

**Testimony of Scott N. Paul
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Competition Between the United States and the Chinese Communist Party
Hearing Entitled “The Chinese Communist Party’s Threat to America”
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Chairman Gallagher, Ranking Member Krishnamoorthi, and members of the Select Committee, on behalf of the Alliance for American Manufacturing (AAM) thank you for the opportunity to testify today on an issue of vital importance: The impact of Chinese Communist Party (CCP) policies on America’s national and economic security.

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 American 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.

The economic policies of the CCP represent a clear and present danger to the American worker, our innovation base, and our national security. Fifty-one years of wishful thinking by American leaders, commencing with President Nixon’s visit to China, cresting with President Clinton’s successful push for China’s entry into the World Trade Organization, and culminating with the sudden shift in our strategy during this administration and the last one, have failed to alter that dynamic. While there have certainly been instances of successful collaboration and cooperation, the reality is that our efforts have tragically failed to alter the CCP’s destructive course.

In this testimony, I will frame the key economic challenges presented by CCP policies, describe the devastating impact those policies have had on our nation, and offer suggestions on how Congress can respond and prepare in a pragmatic, bipartisan way. I also want to state unequivocally that our disagreements are not with the Chinese people, who have no opportunity to change their government, or even to disagree with many of its policies, without facing brutal consequences. We must denounce violence and hate directed at Asian Americans, and we must conduct this inquiry in a manner that rejects and condemns any such words or actions.

Economic Challenges Presented by CCP Policies

For decades, **the CCP has telegraphed its intentions** through a series of five-year plans and initiatives such as “Made in China 2025.” The CCP seeks global domination of key industries ranging from steel, aluminum, and critical minerals to robotics, artificial intelligence, and electric vehicles (EVs). It intends to accomplish this by growing state-owned enterprises (SOEs) across many sectors and at critical stages of supply chains using massive state subsidies and other market distorting practices, through which it has a track record of success that has too often gone unchallenged by U.S. policymakers.

We've documented how energy subsidies, ignored pollution controls, direct support, and other mechanisms bolstered China's steel, glass, paper, and tire sectors more than a decade ago.¹ U.S. employment and market share in those industries plummeted in the 2000s as China's share grew. China now produces 54 percent of the world's steel² and 51 percent of float glass³, as well as 75 percent of the world's EV batteries⁴, 80 percent of polysilicon utilized in solar panels⁵, and 80 percent of some active pharmaceutical ingredients and components.⁶

The CCP has sought to accomplish its objectives by drawing in American investment and technology, and it has done so quite successfully. Annual U.S. foreign direct investment in China has grown from \$11 billion in 2000 to \$118 billion in 2021.⁷ Cumulatively, U.S. companies have invested at least \$1.3 trillion in China over that timeframe. U.S. companies bolstered their research and development in China at more than three times their domestic rate from 2000-2017.⁸

While some companies are investing in China to sell there, many others are utilizing China as a factory floor to import goods back into the U.S., essentially shipping American jobs overseas in the process. We've seen that reflected in the trade deficit in goods with China, which rose from \$84 billion in 2000 to a peak of \$418 billion in 2018, settling in at \$383 billion last year.⁹ 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 2018.¹⁰

¹ "Research" page of Alliance for American Manufacturing website. Link:

<https://www.americanmanufacturing.org/research/>

² "December 2022 crude steel production and 2022 global crude steel production totals," worldsteel. Jan. 31, 2023. Link: <https://worldsteel.org/media-centre/press-releases/2023/december-2022-crude-steel-production-and-2022-global-totals/>

³ "Global share of float glass production by region 2019," M. Garside. Statista. Published Apr. 16, 2021. Link: <https://www.statista.com/statistics/702188/flat-glass-production-share-globally-by-region/>

⁴ "China's Role in Supplying Critical Minerals for the Global Energy Transition," LTRC project led by the Brookings Institution and Results for Development. Available at: https://www.brookings.edu/wp-content/uploads/2022/08/LTRC_ChinaSupplyChain.pdf

⁵ "China's Solar Dominance Presents Biden With an Ugly Dilemma," Ana Swanson and Brad Plumer. New York Times. June 24, 2021. Link: <https://www.nytimes.com/2021/04/20/business/economy/china-biden-solar-panels.html>

⁶ "Drug Safety: Preliminary Findings Indicate Persistent Challenges with FDA Foreign Inspections," Government Accountability Office (GAO). GAO-20-262T. Dec. 10, 2019. Link: <https://www.gao.gov/products/gao-20-262t>

⁷ "Direct investment position of the United States in China from 2000 to 2021," statista. Accessed 02 24 2023. Link: <https://www.statista.com/statistics/188629/united-states-direct-investments-in-china-since-2000/>

⁸ "Trends in U.S. Multinational Enterprise Activity in China, 2000–2017," Malden and Listerud. U.S.-China Economic and Security Review Commission: Staff Research Report. July 1, 2020. Link: https://www.uscc.gov/sites/default/files/2020-06/US_Multinational_Enterprise_Activity_in_China.pdf

⁹ "Trade in Goods with China," United States Census Bureau. Link: <https://www.census.gov/foreign-trade/balance/c5700.html>

¹⁰ "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/>

The labor arbitrage that multinational companies have been able to leverage through trade with China has also put downward pressure on manufacturing wages. EPI estimates that from 2001-2011 alone incomes for manufacturing workers were reduced by \$37 billion per year.¹¹

And here I'd like to bust a popular myth: that these are jobs we don't want or need anyway. The truth is just the opposite. Thirty-two percent of our trade deficit with China is composed of advanced technology products such as biotech, aerospace, life sciences, nuclear technology, and higher-end electronics. Thirty-six percent of the jobs lost were in computers and electronic parts. 372,700 more of these job losses were in primary metals, machinery, and fabrication, industries essential to our defense industrial base.¹²

This loss has had profound consequences for America, which I will explore later in the testimony.

The CCP has also captured advantage through intellectual property (IP) theft, cyber hacking, and piracy. The United States Trade Representative has estimate that these crimes cost the U.S. economy between \$225 billion and \$600 billion annually.¹³ Short of government-imposed sanctions and tariffs, there is little victims of this theft can do to recoup losses. Some U.S. businesses operating in China have also opened themselves directly to Chinese firms through government policies requiring joint ventures or forced technology transfers, and then express surprise when they're ushered to the door.

The CCP has powered Chinese economic expansion through export-led growth without regard to market dynamics or the rules of global commerce. 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.¹⁴

It has done so by offering an impossibly cheap "China price." But that price doesn't reflect the true cost of goods. It's masked by state subsidies, lax environmental and labor laws and enforcement, periodic currency misalignment, and incentives for its SOEs to keep producing even if domestic demand is weak. These SOEs are among the largest companies in the world. Of the Fortune Global 500, 91 are Chinese SOEs,¹⁵ so the market impact of CCP policies is not trivial.

The CCP's actions have also distorted global markets and contributed to industrial overcapacity in many key sectors. Firms in China routinely dump imports into foreign markets, and in particular the United States, as we consume about a fifth of the world's products¹⁶ and maintain generally open markets. Chinese products account for a disproportionate share of anti-dumping and countervailing duty orders issued by the United States. Put simply, **the CCP cheats on trade.**

¹¹ Id.

¹² Id.

¹³ "The Theft of American Intellectual Property: Reassessments of the Challenge and United States Policy," The Commission on the Theft of American Intellectual Property by The National Bureau of Asian Research. 2017. Link: http://ipcommission.org/report/IP_Commission_Report_Update_2017.pdf

¹⁴ "China Is the World's Manufacturing Superpower," Richter. Statista article on United Nations data. May 4, 2021. Link: <https://www.statista.com/chart/20858/top-10-countries-by-share-of-global-manufacturing-output/>

¹⁵ "The Biggest But Not the Strongest: China's Place in the Fortune Global 500," Scott Kennedy. CSIS. Aug. 18, 2020. Link: <https://www.csis.org/blogs/trustee-china-hand/biggest-not-strongest-chinas-place-fortune-global-500>

¹⁶ Link: https://en.wikipedia.org/wiki/List_of_largest_consumer_markets

The CCP demands the silence and complicity of global businesses operating in China, and far too often they have complied, at best turning a blind eye to genocide, forced labor, and the exploitation of workers and the environment, and at times incorporating this exploitation into their business model. There is a long list of international companies that have directly or indirectly benefited from forced Uyghur labor.¹⁷ There also are numerous iconic American brands and institutions that rightfully seek justice here at home while remaining silent about the barbaric actions of the CCP because they manufacture or sell there and fear a loss of access. And there is also the particular case of Apple, which, through contractors, produces many goods in China in conditions most of us couldn't imagine. According to some reports, Apple signed a \$275 billion agreement with Chinese officials¹⁸ to achieve a lighter regulatory burden, while claiming it can't produce an iPhone in America.

Finally, **the CCP aggressively fuses together commercial interests with its military ambitions** to such a degree that an extraordinary number of businesses operating in China have direct ties to its military. The Military-Civil Fusion (MCF) strategy, elevated by Xi Jinping in 2014,¹⁹ was designed to close the technology gap with other military powers, utilizing subsidies and closer collaboration between commercial firms and the People's Liberation Army (PLA). This fusion presents multiple challenges to the United States, among them technology transfer in China contributing to the strengthening of its military, and the fact that our consumption of Chinese imports helps fuel this program.

Impact on U.S. Economic Security and Workers

In addition to the job loss, crushing impact on wages and incomes, and harm from IP theft that I described above, the United States is more vulnerable because of CCP policies in several different ways.

First, **we've become too dependent on China as a single source for many essential goods**. During the pandemic this manifested itself as shortages in the United States. China exported more than half of the world's respirators and PPE.²⁰ China dominates production in hardware essential to 5G technology, Internet of Things equipment, and commercial drones. It's also alarming that so many inputs crucial to renewable energy or electrification are centered in China, from polysilicon and solar panels to large capacity batteries and critical minerals.

At the same time, **U.S. manufacturing capabilities have eroded**. We manufacture only about 10 percent of the world's electric vehicles,²¹ 7 percent of lithium-ion batteries,²² 12 percent of semiconductors

¹⁷ "Uyghurs for sale," Xu, Cave, Leibold, Munro, Ruser. Australian Strategic Policy Institute (ASPI). Mar. 1, 2020. Link: <https://www.aspi.org.au/report/uyghurs-sale>

¹⁸ "Apple's Tim Cook signed \$275 billion deal to placate China - The Information," Reuters. Dec. 7, 2021. Link: <https://www.reuters.com/article/apple-china-idCAKBN2IM1HH>

¹⁹ "Commercialized Militarization: China's Military-Civil Fusion Strategy," The National Bureau of Asian Research. June 30, 2021. Link: <https://www.nbr.org/publication/commercialized-militarization-chinas-military-civil-fusion-strategy/>

²⁰ "China Dominates Medical Supplies, in This Outbreak and the Next," Keith Bradsher. New York Times. July 5, 2020. Link: <https://www.nytimes.com/2020/07/05/business/china-medical-supplies.html>

²¹ AAM Testimony Before the U.S. Senate Finance Committee. Link: <https://www.finance.senate.gov/imo/media/doc/Scott%20Paul%20AAM%20Testimony%20Finance%20Trade%20ub%20Hearing%20re%20Supply%20Chains%2006%2015%2022.pdf>

(down from 37 percent in less than a generation),²³ and 4 percent of printed circuit boards.²⁴ There is only one domestic producer of grain-oriented electrical steel needed to build out our energy grid,²⁵ and there are many other examples of greatly diminished capacity in critical industries such as machine tools. While there are policies and investments now in place to address some of these shortfalls, we're starting from a very precarious position.

The sudden shock of Chinese imports impacted American communities and workers well beyond the loss of manufacturing jobs. One study found that areas and industries targeted by this import competition experienced “high unemployment, lower labor force participation, and reduced wages.”²⁶

A follow-up found the import shocks negatively affect the marriage-market value of trade-targeted manufacturing workers by “diminishing their relative earnings ... reducing their physical availability in trade-impacted labor markets, and increasing their participation in risky and damaging behaviors.”²⁷

Yet another study, from academics at the Federal Reserve System and National Bureau of Economic Research and Yale University, found that areas exposed to trade liberalization exhibit higher rates of suicide and related causes of death.²⁸

And other widely cited research, by Anne Case and Angus Deaton of Princeton University, suggests the rising “deaths of despair” among the white working class “are primarily the result of a 40-year stagnation of median real wages and a long-term decline in the number of well-paying jobs for those without a bachelor’s degree.”²⁹

²² “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/>

²³ “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/>

²⁴The Printed Circuit Board Association of America, Link: https://www.pcbaa.org/uploads/1/3/7/8/137883711/pcbaa_one_pager-2.pdf

²⁵ “US electrical steel output vital to infrastructure plans – Cleveland-Cliffs CEO,” S&P Global Market Intelligence. Dec. 1, 2021. Link: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-electrical-steel-output-vital-to-infrastructure-plans-8211-cleveland-cliffs-ceo-67766869>

²⁶ “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” Autor, Dorn and Hanson, National Bureau of Economic Research, May 2012. Link: <https://www.nber.org/papers/w18054>

²⁷ “David Autor: When Work Disappears: Consequences of the Declining Marriage-Market Value of Men for Marriage, Fertility, and Children’s Living Circumstances,” Harvard Kennedy School. Link: <https://inequality.hks.harvard.edu/event/david-autor-when-work-disappears-consequences-declining-marriage-market-value-men>

²⁸ “Trade Liberalization and Mortality: Evidence from U.S. Counties,” Pierce and Schott. Board of Governors of the Federal Reserve System and Yale School of Management & NBER. November 2016. Link: <https://www.federalreserve.gov/econresdata/feds/2016/files/2016094pap.pdf>

²⁹ “Study: Don’t blame opioid crisis on the economy.” Case and Deaton. Opinion. Washington Post. Sept. 12, 2017. Link: https://www.washingtonpost.com/opinions/the-truth-about-deaths-of-despair/2017/09/12/15aa6212-8459-11e7-902a-2a9f2d808496_story.html?utm_term=.ccff4ced1fc9

It should also be noted this pain was not felt exclusively by white workers; multiple reports³⁰ have documented significant job and wage loss inflicted upon workers of color after their sectors were exposed to Chinese import competition.

The Consequences of CCP Economic Strategy were Made Worse by U.S. Neglect

At this point in the crisis, it does little good to assign blame as we work towards solutions. Nevertheless, it's important to understand how we arrived here.

It starts with the granting of Permanent Normal Trade Relations (PNTR) to China in 2000. “If we do this, 20 years from now we will wonder why we ever had a serious debate about it,” said President Bill Clinton at the time to a gathering of Silicon Valley entrepreneurs. “If we don’t do it, 20 years from now we’ll still be kicking ourselves for being so dumb.”³¹ The CCP quickly cashed in the blank check written to it by Congress and the Clinton administration, and it turns out the handful of your colleagues now in Congress who opposed PNTR in 2000 are the voices we should have heeded.

Successive administrations then turned a blind eye to China’s rule bending and rule breaking. There were no lasting consequences when China pegged its currency to the dollar for a decade, nor were there after U.S. law enforcement agencies regularly uncovered massive programs of state-sponsored industrial espionage. And there was nowhere to turn, as China’s unfair trade practices were no match for the World Trade Organization’s faulty dispute resolution process. In fact, WTO panels rebuked multiple US trade enforcement actions. Fortunately, both the Trump and Biden administrations have vigorously criticized the overreach as well as the limitations of the WTO.

Governors actively sought out Chinese SOEs to supply public works infrastructure that displaced American jobs. The center span of the San Francisco-Bay Bridge was awarded to a Chinese SOE that had never built a bridge before. Rail cars were built by the SOE CRRC for transit systems in Boston and Chicago. In perhaps the greatest irony, a firm controlled by the Chinese government was selected to refurbish a bridge over the Harlem River in New York named for Alexander Hamilton, the father of American manufacturing policy. Other Chinese firms, after crushing our domestic industry, swooped in to establish production in the United States, sending the profits back to China, as is the case with Fuyao Glass in Dayton, Ohio.³² None of these projects went off without a hitch. They were often delayed, plagued by faulty quality, or more expensive than promised.

We must confront the reality that the CCP has and will continue to use global disruptions, like the COVID-19 pandemic, to advance its economic and geopolitical interests. In 2020, an official in China

³⁰ Botched policy responses to globalization have decimated manufacturing employment with often overlooked costs for Black, Brown, and other workers of color,” Economic Policy Institute, January 2022. Link: <https://www.epi.org/publication/botched-policy-responses-to-globalization/>, and “The Impact of Trade on Black Workers,” The Groundwork Collaborative, June 2021. Link: <https://groundworkcollaborative.org/wp-content/uploads/2021/06/The-Impact-of-Trade-on-Black-Workers.pdf>

³¹ “Clinton Stumps for Chinese Trade Pact,” Marc Lacey. New York Times. April 4, 2000. Link: <https://www.nytimes.com/2000/04/04/world/clinton-stumps-for-chinese-trade-pact.html>

³² “Fuyao Glass America profitable in 2020 despite pandemic,” Gnau. Dayton Daily News. April 26, 2021. Link: <https://www.daytondailynews.com/local/fuyao-glass-america-profitable-in-2020-despite-pandemic/MKCGGON2X5G2TLIUT3KU2JMD5U/>

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’.”³³

Unfortunately, Congress neglected to include sufficient guardrails as part of previous COVID relief packages. As a result, the *New York Times* reported that more than 125 China-owned or -invested companies received hundreds of millions of dollars in loans from the Paycheck Protection Program — many of them state-owned, with links to China’s military.³⁴

Meanwhile, **some innovations derived from taxpayer-financed federal research were manufactured in China** instead of the United States, as required by law. Take the case of the vanadium redox flow battery. An investigation uncovered the fact this breakthrough technology, made possible by the Pacific Northwest National Laboratory, could have been manufactured by a private sector company in the United States, but instead was produced in Dalian, China.³⁵ This gave China a competitive edge and displaced production and jobs in the United States because of poor enforcement of longstanding rules.

Policy Recommendations to Congress

Federal policy towards China has shifted dramatically over the past six years, with the imposition of tariffs under several auspices of U.S. trade law, sanctions, technology curbs, forced labor prohibitions, and even a signed trade agreement for purchases of U.S. products that was in effect from 2020-2021 but fell considerably short of its targets.³⁶ With those efforts in mind, I’d like to offer several policy recommendations.

We should begin by implementing and enhancing effective measures we have in place to curb the impact of the CCP’s unfair trade practices and to enhance our own economic competitiveness. We need a pragmatic, “all hands on deck” approach to succeed.

First, the **restrictions on semiconductor technology exports** issued by the administration, and bolstered by efforts to enlist allies such as the Netherlands and Japan, have teeth and represent real progress on a major concern. But this should be the first step, and not the last word, in denying the CCP access to a number of key technologies.

Consider also the **Uyghur Forced Labor Prevention Act**, passed nearly unanimously by the last Congress and signed into law by President Biden, that bars certain goods made in China’s Xinjiang province from entering the American market. The law made clear that, supply chains problems or not, the United States will not willingly consume products made by a populace essentially enslaved by the CCP. And the

³³ “How China is planning to use the coronavirus crisis to its advantage,” Josh Rogin. Opinion. *Washington Post*. March 16, 2020. Link: <https://www.washingtonpost.com/opinions/2020/03/16/how-china-is-planning-use-coronavirus-crisis-its-advantage/>

³⁴ “U.S. Small Business Bailout Money Flowed to Chinese-Owned Companies,” Alan Rappeport. *New York Times*. 2 August 2020. Link: <https://www.nytimes.com/2020/08/02/us/politics/virus-china-ppp-small-business-loans.html>

³⁵ “The U.S. made a breakthrough battery discovery — then gave the technology to China,” NPR, 3 August 2022. Link: <https://www.npr.org/2022/08/03/1114964240/new-battery-technology-china-vanadium>

³⁶ “China bought none of the extra \$200 billion of US exports in Trump’s trade deal,” Chad Bown. *PIIE*. July 19, 2022. Link: <https://www.piie.com/blogs/realtime-economic-issues-watch/china-bought-none-extra-200-billion-us-exports-trumps-trade>

policy is working, if we are to judge it by the 2,300 shipments it has stopped as of last month.³⁷ The law must continue to be vigorously enforced, even in the wake of the complaints of various importers.

Congress should review, and then suspend or revoke PNTR for China. The bipartisan U.S.-China Economic and Security Review Commission (USCC) issued such a recommendation in its most recent report,³⁸ and Congress and the administration revoked PNTR for Russia last year. The CCP has ramped up industrial subsidies, strengthened its SOEs, continued a genocide of ethnic minorities, sided with Vladimir Putin, broken its promises on Hong Kong, and become more aggressive in the South China Sea and in its threatening posture towards Taiwan. Despite its empty promises, Beijing continues these egregious activities to the detriment of human rights, U.S. companies and American workers. The CCP doesn't deserve the same trade status as allies such as Taiwan, Norway, or the United Kingdom.

We must also sharpen other trade tools. The **Leveling the Playing Field Act 2.0**, soon to be reintroduced, would enhance the process for U.S. companies and workers seeking to combat unfair trade practices such as dumping, subsidies, and circumvention, all too often practiced by the CCP. Along with this, Congress should also **reform the current “de minimis” policy** under which Chinese firms such as Temu and SHEIN, as well as online retailers like Amazon, have been able to sell or facilitate sales directly to American consumers while evading customs requirements ranging from tariffs to forced labor protections. A U.S. customs official in 2022 referred to the current *de minimis* policy as our country's “free trade agreement with China.”³⁹

Congress and the administration should proceed cautiously with respect to altering or removing existing **trade enforcement actions**. Any proposals to ease imports of finished goods or inputs should be carefully examined to ensure that we're not doubling down on risky global supply chains, making it more difficult to reshore them, or undermining existing producers. While an accessible and transparent exclusion process is essential for trade enforcement actions, unwarranted tariff relief can also signal the demise of a U.S. company trying to establish a market foothold or one that has reinvented itself to fill gaps in our domestic supply chains.

It may be tempting for any administration, past, present, or future, to offer the CCP trade concessions in exchange for progress on previously made commitments on issues like IP theft. **But the CCP has not earned the right to demand trade concessions from the United States**, such as removal of tariffs on its steel, aluminum, and other products. It has a track record of not fulfilling obligations, such as its agreement to purchase U.S. exports, in which it only achieved 58 percent of its purchases.

Congress and the administration must not return to flawed trade policies. AAM supports smart global engagement in the Indo-Pacific region to advance the rights, interests, and futures of American manufacturing and its workers. Yet, as the United States advances Indo-Pacific Economic Framework (IPEF) discussions to deepen economic engagement within the context of our overall Indo-Pacific

³⁷ “U.S. Forced Labor Crackdown Is Tough, But Opaque,” Richard Vanderford. WSJ. Feb. 16, 2023. Link: <https://www.wsj.com/articles/u-s-forced-labor-crackdown-is-tough-but-opaque-a463d6e7>

³⁸ “2022 Annual Report to Congress,” U.S.-China Economic and Security Review Commission. Link: <https://www.uscc.gov/annual-report/2022-annual-report-congress>

³⁹ Tweet by Mara Lee, reporter for International Trade Today: “CBP's John Leonard gets laughs and applause from professionals who import goods with this joke: China has a free trade deal with the U.S.: it's called de minimis. @repblumenauer” Link: <https://twitter.com/mararhymessarah/status/1571998357975093249>

strategy, we can't return to the flawed trade and other policies that created a dangerous reliance on global suppliers or that will exacerbate existing imbalanced trade relationships. The United States must learn from its mistakes, not double down on them. We are long overdue for a new and innovative approach to trade and economic cooperation. It is both possible and desirable to create a trade and economic policy framework that supports a resurgent, domestic manufacturing base.

It should be noted that the United States already has robust engagement in the Indo-Pacific region with multiple trade agreements, alternative Section 232 arrangements with multiple countries, more than \$1 trillion in foreign direct investment in the region, and various defense and security arrangements. Regrettably, the United States also has substantial trade deficits with a handful of key IPEF participants. The United States had massive 2021 trade deficits in the region, including \$90 billion with Vietnam, \$60 billion with Japan, \$41 billion with Malaysia, \$35 billion with Thailand, and \$33 billion with India.⁴⁰

It's also time to devote more scrutiny to the investments U.S. companies are making in China. **Screening outbound investments** could help to avert the offshoring of production capacity to foreign adversaries in critical U.S. sectors. This legislation – backed up by a 2021 recommendation of the bipartisan, independent USCC⁴¹ – merits enactment. Inbound investment reviews, through the Committee on Foreign Investment in the United States, must continue to be strengthened, with special attention focused on greenfield investments.

The bipartisan **Transportation Infrastructure Vehicle Security Act (TIVSA)** was enacted in 2019 to prevent federal assistance administered by the Federal Transit Administration from being used to purchase rolling stock equipment from China's state-owned, -controlled, and -subsidized firms. These firms have continued lobbying to be excluded from TIVSA so that they can regain access to U.S. taxpayer-supported procurements. They are attempting to divert policymakers' attention away from the threat they pose to American workers throughout U.S. supply chains, as well as their documented connections to the CCP, the PLA, and restricted entities like Huawei. If anything, **TIVSA should be expanded to other public investment funding streams.**

I believe a bright future for American manufacturing is possible, even in the wake of the CCP's destructive policies. We see examples over the past several years of where public policies have invited new investments. Domestic steel and aluminum industry capital investment has boomed since 2018.⁴² EV charging network companies have established operations all over America thanks in part to new public investments and domestic preference rules.

Semiconductor makers Intel, Texas Instruments, TSMC, GlobalFoundries, and others have announced new plants in America, based in part on CHIPS Act support. Ford, General Motors, and other automakers and partners are establishing EV production and battery plants in the United States rather than overseas in part because of USMCA domestic content rules, other existing trade policies, and public-private

⁴⁰ U.S. Trade in Goods by Country, United States Census Bureau. Link: <https://www.census.gov/foreign-trade/balance/>

⁴¹ "2021 Annual Report to Congress," USCC. Link: <https://www.uscc.gov/annual-report/2021-annual-report-congress>

⁴² "U.S. Section 232 tariffs lifted the steel industry—and should be continued," Economic Policy Institute. Press Release. March 24, 2021. Link: <https://www.epi.org/press/u-s-section-232-tariffs-lifted-the-steel-industry-and-should-be-continued-new-study-shows-steel-import-measures-benefited-workers-and-created-jobs/>

partnerships to build out charging networks. Solar manufacturers are not only building more factories in America, many of them are now seeking start-to-finish domestic supply chains thanks to tax credits.

Just a generation ago, some economists predicted large new factories or boosts in manufacturing jobs would ever be possible again because of automation and import competition. But we've seen a recent surge in manufacturing job growth and private sector investment leveraged through public support under the bipartisan infrastructure law, the CHIPS Act, and the clean energy manufacturing components of the Inflation Reduction Act. In semiconductors, the private sector has committed to at least \$200 billion in new American investments.⁴³ Companies have announced well over \$100 billion in battery, EV, and related supply chain investments.⁴⁴ And more are coming.

But we should not pretend that a short-term focus on these supply chains alone will right the ship. According to a 2022 CSIS study, China spends 1.73 percent of its GDP on identifiable industrial subsidies, or \$407 billion exchange rate weighted equivalent. By contrast, the U.S. spends 0.39 percent for this purpose.⁴⁵ The CHIPS Act investment is exponentially smaller than what China is prepared to invest in semiconductors: \$150 billion.⁴⁶ We don't need to spend that much, but we do need to be much more intentional about policies to strengthen supply chains for the long haul. A good place to start is with the other critical sectors identified in reviews of the defense industrial base during the last administration and critical supply chains in this one, including, but not limited to, pharmaceuticals, microelectronics beyond semiconductors, specialty metals, and critical minerals. And, as the last two administrations have demonstrated, utilization of the Defense Production Act and other extraordinary mechanisms should be considered whenever it makes sense to safeguard our economic and national security.

Conclusion

In closing, I'd like to thank the Select Committee for ensuring that a broad range of concerns are explored throughout your inquiry. As someone who stood on the floor of the House of Representatives, staffing the lawmakers opposed to PNTR for China in 2000, I was appalled by the bipartisan naïveté on display. This was prior to 9/11 and after the collapse of the Soviet Union, with American hubris at a high point. Many took it for granted that the CCP would see the light and open its markets, its governance, and its society. That misplaced confidence, coupled with ignoring the CCP's broken promises over the next decade and more, aided Beijing's military and economic ambitions, weakened our supply chain

⁴³ "The CHIPS Act Has Already Sparked \$200 Billion in Private Investments for U.S. Semiconductor Production," Semiconductor Industry Association. Link: <https://www.semiconductors.org/the-chips-act-has-already-sparked-200-billion-in-private-investments-for-u-s-semiconductor-production/#:~:text=The%20total%20impact%20of%20the,the%20U.S.%20semiconductor%20supply%20chain>

⁴⁴ "FACT SHEET: Biden-Harris Administration Announces New Standards and Major Progress for a Made-in-America National Network of Electric Vehicle Chargers," The White House. Feb. 15, 2023. Link: <https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/15/fact-sheet-biden-harris-administration-announces-new-standards-and-major-progress-for-a-made-in-america-national-network-of-electric-vehicle-chargers/>

⁴⁵ "Red Ink: Estimating Chinese Industrial Policy Spending in Comparative Perspective," DiPippo, Mazzocca, Kennedy, Goodman. CSIS. May 23, 2022. Link: <https://www.csis.org/analysis/red-ink-estimating-chinese-industrial-policy-spending-comparative-perspective>

⁴⁶ "Exclusive: China readying \$143 billion package for its chip firms in face of U.S. curbs," Julie Zhu. Reuters. Dec. 13, 2022. Link: <https://www.reuters.com/technology/china-plans-over-143-bln-push-boost-domestic-chips-compete-with-us-sources-2022-12-13/>

resilience and defense industrial base, and hollowed out our middle class, destabilizing communities across our Industrial Heartland in the process. We know because AAM has spent countless hours in these communities, and we also know these concerns transcend politics, race, and geography. There is a strong desire on the part of your constituents for action.

The CCP and its agents will fight every step of the way, as my fellow panelists can attest. At AAM, we've been a target of cyber hacking, and many of our stakeholders have been the victims of the PLA's industrial espionage campaign. In an attempt to weaken our resolve and our resources, a Chinese company unsuccessfully sued us with a frivolous libel claim because we championed the TIVSA law. We remain undeterred, as this mission is too important. I believe the U.S. now has the seeds of policy in place to realign our supply chains and develop our domestic capabilities, but more needs to be done. We look forward to working with you throughout this process.