

April 22, 2024



Mr. Juan Millan
Acting General Counsel
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508
Submitted via [regulations.gov](https://www.regulations.gov)

RE: Request for Comments on Promoting Supply Chain Resilience (USTR-2024-0002)

Dear Mr. Millan:

The Alliance for American Manufacturing (AAM) appreciates the opportunity to provide comments in response to the Office of the United States Trade Representative's Request for Comments on Promoting Supply Chain Resilience (USTR-2024-0002).

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 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.

Responses to USTR Questions

AAM commends the USTR for undertaking this initiative to inform an improved trade policy vision promoting resilient domestic supply chains. We value the opportunity to provide comments and be a constructive partner to USTR and the administration as we seek to achieve our shared goal of a strong U.S. manufacturing base and workforce. To inform the development of trade and investment policy initiatives that promote supply chain resilience, AAM provides responses to the questions posed in USTR's Notice.

1. How can U.S. trade and investment policy, in conjunction with relevant domestic incentive measures, better support growth and investment in domestic manufacturing and services?

America's manufacturing companies and workers have seen firsthand the results of decades of flawed trade and investment policies that have hollowed out the American manufacturing sector and left us vulnerable to fragile, unreliable supply chains. AAM has been at the forefront of those warning that this poses a grave economic and national security risk to the United States. A supply chain vision that relies on "just-in-time" delivery from unreliable and potentially hostile trading partners has been, and will continue to be, dangerous for U.S. economic and national security.

U.S. trade and investment policies are critical elements of a comprehensive approach to promoting the growth of domestic manufacturing, jobs for America's workers, and supply chain resiliency. However, these are only part of a comprehensive supply chain strategy, as robust

domestic incentives are also necessary for growth and investment in domestic manufacturing. AAM is pleased to see the efforts of the Biden Administration in its whole-of-government approach to forge a new approach to trade and investment policy that promotes supply chain resilience. We note that several significant actions have been taken to incentivize private sector investments in U.S. manufacturing, including enactment and ongoing implementation of the *CHIPS and Science Act*, the *Inflation Reduction Act*, and the *Infrastructure Investment and Jobs Act*.

AAM urges that the administration continue to prioritize adoption of a comprehensive approach that prioritizes both trade and investment policy in conjunction with relevant domestic incentive measures. Trade, tax, and investment tools coupled with robust preferences for domestic products are all necessary to rebuild lost and fragile supply chains.

2. What existing or new tools could help ensure that growth in domestic manufacturing and services does not undergo the same offshoring that we have experienced over the past few decades?

To address supply chain resiliency, as well as anticipate and prepare for future crises, we must acknowledge how we got here and what went wrong. As USTR undertakes this initiative to inform an improved trade and investment policy vision promoting resilient domestic supply chains, it is of the greatest urgency that the United States continue moving away from the past approach that fostered continued and growing reliance on imports and maintain the current focus on efforts that increase our own production capabilities.

We must also 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 products 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.

We have seen countries, most notably the People's Republic of China, that are willing to "weaponize" supply chains to advance their political and security interests to the detriment of others. We must insulate ourselves from such measures.

Rebuilding supply chains will chart a course for a stronger future and create millions of new, well-paid jobs along the way. While we note that several significant steps have already been taken to advance an industrial policy to supercharge domestic manufacturing and grow supply chains, there is more that must be done.

Make Trade Work for All Americans

The "three-legged stool" of U.S. trade policy that includes expansion, enforcement, and adjustment provides a sound framework for American manufacturing and its workers. Regrettably, U.S. policymakers have all too often neglected enforcement and adjustment as the United States has sought to expand foreign market access and facilitate imports. Congress and the administration must not return to flawed trade and other policies that created a dangerous reliance on global suppliers or that will exacerbate existing imbalanced trade relationships.

Instead, as the United States seeks global engagement, we must work to advance the rights, interests, and futures of American manufacturing and its workers.

- AAM supports long-term **reauthorization of Trade Adjustment Assistance (TAA)** for workers who experience job losses or wage reductions resulting from unfair trade and other trade disruptions. Unnecessary delays in reauthorizing TAA have denied needed assistance and benefits to workers who continue to experience layoffs due to the impacts of trade.

Support Strong Trade Enforcement Tools

China's predatory industrial policies and unfair trade practices are an everyday reality for U.S. manufacturers and their workers and a broader existential danger to our free and rules-based market economy. Morning Consult [polling](#) found that 87% of voters agree the federal government should crack down on unfair trade practices.

It is critically important that our trade policies be closely aligned and coordinated with supply chain resiliency efforts. To create the market conditions that allow for the incubation of new technologies into domestic production, manufacturers should have the confidence that they will not be wiped out by a surge of subsidized imports from foreign state-owned enterprises seeking to capture our markets. U.S. companies and American workers are among the most efficient, hardworking, and capable in the world, but even they cannot compete against predatory foreign governments determined to dominate supply chains and use them as a weapon of foreign coercion. We need to enforce our trade laws to ensure a level playing field for American workers and manufacturers.

- AAM urges modernization of U.S. trade enforcement laws to keep up with new and evolving tactics used by the PRC and other countries to circumvent U.S. trade laws. Specifically, AAM supports the **Leveling the Playing Field Act 2.0 (S. 1856 / H.R. 3882)**, which 1) addresses "country hopping" tactics, 2) counters Belt and Road subsidies to other countries, and 3) accelerates investigation timelines. Morning Consult [polling](#) found that 87% of voters agree the federal government should crack down on unfair trade practices.
- AAM urges **reforms to U.S. de minimis rules** which are routinely exploited to evade trade enforcement and Customs and Border Protection (CBP) inspections for forced labor and other priorities. Specifically, AAM supports the **Import Security and Fairness Act (S. 2004 / H.R. 4148)**, which removes goods from non-market economies (NME), such as the PRC, from qualifying for *de minimis* treatment. Morning Consult [polling](#) found that by a nearly 3-1 margin voters support reforming *de minimis*.
- AAM supports strengthening tools to address unlawful efforts to evade trade enforcement duties for illegal dumping and subsidization. AAM supports the **Fighting Trade Cheats Act (S. 805 / H.R. 2667)**, which enhances penalties for fraudulent and grossly negligent violations, allows for the suspension of importing privileges of bad actors, and unlocks private resources to supplement those used by the CBP for enforcement.

Support Trade Tools that Safeguard U.S. Economic and National Security

AAM strongly supports the Section 232 tariffs on steel and aluminum, as these industries are critical for our national defense and various critical infrastructure sectors. Massive and growing global overcapacity, persistent market distorting practices by many countries, and dangerous

import levels put U.S. steel production and American workers in an untenable position that required action.

Action taken by the previous administration and reaffirmed by the Biden administration has been critical to ensuring that America's national security is not harmed by a flood of unfairly traded steel and aluminum and massive overcapacity in the global marketplace. Simultaneously, the Section 232 action has successfully improved market conditions for domestic industry allowing for significant U.S. investments and jobs.

- AAM is deeply concerned that Mexican steel imports now “exceed historic volumes of trade” and are “surging meaningfully” into the U.S. market. This was a clear stipulation of the 2019 agreement to lift the Section 232 tariffs on steel imports from Mexico, which have surged 73 percent as compared to pre-232 levels. Some products, such as steel conduit, have risen 577 percent. AAM urges the administration to address this surge of Mexican steel imports and, specifically, supports the ***Stop Mexico's Steel Surge Act (S. 3917 / H.R. 7638)***, which reinstates the Section 232 tariffs on Mexican steel imports.
- AAM also urges application of a strict “**melted and poured**” and “**smelted and cast**” requirement regarding imports of steel and aluminum, respectively, from Mexico. It is critical that steel originating from countries that are not USMCA signatories and that are otherwise subject to Section 232 tariffs not be permitted to transit through Mexico as a means of avoiding tariffs. Adopting these standards will ensure that the benefits of the 2019 agreement are limited to Mexico and do not extend to other countries, such as China, through backdoor access.

Support Investment Policies that Enhance U.S. Economic and National Security

AAM urges the adoption of stronger oversight mechanisms to identify the potential outsourcing of critical U.S. supply chains and to require U.S. companies to report certain planned outbound investments to foreign and nonmarket economy countries like China. Morning Consult [polling](#) found that more than six times as many voters (76%-12%) agree that the federal government should be able to prohibit American corporations from investing in manufacturing abroad when U.S. security is at risk.

AAM appreciates President Biden's executive order 14105, *Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern*, which requires that U.S. persons notify the Department of the Treasury when they invest in China under a narrow scope of covered transactions in key critical areas.

- AAM recommends that the administration build upon this and **expand outbound investment review to more sectors**, including critical minerals, large capacity batteries, pharmaceuticals and active pharmaceutical ingredients, and other sectors. Several Executive Orders and reports have identified different, but largely overlapping, sectors. This highlights the need for a more expansive outbound investment review process backed up by adequate funding and resources available to properly implement oversight and enforcement.
- AAM also supports the ***National Critical Capabilities Defense Act (S. 2678 / H.R. 3136)***. Backed up by a 2021 recommendation of the bipartisan, independent U.S.- China Economic and Security Review Commission, this bill establishes an outbound investment review

process designed to avert the offshoring of production capacity to foreign adversaries in critical U.S. sectors.

Hold the Chinese Communist Party (CCP) Accountable

Despite its empty promises, the CCP has ramped up industrial subsidies, strengthened its SOEs, committed 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. Morning Consult [polling](#) found that 72% of voters agree Congress should increase tariffs imposed on China in response to unfair trade practices (51%) or keep them the same 21%. Only 6% support decreasing tariffs on China.

- AAM supports addressing the **looming surge of Chinese automobiles into the U.S. market**, which, unless action is taken, could end up being an “extinction-level event” for the domestic auto sector, its workers, and our vast industrial supply chain that is critical to U.S. economic and national security. AAM recently issued a [report](#) outlining the threat and calling on policymakers to counter this danger by boosting trade enforcement tools.
- As it pertains to the United States-Mexico-Canada Agreement (USMCA), AAM has urged that the United States **fully enforce and tighten USMCA rules of origin (ROO) for all automobile content** to ensure that its signatories benefit from the agreement in an equitable manner. With the 2026 “joint review” of USMCA approaching, the United States should insist on robust and transparent application of the agreement’s ROO – including regional value content (RVC) and labor value content (LVC) requirements – with emphasis on metals, batteries, and other new technologies.
- AAM has also recommended that U.S. negotiators insist on **excluding China’s state-owned or affiliated companies from benefiting from USMCA** by setting up facilities in Mexico or Canada as a means of avoiding U.S. trade policies and enforcement mechanisms. Data indicates an alarming flow of investments into Mexico at the expense of the United States.
- AAM supports the **continuation of the Section 301 China tariffs**. Abandoning or eroding the Section 301 tariffs would discard our negotiating leverage, be the optimal outcome for President Xi, and, worst of all, subject U.S. producers and American workers to a flood of imports. Morning Consult [polling](#) found that three-fourths of voters support maintaining the Section 301 tariffs on Chinese goods. Ambassador Tai recently suggested that USTR is making progress on the long-awaited review of the section 301 tariffs applied to imports from China. Again, these tariffs must be maintained and enhanced where existing tariff levels have proven to be inadequate. Automobiles produced by Chinese companies – whether shipped directly to the United States or assembled in third party countries – are a prime example of the need to evaluate the effectiveness of existing Section 301 levels and strategically strengthen them, as appropriate.
- AAM supports acting to review, and then **suspend or revoke Permanent Normal Trade Relations (PNTR) for China**, as recommended by the bipartisan U.S.-China Economic and Security Review Commission (USCC). The CCP doesn’t deserve the same trade status as allies such as Taiwan, Norway, or the United Kingdom. Morning Consult [polling](#) found that a

majority (57%) of voters support the revocation of China's permanent normal trade relations (PNTR) status.

- AAM supports full implementation and enforcement of the ***Uyghur Forced Labor Prevention Act (UFLPA)***, which makes clear that the United States will not willingly consume products made by a populace essentially enslaved by the CCP. The law's "rebuttable presumption" standard must be vigorously enforced with full transparency. Moving forward, and specific to automobiles, AAM urges full implementation and enforcement of the Uyghur Forced Labor Prevention Act (UFLPA) with additional emphasis on metals, automotive parts, and battery content and raw materials utilized in EVs. No American consumer should unwittingly aid the Chinese Communist Party's genocide against vulnerable ethnic populations, and no American business should be made to compete with forced labor overseas.
- AAM opposes "**Market Economy**" status for Vietnam, which would weaken trade remedies for U.S. industries confronted by unfair trade. Moreover, premature graduation to market economy status will exacerbate existing economic trade distortions, further bloat the U.S.'s huge trade deficit with Vietnam, erode the U.S. manufacturing base, reinforce Vietnam's position as a vector for a flood of unfairly-traded Chinese goods circumventing existing trade measures and Uyghur Forced Labor Prevention Act ("UFLPA") rules against forced labor by China, and lead to the significant loss of U.S. jobs nationwide while undermining U.S. supply chain resiliency. In addition, approaches that grant market-oriented sector or market-oriented business status are unacceptable.
- AAM appreciates that the USTR is conducting a **Section 301 investigation on China's maritime, logistics, and shipbuilding sector**. For decades, China has carried out a comprehensive strategy to dominate global transportation and logistics networks – threatening both U.S. economic and national security. 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.

Restrictions on Access to Federal Resources by Entities of Concern

AAM supports ensuring that federal tax dollars and other forms of federal assistance are not available to entities that are owned by or affiliated with the foreign government or militaries of countries that are uncooperative or pose risks to our economic and national security interests. We must confront the reality that China's government has used and will continue to use global disruptions 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'."¹

As an example of how this can undermine U.S. interests, Congress neglected to implement sufficient guardrails as part of pandemic 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 (PPP) – many of them state-owned with concerning links to China's military.² The PPP program was created at the start of the

¹ "Opinion: How China is planning to use the coronavirus crisis to its advantage," Josh Rogin. Washington Post. 16 March 2020.

² "U.S. Small Business Bailout Money Flowed to Chinese-Owned Companies," Alan Rappeport. *New York Times*. 2 August 2020.

COVID-19 shutdowns to keep America's small businesses afloat and keep workers employed during this unprecedented crisis – not to support the CCP's ambitions. The reporting was based on research by [Horizon Advisory](#).

- Sec. 7613 of the FY 2020 National Defense Authorization Act, also known as the ***Transportation Infrastructure and Vehicle Security Act (TIVSA)***, prohibited the use of U.S. federal assistance by transit project recipients to purchase vehicles from such restricted entities that are state-owned or -supported. At the time, these firms were securing lucrative *transit* contracts in major U.S. cities, and their business model of importing parts and components from China for U.S. assembly threatened U.S. supply chains and raised serious security concerns. Both [labor organizations](#) and [industry](#) sectors raised concerns in support of the TIVSA law.
- Loopholes remain in the TIVSA law and are being exploited by China's state-owned and -supported companies through funds administered by the Environmental Protection Agency (EPA) and Federal Aviation Administration (FAA). Congress and the administration should work to **close remaining loopholes in the TIVSA law**.

Bolster Supply Chain Coordination

Despite the supply chain crisis that followed on the footsteps of the pandemic, the federal government still does not currently have the complete set of tools and authorities to identify, prevent, and mitigate supply chain vulnerabilities before they spiral out-of-control. There is an appropriate role for the federal government to provide leadership, coordination, a supportive policy framework, and, if necessary, grants, loans, and other forms of federal assistance directed to domestic production expansion where the vulnerabilities are most critical.

AAM appreciates that the Biden administration took prompt action to address supply chains even in the absence of Congress producing legislation. This includes 100-day reviews of semiconductors, batteries, critical minerals and materials, and pharmaceuticals and active pharmaceutical ingredients conducted in early 2021 with results and recommendations published in June 2021. And in February 2022 seven departments complemented the administration's supply chain review efforts by releasing reports identifying key weaknesses in some of the nation's most crucial supply chains and devising multi-year strategies to address those weaknesses.

- AAM supports the establishment of an Office of Economic and Security Preparedness and Resilience, which would monitor, coordinate and set priorities to support supply chains and domestic production for materials deemed crucial for national security in the context of the U.S. rivalry with China. Specifically, AAM supports the ***SHIELD Act (H.R. 5703)***.
- AAM supports the creation of a dedicated federal office or high-level position within an existing office with the necessary clout to direct supply chain efforts and to implement a comprehensive and coordinated supply chains strategy with participation of private sector stakeholders and other key departments and agencies. Specifically, AAM supports the ***Supply CHAINS Act (H.R. 763)***, which creates a Supply Chain Resilience and Crisis Response Office at the Department of Commerce charged with leading a whole-of-government approach to identifying and addressing supply chain vulnerabilities.

- AAM supports the establishment of **dedicated mapping and monitoring tools** and authorities for the federal government to identify supply chain gaps before they become full blown crisis. There is a demonstrated need for the federal government to provide support where the private sector is either unable, or unwilling, to identify supply chain vulnerabilities on its own. Many large corporations have only limited knowledge of even their own supply chains. Vulnerabilities lurking among their tier-2 or tier-3 suppliers could pose significant problems for the broader economy or to the health and safety of Americans.
- AAM supports **creating voluntary standards and best practices** that can be used to address supply chain vulnerabilities. These tools would be immensely valuable to small- and medium-sized companies that are critical to U.S. supply chain resiliency but often do not have the resources or know-how to do this on their own. Even for larger firms, being able to recognize the scale of potential supply chain disruptions in advance would be valuable for their own bottom line and beneficial to the country. With better public-private coordination, the private sector can proactively identify and address supply chain vulnerabilities before government intervention is necessary.
- AAM supports **capitalizing a robust supply chain resiliency fund** that can provide a mix of loans, loan guarantees, grants, and other forms of financial assistance where there is a demonstrated need. It is important that critical supply chains strengthened by federal dollars should be those here in America, not offshore.

Fully Enforce Buy America and Other Domestic Content Incentives

Buy America and Buy American policies applied to government procurement and federal assistance are long-standing and highly successful policies that ensure that American tax dollars support American manufacturers and workers.

- The “Build America, Buy America” (BABA) Act enacted in the 2021 IIJA strengthens Buy America laws applied to federally assisted infrastructure projects. Existing laws were limited in coverage, eroded by waivers, and narrowed further by years of agency loopholes. As a result, billions of federal assistance infrastructure dollars have been sent abroad to countries like China, denying critical opportunities for U.S. companies and their workers to expand domestic production. Morning Consult [polling](#) found that 83% of voters support Buy America policies for infrastructure projects. AAM has urged federal departments and agencies to **accelerate and fully implement BABA** in a manner consistent with congressional directives and by avoiding “general” waivers that erode Buy America coverage.
- With regard to clean energy incentives, AAM has been concerned by Treasury Department guidance implementing **domestic content bonus tax credits** established under §§ 45, 45Y, 48, and 48E of the Internal Revenue Code (IRC) authorized by the *Inflation Reduction Act of 2022* (IRA) (Pub. L. 117-169). The purpose of this novel tool was to incentivize the use of American-made iron, steel and manufactured products in clean energy projects subsidized with taxpayer dollars and to provide market certainty to U.S. companies investing in their productive capacity for the components and upstream supply chain. However, as drafted, AAM is concerned that the domestic content bonus credits guidance won’t deliver the market results expected by policymakers. Simply put, the proposed origin standards in the Treasury guidance mean clean energy projects will “satisfy” the domestic content requirement while incorporating massive amounts of foreign content and doing little to

create demand for truly domestic components. And U.S. taxpayers will be on the hook for the bonus credit afforded to these projects.

Empower Consumers to Strengthen the American Economy

U.S. consumers place great value in a "Made in USA" labeling because they believe the product to be of the highest quality, it was produced by fairly compensated American workers in environmentally responsible and safe manufacturing facilities, and for its association to national pride. Congress must ensure that consumers have the basic information necessary to make purchasing decisions.

- AAM supports **modernizing U.S. labeling laws** that predate the e-commerce era by requiring clear disclosure of the country-of-origin labeling in a website description of a product. Morning Consult [polling](#) found that 79 percent of Americans believe online retailers should be required to provide the same country-of-origin information as in-person retailers, and 81 percent would purchase more American-made goods if they could. Specifically, AAM supports the *COOL Online Act* (S. 1421).

Prevent the Outsourcing of Taxpayer-Funded Innovations

In August 2022, an investigation uncovered that breakthrough battery technology made possible by taxpayer-financed federal research could have been manufactured by a private sector company in the United States, but instead was produced in China. This gave China a competitive edge and displaced production and jobs in the United States because of poor enforcement of longstanding rules.

- AAM supports strengthening current laws that require federally funded research inventions to be manufactured in the United States. Specifically, the ***Invent Here, Make Here Act (S. 1956)*** requires the Made in America Office (MIAO) at OMB to sign off on any waivers that would allow taxpayer-funded innovations to be manufactured outside the United States and prohibits the issuance of waivers for any "country of concern" (currently China, Russia, North Korea, and Iran).
- AAM appreciates that the Biden Administration has taken initial steps to address these challenges via an **"invent it here, make it here" executive order**.

3. How can U.S. trade and investment policy promote a virtuous cycle and "race to the top" through stronger coordination and alignment on labor and environmental protections within trusted networks among regional and like-minded trading partners and allies?

While supply chains centered in trusted networks and among like-minded trading partners are preferable to those among adversaries and unreliable trading partners, AAM warns that so-called "friend-shoring" is not a substitute for a strong and resilient domestic supply chain. While we recognize that the United States has important security and trade relationships with our allies, and we can and should utilize those where it makes sense, the primary solution should not be to double down on imports or more globally integrated supply chains. Our vulnerabilities reflect an outdated notion of the benefits of hyper-globalization, where our consumers, workers, domestic businesses, and our national security suffer. We must break the vicious cycle of implementing policies that reward imports over domestic production.

There are, however, many areas in which stronger coordination within trusted networks do have the potential to replace the vicious cycle with a virtuous one. For instance, the *Uyghur Forced Labor Prevention Act* bars certain goods produced in China's Xinjiang province from entering the American market. This law must continue to be vigorously enforced with full transparency. There remain bad actors who are seeking to evade UFLPA through transshipments and other tactics, and international cooperation with our allies and trading partners is necessary both to reduce transshipment of forced-labor-produced goods and also to make clear that the free world stands together against forced labor.

It is also critical that trade agreements adhere to strong, enforceable, and transparent labor and environment titles to create a global marketplace that is fair, equitable, and protects workers around the world and the communities in which they live. Moreover, trade plays a key role in addressing accelerating industrial decarbonization, and collaborative work with trusted partners can be transformative.

AAM observes that the United States and the European Union continue to evaluate the potential for a Global Arrangement on Sustainable Steel and Aluminum arising from the Section 232 process. While those discussions have yet to produce a workable and enforceable agreement, they arise from an understanding that those who are committed to decarbonization are at risk from predatory trade practices from those who lack that commitment.

The United States must continue to press for strong and enforceable agreements and joint cooperation to meet our worker and environmental goals.

4. What are examples of trade and investment policy tools that potentially could be deployed in the following sectors to enhance supply chain resilience? In these sectors, what features of the current policy landscape are working well, or less well, to advance resilience?

With respect to these sectors, AAM directs USTR's attention to the lengthy list of policy recommendations outlined under question #2. AAM provides further information below.

Critical minerals, including for electric vehicle and large-scale energy storage batteries, and related recycling.

AAM supported the assembly and battery content sourcing requirements imposed by Congress in the Inflation Reduction Act (IRA) necessary to qualify for the **Clean Vehicle Tax Credits**. However, it is critical that the measure be implemented consistent with both the letter and the spirit of the law, in a manner that ensures that upstream content and raw materials from China do not benefit.

By setting origin requirements at both the critical mineral "extraction and processing" stage as well as the battery component "manufacture or assembly" stage, Congress intended for the economic benefits of the tax incentive to be accrued by an entire supply chain, including upstream participation of raw materials, and not merely at the final stage of manufacturing. Permissive origin standards for components, in this context, threaten to undermine the domestic production of electric vehicle battery technology.

Accordingly, the United States must ensure that any critical minerals agreements are tightly constructed to prevent backdoor access for China or any other third party seeking to use transshipment or other circumvention policies to disguise the true origin.

Pharmaceutical and medical goods.

AAM observes that during the pandemic, the CCP engaged in so-called mask and vaccine “diplomacy” using shipments of PPE to garner political support and foster diplomatic gains. We must fully acknowledge our pharmaceutical supply chain vulnerability and its implications should the CCP attempt to use it as leverage.

Christopher Priest, principal deputy to the deputy assistant director of healthcare operations of the Defense Health Agency, told the U.S.-China Economic and Security Review Commission (USCC):

“The national security risks of increased Chinese dominance of the global API market cannot be overstated ... Should China decide to limit or restrict the delivery of APIs to the U.S. it would have a debilitating effect on U.S. domestic production and could result in severe shortages of pharmaceuticals for both domestic and military uses.”

These threats are not the first time China has sought to weaponize a dependency. In 2010, after Japan’s navy arrested a Chinese fishing boat captain near disputed islands in the South China Sea, the CCP retaliated by halting exports of rare earth exports for several months.

AAM urges continued, robust federal support for the **Advanced Pharmaceutical Manufacturing (APM) Tech Hub**, led by the Commonwealth Center for Advanced Manufacturing.³ This effort “seeks to accelerate the growth, innovation, and sustainability of the U.S.-based APM industry to re-shore safe and affordable medicines via innovative hybrid and continuous flow manufacturing technologies.” This center was designated as one of 31 inaugural Tech Hubs in regions across the country that show potential for rapid growth in key technology sectors.

Semiconductors, microelectronics, and inputs thereto.

With the passage of the *CHIPS and Science Act*, Congress and the Biden administration took a bold and necessary step to advance America’s global leadership in the technologies of the future. Since CHIPS became law in August 2022, companies have privately invested more than [\\$350 billion](#) across 25 states and announced 83 new semiconductor ecosystem projects and 50,000 jobs in the United States semiconductor ecosystem.

The United States should build on this progress by taking additional steps to strengthen its microelectronics supply chain, including domestic printed circuit board (PCB) production.

Though semiconductors are the powerhouses of virtually all advanced technology, from cars to smartphones to medical equipment, computer chips cannot work together or with other components until they are assembled onto a PCB. PCBs serve as both a map and a roadway for semiconductors.

³ <https://www.eda.gov/funding/programs/regional-technology-and-innovation-hubs/2023/Advanced-Pharmaceutical-Manufacturing-Tech-Hub>

America is alarmingly reliant on foreign suppliers for PCB. At one time, the U.S. produced [more than 26%](#) of the world's PCBs, but, over the past two decades, domestic PCB production has shrunk to barely 4%. Meanwhile, 90% of the world's PCB supply comes from Asia, and 56% comes from China alone. This dominance is no coincidence.

In a joint [2022 supply chain review](#), the Commerce Department and the Department of Homeland Security detailed Beijing's rapid rise as a PCB producer through massive subsidies. The report noted that American PCB manufacturers are "often older than their Asian counterparts" and face a "catch-22 situation where inefficiencies prevent them from winning significant projects, yet the plants cannot upgrade for efficiency without more capital from significant projects."

AAM directs USTR's attention to the ***Protecting Circuit Boards and Substrates Act (H.R. 3249)***, which would establish a \$3 billion program, modeled on the CHIPS and Science Act, to fund U.S. PCB factory construction, workforce development and R&D. Additionally, the legislation would provide a 25% tax credit for the purchase of American-made PCBs.

5. What additional sectors may need dedicated trade and investment policy approaches to advance supply chain resilience? What should such approaches entail? With respect to those sectors, what features of the current policy landscape are working well, or less well, to advance resilience?

AAM recommends a strong and comprehensive approach to trade and investment policy applied to critical infrastructure. This includes transit, passenger and freight rail, airports, shipbuilding, and other critical transportation infrastructure.

8. There is concern that preferential rules of origin in free trade agreements can operate as a "backdoor" benefiting goods and/or firms from countries that are not party to the agreements and are not bound by labor and environmental commitments. What actions could be taken to mitigate these risks and maximize production in the parties? What policies could support strong rules of origin and adherence to rules of origin?

Robust rules of origin (ROO) backed by strong enforcement and certification requirements are a critical mechanism for the success of any free trade agreement because those countries bearing the risks and responsibilities of signing the agreement should obtain its benefits. For U.S. economic and national security, strong ROO are necessary to maintain, and reclaim, supply chains that have been outsourced. Strong ROO can have an immense, positive impact for American workers, and the communities in which they live, throughout the supply chain – from upstream raw materials through downstream processing and the manufacturing or assembly of end products.

On the other hand, weak rules of origin or those which are undermined by loopholes can result in countries that have made no commitments to still enjoy the benefits of an agreement. Such outcomes undermine the intended outcomes for signatories and can result in serious unintended consequences for workers, the environment, and capital allocation decisions.

Recently, AAM published a report, “On A Collision Course,” detailing the threat posed by Chinese automakers, whose long-desired penetration of the U.S. market has been largely held at bay by tariffs levied on Chinese-made vehicles. However, Chinese automakers are taking steps to circumvent these tariffs by investing heavily in Mexico and attempting to exploit the ROO included in USMCA.

Trade and investment policies should prioritize strong ROO and discourage loopholes that can weaken them, such as so-called “tariff shift” mechanisms from non-signatory countries in trade agreements, and “roll-up provisions” that potentially allow steel, aluminum, or other inputs originating from China or any other non-signatory country that is a major contributor to global overcapacity to be used.

Further, with the 2026 joint review of USMCA approaching, the U.S. should insist on robust and transparent application of the agreement’s ROO – including regional value content and labor value content requirements – with emphasis on metals, batteries, and other new technologies. And similar mechanisms should be adopted in all U.S. trade agreements or initiatives. With respect to metals, AAM urges application of a strict “melted and poured” and “smelted and cast” requirement regarding imports of steel and aluminum, respectively. It is critical that steel originating from countries that are not USMCA signatories and that are otherwise subject to Section 232 tariffs not be permitted to transit through the USMCA region as a means of avoiding tariffs.

9. What factors are driving supply chain and sourcing decisions, and how does trade and investment policy impact them? How do companies factor geopolitical risk into their global and domestic manufacturing and sourcing decisions? How do companies take into account traceability and transparency considerations in supply chain and sourcing decisions?

Producers across supply chains respond to policies set by Congress and the administration. Where strong trade and investment measures are in place, supply chains will be stronger. Moving forward, it is important to monitor for circumvention and evasion of these measures.

As for geopolitical risk, AAM observes that many companies with investments and operations in Russia prior to its invasion of Ukraine were completely unprepared for the resulting sanctions and market disruption that followed. As the State Department noted in its February 23, 2024, business advisory, U.S. businesses that maintain operations in Russia face serious legal, financial, and reputational risks.

Trade and investment policies that create and maintain a strong and resilient domestic supply chain can help alleviate risks to the United States associated with individual corporations who improperly evaluate geopolitical risk.

10. To what extent is supply chain resilience shaping capital allocation decisions among industry and investors?

The supply chain resilience initiatives undertaken pursuant to the Supply Chains Executive Order and the *CHIPS and Science Act* and the *Inflation Reduction Act* are spurring significant private sector factory investment.

As the Department of the Treasury noted in a recent report, real manufacturing construction spending doubled between the end of 2021 and the middle of 2023 with a marked increase in computer, electronic, and electrical manufacturing. Even though the boom began before the *CHIPS and Science Act* was enacted, the anticipated support for these industries yielded early outcomes. This trend in new manufacturing construction in these industries is continuing and expanding.

Similarly, Congress and the Administration have directed significant funding on the development of a nationwide charging network for electric vehicles. Because this funding has been coupled with a Buy America requirement, in a very short period of time the U.S. has gone from having almost no domestic production of EV fast chargers to more than 40 U.S.-based EV charger factories – representing billions in private sector investment.

11. How can supply chain resilience be measured, including the costs of insufficient resilience, and the impacts of trade and investment policy on resilience? What are appropriate quantitative or qualitative data to consider?

The last several years have made all Americans painfully aware of the tragic inadequacy of our deteriorated industrial capabilities and broken supply chains. Confronted with a global health emergency in early 2020, our nation was forced to look to unreliable and potentially hostile sources for respirators, ventilators, medicines, and other products essential for the pandemic response. In this moment, it became clear to all Americans that we've become too dependent on China and other nations as a single source for many essential goods. This manifested itself as shortages in the United States.

But, as we know all too well, the crisis did not end there. In the months that followed and continuing even today, the economic shockwaves that followed exposed a dangerous reliance on global suppliers for many other consumer, medical, and commercial products, revealing that the United States is ill-equipped to produce, or even readily access, everything from semiconductors to building materials to life-saving cancer drugs. The frailty of on-demand global supply chains and our utter reliance on them left us dangerously exposed during an international health emergency and in the years that have followed.

The supply chain disruptions that have plagued our nation in recent years must be viewed through the lens of years of public policy decisions that both facilitated, and in some cases actively encouraged, the offshoring of domestic production and critical supply chains. The pandemic and its subsequent supply chain shocks exposed in rather dramatic fashion that years of flawed tax, trade, procurement, and other economic policies have put the United States in a perilous position of being overly dependent on imports.

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

⁴ "Growing China trade deficit cost 3.7 million American jobs between 2001 and 2018 Jobs 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/>

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

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 2021, 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 millions of good, middle-class jobs and devastated communities across our nation, it has left us 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 lifesaving personal protective equipment.

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 10 percent of the world's electric vehicles,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 is only one domestic producer of grain-oriented electrical steel needed to build out our energy grid,¹⁰ and there are many other examples of greatly diminished capacity in critical industries such as machine tools.

Our vulnerabilities reflect an outdated notion of the benefits of hyper-globalization, where our consumers, workers, domestic businesses, and our national security suffer. We must break the vicious cycle of implementing policies that reward imports over domestic production.

Conclusion

AAM appreciates the opportunity to provide these comments.

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<https://www-statista-com/chart/20858/top-10-countries-by-share-of-global-manufacturing-output/>

⁶ AAM Testimony Before the U.S. Senate Finance Committee. Link:

<https://www.finance.senate.gov/imo/media/doc/Scott%20Paul%20AAM%20Testimony%20Finance%20Trade%20Sub%20Hearing%20re%20Supply%20Chains%2006%2015%2022.pdf>

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

¹⁰ "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>