

# United States Senate

WASHINGTON, DC 20510-0908

September 17, 2024

President Joe Biden  
The White House  
1600 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear Mr. President:

We write to urge additional administrative action to stop Mexico's unfair steel surge in violation of the 2019 Joint Statement on Section 232 Duties on Steel and Aluminum as well as China's manipulation of the United States–Mexico–Canada Agreement (USMCA). As you mention in your recent steel proclamation,<sup>1</sup> it is vital to address China's rampant exploitation of Mexico as an intermediary for the transshipment of goods. Mexico's steel surge and China's manipulation of USMCA significantly threaten our country's industrial capacity and must also be promptly stopped. Accordingly, we ask that you reimpose duties on Mexican steel imports at 2019 levels and that you work to prevent Chinese firms from exploiting USMCA for its own benefit by shifting their facilities to Mexico.

In March 2018, President Trump exercised his authority under Section 232 of the Trade Expansion Act of 1962 to protect U.S. industrial security by imposing a 25 percent tariff on steel imports. A year later, the Trump Administration released a Joint Statement on Section 232 Duties on Steel and Aluminum with Mexico, which waived the 25 percent tariff of Mexican steel so long as Mexico maintained imports at historical levels. In the case of a surge, the joint statement provides the importing country the ability to impose duties of 25 percent for steel and 10 percent for aluminum. Imports of Mexican steel are now surging far in excess of historical levels of trade. Imports of Mexican steel conduit have soared to around 500 percent over the 2015-2017 baseline and may rise to 700 percent this year.

On July 10, 2024, your administration re-imposed a 25 percent tariff on Mexican steel melted or poured outside of North America. While this was an important step, it is to be insufficient because it did not apply tariffs to any steel melted and poured in Mexico itself and subsequently affected only 13 percent of total steel imports from Mexico. This step also did not include any measures to stop Chinese steelmakers from shifting their production to Mexico to exploit USMCA and further fuel the steel surge.

We have written to you repeatedly about this surge, expressing our concerns that it has resulted in steelworkers losing their jobs and steel companies having no choice but to defer hundreds of millions of dollars in investment.<sup>23</sup> Along with a bipartisan coalition of Senators and

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<sup>1</sup> <https://www.whitehouse.gov/briefing-room/presidential-actions/2024/07/10/a-proclamation-on-adjusting-imports-of-steel-into-the-united-states-7/>

<sup>2</sup> <https://www.cotton.senate.gov/news/press-releases/cotton-leads-bipartisan-letter-urging-biden-administration-to-stem-mexican-steel-surge>

<sup>3</sup> <https://www.cotton.senate.gov/news/press-releases/cotton-brown-colleagues-escalate-pressure-on-administration-to-stop-surge-in-mexican-steel-imports>

Members of Congress, we also introduced legislation to require the Secretary of Commerce to reimpose 25 percent duties on all Mexican steel imports for no less than a year.<sup>4</sup> However, legislation is not required to remedy these violations; the United States Trade Representative (USTR) already has the authority to raise duties on Mexican steel imports unilaterally. We urge your administration to use it.

We also urge your administration to expeditiously implement the revision to the U.S. Customs and Border Protection Form 7501, announced on March 25, 2024. (OMB Control Number 1651-0022).<sup>5</sup> This revision adds important information about where the steel used in the manufacturing of products was melted and poured, or in the case of aluminum, the countries where the largest and second largest volume of primary aluminum used was smelted. Such a change has the support of domestic steel and aluminum producers, who believe that these revisions will help enforce trade remedy laws and prevent circumvention of sanctions regimes.<sup>6</sup>

It has been well documented that hundreds of multinational firms are shifting their production facilities from Asia to Mexico. This “nearshoring” is a consequence of U.S. tariffs on China, a risky and dwindling Chinese economy, and supply chain woes. While bringing manufacturing back to the U.S. is preferred, and policymakers should prioritize this objective, it is also a welcomed trend when Western companies bring manufacturing back to the Western Hemisphere writ large. Unfortunately, Chinese firms are exploiting this nearshoring trend to avoid paying tariffs on goods they export to the U.S. market. China’s foreign direct investment into Mexico has increased significantly, especially in manufacturing and services—two sectors in which China has notably not invested in other Latin American countries. Notable examples of Chinese firms moving into Mexico are automakers. Chery and MG have established facilities in Mexico, and BYD and SAIC are scouting potential sites. Innovation New Material Technology, China’s biggest producer of aluminum alloy bars is also building a \$197 million aluminum plant in Mexico. China is also adding shipping capacity between China and Mexico so that these factories use inputs made in China.<sup>7</sup>

Allowing Chinese firms—which routinely benefit from slave labor, stolen intellectual property, and massive state subsidies—to circumvent American trade enforcement and exploit our free trade agreements threatens American production. Our leaders must work diligently to replace Chinese production with American production, and that of our trading partners. Congress passed a free trade deal with Mexico—not China. Immediate action must be taken to prevent the Chinese Communist Party from exploiting USMCA and weaponizing this important trade deal.

Stopping China’s abuse of USMCA and Mexico’s steel surge is about protecting American industry and building economic resilience. It is also about enforcing our trade deals. What is the point of reaching trade deals if such deals are not paired with effective enforcement? Tough rhetoric will not serve American industry unless it is met with action. There are various issues on which your administration must work with the Mexican government to strengthen our relationship and bolster investor confidence—such as the independence of its judiciary, a more robust security policy, and the enforcement of immigration laws. But we must also focus on

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<sup>4</sup> <https://www.congress.gov/bill/118th-congress/senate-bill/3917?q=%7B%22search%22%3A%22mexican+steel+surge%22%7D&s=1&r=2>

<sup>5</sup> <https://www.federalregister.gov/documents/2024/03/25/2024-06255/agency-information-collection-activities-revision-entry-summary-cbp-form-7501>

<sup>6</sup> <https://omb.report/icr/202311-1651-004/doc/141101300>

<sup>7</sup> <https://www.economist.com/briefing/2024/08/01/chinese-firms-are-growing-rapidly-in-the-global-south>

these two trade issues because a free trade agreement with the world's largest economy is a privilege that will be reevaluated in 2026. All the while, we must work with the Mexican government to ensure that our trading partnership is built not just on geographic proximity, but also on a shared goal of defending North American manufacturing jobs from the Chinese Communist Party.

Thank you for your attention to these important issues. We ask that you respond in writing to the below no later than October 11, 2024:

- Please detail your efforts to stop Chinese firms from exploiting Mexico's duty-free entry to the United States. Similarly, please provide any efforts that the Mexican government has adopted to the same end.
- Please describe your assessment of each Chinese industry that has established, is establishing, or which you suspect may establish production in Mexico and, of those, identify those which you think may injure American industry or threaten national security.
- Please list the Mexican subsidies to Chinese firms of which you are aware.
- What are you and the Mexican government doing to ensure that entry summaries are accurate and transshipments of Chinese goods from China are not undercounted?
- Will you commit your administration to work with our offices on a legislative fix to China's backdoor entry to the U.S?

Sincerely,



Marco Rubio  
U.S. Senator



Sherrod Brown  
U.S. Senator



Mike Braun  
U.S. Senator



Robert P. Casey, Jr.  
U.S. Senator