

**Testimony of Scott N. Paul
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Before the Energy and Commerce Subcommittee on
Consumer Protection and Commerce
Hearing Entitled
“Investing in American Jobs:
Legislation to Strengthen Manufacturing and Competitiveness.”
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Chairwoman Schakowsky, Ranking Member Bilirakis, and members of the subcommittee, on behalf of the Alliance for American Manufacturing (AAM), thank you for the opportunity to testify at today’s hearing, entitled, “Investing in American Jobs: Legislation to Strengthen Manufacturing and Competitiveness.”

About the Alliance for American Manufacturing (AAM)

AAM is a non-profit, non-partisan partnership formed in 2007 by some of America’s leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America’s economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America’s manufacturers and workers.

Introduction

We appreciate the opportunity to share our views on various issues and pieces of legislation on today’s agenda, including measures to address supply chain security, resiliency, and revitalization and others to strengthen consumer protection regulation.

Domestic Supply Chain Resiliency Is an Economic and National Security Priority

The last 18 months have made all Americans painfully aware of the tragic inadequacy of our deteriorated industrial capabilities and broken supply chains for respirators, ventilators, medicines, and other products essential for pandemic response. More recently, the pandemic has exposed a dangerous reliance on global suppliers for many other consumer and commercial products – revealing that the United States is ill-equipped to produce enough semiconductors, automobiles and parts, building materials, and consumer goods for everyday life, let alone the quantities needed to address a future emergency. The frailty of on-demand global supply chains and our utter reliance on them has left us dangerously exposed during an international health emergency and unprepared for future emergencies.

In order to address these supply chain disruptions, as well as anticipate and prepare for future crises, we must acknowledge how we got here and what went wrong. The pandemic has exposed in rather dramatic fashion that years of flawed tax, trade, procurement, and other policies have put the United States in a perilous position of dependence on imports. As we move forward, focusing on supply chain challenges and constraints with a bias towards a continued reliance on imports is the wrong approach. While we recognize that the United States has important security and trade relationships with our allies, the primary solution should not be

to double down on imports or more globally integrated supply chains. We must break the vicious cycle of implementing policies that reward imports over domestic production.

Experts Have Been Warning that Offshoring and Reliance on Imports is a National Security Risk
The unfortunate, yet entirely predictable, reality we now face is that decades of offshoring have contributed to ongoing supply chain shortages that continue to hinder growth and have forced some factories to go idle. This is an alarming economic and national security issue that experts have been warning about for more than a decade.

- In a 2012 report, entitled “[Preparing for 21st Century Risks](#),” former Department of Homeland Security Secretary Tom Ridge warned that the United States was at-risk of being unprepared to recover from disaster — whether it was terrorism, natural disaster, cyber disruption, or pandemic influenza – due to its dependence on other countries for critical manufacturing. Governor Ridge argued that at the root of the problem was an increasing reliance on foreign suppliers for products needed in the wake of catastrophic events. His report highlighted case studies on the domestic steel industry, our water infrastructure, and the commercial power grid which, because of its dependence on foreign sources, has reduced the number of domestic producers of electrical steel used in transformers to one. Governor Ridge warned that hostile trading partners may make a deliberate choice to not supply needed products, materials or technologies during a time of domestic crisis – citing U.S. reliance on imports as a national security risk.
- In a 2013 report, entitled “[ReMaking American Security](#),” Brigadier Gen. John Adams, U.S. Army (Ret.) found that U.S. national security is at-risk due to our military’s reliance on foreign nations for the raw materials, parts, and products used to defend the American people. He examined the risks and vulnerabilities associated with 14 defense-critical natural resources, inputs, and components and presented recommendations to help mitigate the risks to our national security posed by the pervasive outsourcing of our defense industrial base.

Regrettably, these reports proved prescient, and the authors’ warnings and recommendations were largely ignored. It took the COVID-19 pandemic to bring these concerns to the national spotlight, as the one-two punch of our gutted domestic supply chains and reliance on foreign sources are impacting Americans in countless ways. We must be better prepared for the next crisis, and that requires taking bold action, starting right away. Moreover, the United States has a once-in-a-generation opportunity to take concrete steps to strengthen domestic manufacturing and rebuild critical supply chains, from semiconductors to face masks to batteries to solar panels. Doing so will chart a course for a stronger future and create millions of new, well-paid jobs along the way. It’s time to put an industrial policy in place to supercharge domestic manufacturing and grow supply chains.

AAM Supports a Policy Framework for More Secure, Resilient, and Revitalized Supply Chains
We must acknowledge that supply chain resiliency is not a problem that the private sector alone can fix. There is an appropriate role for government to supply leadership, coordination, a supportive policy framework, and funding directed to *domestic* production expansion where the vulnerabilities are most critical. This is not an easy task, but it is one that the American people demand because it is critical to our future security and prosperity.

We are encouraged by the bipartisan proposals on the legislative agenda today and appreciate the opportunity to share our views on the following bills:

- *"Supply Chain Health and Integrity for the Nation Act" (H.R. 5479, Reps. Bourdeaux D-GA, Kelly D-IL, Kinzinger R-IL)*
- *"Building Resilient Supply Chains Act" (H.R. 5495, Reps. Malinowski D-NJ, Kinzinger R-IL, Blunt Rochester D-DE)*
- *"Supply Chain Security and Resilience Act" (H.R. 5505, Reps. Wild D-PA, Kinzinger R-IL, Dingell D-MI)*
- *"Manufacturing Economy and National Security Act" (H.R. 5492, Reps. Kinzinger R-IL, Malinowski D-NJ, Blunt Rochester D-DE)*

Merging the most attractive provisions from each of these bills and adding several commonsense improvements, which I will outline in my testimony, offers the opportunity to create a long-overdue policy framework for supply chain security, resiliency, and revitalization. We support creating a Supply Chain Resilience and Crisis Response Office at the Department of Commerce; directing that Office to work with the private sector to coordinate and develop standards and best practices that encourage reliance on existing domestic capabilities and incentivize U.S. investments that increase the resiliency of supply chains; and, capitalizing a robust supply chain resiliency fund that can provide a mix of loans, loan guarantees, grants, and other forms of financial assistance where there is a demonstrated need.

Commonsense Improvements Will Strengthen U.S. Economic and Security Interests

These proposals would be greatly strengthened by the inclusion of several policy guardrails that are either insufficient or missing:

1. Federal dollars and other forms of assistance should not be available to entities that are owned by or affiliated with the foreign government or militaries of countries that are uncooperative or pose risks to our economic and national security interests. We must confront the reality that China's government is continuing to use the pandemic to advance its own economic and geopolitical interests. In 2020, an official in China remarked that "it is possible to turn the crisis into an opportunity — to increase the trust and the dependence of all countries around the world of 'Made in China'."¹

Unfortunately, Congress neglected to implement sufficient guardrails as part of previous COVID relief packages. As a result, the New York Times reported that more than 125 China-owned or -invested companies received hundreds of millions of dollars in loans from the Paycheck Protection Program (PPP) – many of them state-owned with concerning links to China's military.² The PPP program was created at the start of the COVID-19 shutdowns to keep America's small businesses afloat and keep workers employed during this unprecedented crisis – not to support China's ambitions.

¹ "Opinion: How China is planning to use the coronavirus crisis to its advantage," Josh Rogin. Washington Post. 16 March 2020.

² "U.S. Small Business Bailout Money Flowed to Chinese-Owned Companies," Alan Rappeport. New York Times. 2 August 2020.

The reporting was based on research by [Horizon Advisory](#), which noted:

“These PRC entities span State-owned enterprises (SOEs); companies with ties to China’s military and military-civil fusion programs; companies that the US government has identified as national security threats; companies complicit in China’s genocide against the Uighur minority in Xinjiang; and media outlets owned by, or that take direction from, the CCP.

“The identified recipients linked to PRC-based ownership span critical and strategic industries including aerospace and defense; pharmaceuticals and medical technology; legacy and emerging automotive manufacturing; advanced manufacturing and manufacturing components (e.g., semiconductors, robotics); telecommunications; financial technology; entertainment; and media.”

2. Critical supply chains strengthened by federal dollars should be those here in America, not offshore. Loans, loan guarantees, grants, and other forms of assistance doled out as part of a supply chain resiliency fund should be predicated on investments being made in the United States. We commend the bill authors for conditioning federal assistance on labor protections, small business qualifications, and other factors. These are important considerations, but more should be done to ensure that tax dollars are not used to build up production capacity offshore when domestic investment should be the clear priority. We recommend that federal assistance granted to companies should be conditioned on commitments that those dollars be allocated to U.S. operations along with robust reshoring plans. Jobs created or supported should be those of American workers.
3. Prioritize domestic content procurement preferences in our supply chain rebuilding efforts. The committee should condition federal financial assistance used for any procurement and construction activities on the use of iron, steel, manufactured products, and construction materials that are produced in the United States by America workers. The administration is already working to enhance the application of existing Buy American laws, and Congress is poised to strengthen similar laws applied to federally assisted infrastructure spending. The committee should align the supply chain resiliency fund with those ongoing actions.

Regrettably, Congress and the administration have already missed several opportunities to ensure that pandemic recovery and response procurements are spent on U.S.-produced goods. While the Small Business Administration’s application for Paycheck Protection Program (PPP) loans included a certification that *“To the extent feasible, I will purchase only American-made equipment and products,”* the provision was meek, toothless and, to our knowledge, completely ignored.

Reinvesting tax dollars here at home creates American jobs, invests in goods produced under strong environmental and workplace safety standards, and protects our economic and national security. Without these policies in place, predatory foreign governments would be free to undercut domestic production with dumped and subsidized, environmentally-unfriendly, and substandard products – bypassing American workers and sending U.S. tax dollars offshore rather than reinvesting in the United States.

4. In setting standards and issuing guidance, the Director of the proposed Supply Chain Resilience and Crisis Response Office should prioritize the expansion of all stages of manufacturing, including upstream inputs that are critical for the completion of a final product assembly or manufacture. Too often our policies overlook the components, parts, and upstream raw materials fundamentally necessary to produce a given product. In a future emergency, relying only on end products that are assembled or manufactured in the United States from all or mostly imported products is not a solution to the problems that have plagued our economy over the past 18 months. In fact, such approaches will only set us up to repeat this failure.
5. While it is not within the jurisdiction of this committee, we would like to also urge that our trade policies be closely aligned and coordinated with these supply chain resiliency efforts. To create the market conditions that allow for the incubation of new technologies into domestic production, manufacturers should have the confidence that they will not be wiped out by a surge of subsidized imports from foreign state-owned enterprises seeking to capture our markets. U.S. companies and American workers are among the most efficient, hard-working, and capable in the world, but even they cannot compete against predatory foreign governments determined to dominate supply chains. and use them as a weapon of foreign coercion.

We need to enforce our trade laws to ensure a level playing field for American workers and manufacturers. Similarly, any proposals to ease imports of finished goods or inputs needed for end products should be carefully examined to ensure that we are not doubling down on global supply chains and making it more difficult to reshore them. Unwarranted tariff relief may very well signal the demise of a U.S. company that is seeking to establish a market foothold or one that has reinvented itself to make PPE or other equipment that fills a gap in our domestic supply of these critical products.

Consumer Protection Regulation Benefits U.S. Manufacturers and Consumers

We also appreciate the opportunity to share our views on several consumer protection bills on the hearing agenda. AAM supports taking steps to address counterfeit and stolen goods, strengthen enforcement of labeling laws, and provide country-of-origin labeling information to online shoppers.

“Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers (INFORM Consumers) Act” (H.R. 5502, Reps. Schakowsky D-IL, Bilirakis R-FL)

We commend Chairwoman Schakowsky and Ranking Member Bilirakis for their introduction of the INFORM Consumers Act (H.R. 5502). The sale of counterfeit and stolen goods in online marketplaces is a problem for consumers and regulation of online marketplaces is appropriate. By requiring online marketplaces to collect and verify business information from sellers and for sellers to provide basic contact information to consumers, this bill will begin addressing counterfeit and stolen goods that are sold or resold on online marketplaces. Accountability and transparency are much needed so that consumers can feel confident that the products they purchase online are safe and not counterfeit.

Separately, given the rapidly changing nature of retail sales, we must evaluate and strengthen regulations to make it easier and more reliable for American consumers to buy products labeled “Made in USA.”

“Reinforcing American-Made Products Act” (H.R. 5474, Reps. Trahan D-MA, Curtis R-UT)

H.R. 5474 would supersede any state “Made in USA” labeling laws with the Federal Trade Commission’s (FTC) standard nationwide. The FTC’s “all or substantially all” standard is strong but relies on meaningful enforcement. This is why we opposed a previous version of this legislation introduced by Senator Mike Lee in 2015 that would have wiped out a state’s ability to enforce its consumer protection laws against deceptive product origin misrepresentations and also would have barred consumers rights of action under state law to challenge such claims.

While H.R. 5474 ostensibly does not seek to limit state enforcement actions or consumer rights of action, we still have questions as to why this legislation is necessary considering an intervening change to California’s state-level labeling law to be harmonized with that of the FTC. It is our understanding that one of the primary motivations for this legislation in 2015 was that California’s law was construed to impose an origin substantiation standard that was more robust than the FTC’s, leading to challenges for some manufacturers in marketing their products nationwide. California has since changed its law to allow amounts of foreign content with a numeric standard adopted that is understood to be consistent with the FTC’s “all or substantially all” policy.

We encourage the committee to ensure that the “Made in USA” label continues to be strong for consumers, yet also achievable for those companies who produce their consumer products in the United States. We would like to work with the bill sponsor and committee leaders to guard against any unintended consequences for state consumer protection laws that may result from the enactment of this legislation.

Finally, while not on today’s hearing agenda, we support consideration of legislation that would require country-of-origin labeling for goods sold by online retailers, such as Amazon or Walmart. Currently, online retailers generally do not disclose country-of-origin information for products they sell, making it nearly impossible for consumers, who in poll after poll express strong preferences for American-made products, to align their spending with their values. U.S. consumers place great value in a “Made in USA” label because of its perceived association to and embodiment of distinctly American values. When Americans see “Made in USA”, they not only believe the product to be of the highest quality, but they also believe it to have been produced by fairly compensated American workers in environmentally responsible and safe manufacturing facilities. Online product listings include many details about color, size and other information. Yet, consumers are being denied that same country-of-origin labeling information that appears on a product package when they purchase items from store shelves. It is in both the interest of consumers and U.S. manufacturers to provide this information to online shoppers.

Conclusion

Thank you for the opportunity to testify at today’s hearing and thank you for your work to rebuild America’s manufacturing capabilities.