January 17, 2017

The Honorable Donald J. Trump
President-Elect
1717 Pennsylvania Avenue, N.W.
Washington, DC 20006

Dear President-Elect Trump:

On behalf of the Alliance for American Manufacturing (AAM), a non-profit, non-partisan partnership formed in 2007 by some of America’s leading manufacturers and the United Steelworkers, we write to congratulate you on your victory in the presidential election. We look forward to working with you and your incoming administration to advance our shared goals of revitalizing America’s manufacturing sector – a major economic driver, foundation of U.S. national security, and source for millions of high-paying jobs.

Americans of all political backgrounds are strongly supportive of reforming trade policy and the tax code to promote U.S manufacturing, investing in America’s crumbling infrastructure, and making sure that those investments rely on American-made materials and American workers to get the job done. According to nationwide polling conducted just days after the November election, more than two-thirds of voters (68%) are worried at least a great deal that “we have lost too many manufacturing jobs in the country.” Among those who voted to elect you as President, the concern was even higher (79%).¹

Voter concerns accurately reflect the suffering that domestic manufacturers, their workers, and communities have endured in recent years, due in large part to being forced to compete against government subsidized foreign competition and an attitude of some policymakers that our country would be better off abandoning manufacturing altogether. Since 2000, our nation has lost nearly one-third of its manufacturing jobs, shed more than 54,000 manufacturing facilities, and seen our global market share in manufactured exports shrink from 14% in 2000 to 9% in 2013.² This is unsustainable, and we agree with you that it is both possible and desirable to create a policy framework to support a resurgent, made in America manufacturing base.

Outlined below are a number of policy proposals that enjoy broad support among voters of all political backgrounds – especially among those who elected you as President of the United States.

**Invest in America’s Failing Infrastructure Using American-Made Iron and Steel.**

Federal investment in infrastructure is critical to a well-functioning economy and our national competitiveness. U.S. manufacturers benefit from infrastructure investments not just because it

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generates new demand for steel, iron and manufactured goods, but also because an efficient infrastructure network improves their ability to bring goods to market.

More than two-thirds of your voters agree that “invest[ing] in repairing roads, bridges and basic infrastructure” is at least a very important issue for Washington to focus its attention on.

1. **Long-Term, Sustained Funding.** Your leadership is needed to make infrastructure investment a top priority on Capitol Hill with long-term sustainable funding solutions. In recent years, Congress has chosen to maintain the status quo of underinvestment, backed by one-time funding sources. This has resulted in a growing backlog of infrastructure needs that, with each passing day, makes the task of agreeing on long-term, sustainable funding more of a challenge.

2. **Focus on Large Projects.** While the 2009 Recovery Act contained a sizeable amount of funding for infrastructure investment, a majority of the projects were “shovel-ready” paving and other routine-maintenance improvements. In order to get the most “bang for the buck,” a sizeable investment focused on repairing projects of significance is needed. America has 156,000 deficient bridges, an investment backlog of $85.9 billion for our nation’s roads, and $200 billion annually in lost economic activity from inefficient rail transportation. Meanwhile, wasted and inefficient time at U.S. airports accounts for roughly $8.1 billion in annual losses to the airline industry.\(^3\)

**Support ‘Buy America’ Policies and Reject Weakening Efforts.**

We are encouraged by your comments that infrastructure investments will “follow two simple rules: buy American and hire American.” Our roads, bridges, water systems, and other critical infrastructure should be built with American-made steel. As you described in a June 2016 speech in Monessen, Pennsylvania, “A Trump Administration will also ensure that we start using American steel for American infrastructure…This alone will create massive numbers of jobs.”

We agree and stand ready to put these words into action. Buy America laws are an effective, trade law-compliant tool to create jobs and incentivize U.S. factory investments, while rewarding taxpaying companies that manufacture their products here in America. Where gaps in coverage exist, we have seen major infrastructure projects built with imported steel and other foreign components, sending hard-earned taxpayer dollars to countries like China. These are missed opportunities to revitalize our manufacturing sector and create high-paying jobs. A commitment by the federal government to buy American-made products provides a stable, baseline level of demand for domestic manufacturers – providing a business case to locate new production in America, retain and retool existing production, and ensure that the benefits of federal procurement are felt by communities throughout the nation.

Nearly 3 in 4 voters (74%) say large infrastructure projects, financed with taxpayer money, should be built using American materials and workers. And the very voters that cast their ballots for you in November agree even more strongly (79%).

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1. **Expand Coverage.** There are many infrastructure spending programs that are not currently covered in statute by a Buy America preference, including various water infrastructure programs. And, as you contemplate new ways to invest in America’s infrastructure, including the use of innovative financing mechanisms, we urge you to support the application of Buy America. An infrastructure investment program that relies on existing programs that have Buy America coverage – the TIFIA program, for example – and insists on the application of Buy America to those programs still lacking in coverage, will ensure that, in your words, “It will be American hands that remake this country.”

2. **Close Loopholes, Revisit Agency Exceptions, and Strengthen Enforcement.** When applied effectively, Buy America policies spur capital investment, locate innovation in the United States, and create and sustain high-paying manufacturing jobs here in America. Unfortunately, years of loopholes, agencies overstepping congressional intent with exceptions, and weak enforcement have resulted in an increasing amount of foreign content in government procurement and our infrastructure. We urge you to revisit application of existing Buy America preferences – agency by agency – to reduce waivers and increase oversight of enforcement.

3. **Reject Weakening Efforts.** To achieve the maximum possible economic and jobs impact, for more than 30 years the term “produced in the United States” has been applied to require that “all manufacturing processes” occur in the United States for steel and iron to qualify under Buy America. We urge you to support this critical standard and flatly reject any efforts by well-funded foreign governments and steel importers to undermine it. Their proposed outsourcing loophole would send upwards of 90 cents on each tax dollar spent on steel to countries like China.

**Make Trade Work for All Americans.**

We applaud the creation of the White House National Trade Council, which recognizes the link between trade and manufacturing. For too long, our trade policies haven’t been focused on supporting our manufacturing sector but, in many ways, have undermined it.

Unfair trade practices like dumping, export subsidies, and currency manipulation drove the loss of one-third of U.S. manufacturing jobs since China’s entry into the World Trade Organization (WTO). Since that time, the U.S. bilateral trade deficit with China has more than quadrupled, from $83 billion in 2001 to $367 billion in 2015. There is no greater threat to the resurgence in American manufacturing than widening trade deficits and unfair trade practices that go unchecked.

Sixty-three percent of voters overall – and 71% of your voters – want strong trade enforcement when China cheats. By a 67-23 margin, voters who supported you agree that “we need to get tough with China…to stop their unfair trade practices” and rejected arguments that it would “start a trade war.” Your administration can take concrete steps to make trade work for American manufacturers and workers.

1. **Prioritize Trade Enforcement.** Strict enforcement of U.S. trade remedy laws is vital to leveling the playing field for U.S. companies and American workers impacted by unfair trade practices – like dumping and subsidies. We must ensure that timely and effective
relief from such market distortions is available before plants are forced to close and workers lose their jobs. It is also critical that the government provide support when foreign interests steal trade secrets in order to manufacture products abroad and send them to the United States.

2. **Reduce Global Industrial Overcapacity.** The U.S. steel and aluminum sectors are currently suffering from unprecedented challenges due to global overcapacity. Despite slowing market demand, governments like China continue to maintain high levels of production, undermining U.S. companies that compete based on market considerations. We urge you to accelerate the work of the G20 Global Forum on Steel Excess Capacity and press for verifiable and enforceable net reductions in global overcapacity.

3. **Maintain China’s Non-Market Economy (NME) Status.** China is aggressively lobbying for a grossly undeserved trade concession from the United States, asking that it be granted “market economy status” – a move that would severely undermine America’s trade remedy laws and expose U.S. companies and American workers to considerably more dumped imports. We urge you to continue to maintain NME status until market forces, and not the Communist Party, direct the Chinese economy.

4. **Deter and Penalize Currency Manipulation.** Currency manipulation by foreign trading partners has cost the United States upwards of five million jobs. We urge your support for bipartisan legislation to treat currency manipulation as a subsidy under our domestic trade laws.

5. **Prioritize Job Creation in Trade Agreements.** Recent trade negotiations, like the Trans-Pacific Partnership (TPP), have fallen short on including enforcement mechanisms to prevent trade cheats from taking advantage of our market and our workers. Trade agreements should prohibit currency manipulation with strong, enforceable language modeled after existing international rules. And, stronger “rules of origin” must be negotiated to prevent goods from countries not included in the deal, like China, from gaining unfettered access to the U.S. market. Trade agreements should promote, not undermine, the interests of the manufacturing sector and its workers.

6. **Put a Stop to Chinese State-Owned Investment.** Chinese investment in the United States continues to surge, reaching $15 billion in 2015 and expected to double in 2016. Acquisitions of the Chicago Stock Exchange and a major U.S. railcar manufacturer, Vertex, were recently approved by the Committee on Foreign Investment in the United States (CFIUS). This raises alarming security concerns about ownership of important sectors of our economy by a potential hostile economic rival, and whether current resources and guidelines are adequate to review such acquisitions. We urge you to work with Congress to put an immediate stop to further acquisitions by Chinese state-owned enterprises and to reform U.S. review processes to ensure that our economic and national security considerations are protected.

**Strengthen the Defense Industrial Base to Promote American Security.**
As U.S. manufacturing has moved offshore, the strength of our defense industrial base has weakened. A strong manufacturing base is vital to our nation’s defense and the protection and resiliency of our critical infrastructure. Increasingly, the components needed to support our
Warfighters are being put at risk. For example, right now the Committee on Foreign Investment in the United States (CFIUS) is considering whether to approve the sale of Aleris, a U.S. aluminum company, to Chinese interests who are under investigation for evading and circumventing U.S. trade laws. Aleris is a leading developer and producer of ballistic-resistant aluminum used in military applications. Aluminum is critical in the airframes of our fighters and in our missiles. Allowing Chinese interests to acquire this company puts our national security at even greater risk.

In addition, other defense needs are increasingly difficult to meet through existing manufacturers. We no longer can supply domestically the ammunition needed for our military and law enforcement and we are dependent on foreign sources for rare earths used in a variety of military applications. These are but a few of the vast array of vulnerabilities that exist.

Eighty-one percent of your voters agreed that U.S. manufacturing is important because “a strong manufacturing sector is important to our military security” – an argument second only to creating American jobs (92%).

1. **Reform CFIUS with U.S. National Security as a Primary Consideration.** Strengthen review procedures and assessments conducted by CFIUS to look at the critical nature of the specific assets in question but also how the sale of such assets might undermine our military and critical infrastructure supply chains as well as ability to innovate and manufacture here in the United States.

2. **Promote American-Made National Security.** Strengthen sourcing rules to ensure that Buy American rules, as well as provisions such as the Berry Amendment and other provisions in U.S. law, are aggressively applied.

3. **Pinpoint and Mitigate Strategic Domestic Industry Vulnerabilities.** Identify critical sectors, such as semiconductors, aerospace and metals where domestic manufacturing must be strengthened through closer cooperation with the Department of Defense, expanded research and development support, and identification of foreign challenges.

**Prioritize U.S. Manufacturing in Tax Reform.**

As Congress considers reforms to the corporate tax code, we must make sure manufacturers don’t end up paying for a tax cut tailored for Wall Street and retailers. Manufacturing is the foundation of our economic strength and faces unique global competition. For corporate tax reform to encourage prosperity and growth, manufacturers must be able to quickly recover the costs of their capital investments, have the flexibility to weather the natural ups and downs of the business cycle, and have the certainty to locate production in the U.S. for the long-term.

We are encouraged that leaders on Capitol Hill are considering ways to reform the tax code in a manner that makes American-made products more competitive. Ultimately, any border adjustment mechanism will have to be carefully crafted and scrutinized to ensure that American manufacturing is in fact a winner and does not take a back seat to other sectors.

More than two-thirds (71%) of voters say “reform[ing] the tax code to encourage American manufacturers to invest in new factories and equipment” is at least “very” important. 82% of your voters agree.
1. Strengthen Accelerated Depreciation. Cost recovery tax incentives like accelerated depreciation play an important role in the cost of capital and, in turn, the amount of investment that occurs. Upgrading old machinery with new technologically-advanced equipment is often expensive, but necessary for firms to remain competitive with global competition and to employ millions of American workers. We are encouraged that Congress has embraced the importance of manufacturing and factory investments by moving towards full and immediate expensing in recent tax legislation. Still, we urge you to reject any tax reform plan that seeks to eliminate or weaken the ability of U.S. manufacturers to invest and hire workers.

2. Maintain Tax Provisions that Keep U.S. Manufacturers Competitive. The tax code must continue to recognize both the benefits and challenges of manufacturing in the United States. We urge your support for the maintenance of targeted provisions that enable firms to withstand the ebbs and flows of the business cycle, allocating losses in a reasonable manner. These include the “Last-in, First-out” (LIFO) inventory accounting methodology, the ability to deduct interest to offset borrowing costs, and the net operating loss and minimum tax credit carryovers.

Working together, we have an opportunity to reverse the negative trends outlined above, bringing high-paying manufacturing jobs back to America. For America to be “great again,” it is imperative that restoring our manufacturing sector be a top priority. We look forward to working with you and your incoming administration to strengthen American manufacturing and create new private-sector jobs through smart public policies. 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.

Together, we can Keep It Made in America.

Sincerely,

Scott N. Paul
President
Alliance for American Manufacturing