March 11, 2025

The Honorable Jamieson Greer
United States Trade Representative
600 17th St NW
Washington, DC 20508

Subject: Aerospace Industries Association Comments on Reviewing and Identifying Unfair Trade Practices

Reference: USTR-2025-0001

Dear Ambassador Greer:

The Aerospace Industries Association (AIA) and our nearly 300 aerospace and defense (A&D) member companies spanning the entire supply chain—from small component suppliers to large original equipment manufacturers (OEMs)—play a vital and unique role in global trade. The A&D industry uniquely and holistically aligns with President Trump's 2025 Trade Policy Agenda for a Production Economy: We create high-wage manufacturing jobs in every state across country; we are the world leader in aerospace technology thanks to our commitment to innovation; and we are an integral component to our national defense. In short, we are the best-in-class example for a Production Economy. Because of this, our industry continues to drive U.S. market leadership and economic growth, with $135.9 billion of goods exported in 2023. As a longstanding leader in American innovation and export capabilities, AIA and our members are committed to supporting the United States government in identifying and countering discriminatory trade practices to bolster American manufacturing and commerce.

Adversaries increasingly leverage their industrial policies, trade remedies, and trade agreements as a tool of competition, and the United States must do the same to ensure manufacturers throughout our supply chain can serve their customers and invest more in American jobs and communities. Following decades of industry investment in American manufacturing and to creating well-paying jobs, and thanks to a supportive trade environment, the A&D industry has maintained the single largest trade surplus across all American manufacturing industries for over 70 years. Our industry is therefore experienced in navigating global markets and acutely aware of the consequences of unfair foreign trade practices and the power of domestic policies to bolster U.S. competitiveness.

AIA and our members are committed to supporting the Trump Administration in strengthening trade policies and tools that advance U.S. competitiveness. To grow U.S. export markets, the United States government should employ a comprehensive approach that balances trade practices designed to improve U.S. competitiveness with investments in domestic sources and more nimble regulatory structures. American A&D companies can serve as strategic partners to the U.S. Trade Representative (USTR) and provide our practical knowledge and expertise to assist policymakers in their efforts to reduce exposure and risk.

Identifying non-market practices and taking necessary and appropriate action requires a sector-specific approach

Trade policies and remedies, including tariffs and duties, can be vital tools to protect domestic industry, rebalance trade relationships, uphold the integrity of the international trading system, grow emerging sectors and industries, and secure the health of the U.S. manufacturing base. Trade and tariff policies may bolster overall national security but must be appropriately scoped and targeted to avoid adverse effects on export competitiveness, the trade deficit, and economic security.

AIA and our members encourage USTR to develop a balanced and reciprocal array of trade remedies and investments that directly target and counter unfair trading actions. USTR, in collaboration with its interagency partners, should identify sector and industry-specific actions and employ policies that reasonably reproach unfair foreign trade practices while investing in domestic industry and protecting supply chains. Our members recommend the U.S. government consider the following practices and recommendations as it relates to the A&D industry:

- **China's Targeting of Strategic Industries and Sectors:** The People's Republic of China has adopted its "Made in China" industrial strategy, which wields national investments to advance Chinese businesses and interests in strategic industries and sectors in the global marketplace. As an example, China's investment into the semiconductor supply chain and control of critical minerals and materials required for their production have impacted U.S. semiconductor companies in their ability to successfully compete in the global market.

  Our members encourage USTR to continue its Section 301 investigation of China's actions in the semiconductor industry and impose proportional and targeted taxes and tariffs with appropriate exclusion processes to mitigate supply chain disruptions. Additionally, our members encourage USTR to continue its work with interagency partners to develop policies and investments that challenge China's industrial policy and bolster U.S. industry, including tax benefits, workforce investments, and alignment with global partners to determine which collaborative counteractions are most effective.

- **European Defense Industrial Base Policy:** In 2024, the European Union (E.U.) released the European Defence Industrial Strategy (EDIS), a first-of-its-kind strategy to increase E.U.-level defense readiness and strategic autonomy while reducing defense dependencies. The EDIS included a joint regulatory and budget proposal, including EUR 1.5 billion, budgeted for 2025-2027, that provides for a clear framework and investment structure for E.U. industry. However, non-European allies and partners such as the United States were excluded from its strategic approach. Further, there has been an ongoing effort by the European Council to place limit on how member states use the U.S. Foreign Military Sales (FMS) program.

  Our members recommend that the U.S. government engage with the E.U. to develop joint defense planning investments that bolster existing alliances and emphasize reciprocity. The U.S. and European defense industrial bases are already closely integrated but could be more resilient through clearly defined joint objectives, commitments, and investments. These commitments should include clear budget frameworks and reciprocal supply chain investments.

- **Offset and industrial participation requirements:** Defense offset and industrial participation obligations, policies, and requirements remain a challenge for the A&D industry and often slow the contracting process, increase costs, and delay the export of critical defense items to our allies and partners. Moreover, non-U.S. imposed unclear offset objectives, restrictive industrial project demands, and high offset penalties increase risk for American industry and create competitive disadvantages in military sales.

  Our members encourage the United States government to work closely with allies and partners to ensure that, if offset and industrial base obligations are imposed, the requirements are realistic and contribute to collective security needs (e.g., promoting sustainment facilities in strategic locations). Reciprocal Defense Procurement Agreements (RDPAs) should be leveraged to ensure clarity and reciprocity in offset policies and mitigate potential economic and industrial base risks.

- **The United States-Mexico-Canada Agreement (USMCA):** USMCA has been a critical instrument to increase the competitiveness of the American aerospace industry. By leveraging the industrial capabilities that Canada and Mexico bring to the U.S. aerospace supply chain, the U.S. A&D industry has been able to compete effectively with the European aerospace industry and emerging industries in Turkey, Morocco, India, and China.

  Our members encourage the United States government to engage with industry while reviewing USMCA to ensure it supports American companies and workers and reduce adversarial trade dependencies. The competitiveness of the American A&D industry depends on the ability of products and components to cross the United States borders with Canada and Mexico, free of any tariffs – a regime which, cover the past 40 years, has contributed to the enormous growth in U.S. A&D exports. Of particular concern, products and components may cross the borders many times until they get to final assembly.

- **Foreign tax issues:** The recent global minimum tax efforts by the Organization for Economic Cooperation and Development (OECD) and its member countries are discriminatory against U.S. businesses that heavily invest in research and development (R&D) activities and benefit from the U.S. R&D tax credit. The rules unfairly adjust the U.S. R&D tax credit, misrepresenting the minimum tax rates of U.S. businesses and creating opportunities for foreign countries to collect additional tax.

Reciprocal sectoral trade and industry-focused agreements support U.S. exports and counter the trade deficit

When appropriately scoped and negotiated, sectoral or industry-targeted trade agreements are an efficient means of reducing trade barriers for U.S. companies, opening global markets, and enhancing prosperity for American businesses and workers. To be fully functional, however, these trade agreements must be designed to be reciprocal to ensure that any investment into the global market by U.S. businesses results in a returned investment for the American people.

The 1979 Agreement on Trade in Civil Aircraft (The Large Civil Aircraft Agreement) was negotiated with the interests of U.S. manufacturers considered—advocating against tariff barriers to enhance competition, mitigation of subsidies into foreign industries, and deterring any future implementation of protectionist tariffs by trading partners. The Large Civil Aircraft Agreement, which requires signatories to eliminate tariffs and import duties on civil aircraft, aircraft engines, flight simulators, and related parts and components, has enabled U.S. commercial aerospace exports to grow by over 2,177 percent in the 40 years since implementation.

The Large Civil Aircraft Agreement serves as a best-in-class example of how trade agreements may be negotiated with U.S. interests at the center and lead to sustained growth for U.S. manufacturing. Providing duty-free access to civil aircraft parts and components expanded export opportunities for the U.S. aerospace industry and has led to the industry being the largest sectoral contributor to the United States' industrial trade balance. Our members encourage the Administration to work with industry to ensure duty-free access provided under the agreement is upheld and U.S. industry continues to have fair global market access.

Trade agreements with likeminded trading partners are dynamic tools to bolster U.S. manufacturing industries and strengthen critical supply chains. The U.S. government should use bilateral and multilateral sectoral and industry-targeted agreements to provide incentives for market access and build U.S. resiliency through trusted sources. Critical mineral agreements, such as the U.S.-Japan Critical Minerals Agreement, should be reevaluated, expanded, and appropriately modernized to be national security focused to reduce trade dependencies and ensure the United States has a comprehensive and collaborative approach to trade. Recent bipartisan legislation, such as the *STRATEGIC Minerals Act*, also offers a potential avenue for negotiating and enforcing sector-specific trade agreements.

Investments into U.S. exporters are an investment into the U.S. economy

The U.S. A&D industry reinvests into the U.S. economy annually through its commitment to producing products made in America by American workers. Our industry continues to build upon and expand the American workforce, drive innovation, and integrate new suppliers into the industry due to a maintained trade surplus and continued global demand for U.S. A&D products and services.

As other countries develop industrial policies and incentives to enhance their domestic manufacturing, the U.S government must also consider the balance of tariffs and domestic policies that may bolster American industrial sectors. To ensure reciprocity in the global market, the U.S. government must develop robust domestic policies that promote budget stability, workforce development, and regulatory flexibility in concert with trade remedies. Our members encourage USTR and interagency partners to consider the following specific recommendations as actions that counter unfair trade practices:

- **Develop policies that strengthen domestic capacity and production:** The U.S government should provide financial incentives and investments that support onshoring of goods and services that increase domestic capability and capacity. For example, the bipartisan *Securing America's Titanium Manufacturing Act of 2024* enhances the competitiveness of America's titanium mill products for industry by ensuring fair competition for domestic producers. Furthermore, Section 45x(c)(6) of the *Inflation Reduction Act* incentivizes U.S. industry to invest in critical mineral processing by providing a 10 percent production tax credit.

- **Adopt regulatory requirements to drive manufacturing:** The U.S. government should avoid creating further supplier certification requirements that are potentially duplicative and/or could add additional time to the certification of new suppliers to our industrial base. Standards for certification should be clear and streamlined to ensure the safe and sustainable integration of new suppliers. Additionally, as industry makes continual private investment in their human capital, the U.S. government should provide policy incentives and budget stability to invest in a skilled manufacturing workforce. Industry remains supportive of the passage and permanence of the *Tax Cuts and Jobs Act* and encourages partnerships between government and industry and federally funded workforce programs to ensure domestic industries are able to compete with countries investing in a skilled workforce.

- **Restore the health of the defense industrial base:** The A&D industry is integral to the United States military's operational capabilities. The National Defense Strategy emphasizes the need for rapid deployment capabilities, which are directly supported by a robust defense industry. Secretary of Defense Pete Hegseth has echoed these priorities and the need to rebuild the defense industrial base to support the American warfighter and ensure readiness. Trade policies, including tariffs, must consider the defense industry and how inadvertent effects may hinder the military's readiness and effectiveness to protect United States national defense and security. Chapter 98 of the Harmonized Tariff Schedule (HTS) (i.e., Department of Defense Duty Free Entry otherwise known as 9808.00.3000) and the U.S. Government Property returned to the United States (i.e., 9801.00.11) should continue to be used to bolster the United States military and defense industrial base and mitigate negative consequences for U.S. defense readiness and spending.

- **Strengthen the competitiveness of U.S. tariff code:** The United States government may make tariff codes more competitive by analyzing how national technology and industrial base companies, in accordance with 10 U.S.C. 4801, perform in their respective tariff environments. Legislation and policy, including the Miscellaneous Tariff Bill and Generalized System of Preferences, support industries by removing tariffs on critical minerals and materials that are not domestically available until domestic production is adequately reestablished. Additionally, exclusions should be targeted and limited to enhance U.S. national and economic security. USTR should also seek public comment on how HTS code may be modernized to best serve U.S. strategic interests and shield American companies from actions taken by foreign companies to leverage the eight-digit HTS code to engage in dumping.

- **Build a trade surplus through export crediting:** Foreign countries continue to expand their export credit agencies to support domestic exports and reinvest into their domestic job creation and supply chain security. The U.S. Export-Import (EXIM) Bank is a critical tool for industry, signaling sustained marketplace availability and growth opportunities for companies throughout the supply chain. The United States government should continue to support EXIM Bank and its policies, like *Make More in America*, to bolster U.S. export abilities and compete with the over 100 international credit agencies that provide non-U.S. competitors an edge in the global market.

The A&D industry remains a committed partner to driving U.S. trade

U.S. trade relationships must be balanced and fair. The U.S. A&D industry remains committed to supporting the Trump Administration in adopting policies and strategies that counter unfair trade practices and build incentives to improve the competitiveness of domestic manufacturing. AIA and our members are eager to iteratively work with USTR to ensure actionable policies to achieve these shared goals.

We appreciate the opportunity to provide public comments and look forward to close collaboration on this matter. If you have any questions or require additional information, please contact my staff lead for this matter, Lizzie Patterson (lizzie.patterson@aia-aerospace.org).

Respectfully,

Derek "Dak" Hardwick
Vice President, International Affairs
Aerospace Industries Association