ALLIANCE FOR
american
manufacturing

April 15, 2026

Honorable Jamieson Greer
United States Trade Representative
Office of the United States Trade Representative
600 17th St., NW
Washington, DC 20508

*Re: Comments on the Section 301 Investigations of Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors (Docket No. USTR-2026-0067)*

Dear Ambassador Greer:

The Alliance for American Manufacturing (AAM) – a non-profit, non-partisan partnership forged between the United Steelworkers and leading U.S. manufacturers – respectfully submits these comments in response to the Office of the United States Trade Representative's (USTR) initiation of a 301 investigation into whether the acts, policies, and practices of certain economies relating to structural excess capacity and production in manufacturing sectors are unreasonable or discriminatory and burden or restrict U.S. commerce (Docket No. USTR-2026-0067).

*Structural Excess Capacity is Policy-Driven and Persistent*

Excess capacity is the sustained underutilization of industrial production capacity. While cyclical excess capacity can arise from normal market fluctuations, excess capacity created or maintained through government intervention – often referred to as structural excess capacity – is a different and more persistent problem. It is not self-correcting; it is sustained through policy choices that insulate producers from market discipline and prevent contraction even when demand weakens.

USTR identifies a non-exhaustive set of acts, policies, and practices that can create or maintain structural excess capacity, including: government support that promotes production and exports untethered from market demand; noncommercial conduct of state-owned or state-controlled enterprises; sustained market access barriers; suppressed labor costs and household consumption; inadequate labor and environmental protections; subsidized or preferential lending; and financial or currency practices that distort market signals. Collectively, these measures prevent capacity from adjusting to demand and push surplus output into export markets.

Across manufacturing sectors, U.S. government investigations and enforcement actions document how persistent global excess capacity can drive import surges, suppress prices, reduce utilization, trigger plant closures, and erode capabilities essential to long-term resilience and U.S. national security. As USTR observes, global manufacturing capacity utilization remains between 75.0 and 75.9 percent, far below "healthy utilization rates for many sectors" of



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approximately 80 percent and confirming that supply in key manufacturing sectors continues to exceed underlying global demand.[1]

China remains a leading driver of structural excess capacity across manufacturing, with overall capacity utilization of 74.4 percent in 2025.[2] AAM documents in its report, *Shockwaves: The Ripple Effect of China's Industrial Overcapacity on American Manufacturing and Factory Workers*,[3] that overcapacity in China is "a feature, not a bug" of its model of state capitalism, intentionally sustained through state-led directives and export-driven growth strategies rather than allowed to correct through market adjustment.

As USTR notes, however, the problem is not limited to China, and excess production can be exported "to the United States or to third countries that, in turn, export to the United States." A China-only focus would leave major channels of overcapacity, trade diversion, and downstream supply chain displacement unaddressed. Moreover, structural excess capacity is not confined to non-market economies. Allies and close trading partners sustain production above domestic absorption and rely on external demand to absorb surpluses, burdening U.S. commerce. For instance, USTR notes that the European Union ran a $237 billion bilateral goods trade surplus with the United States in 2024, led by chemicals, machinery, and vehicles. Germany alone accounted for a $102 billion surplus, and utilization in key export sectors remained depressed; its chemical sector, for example, operated at 72.7 percent. Persistent surpluses alongside chronically underutilized capacity is consistent with production sustained by policy rather than market demand.

This pattern is evident across USTR's illustrative list that includes aluminum, automobiles, batteries, cement, chemicals, electronics, energy goods, glass, machine tools, machinery, non-ferrous metals, paper, plastics, processed food and beverages, robotics, satellites, semiconductors, ships, solar modules, steel, and transportation equipment. In these sectors, policy-driven expansion paired with weak domestic absorption generates export-oriented surpluses that suppress prices and undermine market-based U.S. producers.

*Steel as a Leading Indicator*

The steel sector remains one of the clearest and earliest indicators of structural overcapacity and the inadequacy of existing multilateral disciplines. More than a decade ago, AAM warned that massive state-supported capacity expansion, combined with weak exit mechanisms, had placed global steel markets in structural imbalance. In its 2016 report, *Overcapacity in Steel: China's Role in a Global Problem,* AAM documented that foreign government-directed expansion had driven global steel utilization far below commercially viable levels and cautioned that, absent strong trade enforcement, excess capacity would continue to migrate across borders through international trade.[4]

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[1] Office of the United States Trade Representative, *Initiation of Section 301 Investigations: Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors*, Mar. 17, 2026, https://www.federalregister.gov/d/2026-05214/p-15.
[2] National Bureau of Statistics of China, *Industrial Capacity Utilization Rate* (2025), as reported in Trading Economics, https://tradingeconomics.com/china/capacity-utilization.
[3] Alliance for American Manufacturing, *Shockwaves: The Ripple Effect of China's Industrial Overcapacity on American Manufacturing and Factory Workers* (June 2024), https://www.americanmanufacturing.org/wp-content/uploads/2024/06/Shockwaves-Chinese-Overcapacity-Report.pdf.
[4] Alliance for American Manufacturing, *Overcapacity in Steel: China's Role in a Global Problem* (2016), https://www.americanmanufacturing.org/research/overcapacity-in-steel-chinas-role-in-a-global-problem.



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Those warnings proved prescient. Rather than correcting through market adjustment, global steel overcapacity has intensified despite repeated foreign government commitments to capacity reduction. OECD Steel Committee analyses now project global excess steelmaking capacity to rise to approximately 721 million metric tons by 2027, underscoring that state intervention, subsidized investment, and weak exit discipline continue to prevent durable rebalancing.[5]

Notably, this expansion has not been confined to production within mainland China. Instead, Chinese producers and state-backed firms have increasingly expanded steelmaking through cross-border investment, replicating non-market dynamics offshore and embedding surplus upstream capacity into third-country production platforms rather than reducing output at home.

Structural excess capacity is also being maintained across a wide range of U.S. allies and major trading partners – including, but not limited to, Indonesia, Vietnam, Turkey, India, Malaysia, South Korea, Mexico, Taiwan, Thailand, and members of the European Union. In these economies, policy choices have sustained large export positions alongside chronically low capacity utilization, delaying market-based adjustment. These patterns reflect a broader, systemic distortion in global steel markets that has produced persistent export pressures, underutilized capacity, and spillover effects that burden U.S. commerce.

Decades of multilateral engagement, including through the OECD-facilitated Global Forum on Steel Excess Capacity, have failed to deliver durable reforms even as excess capacity and export surges have worsened. Where sustained engagement has failed to change behavior, confronting structural excess capacity requires coordinated use of U.S. trade enforcement tools that fit the systemic nature of the problem and prevent evasion and circumvention. AAM has consistently backed the administration's Section 232 actions, including expanded coverage to downstream "derivative" products. This Section 301 investigation on excess capacity, and any responsive remedies, should reinforce the existing Section 232 program and ensure that it remains strong and durable.

*Automotive Overcapacity and Third Country Production Platforms*

The automotive sector demonstrates structural excess capacity at a rapid and large scale. China's auto industry, particularly in electric vehicles, has expanded far beyond domestic demand under successive Five-Year Plans. According to AAM's report, *On a Collision Course: China's Existential Threat to America's Auto Industry and Its Route Through Mexico* ,[6] the overcapacity amounts to millions of vehicles annually, and industry analysts observe a reliance on price-destructive exports and overseas production to absorb surplus vehicles.[7] China has become the world's largest vehicle exporter, with shipments rising even as domestic demand stays weak.

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[5] OECD, *Surging Excess Capacity Threatens Steel Market Stability, Employment, and Decarbonisation Plans* (May 27, 2025), https://www.oecd.org/en/about/news/press-releases/2025/05/surging-excess-capacity-threatens-steel-market-stability-employment-and-decarbonisation-plans.html.

[6] Alliance for American Manufacturing, *On a Collision Course: China's Existential Threat to America's Auto Industry and Its Route Through Mexico* (Feb. 2024), https://www.americanmanufacturing.org/research/on-a-collision-course-chinas-existential-threat-to-americas-auto-industry-and-its-route-through-mexico/.

[7] *"How China Is Gutting Western Automakers,"* Dunne Insights newsletter, accessed April 8, 2026, https://newsletter.dunneinsights.com/p/how-china-is-gutting-western-automakers.



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Chinese automakers are seeking manufacturing sites outside China to avoid tariffs, gain favorable access to and benefits of regional trade agreements, embed upstream overcapacity into finished vehicles, and dominate strategic sectors. Reuters reports that BYD established its first passenger vehicle plant in Thailand with capacity of roughly 150,000 vehicles per year, described by Thai officials as a regional export hub; and Reuters and Bloomberg further report that BYD is constructing its first European production base in Hungary and exploring potential manufacturing in Mexico and Canada, including the repurposing of existing assembly facilities.[8] BYD is also constructing its largest manufacturing facility outside China in Brazil. According to Bloomberg, Brazilian authorities found workers building the factory under conditions they described as "analogous to slavery,"[9] and added the company to an official registry,[10] though Reuters has subsequently reported that the decision is now entangled in a political and legal controversy after a senior inspector was dismissed for defying pressure related to the listing and a Brazilian court has intervened.[11]

These developments have raised bipartisan concerns that final assembly of Chinese autos within the United States' closest trading partners will result in that overcapacity funneling into the U.S. market to the detriment of U.S. economic and national security. U.S. Ambassador to Canada Pete Hoekstra said Chinese vehicles entering Canada are *"not going to cross the border into the U.S."*[12] Senator Bernie Moreno warned there should be *"never a scenario where a Chinese automobile will enter our market,"*[13] and Senators Baldwin, Slotkin, and Schumer cautioned that Chinese vehicles assembled in the United States, Mexico, or Canada could create an *"insurmountable economic advantage"* and national security crisis.[14]

Collectively, these statements show that China's attempts to relocate production to third countries – or even within the United States – can substitute for direct exports as a strategy to overcome trade measures, allowing structural overcapacity to expand instead of being reduced. AAM urges the administration to utilize all available tools to restrict U.S. market access to Chinese vehicles – *regardless of where they are produced* – and to ensure that other countries complicit in China's market distorting expansions are held accountable.

*Structural Excess Capacity Extends Well Beyond Steel and Autos*

Overcapacity in the steel and auto sectors is well documented, but similar dynamics are now increasingly evident across many other sectors.

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[8] Reuters, *China's BYD opens EV factory in Thailand, first in Southeast Asia* (July 4, 2024), https://www.reuters.com/world/asia-pacific/chinas-byd-opens-ev-factory-thailand-first-southeast-asia-2024-07-04/; Bloomberg News, *China's BYD Open to Building Cars in Canada, Buying Out Rivals* (Mar. 12, 2026), https://www.bloomberg.com/news/articles/2026-03-13/china-s-byd-open-to-building-cars-in-canada-buying-out-rivals; Reuters, *Seeking Mexico foothold, China's BYD and Geely bid to buy car plant* (Feb. 12, 2026), https://www.reuters.com/world/americas/seeking-mexico-foothold-chinas-byd-geely-bid-buy-car-plant-2026-02-12/.
[9] Bloomberg, *Brazil Sues EV Giant BYD Over Alleged Labor Abuses at Plant* (May 27, 2025), https://www.bloomberg.com/news/articles/2025-05-28/brazil-sues-ev-giant-byd-over-slavery-conditions-at-plant.
[10] Reuters, *Brazil puts China's BYD on registry over workers' past slavery-like conditions* (Apr. 6–7, 2026), https://www.cnbc.com/2026/04/07/brazil-puts-chinas-byd-on-list-of-shame-for-workers-past-slavery-like-conditions.html
[11] Reuters, *Brazil's top labor inspector fired for adding China's BYD to "dirty list," sources say* (Apr. 13, 2026), https://www.reuters.com/sustainability/society-equity/brazils-top-labor-inspector-fired-adding-chinas-byd-dirty-list-sources-say-2026-04-13/.
[12] Bloomberg News, *Chinese Cars Can't Cross From Canada to US, Trump's Envoy Says* (Mar. 30, 2026), https://www.bloomberg.com/news/articles/2026-03-30/chinese-cars-can-t-cross-from-canada-to-us-trump-s-envoy-says.
[13] Reuters, *Republican senator proposes to widen U.S. ban on Chinese autos* (Mar. 31, 2026), https://www.reuters.com/world/us/republican-senator-proposes-widen-us-ban-chinese-autos-2026-03-31/.
[14] U.S. Sen. Tammy Baldwin Press Release, *Baldwin, Schumer, Slotkin Call on Trump to Block Chinese Automakers from Jeopardizing American Jobs, National Security* (Apr. 3, 2026), https://www.baldwin.senate.gov/news/press-releases/baldwin-schumer-slotkin-call-on-trump-to-block-chinese-automakers-from-jeopardizing-american-jobs-national-security.



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- In shipbuilding, extensive state ownership, subsidized finance, and industrial targeting have sustained chronic global surpluses, with Chinese yards capturing roughly 60 to 70 percent of global new shipbuilding orders and more than half of worldwide deliveries and order backlogs in recent years, undermining market-based producers worldwide.[15]

- In glass and paper, AAM and the Economic Policy Institute documented how billions of dollars in energy, input, and capital subsidies fueled rapid capacity expansion in China in the 2000s, driving import surges, mill closures, and large-scale job losses in the United States as surplus production was dumped into global markets.[16]

- The tire sector reflects the same pattern today: unchecked overcapacity and export surges from China have displaced U.S. production, shuttered domestic facilities, and eliminated thousands of jobs, with workers warning that Chinese producers continue to route excess tires through third countries to evade trade relief and sustain non-market advantages.[17]

- In cement, there is increasing concern of state-directed capacity expansion driving production beyond domestic demand in various economies, including Vietnam, Turkey, Egypt, UAE, and Algeria. For instance, roughly 40 percent of Vietnam's output is export-dependent and contributed to a more than 400 percent increase in U.S. cement imports from Vietnam since 2020.[18]

Similar policy-driven overcapacity dynamics are also increasingly evident in other sectors cited by USTR, including aluminum, batteries, chemicals, electronics, machinery, non-ferrous metals, solar products, semiconductors, ships, and transportation equipment.

*Policies Driving Excess Capacity Burden and Restrict U.S. Commerce*

The concern regarding structural excess capacity is bipartisan. Former Treasury Secretary Janet Yellen warned in 2024 that government policies creating "more production capacity than global markets can absorb" lead to "a flood of cheap exports that can decimate industries elsewhere."[19] Former U.S. Trade Representative Katherine Tai similarly cautioned that excess capacity-driven overproduction depresses prices and forces producers out of other economies.[20]

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[15] Clarksons Research, cited in The Maritime Executive, *China Continued Shipbuilding Dominance in 2025, Raking In Most Orders* (Feb. 4, 2026), https://maritime-executive.com/article/china-continued-shipbuilding-dominance-in-2025-raking-in-most-orders; China Association of the National Shipbuilding Industry (CANSI) data summarized in *China Shipbuilding Industry Report 2025* (July 24, 2025), https://vesselslink.com/blogs/news/china-shipbuilding-industry-report-2025-global-leader-in-completions-orders-and-exports.
[16] *Shockwaves: The Ripple Effect of China's Industrial Overcapacity on American Manufacturing and Factory Workers* (June 2024), https://www.americanmanufacturing.org/wp-content/uploads/2024/06/Shockwaves-Chinese-Overcapacity-Report.pdf.
[17] Alliance for American Manufacturing, *Tire Workers Explain How China's Industrial Overcapacity Decimates Local Communities* (blog post by Jeffrey Bonior, June 25, 2024), https://www.americanmanufacturing.org/blog/tire-workers-explain-how-chinas-industrial-overcapacity-decimates-local-communities/.
[18] Global Cement, *Vietnam's cement sales hit record 112Mt in 2025 amid domestic rebound and export growth* (Jan. 5, 2026), https://www.globalcement.com/news/20257-vietnam-s-cement-sales-hit-record-112mt-in-2025-amid-domestic-rebound-and-export-growth; Observatory of Economic Complexity, *Cement imports into the United States, Vietnam as source* (accessed 2024 data), https://oec.world/en/profile/bilateral-product/cement/reporter/usa.
[19] Reuters, *US 'will not accept' flood of below-cost Chinese goods, says Treasury Secretary Yellen* (Apr. 8–9, 2024), https://www.reuters.com/world/us/us-will-not-accept-flood-below-cost-chinese-goods-yellen-says-2024-04-08/.
[20] Bloomberg News, *Bloomberg Talks: Katherine Tai* (Apr. 19, 2024), https://www.bloomberg.com/news/audio/2024-04-19/bloomberg-talks-katherine-tai-podcast.



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Section 301 is uniquely suited to address structural overcapacity, whereas conventional trade tools are often ill-equipped to confront systemic excess capacity sustained by government intervention, embedded in vertically integrated supply chains, and deliberately relocated across borders to evade existing measures. Where foreign government policies support production untethered from demand and externalize surplus through exports and third-country manufacturing, these acts, policies, and practices burden U.S. commerce through sustained price suppression, displacement of domestic production across finished goods and upstream inputs, distorted investment decisions, weakened supply-chain resilience, and the shifting of adjustment costs onto U.S. producers, workers, and communities. Because these outcomes flow predictably from government intervention rather than market forces, the underlying acts and practices are unreasonable and actionable under Section 301.

**Conclusion**

AAM supports USTR's Section 301 investigation and urges affirmative findings and durable remedies capable of restoring market orientation and preventing further erosion of U.S. manufacturing capacity. While cooperation with allies remains important, it must complement decisive domestic enforcement. AAM appreciates the opportunity to submit comments and stands ready to support USTR's efforts to address structural excess capacity and protect the long-term health of the U.S. manufacturing base.

Sincerely,

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