

June 16, 2022

Ms. Greta Peisch
General Counsel
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508
[Via comments.USTR.gov](https://www.ustr.gov)

RE: Request for Comments on the statutory four-year review of actions taken under Section 301 of the Trade Act of 1974, as amended, in the investigation of China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (July 6, 2018 Action, as Modified – Request for Continuation of Action / Docket ID: USTR-2022-0007)

Dear Ms. Peisch:

On behalf of the Alliance for American Manufacturing (AAM), we write to request that all of the tariffs currently imposed pursuant to the Section 301 investigation of China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation be extended. This request is being made as part of the statutorily required four-year review process.

About the Alliance for American Manufacturing

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 support 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.

AAM Supports Extension of All Section 301 Tariffs

AAM strongly supported the application of Section 301 tariffs to certain imports from China in response to Beijing's predatory and discriminatory economic practices, including cyber espionage and IP theft and forced technology transfer. Beijing's egregious economic and trade practices are far-reaching, consisting of major structural issues such as massive industrial subsidies, market distorting overcapacity, state-owned enterprises, predatory investment, currency manipulation and misalignment, abhorrent worker rights violations, and harmful environmental practices. Despite its often-repeated empty promises on market reforms, Beijing continues these egregious activities.

As an "interested party" – representing the collective interests of U.S. manufacturers and American workers – we have witnessed the devastation to the U.S. industrial base resulting from China's predatory economic and trade practices. China's decades of destructive trade and economic practices are a primary contributor to the loss of over 90,000 American manufacturing facilities since the late

1990s. 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.¹ With our high domestic consumption rates, this means imports have replaced domestic production throughout our supply chains at an alarming rate. We imported \$1.2 trillion in goods in 2000. By last year, that total surged to \$2.8 trillion, a 133 percent increase, while our GDP grew over the same period at a slower (115 percent) rate. Not only has this replacement led to the loss of five million good, middle-class jobs and devastated communities across our nation, it has left us increasingly dependent on imports, often from adversarial countries like China, for everything from consumer goods and advanced technology products to lifesaving personal protective equipment.

Many of these destructive practices have only worsened during the pandemic, as Beijing has demonstrated its continued willingness to use global disruptions, including the pandemic, to advance its own economic and geopolitical interests. In 2020, an official in China remarked that “it is possible to turn the crisis into an opportunity — to increase the trust and the dependence of all countries around the world of ‘Made in China’.”² China has ramped up its industrial subsidies, strengthened its state-owned enterprises (SOEs), continued its horrific genocide of ethnic minorities, taken the side of Vladimir Putin, broken its promises on Hong Kong, and become more aggressive in the South China Sea and in its threatening posture towards Taiwan.

China has undeniably failed to live up to its commitments under the 2019 Phase One agreement made by the previous administration falling well short on purchases of U.S. agricultural and manufacturing products. Because these promises were not kept, the United States should actively pursue its enforcement rights under that deal – including the restoration of those tariffs that were scheduled to take effect in December 2019. At a minimum, however, the United States must maintain the level of Section 301 tariffs and continue pressuring Beijing to make necessary, promised reforms. Abandoning or eroding the Section 301 tariffs discards our negotiating leverage, is the optimal outcome for President Xi, and subjects U.S. producers and American workers to a flood of imports.

Furthermore, the United States must continue to pressure China to make reforms on issues that were absent from the Phase One agreement. For instance:

- *Subsidies.* Perhaps the most notable omission from the Phase One agreement are the massive industrial subsidies provided by Beijing to Chinese firms deemed important to its economic and security interests. China’s persistent non-market behavior has an enormous, negative effect on markets worldwide, including imposing significant harm to U.S. exporters, import-competing industries, and their workers who are forced to compete against these subsidies. If China’s subsidies are not addressed in a meaningful manner, the United States’ ability to maintain or strengthen its steel, aluminum, glass, paper, cement, solar, wind, electric battery, shipbuilding, and other important sectors will continue to be compromised.
- *Overcapacity.* Driven by subsidies and other government policy actions, China continues to increase production beyond what its own market or the global market can consume across a

¹ “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/>

² “Opinion: How China is planning to use the coronavirus crisis to its advantage,” Josh Rogin. Washington Post. 16 March 2020.

range of industrial sectors. Steel and aluminum are just the tip of the iceberg, and more attention must be paid to dangerous overcapacity concerns in many other industrial sectors. It is necessary for the United States to seek transparent and enforceable commitments by China (and other countries) to curtail excess production and industrial overcapacity.

- *State-Owned Enterprises (SOEs)*. In recent years, Beijing has taken an even greater role in the decision-making and control over its SOEs, as well as “private” companies, with the Chinese Communist Party having a presence within corporate structures to review business decisions before they are presented to the board of directors or management. China’s SOEs receive massive subsidies and are often deeply aligned with Beijing’s broader economic and security goals as parts of its military-civil fusion strategy. This is yet another indication that China is moving further away from its commitments and cementing its status as a non-market economy.

Section 301 Tariffs are Not Responsible for Inflation

Any suggestions made that the Section 301 tariffs are responsible for inflation is absurd. The Section 301 tariffs date back to 2018-19, long before inflation became an issue. U.S. consumers would see little to no benefit from tariff roll backs and any erosion of tariffs will benefit China’s Communist Party and China’s manufacturing sector, which would make up the difference by increasing its prices. The best remedy to supply chain related inflation is to surge U.S. manufacturing and industrial capacity. Our nation cannot afford to be caught unprepared for another national emergency.

U.S. Companies Must Accelerate Reshoring and Relocation from China

Despite all the clear risks associated with making investments in China, it is disappointing that many U.S. companies continue to do so – sending jobs, production, research and development activities, and valuable trade secrets into the vast umbrella of China’s Communist Party, the People’s Liberation Army (PLA), and China’s state-owned and state-directed industrial apparatus. While many companies have not demonstrated a serious commitment to reshoring or even removing their supply chain exposure to the Chinese market, this is not a credible argument for removing the Section 301 tariffs or suggesting that they serve no strategic purpose. Many of the individuals making these statements are the same so-called “experts” who assured us that China would reform when it entered the world trade system in 2001. Since that time, China’s predatory economic behavior has fueled unprecedented trade deficits, hollowed out communities across our nation, and destroyed family-sustaining manufacturing jobs. Every state and nearly every sector of our economy has been harmed by these unsustainable trends. It is vital that the market signal of the Section 301 tariffs remain in place, leading U.S. companies to accelerate the process of relocating supply chains to adjust to the Section 301 tariffs.

AAM Supports a Fact-Based USTR Exclusion Process

In the meantime, AAM strongly supports allowing USTR to continue its fact-based exclusion process without congressional mandates or any other political interference that predetermines an outcome. While an accessible and transparent exclusion process is essential for trade enforcement actions, unwarranted tariff relief may very well signal the demise of a U.S. company that is seeking to establish a market foothold or one that has reinvented itself to fill gaps in our domestic supply chains. USTR has demonstrated its ability to address pressing needs through unprecedented times, including limited granting of exclusions on pandemic goods and a range of other products.

The United States Must Not Revert to Its Previous Posture of Endless Dialogue with China

Prior to the imposition of the Section 301 tariffs, the United States flawed posture towards China – based on stale free market idealism and market access aspirations – was reduced to endless dialogue, polite requests for reforms, broken promises from Beijing, and China’s unabated deployment of unfair practices that undermined U.S. manufacturers, harmed American workers by destroying their jobs, and threatened our national security and public welfare. Those who are calling for Section 301 tariffs to be removed fail to understand what is at stake. In 2018, the USTR finally concluded what has been obvious for years, that the acts, policies, and practices of the Government of China are unreasonable, are discriminatory, and burden and restrict U.S. commerce. China has not yet reformed its practices and we cannot afford to capitulate to its recalcitrance. This is a long-term process that will require a sustained, bipartisan commitment on the part of all U.S. policymakers, including both the current and future administrations. The United States cannot afford to revert to its previous posture of endless dialogue and polite requests for reform. It is essential that we maintain pressure on China, and the Section 301 tariffs – while imperfect – are the most important tool available for this necessary endeavor.

Make no mistake, lifting retaliatory measures before they induce reforms in order to address inflation is ill conceived and inherently flawed given China’s continued reliance on market distorting policies, acts, and practices. It is of the utmost importance to the American manufacturing sector that the Biden Administration continue pressing for reforms that address China’s unreasonable and discriminatory acts, policies, and practices. The measure of success must be rebalancing our lopsided bilateral trade relationship, allowing our industrial base to recover lost ground, and protecting our economic and national security for future generations.

AAM appreciates this opportunity to share our views and request that all Section 301 tariffs be extended. We look forward to again sharing these comments, as needed, during the next submission.

Sincerely,



Scott N. Paul
President
Alliance for American Manufacturing