

Testimony of David Sullivan, Eastern Territory General Vice President, International Association of Machinists and Aerospace Workers

301 Investigation of China's Acts, Policies, and Practices Targeting the Maritime, Logistics, and Shipbuilding Sectors for Dominance", docket number USTR-2024-0004.

Good morning. My name is David Sullivan, Eastern Territory General Vice President of the International Association of Machinists and Aerospace Workers (IAM). The IAM represents approximately 600,000 active and retired members across a wide variety of industries including aerospace, transportation, and shipbuilding. Our members work on the forefront of our nation's industrial base, building the critical platforms on which our men and women in uniform rely. They work every day to support the military and commercial shipbuilding sectors not only in terms of production, but also providing critical maintenance and repair services. As a shipbuilder by trade myself, out of Bath Iron Works in Maine, I know firsthand the critical importance of maintaining and strengthening the U.S. shipbuilding industry and its workforce.

The IAM applauds the U.S. Trade Representative's decision to launch a Section 301 investigation into China's unreasonable and discriminatory acts aimed at control and dominance of the maritime, logistics and shipbuilding sectors. I have seen firsthand the impacts of their unfair policies on U.S. shipbuilding and our vital defense industrial base.

Since 2001, when the Chinese Communist Party (CCP) labelled shipbuilding as a "strategic industry," there has been a laundry list of China's unfair, unreasonable, and discriminatory practices. From protecting state-owned ship builders with directed mergers and access to low-cost capital, to the provision of manufacturing inputs at far below market prices, China's shipbuilders, logistics and maritime industries have been propped up to the detriment of a level playing field in global markets.

As a result, China has become the world's largest shipbuilder, producing over 1,000 commercial ocean-going vessels per year while U.S. commercial yards build only a handful. China's merchant fleet has grown from roughly one twentieth of the world's fleet in the early 2000s, to one seventh today – with more than 5,500 merchant ships in service. For context, over that same period, U.S.-flagged oceangoing vessels decreased by more than half, sitting at less than 100 today.

As the People's Republic of China has employed their decades long effort to distort and dominate maritime sectors, U.S. shipbuilding capacities have been hollowed out and workers have been laid off. Our members are particularly aware of these impacts. They devote their lives to learning and applying the highly specialized skills needed to build and repairs commercial and critical naval vessels, including Arleigh Burke-class Destroyers and Virginia-Class submarines.

As U.S. shipyards close or are left to compete for a mere handful of Naval and Coast Guard contracts, the capacity to meet future ship production needs is further eroded. Without

action, this strategically important domestic industry, will be put even further at risk as skilled labor and know-how is lost and supply chains wither.

As China continues its rise as a naval power, our military leaders and policy makers have argued time and time again that our shipbuilding and maritime capabilities must grow to meet emerging challenges. However, in the face of China's nonmarket policies, our workers, who I can confidently say are the absolute best in the world at what they do, are being forced to compete in a market dominated by CCP-owned firms unburdened by market considerations.

The situation is dire and without action it is not expected to improve. The Office of Naval Intelligence estimates that China's shipyards have 232 times the production capacity of our domestic capacity.

Our Machinists Union members are ready to build and maintain our 21st century naval and commercial fleet. We remain steadfast in our devotion to that goal. We urge the USTR to conduct a timely and comprehensive Section 301 investigation into China's market-distorting actions in these sectors. Imposition of impactful relief measures, sufficient to address the CCP's extensive and ongoing efforts to restrict U.S. commerce, is crucial to the long-term health of the domestic shipbuilding industry as well as U.S. economic and national security.

Thank you for the opportunity to discuss this vitally important issue here today.