July 10, 2026

Office of the United States Trade Representative (USTR)
600 17th Street NW
Washington, DC 20508

RE: Request for Comments on the Scope and Operation of a Mechanism to Promote Reciprocal Managed Trade with China

The Center for American Progress (CAP) submits the following comments on the proposed U.S.-China Board of Trade and broader trade policy vis-a-vis the People's Republic of China (PRC):

-- Most importantly, CAP notes that the proposed Board of Trade does not address the grave strategic challenge posed by Beijing's ongoing campaign to dominate global supply chains for advanced manufacturing and high-tech products in order to accumulate leverage with which to coerce its trade partners, including the United States. The fact that the PRC has already achieved dominant market shares across a range of sectors, from shipbuilding and solar to critical minerals, active pharmaceutical ingredients, and EV batteries, has posed a potential threat to U.S. economic and national security for years. But President Trump's escalation of the trade war with China last year prompted Beijing to actually play one of the strongest economic cards in its hand by withholding the supply of essential industrial inputs without which many factories in America and elsewhere could not operate. CAP urges USTR and other agencies to prioritize working with like-minded partners and allies on a collective response to ensure appropriate minimum levels of non-Chinese production capacity for goods essential to U.S. economic and national security.

-- CAP acknowledges the potential benefits of tariff relief, however tardy, on non-sensitive imports from and exports to China, with the caveat that USTR should also consider the levels of U.S. tariffs on friendlier and less predatory trading partners relative to those on China.

-- CAP notes that Beijing seems to believe that its forceful retaliation against President Trump's high tariffs caused the Administration to pull its punches not just on tariffs, but on export controls, Taiwan arms sales, and other important pillars of U.S. China policy. Even as the Board of Trade seeks to lower the temperature on non-sensitive bilateral trade, CAP urges the Administration to demonstrate that it will continue to take all appropriate measures to safeguard U.S. national security and foreign policy interests, including those that might rankle Beijing.

Missing the Big Problem: Chinese Industrial Policy and Manufacturing Overcapacity

CAP notes that the Board of Trade does nothing to address the clear and present danger presented by the growing tide of Chinese industrial overcapacity, which has been fueled by massive and unfair subsidies. The OECD reports that Chinese firms in targeted sectors on average receive three to eight times the amount of state support that their OECD-based competitors receive. The resulting flood of underpriced PRC exports has enabled China to lock down almost a third of global manufacturing and notch the first-ever global trade surplus of over a trillion dollars. Xi Jinping has made clear he intends to continue doubling down on industrial policies to dominate even more key sectors of the 21st century economy in order to increase weaponizable dependencies of other countries on China while reducing PRC reliance on foreign supply chains, regardless of the costs borne by Chinese households and consumers. This Administration, like previous ones, has identified this as a threat, but CAP believes it is the premier trade and industrial policy challenge that America faces today, ranking far ahead of the President's fixation on bilateral trade balances. As such, it merits a higher intensity and broader scale of effort to mitigate. CAP urges USTR and other agencies to prioritize working with like-minded partners and allies, who are themselves increasingly concerned by the growing PRC industrial juggernaut, to develop a collective response to ensure free world manufacturing is not consigned to the dustbin of history, as Xi Jinping so clearly intends. CAP believes the United States would incur far greater costs and a much lower chance of success acting alone in this endeavor.

Additional Relief Welcome (With a Caveat), But Long Overdue

Though a much lower priority than tackling PRC manufacturing overcapacity, CAP does commend USTR for seeking public comment on which products the Board of Trade should consider for tariff relief. American workers, farmers, and consumers would undoubtedly benefit from lower duties on both non-sensitive imports from China (whether of final or intermediate goods) and U.S. industrial and agricultural exports to China. However, the President should have had such information on hand prior to his decision to impose across-the-board tariffs of more than 140% on imports from China last year, the functional equivalent of a trade embargo. Due diligence and a proper policy-making process beforehand could have avoided much unnecessary economic disruption and, even more importantly, may have forestalled the Chinese deploying their own retaliatory "heavy artillery" – the export bans on rare earth magnets, other critical minerals, and specialized semiconductors that threatened to shutter many factories in America and around world. The Administration has already brought tariffs down from their peak in exchange for some Chinese easing of those export bans and lowering of tariffs on U.S. exports. That said, further relief under the Board of Trade could still be a net positive, with an important caveat -- USTR should not apply an exclusively bilateral lens to its decision-making on U.S. tariffs on Chinese imports. It should also look at the tariffs the Trump administration has imposed on similar goods being imported from friendlier and less predatory trade partners. Significantly reducing tariffs on China while maintaining high tariffs on others risks undermining the competitiveness of - and further eroding trust among - the very allies and partners the United States needs to effectively address the larger challenges that Beijing poses to international peace and the global economy, not least its aggressive industrial policy and massive manufacturing overcapacity.

Don't Let Beijing Use Trade Leverage to Dictate U.S. National Security Policy

As alluded to above, unwarranted economic pain on U.S. households, factories, and farms was not the only outcome of President Trump's tariff barrage on China last year. It also triggered fierce (and entirely predictable) PRC retaliation that Beijing seems to believe has achieved a measure of escalation dominance over Washington. CAP assesses that Xi Jinping probably pays less attention to China's shrinking (though still huge) bilateral trade surplus with the United States and more to what he likely perceives as pulled punches not just on tariffs, but on U.S. export controls on advanced semiconductors and support, both material and rhetorical, for America's friends and allies in the Pacific, as evidenced by the White House's muted response to PRC bullying of Japan and the President's unwise decision to consult with Xi on weapons sales to Taiwan, sales that he has since paused. While acknowledging that China's coercive power has grown dramatically in recent years, CAP believes that the United States not only continues to maintain significant trade leverage of its own, but enjoys strengths in other areas that the PRC cannot match, from our alliance network to dominance of the dollar-based global financial system. Consequently, CAP urges the Administration to disabuse Beijing of the notion that it can use economic leverage to dissuade the United States from supporting our democratic friends and allies in the Indo-Pacific in line with longstanding U.S. policy settings that have kept the peace in the region for decades.