

AAM Supports Sherman Amendment to Include Domestic Content Standards in DFC Reauthorization

Dear Members of the House Committee on Foreign Affairs:

The Alliance for American Manufacturing (AAM) urges the inclusion of stronger guardrails in H.R. 5299, the *DFC Modernization Act of 2025*, to prioritize America's workers and secure domestic supply chains and to also align the DFC's mission with U.S. foreign policy goals like countering Chinese influence and addressing global overcapacity. As the Committee proceeds to mark up H.R. 5299, we urge support for the Sherman Amendment to institute domestic procurement standards and strengthen the restrictions on foreign entities of concern or foreign countries of concern.

As drafted, H.R. 5299 includes insufficient protections to prevent China and other countries from availing themselves of opportunities created by DFC-funded projects. Without stronger guardrails in place, China stands to benefit due to its overwhelming state-driven dominance in global supply chains for key materials, products, and technologies – including renewable energy, steel, and much of the equipment used in developing-country projects. Even though a key pillar of the DFC is to prioritize U.S. foreign policy goals like countering Chinese influence, these taxpayer backed DFC projects too often source Chinese products and materials due to various factors, including: a) below-cost pricing due to state subsidies and other predatory policies; b) availability due to overcapacity and excess production of Chinese producers, and c) Beijing's deliberate five-year planning to capitalize on strategic sectors. H.R. 5299's existing country of concern and state-owned enterprise provisions are insufficient to address China's indirect participation in DFC-funded projects.

H.R. 5299 also lacks any meaningful domestic sourcing requirements for the products, materials, and services necessary to complete DFC-financed projects. Unlike the Export-Import Bank (EX-IM), which mandates U.S. content as a condition for project eligibility, the DFC's flexible structure is mired with loopholes that allow taxpayer funds to flow to foreign entities rather than giving U.S. companies and America's workers the first chance to supply these project inputs. H.R. 5299's proposed \$190 billion spending increase risks exacerbating this alarming trend.

Absent meaningful improvements to H.R. 5299 that impose stronger guardrails on countries of concern and domestic sourcing standards, AAM is unable to support the *DFC Modernization Act of 2025*. DFC-funded projects should advance U.S. interests; they should not serve to subsidize global overcapacity to the detriment of U.S. companies and America's workers. AAM urges support for the Sherman amendment, which takes commonsense steps to mitigate these concerns.

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 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.