

JIM BANKS
THIRD DISTRICT, INDIANA



COMMITTEE ON
ARMED SERVICES

COMMITTEE ON
EDUCATION AND THE WORKFORCE

SELECT COMMITTEE ON THE
STRATEGIC COMPETITION
BETWEEN THE U.S. AND THE
CHINESE COMMUNIST PARTY

Congress of the United States
House of Representatives
Washington, DC 20515-1403

March 15, 2024

The Honorable Gina M. Raimondo
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

Dear Secretary Raimondo:

I write to request an investigation into imports of electric vehicles (“EVs”) and their components, including but not limited to EV batteries, and the threat they pose to U.S. national security. Section 232 of the Trade Expansion Act of 1962, as amended, authorizes the Secretary of the U.S. Department of Commerce (“Commerce”) to initiate an investigation “to determine the effects on national security of imports of an article[.]” If the Secretary finds that articles are “being imported into the United States in such quantities or under such circumstances as to threaten or impair the national security,” the President may take action “to adjust the imports of the article and its derivatives so that such imports will not threaten to impair the national security.”

I strongly disagree with the Biden administration’s EV policies. The auto industry is a crucial part of Indiana’s economy, and nationwide, roughly 500,000 Americans are employed in manufacturing jobs to produce internal combustion engine vehicles. This administration’s EV transition risks eliminating countless numbers of these positions, while costing U.S. taxpayers and the federal government additional billions in subsidies and tax credits.

That said, because your administration has decided to force EVs upon the American automotive sector and on American consumers, you must also ensure that these vehicles are made in the United States. The American auto industry is a linchpin of economic growth and industrial innovation, both of which are crucial for U.S. national security. Your policies have turned our capacity to successfully produce EVs into a key component of the domestic auto industry’s health, which will soon become essential to its survival—a fact that this administration has repeatedly used as a post facto justification for the Inflation Reduction Act and its investment of billions of taxpayers’ dollars in domestic EV production. The People’s Republic of China (“China”) is imperiling the U.S. auto industry’s future by heavily subsidizing the manufacture and export of EVs, building

massive excess capacity for EV production, and flooding the global market. These Chinese actions threaten to handicap U.S. EV producers and expose American citizens to cyber espionage conducted through Chinese-made EV components. Commerce must immediately address this threat by taking all appropriate action under Section 232.

Your Department already recognizes that the health of the U.S. auto industry is critical to national security. Commerce’s February 2019 investigation into the effect of auto imports on national security found that “the strength of the United States’ automotive manufacturing sector has directly contributed to the industrial base that provides the economic strength and technological innovation that enables our armed forces to project military power and maintain our status as a world power.”¹ Commerce specifically noted that the defense sector is “reliant” on the auto industry’s R&D in such areas as “vehicle electrification, autonomous driving, hydrogen fuel cell products, advanced semiconductor utilization, radar, laser and sonar ranging, global positioning system[s], navigation, anti-lock brakes, reduction in vehicle weight and fuel efficiency efforts.”² Many, if not all, of these areas are also important in the research, development, and production of EVs and their components.

Biden administration policies are forcing the U.S. automotive sector to shift toward EV production – a transition that amounts to what one automotive CEO called “a complete transformation”³ of the American auto industry. The Inflation Reduction Act (IRA) commits billions of taxpayer dollars to support the production of EVs, EV batteries, and charging infrastructure in the United States. The Environmental Protection Agency’s “strongest-ever” tailpipe emission standards, proposed last spring, are designed to shift away from internal combustion vehicles and usher in an auto market in which 67 percent of new cars and light-duty truck sales are all-electric by 2032.⁴ Automakers have responded in kind, announcing phase-outs of gasoline-powered vehicle manufacturing and slashing thousands of jobs to prepare for a shift to EVs. As a result of the Biden administration’s new regulations and subsidies, the U.S. auto industry must now produce a growing number of EVs in order to survive and continue its essential contribution to American national security.

Today, U.S. EV manufacturing is at risk. Outside our borders, a sudden flood of Chinese exports has already upended the global EV market. In 2023, China leapfrogged the United States and Germany to become the world’s second largest exporter of passenger cars, largely on the strength of EVs. China now accounts for 35 percent of global EV exports, compared to a mere 4.2 percent in 2018.⁵ This rapid growth does not reflect innocent competitive success. Rather, a “decade-old industry promotion policy of incentives and subsidies” has enabled China to sell its EVs at rock-bottom prices and in record numbers.⁶ Chinese state subsidies for electric and hybrid vehicles totaled \$57 billion between 2016 and 2022 — long before the passage of the IRA — and China

¹ The Effect of Imports of Automobiles and Automobile Parts on the National Security, U.S. Department of Commerce, Feb. 17, 2019, at 7.

² *Id.*

³ Jim Motavalli, “Stellantis CEO Gets Surprisingly Candid About Electrification.” *Autoweek*, Mar. 1, 2023.

⁴ Biden-Harris Administration Proposes Strongest-Ever Pollution Standards for Cars and Trucks to Accelerate Transition to a Clean-Transportation Future, U.S. Environmental Protection Agency, Apr. 12, 2023.

⁵ “BYD leads charge as China’s share of EV exports grows eightfold.” *Nikkei Asia*, Sept. 3, 2023.

⁶ Brenda Goh, “What is driving Chinese EV exports and their price competitiveness?” *Reuters*, Sept. 14, 2023.

recently unveiled a new \$72 billion tax break package aimed at EVs.⁷ These industrial policies have perhaps been most successful in the EV battery sector. Chinese companies control approximately 80 percent of the global raw material supply for EV batteries, and one in three EVs globally is powered by a battery made by Contemporary Amperex Technology Co. Ltd. (“CATL”) — an entity with deep ties to the Chinese Communist Party.⁸ The result is that today, China controls the global EV supply chain.

China’s EV dominance is a grave threat to U.S. national security. State-subsidized Chinese exports undermine national security by eroding the U.S. industrial base and R&D network, a process that Commerce has already identified as a threat to national security in its previous Section 232 investigation. However, EVs create new, even more serious national security risks that are not shared by conventional autos. CATL batteries power EVs made by global automakers like Tesla, BMW, Audi, Volkswagen, and Stellantis and, together with Chinese battery producer and EV automaker BYD, constituted over 80 percent of U.S. battery imports in 2022.⁹ Yet these batteries may enable Chinese intelligence collection and even sabotage. A recent report from the Foundation for Defense of Democracies described this threat in detail:

By compromising internet-connected public charging infrastructure, CATL could install malware on EVs, consequently allowing for the extended monitoring of countless vehicles and gathering sensitive information about their owners. Furthermore, the company could execute a shut-down of EV charging networks or even disable targeted vehicles through hardware infiltration. There is even greater risk associated with CATL’s provision of large-scale power storage stations for American electric utilities. Sophisticated, sometimes undetectable malware on these energy storage stations could pose a threat to the industrial control systems connected to the U.S. energy grid. In a worst-case scenario, an attack on these control systems could result in widespread blackouts impacting industrial centers or financial hubs.¹⁰

Thanks to the Section 301 tariffs levied by the Trump administration on imports of Chinese-made autos in 2019, the United States has been spared the brunt of the Chinese EV export boom. However, the United States must do more to address the national security threat presented by Chinese dominance of the global EV supply chain. Comprehensive global action under Section 232 is imperative for several reasons:

First, as detailed above, batteries and other components manufactured by Chinese entities are entering the U.S. market by being incorporated into EVs that have been manufactured outside China.

Second, China has a long history of circumventing tariffs by performing the majority of a given product’s manufacturing steps in China and then shipping the product to a third country for

⁷ *Id.*

⁸ Craig Singleton, “Beijing’s Power Play: Safeguarding U.S. National Security in the Electric Vehicle and Battery Industries.” *Foundation for Defense of Democracies*, Oct. 23, 2023.

⁹ Garrett Hering and Anna Duquiatan, “U.S. lithium-ion battery imports, mostly from China, skyrocket in 2022.” *S&P Global*, Feb. 28, 2023.

¹⁰ Singleton, *supra* n. 16.

relatively minor finishing steps, allowing the product to claim origin in the third country instead of China. China also moves its manufacturing facilities into third countries directly. Both strategies may make it possible for Chinese entities with malign intent to export EVs and EV components to the United States despite existing tariffs on Chinese imports. Weakening domestic demand in China combined with significant manufacturing overcapacity as a result of subsidies will create strong incentives for Chinese EV makers to increase their exports through circumvention.

Third, as Chinese EVs capture more and more market share from automakers in the EU and elsewhere, those automakers may be incentivized to recoup their losses by exporting to the United States. Chinese EV shipments to the EU are spiking rapidly, increasing by 112 percent in the first seven months of 2023 compared to the same period in 2022, and by 361 percent compared to 2021.¹¹ Chinese EV makers are now responsible for 13 percent of all car sales in the EU.¹² EU automakers have responded to this pressure by increasing exports to other markets.¹³ Although the EU has begun its own anti-subsidy investigation into Chinese EVs that could result in EU limits on Chinese imports, those restrictions will likely only encourage Chinese automakers to double down on circumventing U.S. tariffs. In either scenario, the U.S. industrial base will be threatened by China's dominance of the global EV market.

China's dominance of the global EV supply chain creates complex risks to national security that must be remedied by U.S. tariffs on global EV imports. These tariffs are necessary to protect the U.S. industrial base, retain defense-critical R&D infrastructure, and neutralize a novel cybersecurity threat. I therefore call on Commerce to initiate an investigation into imports of EVs and EV components pursuant to Section 232.

Sincerely,

A handwritten signature in black ink that reads "Jim Banks". The signature is written in a cursive, slightly slanted style.

Jim Banks
Member of Congress

¹¹ Goh, *supra* n. 14.

¹² Victoria Waldersee, "Europe's carmakers fret over China's EV prowess at Munich car show." *Reuters*, Sept. 4, 2023.

¹³ "EU's hybrid, electric car exports rose 69% in 2021 – Eurostat." *Reuters*, Dec. 2, 2022.