STATEMENT FOR THE RECORD
BY THE ALLIANCE FOR AUTOMOTIVE INNOVATION
BEFORE THE SELECT COMMITTEE ON THE STRATEGIC COMPETITION BETWEEN THE UNITED STATES AND THE CHINESE COMMUNIST PARTY
U.S. HOUSE OF REPRESENTATIVES

DECEMBER 11, 2025

On behalf of the Alliance for Automotive Innovation, thank you for the opportunity to submit a statement for the record as the Committee holds an important hearing highlighting the threat Chinese automotive manufacturers pose to the U.S. automotive industry.

Automakers doing business inside the United States face geopolitical and market pressures from China that are a direct threat to America's global competitiveness and national security. This includes a worldwide strategy of automotive manufacturing and supply chain expansion – directed by the Chinese government – rooted in unfair, anti-competitive trade practices; intellectual property theft; and documented cybersecurity and surveillance risks.

The Alliance for Automotive Innovation urges Congress and the Trump Administration to prevent Chinese government-backed auto and advanced battery manufacturers from gaining entry to manufacture here in the U.S., and we look forward to working with Congress to counter China's influence and global strategy.

Automaking: America's largest manufacturing sector

Auto Innovators represents manufacturers producing nearly all light-duty vehicles sold in the U.S., alongside battery makers, suppliers, and technology companies building the future of mobility.

Automaking is America's largest manufacturing sector. Every $1 added to the economy by motor vehicle manufacturing creates an additional $4.23 in economic value. Every direct job in vehicle manufacturing supports another nine American jobs. In total, the auto industry employs 10 million Americans in all 50 states, generates 5 percent of GDP and drives $1.2 trillion into the economy annually.

China: Automotive subsidies, overcapacity and dumping

Chinese automakers are heavily subsidized by a government focused on growth, global expansion, and dismantling American leadership in the automotive industry – not profitability. And in many ways, China's practices are at odds with commitments made under the World Trade Organization.

China has a significant vehicle overcapacity problem. It builds too many vehicles – *heavily subsidized vehicles* – for its domestic market and has turned to Europe, Southeast Asia and South America to offload vehicles (as much as 20 million units of excess capacity) at cut-rate prices.

Between 2021 and 2024, vehicle shipments from China to overseas markets surged by 300 percent. China's battery manufacturing capacity is twice the demand for batteries inside China and already exceeds the worldwide demand for batteries. Because Chinese automotive companies respond to government subsidies rather than consumer demand, these companies are forced to export abroad in order to survive. To illustrate just how competitive the Chinese automotive industry currently is, in 2018 there were over 500 Chinese EV startups with that number still exceeding 100 companies today.

Among other advantages, Chinese automakers have also made improvements to accelerate research and development and production for electric vehicles, enabling companies to drastically reduce development timelines and vehicle costs.

However, no amount of investment by automakers and battery manufacturers operating inside the U.S. can counter a China that is enabled by subsidies to chronically oversupply around the world. This is a recipe for dumping that Congress and the Trump Administration must prevent from happening inside the U.S.

China Strategy: Looking abroad to expand manufacturing footprint

Automotive dumping is only *part* of China's coordinated expansionary strategy and plan to put non-Chinese auto competitors out of business. To evade existing trade barriers and expand its global automotive footprint, China has also opened manufacturing facilities in Hungary, Brazil and Thailand.

These tactics have succeeded around the world and is why Congress and the Administration should ensure Chinese automakers and battery manufacturers cannot establish manufacturing facilities inside the U.S.

Chinese Connected Vehicles: National security threat

Congress and the Administration should also maintain the Department of Commerce's current prohibition on importing information and communications technology and services systems in connected vehicles from China and other countries of concern. While this is a

national security goal shared by the auto industry, the final rule strikes a good balance by smartly recognizing that complex supply chains cannot be changed overnight.

Semiconductors and Critical Minerals: Increasing domestic supply

The U.S. should implement policies that help support and grow domestic automotive manufacturing and supply chains to keep a globally competitive auto industry. The auto industry is focused on increasing domestic supply of semiconductors and critical minerals to support U.S.-based automotive manufacturing. Events like the pandemic shed light on just how fragile automotive supply chains can be, and how important it is for the U.S. to become less reliant on other countries or regions.

We understand reducing reliance on China for foundational semiconductor chips is needed for a healthy and stable automotive supply chain, and recent investments in the U.S. have been made to help grow capacity and meet demand. However, China has also begun strategically bolstering their investment in foundational semiconductor manufacturing.

The U.S. should respond by developing and implementing a focused and comprehensive strategy to increase domestic production of the foundational semiconductors needed by the auto industry. That strategy should include:

> **Growing U.S.-based production of foundational semiconductors** by providing financial assistance to private entities for the fabrication, assembly, testing, or packaging of foundational semiconductors**.** While the *CHIPS and Science Act of 2022* provided $39 billion in funding to bolster semiconductor manufacturing in the U.S., the vast majority of that funding went to the production of advanced node chips. A comparable investment is needed to support foundational chip production.
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> **Strengthening existing incentives for U.S.-based semiconductor manufacturing** by extending the advanced manufacturing investment tax credit under 48D beyond 2026 and expanding eligibility to include investments in chip design, used or refurbished manufacturing equipment, and upstream materials and components used in the manufacturing of semiconductors and semiconductor manufacturing equipment.
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> **Mitigating potential impacts to automotive production from supply chain disruptions** by making zero or low interest loans or tax deductions available to automotive manufacturers and suppliers for the costs associated with building up "buffer" inventories of semiconductors or with scrapping such "buffer" inventories, if circumstances or needs change.

The U.S. should also implement policies that support research, development, and intellectual property creation related to foundational semiconductor chips. Leading improvements in the performance, efficiency, and capabilities of these semiconductor chips will help promote and sustain the global competitiveness of the U.S. in these critical automotive components.

And to foster resiliency and redundancy, the U.S. should enhance cooperation with global partners – through bilateral, regional, and multilateral agreements – for foundational chip production outside of China.

Similarly, access to critical mineral supply chains capable of meeting demand for U.S. automotive production is important, as all vehicles in the U.S. currently incorporate some critical minerals. These include minerals ranging from manganese, zinc, copper, rare earths and more. However, the U.S. is currently reliant on international sources for critical minerals due to challenges with domestic supply and availability of minerals to meet industry demand. This remains true for other industries, such as defense, as well. As an example, in March of 2025, Benchmark Minerals noted that the existing U.S. pipeline for domestically mined nickel will meet just 11% of U.S. automotive demand in 2030 on its current trajectory. In other cases, some critical minerals are geographically unavailable in the United States. For instance, the U.S. has less than 1 percent of the world's nickel, cobalt, and natural graphite and only 1.5 percent of the world's manganese.

Congress and the Administration should prioritize policies to increase the domestic production of critical minerals and reduce reliance on any one country or region by implementing the following:

> **As auto companies invest in partnerships and alternative sourcing strategies to reduce reliance on any single country or region, Congress and the Administration should be focused on developing and leveraging strong relationships and partnerships** with allied nations, including through critical minerals trading agreements, to ensure a secure and reliable source of these critical minerals.
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> **We also welcome President Trump's March 20 Executive Order on "Immediate Measures to Increase American Mineral Production" and April 24 Executive Order on "Unleashing America's Offshore Critical Minerals and Resources"** to help address policy and regulatory challenges that have hindered increases of domestic supply. These orders lay out a series of strong and overdue policies that, once fully implemented, will meaningfully increase critical mineral production in the U.S.

Congress and the Administration should also target resources and polices to bolster the processing of critical minerals in the U.S. Processing is a critical step in the supply chain, converting raw minerals into materials that are functional and suitable for use in advanced technologies. Unfortunately, due to a decades-long critical minerals industrial strategy, China currently controls 80% of the world's critical minerals processing capability and nearly 90% of the processing capability for rare earth elements. This includes the processing of minerals, such as cobalt and lithium, that are mined elsewhere in the world. As a result, it is estimated that China exerts some level of control over 65 to 90 percent of the global supply of key metals. By building a stronger domestic processing capability, the U.S. can reduce its dependence on China.

Moreover, the scale of capital and the lengthy timelines required for operational profitability for the mining and processing of critical minerals necessitates a multi-faceted policy approach that also focuses on ensuring a steady demand for these minerals in the future. Given China's outsized competitiveness in this area, policies that stabilize and nurture future demand for these minerals can help minimize risks associated with investments in building out new domestic supply chain.

A healthy and competitive auto industry in the U.S. requires access to a resilient and trusted supply of foundational semiconductor chips and critical minerals.

To achieve that, rather than tariffs or other import restrictions, the U.S. needs significant investment in – and sustained commitment to – building additional domestic production that meets the future needs of the auto industry. We look forward to partnering with Congress and the Administration to achieve these shared goals.

Innovation: America must lead next-generation automotive technologies

It is vital for the U.S. to continue to lead the world in the development of next-generation automotive technology, including autonomous vehicles (AV). As innovation in the industry progresses, staying ahead of technological advances has become more important than ever as vehicles contain more cutting-edge digital technology. Moreover, technology like AVs will change how we understand and view personal mobility while providing clear safety benefits. Chinese automakers are not limiting innovation to electric vehicles only, as one study suggests one-fifth of cars sold in China will be driverless by 2030, and 70 percent will have some form of advanced assisted-driving technology.

Leadership in spaces like AVs is critical to our global competitiveness, which is why it is important for Congress to prioritize legislating a federal regulatory framework that supports

the testing and deployment of AVs at scale in the U.S. The work being done at the Department of Transportation and at the National Highway Traffic Safety Administration in this space is also important, and we urge the Administration to move forward with a sense of urgency to complete this work.

Regarding other technologies, while the association strongly supports efforts underway at the Environmental Protection Agency and the National Highway Traffic Safety Administration to revise vehicle emissions and fuel economy standards to ensure customers have the freedom to choose the vehicles and powertrains that best meet their needs, we also understand the importance for the U.S. to lead in electric vehicle technology to not only better serve our own consumers that prefer these vehicle types, but to export and compete around the world in countries that are moving towards this technology. This includes support for the advanced manufacturing production tax credit and federal funding for the buildout of reliable and dependable charging infrastructure.

The association also supports the Administration's efforts to ensure U.S. leadership in artificial intelligence, especially as China advances their investment and technology in this space.

China: A threat to the U.S. automotive industry

Every country seeks a healthy, growing auto industry. Indeed, Congress and the Administration have been especially focused on policies that protect and promote automaking in the U.S.

But China is a special case and in a category all its own.

China poses a clear and present threat to the auto industry in the U.S.

The competitiveness of the domestic auto industry and its workers will be damaged if Chinese automakers and battery manufacturers are allowed to do in the U.S. what they have already been permitted to do around the world.

In the near-term, however, Congress and the Administration can keep the auto industry in America healthy and competitive; safe and secure; and in a position to protect our economic and national security now and in the years ahead.

Thank you for remaining clear-eyed and vigilant regarding China's automotive gameplan and for your commitment to the auto industry here at home.

Sincerely,

John Bozzella, President & CEO