

October 31, 2017

The Honorable Donald J. Trump
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Trump:

On behalf of the Alliance for American Manufacturing (AAM), a non-profit, non-partisan partnership formed by some of America's leading manufacturers and the United Steelworkers, I write to highlight several important trade issues that should be raised on your upcoming travel to Asia. Your meetings with heads of state in China, South Korea, Japan, Vietnam, and the Philippines present a unique opportunity to rebalance one-sided trade relationships that continue to cause factory closures and job losses. For many communities across America, turning your tough campaign trade rhetoric into concrete action can't come soon enough. American workers will be watching anxiously to see what steps you take to change the status quo of persistent trade deficits, lost jobs, theft of our innovation base, and the steady erosion of our manufacturing capacity, workforce, and national security. It's time to act.

U.S-China Trade Deficit is Unparalleled in its Magnitude and Adverse Impact

Since Beijing's 2001 entry into the World Trade Organization (WTO), the U.S. bilateral trade deficit with China has more than quadrupled, from \$83 billion in 2001 to \$347 billion in 2016. The U.S.-China trade deficit in 2017 is on pace to go even higher, having grown during the first months of your Administration. In just 15 years, the impact of the surging U.S-China trade deficit on U.S. companies and American workers has been severe and too often overlooked. Our communities have shed more than 54,000 manufacturing facilities and we've seen our global market share in manufactured exports shrink from 14 percent in 2000 to 9 percent in 2013. Altogether, a staggering 3.4 million jobs, largely in manufacturing, have been lost because of this massive trade imbalance. While the U.S.-China trade deficit is unparalleled in its magnitude and adverse impact on our economy, the United States maintains significant and growing trade deficits with other Asia-Pacific region countries.

- **South Korea.** It was promised that the U.S.-Korea Free Trade Agreement (KORUS) would support 70,000 U.S. jobs and increase exports of American goods by \$10 to \$11 billion. Yet, the U.S. trade deficit with South Korea jumped \$15.1 billion between 2011 and 2015 (from \$13.2 billion to \$28.3 billion), resulting in the estimated elimination of more than 95,000 jobs, according to the Economic Policy Institute (EPI). And, in 2016, it remained at a stubborn \$27.6 billion – a clear sign the trade agreement hailed as a job creator has not opened new markets for U.S. automobiles and other products, as was promised.
- **Japan.** The U.S. trade deficit with Japan – fueled by non-tariff barriers and currency practices – is estimated to have eliminated nearly 900,000 U.S. jobs as the goods deficit reached \$78.3 billion in 2013, according to EPI. It has remained at unacceptable levels ever since, with the goods deficit second to only China in 2016.

Proactive Approach is Necessary to Rebalance Trade

For too long, our trade policies haven't been focused on supporting our manufacturing sector but, in many ways, have undermined it. The United States is long overdue for a new approach to trade, especially with China. It is both possible and desirable to create a trade policy framework to support a resurgent, Made in America manufacturing base. We urge you to press for meaningful commitments to eliminate predatory trade practices and barriers to U.S. exports. If our trade partners are unwilling to make reforms, they should face real consequences that yield results while protecting U.S. companies and their workers. Outlined below are issues that must be addressed to mitigate the continued damage being done to our manufacturing base.

- **Global Industrial Overcapacity.** Many U.S. industrial sectors are suffering from unprecedented challenges due to global industrial overcapacity. Despite slowing demand in the Chinese market, Beijing continues to maintain high levels of steel and aluminum production with subsidies and other state support. According to Duke University's Center on Globalization, since 2007 when China first acknowledged its overcapacity issues it has added over 550 million metric tons of capacity, more than six times total U.S. production. We urge you to accelerate the work of the Global Forum on Steel Excess Capacity and directly press China for verifiable and enforceable net reductions in global overcapacity.
- **Section 232 Investigation.** In April, you directed the Department of Commerce to expedite self-initiated Section 232 investigations on the national security implications of imports of steel and aluminum, saying it would be completed in the "*very, very near future.*" Yet, after months of repeated promises, American workers are now being told that tax reform must be completed before the Section 232 investigation. All the while, the import problem is worsening for American workers and U.S. companies as foreign countries have rushed product into the U.S. market in anticipation of promised action to adjust imports. According to the American Iron and Steel Institute, steel imports have increased 20 percent this year and for some specific product lines the resulting import surge is even worse. South Korea, for example, produces a staggering amount of oil country tubular goods (OCTG) despite having no internal market for the energy-related product – meaning much of it ends up in the United States where we have experienced a 255 percent import increase this year. It is difficult to understand how tax reform has anything to do with these investigations, and America's workers deserve a better explanation. You have the authority to respond to the national security threats posed by imports of steel and aluminum with meaningful actions.
- **Maintain China's Non-Market Economy Status.** No one can seriously claim that Beijing runs a market economy, but the Chinese government desperately wants to be treated that way. We commend the Department of Commerce for its recent determination that China fails to meet the six criteria required for market economy designation and that it will continue to be treated as a non-market economy. Any change to this status would severely undermine America's trade remedy laws and expose U.S. companies and American workers to more dumped imports. We urge you to advise President Xi Jinping that China should focus on economic reforms rather than attempts to shortcut this issue by way of the WTO.
- **Cyber Theft.** It is critical that the government provide support when foreign interests steal intellectual property, including trade secrets, to manufacture products abroad and send them to the United States. This has been a serious problem with China. U.S. companies report that Chinese interests have not only stolen sensitive trade secrets, but that Chinese firms are now commercializing that valuable intellectual property into Chinese products. It is outrageous that

U.S. companies are being forced to compete against the very products that they spent years and significant financial resources to develop. Action to ensure that our creativity, ingenuity and entrepreneurship are protected is vital.

- **State-Owned Companies.** China, Vietnam, and other countries have many state-owned and state-directed enterprises (SOEs) that distort markets and limit access for U.S. exports. According to The World Bank, Vietnam has 3,000 SOEs, accounting for a third of its economy. Meanwhile, China's massive SOEs are also now aggressively seeking to invest here in America, putting further strain on U.S. firms that make decisions based on market forces. It is vital that we strengthen our system of reviewing foreign acquisitions of strategic U.S. companies and operations so that they do not fall under the control of the Chinese government. China, and other nations, should not be rewarded with additional trade concessions – such as a bilateral investment treaty – unless and until it can demonstrate on a sustained basis that market forces and not those of the government determine private investment decisions.
- **Currency Manipulation.** An overly strong dollar remains a heavy burden on the U.S. economy. Making matters worse, China, Japan, South Korea, and other major trading partners have a long history of currency manipulation, which the Peterson Institute says contributed to the loss of 5 million U.S. jobs. We urge the inclusion of strong, enforceable rules in trade agreements to deter and penalize currency manipulation. And, we urge your administration to treat foreign currency manipulation as a subsidy under our trade remedy laws.
- **Rules of Origin and Non-Tariff Barriers.** A trade agreement's rules of origin determine the national source of a product. This is important because only those countries bearing the risks and responsibilities of signing an agreement should obtain its benefits. As it relates to KORUS, more work must be done to open the Korean market – one of the most difficult for our automakers to export into despite the signing of a trade agreement intended to open the market. Meanwhile, just 19,000 U.S. autos were exported to Japan in 2015 compared to 1.6 million Japanese autos that entered the U.S. market. We urge you to press Presidents Moon Jae-in and Shinzo Abe for market reforms that eliminate non-tariff barriers and permit more American-made autos into their markets.

We look forward to working with you to advance policies that will benefit American manufacturing and revitalize America's manufacturing sector – a major economic driver, foundation of U.S. national security, and source for millions of family-sustaining jobs. Together, we can *Keep It Made in America*.

Sincerely,



Scott N. Paul
President
Alliance for American Manufacturing