



Aric Newhouse
Senior Vice President
Policy and Government Relations

May 18, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Leader McCarthy, Leader Schumer and Leader McConnell:

The National Association of Manufacturers, the largest manufacturing association in the United States representing manufacturers in every industrial sector and in all 50 states, has supported legislation in both chambers to boost innovation investment in the United States. As you begin conference negotiations to reconcile the differences between S. 1260, the United States Innovation and Competition Act, and H.R. 4521, the America COMPETES Act, we urge the completion of a strong, bipartisan agreement that strengthens domestic manufacturing, increases our global competitiveness and provides opportunities for the more than 12.7 million people who make things in America.

With that in mind, we offer the following recommendations:

1. U.S. Semiconductor Manufacturing

Manufacturers support the \$52 billion included in both USICA and the America COMPETES Act to bolster domestic semiconductor manufacturing. The ongoing shortage of semiconductors is severely impacting the manufacturing industry and has made clear the urgent need to strengthen the semiconductor industry in the United States. The \$52 billion in federal investments included in both bills would support strategic and advanced manufacturing in the U.S. Demand for semiconductors has increased across many sectors of manufacturing amid a global shortage driven by multiple factors, including COVID-19 disruptions, natural disasters, changing consumer interests and product innovations. A substantial federal commitment would create new opportunities to expand manufacturing in the U.S. and help deliver relief for American consumers and workers.

2. Supply Chain Resilience

Manufacturers support the creation of the Manufacturing Security and Resilience Program and the \$45 billion investment to support supply chain resilience via grants, loans and loan guarantees included in the America COMPETES Act. The need for this program continues to grow. In the most recent NAM Manufacturers' Outlook Survey, 88.1% of respondents reported supply chain issues as their primary business challenge. Manufacturers strongly support the creation of this fund and appropriate oversight to ensure that taxpayer dollars are used for their

intended purpose—to strengthen America’s manufacturing supply chain. However, in working to identify areas that may need support, we note that supply chain data is often sensitive business information, the disclosure of which can affect a company’s competitive posture. To avoid harming manufacturers, we urge Congress to clarify that the Commerce Department should rely on publicly available information to the maximum extent possible.

3. Ocean Shipping Reform Act

Manufacturers support the Ocean Shipping Reform Act, variations of which both chambers already passed. This would address several pressing issues impacting domestic port operations and related surface shipping delays. The reforms included in OSRA are explicitly aimed at increasing port throughput and efficiency, decreasing transportation costs and improving ocean shipping service standards. The America COMPETES Act contains OSRA language that overwhelmingly passed the House last year, while the Senate also recently approved its own version of OSRA in March 2022.

4. Anti-Counterfeiting

Counterfeit goods have harmed manufacturers and consumers for decades, but the problem has steadily worsened with the explosive rise of e-commerce. Bad actors have utilized platforms to expand their reach during the pandemic, selling fake medical tests and ineffective personal protective equipment to consumers. Counterfeiting, particularly from China, hits manufacturers of all shapes and sizes, but is especially devastating for small and medium-sized manufacturers fighting to protect their core products. The America COMPETES Act included both the SHOP SAFE Act and the INFORM Consumers Act. These two bills work in tandem to provide strong, durable anti-counterfeiting provisions that defend manufacturers and American manufacturing workers. These pieces of legislation protect American consumers from harmful and dangerous goods, while also providing critical new tools for manufacturers and seller platforms operating in good faith to combat this growing scourge.

5. Trade

Reauthorizing the Miscellaneous Tariff Bill

Manufacturers support the inclusion of the Miscellaneous Tariff Bill, with full retroactivity back to Jan. 1, 2021, and without the broad and arbitrary restrictions included in the America COMPETES Act for future MTB cycles. Since the MTB expired on Dec. 31, 2020, manufacturers and other businesses have paid more than \$500 million in tariffs, or \$1.3 million per day, on goods that are not available in the United States, adding inflationary and anti-competitive costs. Passing the MTB will translate into U.S. economic growth: according to the U.S. International Trade Commission, tariff relief under the previous MTB boosted U.S. annual GDP by as much as \$3.3 billion and yearly output by as much as \$6.3 billion.

Establishing a Broad Section 301 Tariff Exclusion Process

Manufacturers support the USICA provisions to immediately reinstate a comprehensive, fair and transparent exclusion process that will give manufacturers in the United States a strong voice on China Section 301 tariff relief on a case-by-case basis. The expiration of critical exclusions granted to protect domestic manufacturing competitiveness has driven up input costs, making U.S.-manufactured products more expensive than those of foreign competitors, hurting manufacturers and workers in the United States. The lack of any process for such relief has

forced many of these manufacturers to make difficult choices about domestic hiring, growth and investment. Section 301 tariff exclusions on imports from China should also be granted retroactive to a date significantly earlier than the current date of Oct. 12, 2021, set under a narrow process launched last year.

Maintaining a Robust De Minimis Threshold

Manufacturers support maintaining the baseline *de minimis* threshold of \$800 and therefore oppose the Import Security and Fairness Act, which was included in the America COMPETES Act. The *de minimis* exemption allows low-value shipments to enter the U.S. under an expedited process with reduced paperwork and without tariffs, which is particularly beneficial for small businesses. Adding broad restrictions to the use of *de minimis* would impose sweeping costs on manufacturers, workers and consumers in the U.S., add new inflationary pressures and worsen disruptions at U.S. ports. The NAM supports more effective approaches to combat illegal trade, including requiring Customs and Border Protection to fully implement the STOP Act, among other actions.

6. Ensuring the Tax Code Continues to Support Innovation

Since 1954, the tax code has allowed companies to immediately deduct 100% of their R&D expenses in the year in which they are incurred. However, starting this year, companies must amortize or deduct their R&D expenses over a period of years, which makes R&D more expensive to undertake. This harmful change in the tax treatment of R&D expenses comes at a time of increasingly fierce global competition for research dollars. Due to this tax change, the U.S. is now just one of two developed countries with an amortization requirement (the other being Belgium). Meanwhile, China—which has made no secret of its plan to become the world leader in advanced manufacturing—has increased its super deduction for R&D expenses to an extra 100% of eligible R&D expenses in addition to actual R&D expenses incurred. While not included in the base text, a bipartisan group of 28 senators and 102 House members have signed on to legislation to address this policy, and a Senate motion to instruct conferees on this issue was adopted in a 90–5 vote. Failing to reverse the amortization provision will hurt well-paying U.S. R&D jobs, innovation and competitiveness, which is why a final bill should address this harmful tax change.

7. U.S. Leadership in Energy Innovation and Competitiveness

Manufacturers support policies that incentivize the adoption of technologies that reduce emissions and promote sustainability. As a result, manufacturers support provisions in both USICA and the America COMPETES Act that improve basic science research and fill critical gaps in data that will strengthen our nation’s global leadership in energy innovation and climate action. Additionally, manufacturers support the provision in the America COMPETES Act that would expand on the bipartisan, bicameral Clean Industrial Technology Act to drive new technologies aimed at increasing manufacturers’ technological and economic competitiveness.

8. Critical Minerals Supply Chain

Manufacturers support strong federal investment to support domestic critical mineral and material processing, recycling, extraction and high-level supply chain mapping, included in the America COMPETES Act. Specifically, the increase in critical mineral funding for agencies like the National Science Foundation, as well as the directive to advance critical mineral mining processing and recycling technologies, will improve critical mineral lifecycles and scale these

technologies for broad market use. However, manufacturers oppose arbitrary policies included in the America COMPETES Act that create unintended consequences regarding recycled critical minerals across global supply chains. Manufacturers repurpose various components around the world for consumer products and ensuring these components can be exported and reexported facilitates efficient recycling. Additionally, high-level supply chain mapping, as outlined in USICA, will help public and private entities alike determine global pressure points, current uses and future needs for various critical minerals and enhance manufacturers' supply chain resiliency without establishing additional regulatory hurdles.

9. Workforce Development

The Manufacturing Institute, the workforce development and education partner of the NAM, believes that continued focus on high-quality training and employer-led workforce development is essential. Because there are many manufacturing credentials that lead to a good job that are significantly less than 600 hours, it is critical that the eligibility requirements for a Pell grant are changed to allow individuals to pursue high-quality programs as short as eight weeks. The bipartisan JOBS Act, which includes the short-term Pell provision, was included in the America COMPETES Act and should be included in a final bill. Additionally, both USICA and the America COMPETES Act included the resources for expanding the Manufacturing Extension Partnership Program, the Manufacturing USA Institutes and crucial research on the future of the manufacturing sector that are also critical. Finally, new grants, such as the STEM Opportunities Act, which the MI has advocated and was included in both the America COMPETES Act and USICA, will identify and lower barriers for underrepresented populations to pursue and advance in STEM careers and are essential to the sector's continued growth.

10. Eliminating Card Check

Manufacturers are strongly opposed to the labor and card check provisions included in the America COMPETES Act. Implementing ill-considered labor and card check provisions would upend decades of labor precedent with an anti-competitive, anti-democratic process that abolishes the secret ballot and eliminates appropriate oversight. Further, the inclusion of these provisions would derail bipartisan support for the final conference agreement on this legislation, which would harm manufacturers, workers and families and squander an opportunity to strengthen the American economy at a critical juncture.

Thank you for your consideration of these recommendations. As conference negotiations begin in earnest, manufacturers urge conferees to work in an open, bipartisan manner, similar to the Senate's work during passage of USICA. Doing so is critical to ensuring a durable, final product that can become law. Manufacturers look forward to continuing to work with you to achieve this goal and delivering a more prosperous future for American families.

Sincerely,



Aric Newhouse

CC: The Honorable House and Senate Conferees

The Honorable Maria Cantwell
Chair, U.S. Senate Committee on
Commerce, Science and Transportation

The Honorable Joe Manchin
Chair, U.S. Senate Committee on Energy
and Natural Resources

The Honorable Patty Murray
Chair, U.S. Senate Committee on Health,
Education, Labor and Pensions

The Honorable Ron Wyden
Chair, U.S. Senate Committee on Finance

The Honorable Eddie Bernice Johnson
Chair, U.S. House Committee on Science,
Space and Technology

The Honorable Frank Pallone, Jr.
Chair, U.S. House Committee on Energy
and Commerce

The Honorable Maxine Waters
Chair, U.S. House Committee on Financial
Services

The Honorable Peter DeFazio
Chair, U.S. House Committee on
Transportation and Infrastructure

The Honorable Richard Neal
Chair, U.S. House Committee on Ways and
Means

The Honorable Raúl Grijalva
Chair, U.S. House Committee on Natural
Resources

The Honorable Robert Scott
Chair, U.S. House Committee on Education
and Labor

The Honorable Jerrold Nadler
Chair, U.S. House Committee on Judiciary

The Honorable Roger Wicker
Ranking Member, U.S. Senate Committee
on Commerce, Science and Transportation

The Honorable John Barrasso
Ranking Member, U.S. Senate Committee
on Energy and Natural Resources

The Honorable Richard Burr
Ranking Member, U.S. Senate Committee
on Health, Education, Labor and Pensions

The Honorable Mike Crapo
Ranking Member, U.S. Senate Committee
on Finance

The Honorable Frank Lucas
Ranking Member, U.S. House Committee
on Science, Space and Technology

The Honorable Cathy McMorris Rodgers
Ranking Member, U.S. House Committee
on Energy and Commerce

The Honorable Patrick McHenry
Ranking Member, U.S. House Committee
on Financial Services

The Honorable Sam Graves
Ranking Member, U.S. House Committee
on Transportation and Infrastructure

The Honorable Kevin Brady
Ranking Member, U.S. House Committee
on Ways and Means

The Honorable Bruce Westerman
Ranking Member, U.S. House Committee
on Natural Resources

The Honorable Virginia Foxx
Ranking Member, U.S. House Committee
on Education and Labor

The Honorable Jim Jordan
Ranking Member, U.S. House Committee
on Judiciary