

DOCKET NO. USTR-2018-0005

**SUMMARY OF COMMENTS BY THE INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS (IAM) REGARDING USTR'S NOTICE OF DETERMINATION
AND REQUEST FOR PUBLIC COMMENTS CONCERNING PROPOSED DETERMINATION
OF ACTION PURSUANT TO SECTION 301: CHINA'S ACTS, POLICIES, AND PRACTICES
RELATED TO TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY, AND
INNOVATION**

The International Association of Machinists and Aerospace Workers, (IAM) AFL-CIO, represents several hundred thousand active and retired members throughout North America. Our members work in a variety of industries including aerospace, manufacturing, electronics, defense, transportation, shipbuilding, and woodworking to name a few. Much of what our members produce and service depends upon international trade. We firmly believe that U.S. trade policy must work for U.S. workers and have adopted strong positions on reforming our nation's trade policy. Like other unions, we have also developed significant trade-related technical expertise in the industries in which our members work. Given our vested interest in trade matters and our expertise in manufacturing, especially aerospace, we have, for many years, advocated support for trade actions that prohibit the forced transfer of technology and production to other countries from the U.S.

As has been previously stated, few countries are as capable and as aggressive as China in building a strong and vibrant aerospace industry. Over the years, China has relied on transfers of production and technology from Western companies to develop its aerospace industry. It has successfully pitted western competitors against each other for market share in China's growing aviation market. Commercial aerospace companies and their suppliers have procured parts and components from China valued at millions of U.S. dollars.

The transfer of production and technology to China poses a threat to the U.S. economy by negatively impacting U.S. aerospace workers and the U.S. industrial base in four different but related ways: First, jobs that may be associated with the transfer of technology and production are lost; Second, the skills that accompany the transfers are lost, leading to a further decline in our industrial base; Third, additional jobs could be lost in the future as China utilizes the transfer from the U.S. to create and strengthen its own aerospace companies that will compete directly with prime U.S. aerospace companies and their suppliers; And fourth, the technology and production that would have led to more U.S. jobs through the development of leading edge technology and innovative products is lost.

Efforts to stop China's demand that U.S. aerospace companies transfer technology and production are long overdue. The Administration should move quickly to place tariffs on Chinese aerospace parts, components and subassemblies that cost U.S. jobs. While, the list of U.S. tariffs recently proposed includes airplane parts, it is not yet known which precise parts will be subjected to tariffs. In making its final determination, USTR should closely review Chinese aerospace parts, components and subassemblies that are already produced in the U.S. It should also give weight to placing tariffs on parts, components and subassemblies that were produced in the U.S. prior to being transferred to China.

Identifying specific aerospace parts, components and subassemblies that have been transferred to China and that should be performed by U.S. workers is extremely difficult. The detailed nature of these activities is not public and often proprietary. The growing nature of global supply chains add to the complexity of tracking all of the parts that have been transferred to China that have negatively impacted U.S. aerospace and related jobs. For example, first, second and third tier suppliers to a U.S. aerospace company may have outsourced its products to China. Presumably, detailed information concerning these goods are controlled by U.S. aerospace companies, which remain the best and most accurate source to report on the precise nature of these forced transfers. For this reason, we urge USTR to request that U.S. companies reveal the parts, components and subassemblies that they have transferred directly or indirectly through their global supply chains, in connection to China's overt and subtle demands for forced transfers.

In addition, USTR should file a WTO Complaint against China's forced transfer of technology and production based on its unfair trade practice. It should also make every effort to convince the EU, which faces the same demands, to join in the complaint.

Efforts to prohibit forced transfers should also be made a priority in all trade agreements and dialogues with other countries, including the proposed Transatlantic Trade Investment Partnership. If the U.S. and EU were to agree to prohibit these transactions with respect to China (and each other), then U.S. and EU aerospace companies will be able to compete on the quality and price of their goods, not on who can give away more technology and production to China.