Andrea Durkin

Vice President,
International Policy

April 15, 2026

Ms. Jennifer Thornton
General Counsel
Office of the U.S. Trade Representative
600 17th Street NW
Washington DC 20508

Re: Docket No. USTR 2026-0067 and USTR 2026-0068 Initiation of Section 301 Investigations: Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors

Dear Ms. Thornton:

The National Association of Manufacturers is the voice of the manufacturing community and the leading advocate for a policy agenda that supports and empowers the 13 million people who make things in America. As the largest manufacturing association in the U.S., the NAM's membership includes businesses of all sizes, across all industrial sectors, and in all 50 states. Manufacturers collectively contribute $2.93 trillion to the U.S. economy and account for nearly 53% of all private-sector research in the nation.[1] In 2025, manufacturers exported $1.7 trillion in U.S. manufactured goods to global markets.

The NAM appreciates the opportunity to comment on the Unites States Trade Representative's notice of investigations under Section 301 of the Trade Act of 1974 regarding the acts, policies, and practices of certain economies relating to structural excess capacity and production in certain manufacturing sectors.

China's Support for State Enterprises – by Magnitude and Materiality to Global Markets – Sets It Apart as the Primary Offender of Structural Excess Capacity

The economies included in the above-referenced Section 301 investigation should be considered on a differentiated basis. Most relevant is that all of them differ significantly from China. **China's industrial subsidization of producers in strategic manufacturing sectors is materially unique in nature, pervasiveness, and scale.** It has driven uneconomic investment decisions and production expansion that exceed what would occur under normal market conditions, enabling anti-competitive practices by these firms in global markets.

The negative repercussions are felt by manufacturers in the U.S. in their ability to compete at home and in contestable export markets, to diversify their sourcing, and to retain global manufacturing R&D and production leadership.

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[1] National Association of Manufacturers (May 2025), Manufacturing in the United States, https://nam.org/mfgdata/#KeyFacts

China’s Firms Loom Large on the Global 500 List—but its State Enterprises Underperform by Market Measures

In 2020, China surpassed the U.S. with the largest number of companies on the Fortune Global 500 List. Since then, the U.S. and China have traded places a few times for the lead, but China consistently now has more firms on the list than Japan, Germany, France, and the United Kingdom combined. In terms of revenue and assets, the U.S. and China’s largest firms are evenly matched. When it comes to profitability, however, China’s firms average only 4.4% profit margin, significantly lagging peers in the U.S., which average 11.3%. The return on assets by China’s largest firms average a mere 2.2% compared with an average of 6.7% by U.S. firms.[2]

That China’s largest firms underperform compared with U.S. firms can be largely attributed to their status as State Enterprises, which comprise over 70% of China’s firms on the Fortune Global 500. These firms also contribute substantially to China’s dominant position in global manufacturing output, which now accounts for over 30% of the world’s production compared with the U.S. at around 17%, Japan and Germany each at 5%, and France at 1.8%.[3]

China’s State Support is Materially Different, Fueling Outsized Negative Impacts on Global Markets

The Fortune Global 500 is just one indicator for how enterprises owned, invested, controlled, or otherwise directed and influenced by the State in China are playing a material role in global supply chains and capital markets, raising important concerns about unfair competition – on an unparalleled scale.

Defining and Quantifying Excess Capacity: Industry analysts and economists, including notably at the Organisation for Economic Cooperation and Development (OECD), have for many years been working to develop rigorous methodologies and establish unique data sets to understand and quantify the nature and degree of industrial subsidization in manufacturing sectors. These approaches should be used by USTR as a foundation for any Section 301 investigations into structural excess capacity by trading partners.

Direct and Indirect Subsidies: State Enterprises in China are not only large recipients of various forms of government support; they are often vehicles for government support to other firms. State utilities provide below-market energy inputs, while state banks provide below-market loans or loan forgiveness to manufacturing firms, both transacted on a scale unparalleled anywhere else in the world. In the semiconductor sector, below-market debt and equity comprises more than 30% of annual consolidated revenue for several of the largest firms.[4] Proliferating rapidly, nearly 2,000 “government guidance funds” existed in China in 2021 by some estimates, with targeted fundraising of more than $1.8 trillion intended to support strategic industries.[5]

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[2] “Fortune Favors the State-Owned: Three Years of Chinese Dominance on the Global 500 List,” by Qin Mei, Center for Strategic and International Studies published October 7, 2022.

[3] UN Statistics Division

[4] “The semiconductor value chain”, OECD Trade Policy Papers, No. 234, OECD Publishing, Paris.

[5] “2021 Government Guidance Fund Data Inventory - Fund Optimization and Integration Is Imminent,” Zero2IPO, February 17, 2022.

There is a direct correlation between these forms of industrial subsidization and excess capacity. Examining 13 industrial sectors over the period 2005-2019, the OECD found that below-market borrowings were larger in sectors with reported excess capacity and negatively correlated with firm productivity.[6] Unfairly lowering Chinese companies' cost of capital supported uneconomic investment decisions and production expansion that exceed what is justified by market conditions and enable the sustained tolerance of heavier losses.

Involution: Overcapacity and sustained support for unprofitable firms have also fueled "involution" or aggressive price cuts by some Chinese companies, which not only leads to excessive competition in China's economy but enables the dumping of manufactured goods in the U.S. and global markets.

Scale through Consolidation: Chinese authorities have sought to address industrial overcapacity and financial underperformance through waves of consolidation in strategic industrial sectors such as steel and aluminum and shipbuilding. In rare earths production, for example, China Rare Earth Group was created in 2021 as a result of a merger of three rare earths State Enterprises, creating a consolidated entity controlling 70% of China's rare earth output and further solidifying China's global dominance in this sector.

An Ecosystem of Unfair Advantages: While China maintains a vast and opaque industrial support system, these subsidies are an integral part of a larger ecosystem of industrial policies designed to promote and protect its companies and favored domestic industries. These policies include forced technology transfer and/or disclosure, state support for outbound investments to acquire assets and intellectual property, domestic production requirements, data localization requirements, abuse of administrative licenses and approvals, and more.

USTR Should Undertake Effective Approaches to Remedy China's Policies and Practices that Contribute to Structural Excess Capacity

Section 301 is intended to achieve negotiated outcomes that remedy the policies and practices that unfairly burden U.S. commerce. Whereas additional tariffs on China will do little to counterbalance the competitive impacts of structural excess capacity and may instead have unintended consequences for manufacturers and consumers in the U.S., the NAM recommends the administration pursue effective disciplines on the non-market practices of State Enterprises and anti-competitive behaviors of Chinese firms.

This could include enhanced commitments to competitive neutrality between State Enterprises and private companies and commitments to internationally recognized transparency and disclosure standards by State Enterprises.

As other trading partners are similarly negatively impacted by China's policies and practices that promote excess capacity, the U.S. should negotiate preferential trading lanes to enable diversification but also seek to align trade remedy actions such as through antidumping and countervailing measures and potentially through coordinated safeguard policies. For example, the EU currently maps "at risk" critical molecules in chemical production that are essential to a wide array of manufacturing applications that may require more effective trade remedy actions.

[6] "Measuring distortions in international markets: Below-market finance", OECD Trade Policy Papers, No. 247, OECD Publishing, Paris.

Remedies Should Not Impair the Competitiveness of Manufacturers in the U.S.

Manufacturers considering investments in the U.S. require a stable investment environment with predictable costs for equipment and other inputs, with consideration for inputs that cannot be sourced in the U.S. or in sufficient quantities. Uncertainties surrounding tariff policies significantly impact manufacturers' ability to commit to long-term capital investments, leading manufacturers in the U.S. to reconsider or halt planned investments.

Avoid Stacking: As the Administration's April 29, 2025 executive order regarding the "unstacking" of automotive-related Section 232 tariffs recognizes, tariff complexity has negative consequences for manufacturers who cannot predict the level of tariffs on essential imports required for the construction and operation of their facilities in the U.S.[7] This long-term unpredictability undermines manufacturers' ability to plan effectively, thereby significantly harming investment prospects in the U.S. To the extent the Trade Representative recommends tariffs to address matters of structural excess capacity, any Section 301 tariff should not stack on other tariffs such as those imposed under Section 232.

Maintain the Framework for Non-Application of Tariffs: The presidential proclamation *Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems* maintains access to certain products and materials including critical minerals, pharmaceuticals, fertilizers, specific agricultural items, aircraft parts and goods that qualify as originating under the United States-Mexico-Canada Agreement (USMCA). This approach should be maintained under any future Section 301 actions, preserving the ability to adjust the scope to account for unavailable natural resources not previously included.

"Speed Pass" Inputs for Expansion: Companies purchasing inputs such as industrial machinery are investing in U.S. production, either by pursuing new investments or making improvements to existing investments. Expansion in both forms is a shared goal between NAM members and the Administration and is a centerpiece of the Administration's policies. Manufacturers should be supported and incentivized toward these activities.

The NAM has proposed the Administration further accelerate U.S. manufacturing investments through issuance of general licenses – or a "manufacturing speed pass" available to any company importing critical inputs **for further manufacturing activity in the U.S.** A good example of why this approach is needed is chemical value chains where tariffs should not be applied to raw materials as it both raises the cost of feedstock for a wide variety of manufactured goods in the U.S. and renders finished U.S. products less competitive than comparable imports.

Conclusion

The Administration has rightly pursued a comprehensive manufacturing strategy. Implementing the President's tax reforms, embracing an all-of-the-above energy strategy, delivering permitting reforms, investing in infrastructure, modernizing regulations, and strengthening the American manufacturing workforce are all vital to achieving a renaissance in American manufacturing. Manufacturers need complementary trade policies that lower, not raise, the cost of doing

[7] The White House (April 29, 2025), Addressing Certain Tariffs on Imported Articles, https://www.whitehouse.gov/presidential-actions/2025/04/addressing-certain-tariffs-on-imported-articles/

business in the U.S. Trade policy should therefore correct for an unlevel playing field while seeking to enhance mutually beneficial trade with allies that deliver some of the essential high-quality industrial capital goods and inputs we need to build more in the U.S.—and to sell more in the world.

A major contributor to global trade distortions in manufacturing industries has been structural excess capacity in China—a distinct fact pattern with respect to China as compared to other countries included in the ongoing Section 301 investigation. The main driver of that excess capacity is government support to State Enterprises and private firms enabling them to overinvest or maintain capacity that would not otherwise be economically viable. China's support for State Enterprises is distinct in magnitude and materiality to global markets. It is also set apart in its characteristic where State Enterprises are both recipients and providers of support to other downstream producers, further obscuring state involvement in the market.

For these reasons, the Trade Representative should prioritize a results-oriented engagement with China in coordination with allied trading partners to address these unfair trade practices that affect not only manufacturers in the U.S. but the ability to compete fairly in global markets.

Sincerely,

Andrea Durkin
Vice President, International Policy