SAFE

1111 19th Street, NW
Suite 406
Washington, DC 20036

Tel: 202.461.2360
Fax: 202.461.2379
Web: secureenergy.org

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Re: Docket No. 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

Members of the Section 301 Committee,

I'm Joe Quinn, Executive Director of SAFE's Center for Strategic Industrial Materials. SAFE is a non-partisan, non-profit policy thought leadership organization dedicated to accelerating secure and resilient transportation, supply chain, and energy solutions in the United States and our allies.

We appreciate the opportunity to participate in today's hearing as the Section 301 Committee investigates structural excess capacity in manufacturing. SAFE commends the Trump Administration's efforts to strengthen domestic metals production and mitigate the effects of structural excess capacity on the sector. My comments today will focus on the non-market industrial policies of China and highlighting their distortionary impacts on domestic production.

The United States' economic and national security depend on a resilient metals supply chain. Steel, aluminum, and copper are the major metals that serve as the backbones of defense infrastructure, as well as high growth sectors such as advanced manufacturing and artificial intelligence.

Fueled by state directed investment, Chinese producers refine more copper, produce more steel, and smelt more aluminum than any other country by far. This subsidized production is then exported, lowering the price of these metals globally, which undermines the business case of Western competitors.

Even though most Chinese steel is kept out of the United States by tariff actions, indirect effects of China's overcapacity have contributed to a decline in U.S. metals production. China's subsidized capacity, through transshipment, global supply-chain integration, and global price suppression have continued to pressure U.S. margins, capacity decisions, and competitiveness.

The consequences are stark. U.S. metals production has drastically declined since China's entry into the World Trade Organization when it gained freer access to Western markets. Manufacturers around the world have since faced a dilemma: use more expensive metals sourced from outside of China and squeeze margins or rely on imports of cheap metals but risk overreliance on China.

As critical supply chains are rerouted to China, strategic dependence is heightened, growing the risks of significant U.S. supply chain disruptions in the event of a conflict between China and the United States. Government subsidies meanwhile ensure that China's manufacturing base has a

ready workforce, a non-market capital stack, and ample production capacity to produce strategic metals if tensions over Taiwan flare into conflict.

Rebuilding the U.S. metals sector is a multi-year endeavor that requires sustained bipartisan cooperation and significant policy intervention from Washington, D.C. beyond existing tariff actions. There are several actions we recommend USTR, the Section 301 Committee, and the U.S. Government undertake to strengthen domestic producers against structural excess capacity.

First USTR should prioritize investigation of China over other economies. China's unfair trade practices differ in scale and global impact compared to even other non-market economies. A narrower initial scope would also allow the Section 301 Committee to partner with liked minded market economies to address China's overcapacity.

Second, tariff actions should avoid instances of tariff inversion. Tariffs when applied at earlier stages of the value chain can raise input costs for downstream manufacturers, making the next step of production more expensive. This creates a risk of tariff inversion, where firms shift toward importing higher-value derivative products, rather than producing domestically. Tariff inversions can exacerbate the appearance structural excess of concern to the Section 301 Committee, as manufacturers service domestic demand through overseas production, contributing to persistent foreign trade surpluses and underutilized domestic manufacturing capacity.

Third, strengthening and modernizing rules of origin can act as a powerful tool to help level the playing field. Rules of origin ensure that U.S. metals and material demand is met through U.S. and allied supply, and not through the imports of derivative product, helping to mitigate tariff inversion concerns.

Fourth, meaningful non-tariff action should be seriously explored to mitigate the effects of non-market industrial policies. Targeted federal incentives are necessary to catalyze new domestic investments, particularly for key sectors like steel and aluminum. Production tax credits, investment tax credits, energy policy changes, and other financial tools can help bridge the persistent gap between the costs domestic producers face versus those in heavily subsidized foreign markets.

SAFE appreciates the opportunity to share our views on this important issue. Thank you for your time.

Sincerely,

Joe Quinn
Executive Director
SAFE Center for Strategic Industrial Materials