime sector.

There are also valid concerns about foreign capital and technology flowing into Chinese dual-use shipyards, which contribute to both civilian and military shipbuilding capabilities. China sought this transfer of technology to help bolster its naval buildup, a goal laid out in the Thirteenth National Five-Year Plan of 2016; and it has done so through means that are unfair or illegal, such as intellectual property theft.

AAM applauds the administration for advancing the Section 301 investigation and proposing remedies to address China's domination of this sector and to incentivize U.S. shipbuilding. Any hope of rebuilding these strategically significant sectors requires decisive and comprehensive action.

Tariffs are Part of the Solution

A carefully constructed tariff policy can alter trade imbalances, shift production out of adversarial countries, and, under the right circumstances, bring employment and production back to the United States. Tariffs are also necessary to bring about meaningful negotiations that have proved to be elusive despite ample opportunities for China or other trade partners to make positive reforms. If China or other countries refuse to play by the rules and are unwilling to come to the negotiating table, there must be consequences – including losing some access to the U.S. market. China and other trading partners value access to our market above all else.

While AAM supports strong enforcement to counteract unfair trade practices, it remains necessary to engage like-minded trade partners and allies in a cooperative manner to address shared concerns – including industrial overcapacity, forced labor, and critical supply chains. It is highly unlikely that China will ever adopt or demonstrate a sustained commitment to market economy principles, nor will it cease to deploy predatory trade and investment policies that harm U.S. interests. Its history of broken promises is lengthy, and it would be foolish to hold out hope that Beijing will act in a responsible manner. The administration should hold all trading partners accountable for unfair trade, but that must not stop the United States from seeking commitments from its allies to confront China with similar policies that derisk global supply chains from China's overcapacity, abhorrent forced labor regime, and other practices.

Tariffs are just one aspect of a policy framework to revitalize U.S. production in critical industrial sectors. AAM urges the administration to proceed with a comprehensive strategy that includes enforcement, addressing loopholes, eradicating forced labor, and continuing to make strategic investments in critical sectors. Further, it is necessary to provide funding for federal agencies on the front lines of these efforts, and assistance must be available to workers who are adversely impacted by unfair trade.

It is necessary to prioritize the expansion of all stages of manufacturing in the United States, including upstream inputs that are critical for the completion of final product assembly or manufacture. Too often our policies overlook the components, parts, and upstream raw materials fundamentally necessary to produce a given product. In a future emergency, relying only on end products that are assembled or manufactured in the United States from all or mostly imported inputs is not a solution to the problems that have plagued our country over the past several years. In fact, such approaches will only set us up to repeat this failure.

Strengthen Section 232 Actions on Steel and Aluminum

Despite being relatively insulated from artificially cheap Chinese steel by Section 232 tariffs implemented during the first Trump Administration and reaffirmed by the Biden administration, the U.S. market remains a target of China's gargantuan steel firms and other countries' steel producers who are facing China's overcapacity in their home markets. Transshipment through Mexico is a growing concern. Steel industries in Latin America are beginning to react to Chinese imports, too. Mexico, Chile and Brazil have all hiked tariffs in response to the flood.

It is necessary that the Section 232 program on steel and aluminum be strengthened, as these sectors are critical for our national defense requirements, critical infrastructure, and the general welfare and economic security of our nation. While the Section 232 action led to improved market conditions for domestic industry allowing for significant U.S. investments and jobs, over time alternative arrangements and unnecessary exclusions were granted that weakened its effectiveness. Furthermore, overcapacity remains unacceptably high and domestic capacity utilization has once again dropped to unsustainable levels.

Strengthening the Section 232 actions for steel and aluminum will help to ensure that they remain effective and continue to meet the underlying objective of maintaining a vibrant domestic steel and aluminum sector to supply our critical needs. Critically, AAM supports strengthening the Section 232 actions to address evasion by processing covered steel into downstream steel derivative products, such as grain oriented electrical steel (GOES) that is used in transformers necessary for power transmission.

Trade Enforcement Must Focus on Tariff Evasion

Global overcapacity, foreign government subsidies, and endemic dumping continue to plague U.S. producers and workers, further contributing to the country's massive trade deficits. Despite the U.S. Government's efforts to combat these unfair trade practices, its suite of trade policy tools is increasingly undermined by the rise of efforts to circumvent antidumping and countervailing duty (AD/CVD) orders, as well as President Trump's Section 232 and 301 duties. The People's Republic of China has proven particularly adept at staying two steps ahead of U.S. and global trading rules.

American manufacturers and their workers devote extensive time, resources, and energy to obtain remedies under various trade laws designed to level the playing field in the global market place. Over the last decade plus, the number of U.S. trade remedy orders has grown substantially. Not surprisingly, however, so too has the prevalence of duty evasion: foreign producers subject to AD/CVD orders or other duties move production operations to third countries; the PRC provides subsidies for production in third countries, unfairly benefiting products being exported to the United States; foreign producers undertake complex schemes of shell company exporters and importers of record to obfuscate the origin of their products; and, all too often, the U.S. Government does not have the necessary resources to investigate, prosecute and ultimately deter this type of behavior.

Left unchecked, persistent trade cheating results in significant, negative community and personal impacts on people's lives when a factory closes due to unfair trade. AAM and other supporters of the U.S. trade laws are strongly advocating for legislation or administrative actions to update our trade laws to better address these whack-a-mole tactics being employed by our trading partners.

Close the De Minimis Loophole

AAM strongly supports cracking down on massive loopholes in U.S. *de minimis* policy that are being exploited by Chinese and other companies to avoid trade enforcement and other duties, taxes, and fees. Currently, packages entering the United States that are valued under the *de minimis* threshold are effectively permitted to bypass applicable U.S. trade enforcement and other duties that would otherwise be assessed by U.S. Customs and Border Protection. Set at $800, the U.S. *de minimis* threshold is the highest in the world and far exceeds our major trading partners. For example:

- China authorizes duty-free treatment for qualifying goods valued at approximately $7;
- The European Union's *de minimis* exemption threshold is approximately $163; and
- Mexico's threshold for U.S. shipments is just $59.[25]

This disparity is unfair to U.S. companies and their workers, and the high threshold invites fraud, evasion, and further deterioration of our industrial base.

The scale of our flawed policy is far-reaching with over four million packages entering our market each day through the *de minimis* loophole an imports originating from China accounting for one-third of that amount. At the center of this avoidance scheme are China's e-commerce companies who are stealing market share from U.S. companies and American workers by sending small "direct-to-consumer" packages to bypass U.S. Customs enforcement, inspections, and other laws. Worse yet, they are also able to avoid critical inspections that protect consumers from counterfeits, dangerous products, and goods produced with forced labor.

Eradicate Forced Labor from the U.S. Market and Global Supply Chains

AAM has strongly advocated for full implementation and enforcement of the Uyghur Forced Labor Prevention Act (UFLPA), which bars certain goods made in China's Xinjiang province from entering the American market. As the largest economy in the world, it is the moral responsibility and the legal obligation of the U.S. Government to impose rigorous restrictions on the importation of such goods, including a rebuttable presumption that the goods from the region and other associated entities are made with forced labor. And while the elimination of forced labor in our supply chains is a human rights imperative, it is also worth noting that the

[25] CRS: https://crsreports.congress.gov/product/pdf/R/R48380#:~:text=day%20under%20the%20de%20minimis,4%20million%20packages%20a%20day.%E2%80%9D&text=Source%3A%20Customs%20and%20Border%20Protection%20(CBP).

practice helped fuel China's rampant overcapacity in a number of sectors, including solar, electric vehicle and battery supply chains, further undermining U.S. industries and workers.

AAM urges enforcement policies that recognize attempts to create or exploit loopholes that undermine the UFLPA, including transshipment, supply chain gimmicks, obscuring supply chains, and other questionable practices intended to evade U.S. law. Unfortunately, the scourge of forced labor is not limited to the PRC, and AAM urges the administration to identify and restrict market access for all items produced with forced labor.

Strengthen Trade Enforcement Tools and Provide Necessary Funding

AAM also strongly believes that it is necessary to maintain and increase funding and resources for the government agencies that enforce our trade laws, collect duties and inspect packages, and prosecute customs fraud and other trade crimes such as duty evasion and transshipment. We must fully enforce and modernize our antidumping and countervailing duty (AD / CVD) tools to keep up with new and evolving tactics used by China and other countries to ship dumped and subsidized product into our market. Even after unfair trade is addressed, importers and foreign producers – often aided by foreign governments – routinely evade duties levied to counter for illegal dumping and subsidization. Stronger penalties should be imposed for fraudulent and grossly negligent violations. However, for these critical government functions to operate effectively, it is vital that robust funding and resources be provided to federal agencies on the front lines of trade enforcement.

Reauthorization of Trade Adjustment Assistance

Similarly, workers who experience job losses or wage reductions resulting from unfair trade and other trade disruptions should have access to Trade Adjustment Assistance (TAA). Regrettably, unnecessary delays in reauthorizing TAA have denied needed assistance and benefits to workers who continue to experience layoffs due to the impacts of trade.

USMCA "Joint Review" Process

With the 2026 "joint review" of the United States-Mexico-Canada Agreement (USMCA) approaching, it is evident that more must be done to ensure that the agreement delivers substantially all benefits to those countries bearing the risks and responsibilities of signing the agreement.

- The United States should insist on improvements to the rules of origin (ROO) to address increasing evidence of an alarming flow of Chinese investments into Mexico at the expense of the production and jobs in the United States. This includes strengthening the ROO for autos, including regional value content (RVC), labor value content (LVC), and steel and aluminum requirements. USMCA ROO loopholes must be closed.

- China's state-owned or affiliated producers of finished vehicles and components should be excluded from accessing the benefits of USMCA and should not be restricted from using the North American market as a destination for avoiding U.S. trade policies and enforcement mechanisms.

- USMCA participants should adhere to strict “melt and pour” and “smelt and cast” requirements for steel and aluminum products, respectively, as a qualifying threshold to ensure that products originating from outside of North America are not permitted to transit through the USMCA region as a means of gaining preferential treatment or avoiding U.S. trade policies and enforcement mechanisms.

- USMCA ROO should be expanded and applied to new products and upstream inputs that were not contemplated in the 2019 negotiations – including semiconductors, metals and other materials, batteries and critical minerals, electronics, and other critical and emerging technologies.

Conclusion

AAM appreciates the opportunity to provide these comments.

Sincerely,

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