

Ken Monahan
Vice President, International Economic Affairs

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The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

The Honorable Michael McCaul
Ranking Member
Committee on Foreign Relations
U.S. House of Representatives
2001 Rayburn House Office Building
Washington, DC 20515

Dear Leader McCarthy and Ranking Member McCaul:

We appreciate your longstanding leadership on China, including leadership of the current China Accountability Task Force and additional task forces and platforms that have pushed for strong, effective actions that position the United States in relation to China's rise. I write today to offer manufacturers' support for effective solutions that strengthen manufacturing in the United States and to offer input for your consideration for continued work of the task force.

As the U.S. grapples with the continued uncertainty prompted by the global COVID-19 pandemic, Russia's invasion of Ukraine, supply chain disruptions and continued challenges with inflation, the need is clearer than ever for strong U.S. leadership on the global stage. In this pivotal moment, the U.S. must work with allies and partners to rebuild the economy, strengthen national security, defend freedom and democracy and tackle global challenges. This can be an "American century" that brings success to our manufacturers, workers and citizens. However, the U.S. is not the only country seeking to shape this new world: China's increasing global ambition and reach, and the size and impact of its economy, will have important implications for the U.S. and its future.

These issues matter deeply for manufacturers in the U.S. The National Association of Manufacturers is the largest manufacturing association in the U.S., representing 14,000 manufacturers, small and large, in every industrial sector across the country. Our industry has long provided a critical pathway to better economic outcomes and lives for all Americans. Manufacturing employs more than 12.6 million women and men across the country and contributes \$2.71 trillion to the U.S. economy annually. Moreover, manufacturing jobs are good, well-paying jobs, with the average manufacturing worker earning \$92,832 annually in pay and benefits, well above the average worker in all non-farm industries.¹

NAM President and CEO Jay Timmons has long called on Congress and the administration to take a new approach to China, sending direct letters to both [President Donald Trump](#) and [President Joe Biden](#) urging them to reset the U.S.-China relationship and implement a clear China strategy to boost national security and strengthen our ability to compete economically with and in China.

Our approach to China must reflect the realities of today, the path for the future, and the complex ties between the U.S., China and the rest of the world. China will remain a necessary partner on targeted global issues, a fierce economic competitor that does not always play by the

¹ National Association of Manufacturers, ["Facts About Manufacturing: The Top 18 Facts You Need to Know,"](#) last accessed April 14, 2022.

rules and a major rival challenging American global influence. For manufacturers, China has long been a hub for unfair industrial subsidies and government-fueled overcapacity in areas like steel and aluminum that distort global markets. China continues to promote discriminatory industrial policies, forced technology transfer and intellectual property theft that harm manufacturers and workers in the U.S. Increasingly, China is also using global institutions and its economic influence to build alliances that challenge American interests, human rights and democratic values. America's strategy on China must meet these challenges head on, negotiating directly with China and working with close allies to confront these problematic and distortive behaviors.

At the same time, the U.S. and China do not exist in a bilateral vacuum. China has a role to play in tackling global challenges that impact manufacturers and create global business certainty, including global energy and climate issues and international crises such as Russia's invasion of Ukraine. China is also a major destination for U.S. exports that support strong U.S. manufacturing competitiveness. Just over \$104 billion in manufactured goods were exported to China in 2021, placing it behind only Canada and Mexico in the ranks of our biggest trade partners and supporting hundreds of thousands of well-paying U.S. manufacturing jobs. Any strategy must preserve the ability to engage with China to advance core American interests and ensure that manufacturers in the U.S. can fairly compete for, and not cede to Chinese or foreign rivals, commercial opportunities in China and global markets to boost American manufacturing leadership.

Manufacturers need a smart approach, with a mix of tools that include targeted U.S.-China bilateral engagement, close engagement with allies and partners and assertive U.S. leadership in global institutions like the World Trade Organization. The U.S. must develop, and strategically use, a full playbook of legislative and enforcement tools needed to pressure China to stop its discriminatory economic policies to level the playing field for manufacturers and workers in the U.S. The U.S. must also work with allies to shape China's external environment, adopting common approaches that incentivize China to change its behavior—not just policies that disincentivize U.S. manufacturers from operating and competing in China or impose collateral damage on the U.S. economy.

Manufacturers encourage you and the China Accountability Task Force to support action in key areas needed to level the playing field for ensure manufacturers in the United States with China, including:

- **Strong domestic investment in manufacturing here in the U.S.** The U.S. needs a national strategic vision and bold investments to advance research, development and production capabilities for critical and emerging manufacturing technologies and products.

We must also invest in efforts to promote supply chain security and resiliency; strengthen port, transportation and broader infrastructure to promote manufacturing competitiveness; streamline regulation to promote domestic production of critical manufacturing inputs such as critical minerals; boost energy development, security and leadership; and strengthen our manufacturing workforce.

- **Committed, lasting leadership and engagement with allies, particularly in the Indo-Pacific region.** The U.S. alone cannot fully address concerns related to China. From holding China to its trade commitments to strengthening global supply chains to addressing human rights concerns, the U.S. must work in concert with key global allies

to find success. Manufacturers urge the U.S. to strengthen its regular engagement with allies on issues related to manufacturing competitiveness and competition with China, including active negotiations with trusted trading partners on innovative supply chain–focused agreements and programs to promote supply chain diversification and security, strengthen supply chain ties and address human rights and labor concerns.

This work is perhaps particularly important in the Indo-Pacific region, the home of some of our closest allies and the region closest to China itself. This region is a major global trade and supply chain hub and the destination for a broad range of manufactured exports that support U.S. jobs and competitiveness, including more than two-fifths of total U.S. manufacturing trade—more than half of which is outside of China. To build strong relationships, the U.S. must demonstrate a clear, lasting commitment to the region based on active, two-way consultation with key allies that goes beyond rhetoric to include on-the-ground engagement.

Manufacturers also call for an approach that supports manufacturing businesses and workers by opening markets, strengthening and protecting U.S. innovation, intellectual property and technology leadership, raising global standards to U.S. levels and putting in place best-in-class trade rules. This should include a renewed commitment to opening markets through trade agreements, including concrete steps to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and exploration of other trade agreement opportunities. It should also include a commitment to robust U.S. government programs such as those at the Export-Import Bank and Development Finance Organizations to promote U.S. export competitiveness and the ability to compete with Chinese enterprises in key markets. Manufacturers also welcome the proposed Indo-Pacific Economic Framework and, as illustrated in our [Apr. 8 comments to the Office of the U.S. Trade Representative](#), call for it to be ambitious and inclusive, including real market access, best-in-class trade rules and binding commitments to strengthen U.S. manufacturing and technology leadership.

- **Assertive global leadership to ensure that the U.S.—not China—is writing the rules for the international system, including issues such as trade and climate.** The U.S. helped to create a rules-based international system to promote peace, stability and growth in line with U.S. foreign policy and economic interests, led by critical institutions like the World Trade Organization. Recent years, however, have shown China’s ambition to lead many of these key organizations in ways that do not align with U.S. interests and the urgent need for reform and modernization at these institutions.

A strong, functioning WTO provides critical backstops for the U.S. to address areas in which China is not meeting its global trade commitments. The WTO, however, has not kept pace with industry and technological developments, with new and pernicious trade-distorting practices from China and other countries or with systemic organizational issues. The U.S. must actively lead WTO modernization and reform to deliver trade liberalization and market openings, modernize its rule book to cover emerging trade-distorting practices and strengthen enforcement tools and processes to fully address problematic Chinese behaviors.

Additionally, the U.S. must lead the global response to climate change, but to be effective, the response must be truly global. China is the world’s largest emitter, producing 28% of global greenhouse gas emissions, while the United States only represents 15% of global emissions. The original 1992 U.N. Framework Convention on

Climate Change did not anticipate this shift; the UNFCCC requires significantly more commitments from countries considered as “developed” in 1992 than countries that were not, like China. Much has changed since 1992, yet the UNFCCC’s arbitrary lines remain in place—an obstacle to increased global ambition.

- **Clear, consistent pressure—through direct engagement with China and in concert with allies—for China to fully meet trade and economic commitments it has made to the U.S.** Manufacturers are clear: the U.S. needs to engage directly with China to address trade priorities, including to hold China fully accountable for the trade commitments it has made to the U.S. and its allies. The U.S. negotiated critical language in vehicles such as the interim “Phase One” U.S.-China deal addressing manufacturing concerns such as intellectual property theft and market access. And China also made important commitments to the U.S. and its allies in joining the WTO in areas such as intellectual property, industrial subsidies and government procurement.

It is critical that the U.S. and its allies consistently signal that China must be bound by both the letter and the spirit of these commitments – and future commitments – through vigorous efforts to hold China accountable. Similarly, the U.S. must engage directly with their counterparts to address key concerns beyond existing commitments and disciplines such as industrial overcapacity, non-market actions by Chinese state-owned enterprises and technology transfer. These discussions should not only ensure that China meaningfully addresses these issues but also lay the groundwork for strategically timed resumption of negotiations toward a robust, comprehensive and fully enforceable trade agreement with China that holds them fully accountable.

- **Strategic use of domestic and multilateral trade enforcement tools to target identified areas of problematic Chinese trade behavior.** Given the challenges of bilateral negotiation on a range of troublesome Chinese trade behaviors, manufacturers urge the strategic use of a broad toolkit of enforcement tools to level the playing field. The U.S. has numerous existing tools that could, and should, be used strategically to address Chinese market-distorting activities. These include not only active use of reports that pinpoint specific Chinese trade barriers, but also evidence-based investigations under existing trade statutes such as trade remedy investigations, country- and sector-specific investigations and national security-driven investigations.

Broadly, any use of existing or new tools should be based on transparent, evidence-based investigations that involve broad manufacturer inputs, as well as targeted remedies designed to counter specific behaviors. These tools should be developed and used alongside bilateral, regional and multilateral strategies to address these trade practices, and in consultation with allies. Moreover, such tools should be developed in close consultation between Congress and the administration and based on active engagement and input from industry and other key stakeholders.

Manufacturers also encourage a rapid review of existing trade enforcement tools to ensure that their use has been effective in changing China’s policies and practices without broad harm and uncertainty for manufacturers and workers in the U.S., with reconsideration or adjustments to these enforcement actions as warranted. As part of this effort, manufacturers urge continued Congressional efforts to urge USTR to immediately institute a transparent, robust Section 301 tariff exclusion process to ensure that manufacturers have opportunities to seek, and offer evidence, on decisions to provide badly needed economic relief.

- **Expanded efforts to tackle Chinese intellectual property theft, including the growing tide of counterfeits.** The theft of American intellectual property remains a top concern for manufacturers in China, given significant, longstanding challenges to IP protection in China and the global reach of Chinese counterfeiters and other bad actors. The U.S. must hold China fully accountable for meeting IP commitments under the interim “Phase One” U.S.-China deal in areas such as trade secrets, patents, trademarks and enforcement. Yet U.S.-China engagement to ensure implementation of these commitments must be accompanied by efforts to address a broad range of outstanding IP issues highlighted by the NAM in its January 2022 submission for USTR’s Special 301 report, including broad industrial policies aimed at boosting Chinese manufacturing and technology firms, theft of trade secrets and confidential business information and longstanding concerns with China’s patent system.

Manufacturers also urge stronger action against counterfeit goods, largely coming from China and Hong Kong, that are directly harming manufacturers, consumers and workers. China has long been the world’s leading source of counterfeit goods, with *more than \$1 billion in counterfeit goods seized at U.S. borders in 2020*. Counterfeiting, increasingly coming through e-commerce channels, harms manufacturers of all shapes and sizes, but is particularly devastating for small- and medium-sized manufacturers fighting to protect their core products. Congress has a key role to play in this fight, with key pieces of legislation that would hold platforms accountable for their efforts to stop the flow of Chinese counterfeits under consideration and additional potential actions to update key laws and enforcement procedures to ensure that law enforcement can combat this scourge.

- **Targeted and effective upgrades to national security regulatory frameworks, such as investment security reviews and export controls.** With the rapid pace of manufacturing innovation in the U.S. and longstanding questions around China’s technology ambitions, activities of state-owned enterprises and technology transfer practices, manufacturers have engaged closely with Congress and other policymakers on efforts to upgrade core regulations that seek to strengthen national security as well as U.S. technology leadership and economic competitiveness in the areas of trade and investment. These have included specific regulatory frameworks related to investment reviews and export controls.

Manufacturers support effective policies, and targeted enforcement actions, in these areas that uphold U.S. national security and foreign policy goals designed to safeguard sensitive, emerging technology from foreign actors that seek to undermine the security interests of the U.S., while also ensuring the strength, leadership and competitiveness of the U.S. manufacturing and defense industrial base. These upgrades should focus on carefully crafted, targeted approaches that foster these twin goals, as well as a coordinated, multilateral approach with our allies and partners where possible.

- **Stronger collaboration between manufacturers, Congress and the executive branch to advance American values abroad.** Manufacturers are not only the backbone of a strong American economy but also embody core values that have made America exceptional: free enterprise, competitiveness, individual liberty and equal opportunity. Our sector has a proud history of standing firm in support of democracy and in solidarity with those suffering from persecution and aggression around the world, with

our Board of Directors unanimously voting in March to denounce Russia's invasion of Ukraine and supporting key sanctions implemented against Russia for its actions.

Manufacturers strongly condemn and oppose all forms of human rights abuses, including the use of forced labor around the world, and supported the passage of the Uyghur Forced Labor Prevention Act. We and our members are committed to working in partnership with Congress and the executive branch to ensure that goods produced with forced labor do not enter the U.S. We believe that a robust partnership that includes new tools, due diligence guidance, clear requirements and increased collaboration can effectively target and prevent egregious forced labor violations. Manufacturers also support efforts by the U.S. government to work with our allies and partners to streamline and coordinate laws and regulations that aim to combat and eliminate the use of forced labor in China and globally.

We believe that a clear, strategic approach to China reflects solutions offered by Americans of all backgrounds. Manufacturers stand ready to work with you and the China Accountability Task Force to advance strategic approaches and tactics needed to reset the U.S.-China relationship and level the playing field for manufacturers in the United States.

Sincerely,



Ken Monahan

CC:

- The Honorable Andy Barr
- The Honorable Liz Cheney
- The Honorable Neal Dunn
- The Honorable Mike Gallagher
- The Honorable Mike Garcia
- The Honorable Anthony Gonzalez
- The Honorable Mark Green
- The Honorable Diana Harshbarger
- The Honorable Young Kim
- The Honorable Darin LaHood
- The Honorable Scott Perry
- The Honorable Guy Reschenthaler
- The Honorable Austin Scott
- The Honorable Chris Stewart
- The Honorable Michael Waltz
- The Honorable Robert J. Wittman