



**Testimony of Angela Gibian
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Before the Office of U.S. Trade Representative
Promoting Supply Chain Resilience
Public Hearing Virtual Panel
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Thank you for the opportunity to speak today. My name is Angela Gibian, Deputy Chief Executive of the Forging Industry Association based in Independence, OH.

FIA has 230 member companies, of which - 106 are producers. Forging is a metalworking process where metal is manipulated by “die plates” which act as large hammers, pressing, pounding, or squeezing the material into a final or near net shape.

Most forging plants are small businesses, with 55 percent of FIA members reporting sales below \$30 million and only 12 percent reporting sales over \$120 million.

Many aircraft have over 1,000 forgings. A typical passenger vehicle or truck can contain 250 forgings. These products are a critical part of U.S. national and economic security with roughly twenty metric tons of forgings on a typical large wind turbine - and 550 forgings on a heavy tank.

The Defense Department identifies forgings as being of national security significance. In a February 2022 report, the Pentagon said that forged parts “are critical to the development, procurement, and sustainment of all major defense systems.” In 2020, the Defense Logistics Agency identified 30,061 out of 32,597 specialized items that contain casting and forged parts.

While USTR recently increased the tariff rate on a select group of products, FIA believes that USTR should also increase the tariff on items identified as of national security and economic significance. Imports of products in this special category should face a higher tariff rate, including forgings.

While the tariff rate of 25 percent continues to make U.S. forgings more competitive, FIA members report that forged imports from China remain 40 to 80 percent cheaper. A special category with a higher tariff rate will help protect our manufacturers and the supply chain.

Over the past two decades, U.S. manufacturers watched in real time as China increased exports, leaving China in control of 46 percent of the global forging market. Trade laws should work in real time to prevent this type of market concentration, so the “next China” does not undermine domestic supply chains.

A prime example of this is the rise in competition from India - as production shifts from one country to another following the Section 301 tariff action. Imports of iron or steel forgings, not further worked, from India increased from \$7.2 million in 2019 to over \$13 million last year. Steel forgings for vehicle gearboxes also jumped from \$13.4 million in 2017 to \$31 million in 2022.

In the time it takes to initiate a trade investigation and impose tariffs - or duties - to protect U.S. industry, the imports shift to a different company within China -- or to a new country altogether.

Goods now coming in from that new source, are often transshipped, receive transnational subsidies, or both. Aluminum forgings from Vietnam increased from \$152,000 in 2017 prior to imposition of the tariffs on China, to \$3.1 million worth of imports in 2022. These actions undermine the effectiveness of the 25 percent tariff imposed under the Section 301 tariff action on imported Chinese forgings.

As the U.S. begins its review of USMCA - we ask USTR to pay particular attention to the surge in imports of forgings from Mexico. According to import data, Mexico shipped \$2,081 worth of aluminum forgings into the U.S. in 2017. Following entry into the USMCA and imposition of tariffs on China, those imports totaled \$22.4 million in 2022.

The U.S. needs to update its antiquated system of trade laws to adapt to today's global strategy of evading tariff actions through tactics including transshipment and transnational subsidies. USTR should investigate and track the country of origin if it is suspected that the "substantial transformation" is in fact, minimal, and simply used to change the country on a shipping label to evade tariffs.

Thank you for allowing me to speak today and I look forward to answering your questions.