



October 29, 2026

The Honorable Jamieson Greer
United States Trade Representative
600 17th St NW
Washington, DC 20508

Subject: Aerospace Industries Association Comments Regarding Foreign Trade Barriers to U.S. Exports for 2027 Reporting

Reference: USTR-2026-0498

Dear Ambassador Greer,

The Aerospace Industries Association (AIA) and our over 300 aerospace and defense member companies welcome the opportunity to provide comments on the annual National Trade Estimate report.

AIA is the leading voice for the U.S. aerospace and defense industry, with member companies ranging from small suppliers to large original equipment manufacturers (OEMs), that span the entire supply chain and play a vital role in global trade. Our industry is key to U.S. national security and economic growth, supporting a domestic manufacturing base of over 100,000 companies and 2.2 million American workers. In 2025, our industry exported \$172.7 billion in equipment, a 25 percent year-over-year increase, and maintained a net-positive trade balance of \$109.2 billion.¹

The aerospace and defense industry creates high-wage manufacturing jobs in every state across the country. We are the world leader in aerospace technology thanks to our commitment to innovation, and we are an integral component of our national defense. In short, we are the best-in-class example for a Production Economy.

To grow U.S. export markets, foreign direct investment, and U.S. commerce, policymakers must understand how trade practices impact U.S. companies' competitiveness on the global market. As the industry that has maintained the single largest trade surplus across all American manufacturing industry for over 70 years, AIA and our members can serve as strategic partners to the U.S. Trade Representative (USTR) and provide practical knowledge and expertise to reduce exposure and risk.

Identifying trade barriers and taking necessary and appropriate action requires a sector-specific approach. Trade policies and remedies are vital tools to protect domestic industry, rebalance trade relationships, uphold the integrity of the international trading system, grow emerging sectors and industries, and secure the health of the U.S. manufacturing base. Unilateral actions, however, may fall short of delivering long-term, effective results if they fail to account for the unique needs of specific industries and the broader context of domestic policy objectives.

¹ Aerospace Industries Association, [2026 Facts & Figures](#), 25 June 2026.

Our members recommend the U.S. government consider the following practices and recommendations to support the U.S. aerospace and defense industry:

- **China's Targeting of Strategic Industries and Sectors:** The People's Republic of China has adopted its "Made in China" industrial strategy, which leverages extensive state support, subsidies, and directed investment to advance Chinese firms in strategic sectors. These measures can distort global markets by artificially lowering production costs, enabling Chinese companies to expand capacity beyond market demand, suppress prices, and gain market share at the expense of foreign competitors.

In the semiconductor sector, for example, China's substantial government financing, preferential tax treatment, low-cost credit, and state-backed investment funds have enabled domestic firms to scale production and reduce commercial risk in ways unavailable to market-based competitors. At the same time, foreign semiconductor companies often face market access barriers, including procurement preferences for domestic suppliers, technology transfer pressures, licensing requirements, and regulatory uncertainty. These policies can disadvantage U.S. companies seeking to compete in China and globally.

Our members applaud USTR for the formation of the U.S.-China Board of Trade to further a stable and fair trade relationship with China. We encourage USTR to continue its work with interagency partners to develop policies and investments that address these market distortions and strengthen U.S. competitiveness, including targeted tax incentives, workforce development initiatives, supply chain resilience programs, and coordinated engagement with allies and partners to address non-market practices and promote fair competition.

- **China's Strategic Use of Export Restrictions:** China is increasingly using export restrictions on critical minerals, including gallium, germanium, and rare earth elements, as a strategic tool to disrupt U.S. manufacturing and exert greater influence over global supply chains. Raising production costs and creating long-term uncertainty is placing pressure on U.S. aerospace and defense manufacturers who rely on these essential inputs for platforms and systems. Industry has flagged the significant challenges of sourcing aerospace-grade critical minerals, including limited availability of compliant materials, aerospace and defense-specific market realities, geological processing constraints, lengthy certification and qualification timelines, and concentrated global supply.²

Our members encourage USTR to counter these actions from China by working with likeminded trading partners to build alternative supply from material-rich partners, working with the aerospace and defense industry to develop domestic mining and processing capacity, and establish a multilateral framework that challenges China's coercive use of export controls.

- **European Union Public Market Access:** The United States prides itself on open, transparent, and competitive procurements, particularly in the civil sector. However, the E.U. has leveraged security exemptions to limit competitive procedures and purchases on public civil procurement tenders. For example, on the commercial helicopter market, European competitors, often

² [Strengthening Critical Minerals Supply Chains - Aerospace Industries Association](#)

supported by potentially market-distorting government investment, continuously win over U.S. manufacturers on open-bid civil procurement contracts. Our members encourage the Administration to address the inequities of the European market and ensure that U.S. manufacturers are considered in public procurement measures. The Administration may also consider addressing the inequities through providing priority consideration of North American manufacturers in public procurements involving U.S. taxpayer dollars.

- **European Commercial Aerospace Regulations:** The U.S. government should continue to counter any efforts within the E.U. to impose Buy-European commercial aerospace restrictions on individual E.U. member states. This is particularly relevant given the development of the E.U. Aviation and Aeronautics Strategy and E.U. laws such as Single European Sky 2+ that imposes ownership and control requirements that effectively bar U.S. companies from competing in the E.U. air traffic management market. These ownership constraints function as a non-tariff barrier and are inconsistent with the U.S.–E.U. commitments to promote free and fair trade.
- **European Defense Industrial Base Policy:** Building off ongoing efforts, the U.S. government should continue to counter efforts within the E.U. to impose Buy-European defense purchasing restrictions on individual E.U. member states or to any future E.U. Procurement Directive Reviews. As European countries urgently rebuild their military capabilities to meet burden-sharing defense requirements, U.S. industry and government should work together to identify opportunities to increase flexibility in the use of International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR)-controlled technologies among aligned European partners, and to encourage the E.U. to soften eligibility criteria for U.S.-owned European entities in E.U. defense projects. These steps will support U.S. companies' competitiveness in the growing European defense market, where we anticipate 500-700 billion euro in defense expenditures annually over the next five years.³

We recommend that the U.S. government continue to engage with individual European nation-states as well as NATO and the E.U. to develop joint defense planning investments to bolster existing alliances. The U.S. and European defense industrial bases are already closely integrated but could be more resilient through clearly defined joint objectives, commitments, and investments.

- **United Kingdom and 'Buy British' Defense Industrial Policy:** The U.K. Government continues to explore a more explicit "Buy British" approach to defense procurement that would place greater emphasis on U.K. industrial, economic, and sovereign capability considerations in Ministry of Defence (MOD) acquisition decisions. U.S.-owned defense companies with significant U.K. operations are concerned that the approach could limit their ability to compete on equal terms for U.K. defense contracts despite their substantial investment, employment, and industrial presence in the country.

As part of this effort, MOD officials have developed a draft "sovereignty grading" framework that would classify suppliers into gold, silver, and bronze tiers based on factors

³ [Europe is going on a huge military spending spree – The Economist](#)

including ownership and control, access to intellectual property and data, U.K. industrial footprint, workforce, supply chain resilience, and contribution to national capability. While intended to assess and strengthen sovereign industrial capacity, the framework has raised questions among industry stakeholders regarding its purpose, governance, and implementation.

Key concerns center on whether these classifications could influence source selection decisions, create barriers to competition, or result in preferential treatment for certain suppliers. Uncertainty also remains regarding how the framework would interact with existing procurement rules, social value requirements, emerging offset policies, and the U.K.'s commitment to open and competitive markets. For U.S.-owned firms with substantial U.K. operations, the lack of clarity around how ratings would be assigned, disclosed, challenged, and applied to multinational corporate structures has heightened concerns that the framework could disadvantage non-U.K.-owned companies despite their significant contributions to the U.K. defense industrial base.

- **Foreign “ITAR-free” Labelling:** The United States maintains a robust export control regime designed to protect critical technologies from unauthorized access by competitors and adversaries. This framework includes the ITAR, which imposes stringent controls on the export of defense articles, technical data, and related components.

Foreign firms, including those based in allied and partner countries within the European Union, frequently market their products as "ITAR-free" in order to exploit negative perceptions of appropriate U.S. regulatory protections of sensitive U.S. aerospace, defense, and manufacturing technology. The so-called “ITAR-free” designation is often misleading, as it oversimplifies complex export control considerations while explicitly targeting U.S. suppliers and manufacturers subject to ITAR requirements.

The promotion of "ITAR-free" products can function as a non-tariff trade barrier by leveraging normal and appropriate U.S. regulatory obligations to create a competitive disadvantage for American industry. USTR should investigate instances in which foreign aerospace and defense entities use "ITAR-free" marketing claims to distort competition, and consider trade actions against economies that continue to facilitate or promote this potentially misleading terminology.

- **Offset and Industrial Participation Requirements:** Foreign customers’ defense offset and industrial participation obligations, policies, and requirements remain a challenge for the aerospace and defense industry and often slow the contracting process, increase costs, and delay the export of critical defense items to our allies and partners. Participation in offset or industrial participation arrangements are, however, necessary to the competitiveness of U.S. defense exports on the global market.

The U.S. Defense Industrial Base (DIB) has a history, in order to fulfill industrial participation obligations in foreign defense sales, of co-production and co-assembly with foreign defense companies on military articles ranging from munitions to helicopters to fighter jets. Executed correctly, this industrial cooperation is additive to U.S. manufacturing. Co-production

arrangements and industrial partnerships fill gaps where the U.S. DIB has, for example, shifted to more advanced products while leaving partner manufacturers to preserve production capacity on complementary legacy systems. It can also ensure maintenance and sustainment capabilities in-theater, all while incentivizing foreign militaries to purchase U.S.-origin products.

Our members encourage the U.S. government to work closely with allies and partners to ensure that, if offset and industrial base obligations are imposed, the requirements are realistic and contribute to collective security needs (e.g., promoting sustainment facilities in strategic locations). Reciprocal Defense Procurement Agreements (RDPAs) should be leveraged to ensure clarity and reciprocity in offset policies and mitigate potential economic and industrial base risks.

Investments into U.S. exporters are an investment into the U.S. economy. The U.S. aerospace and defense industry continually reinvests into the U.S. economy through its commitment to produce in America with American workers. Our industry continues to expand the American workforce, drive innovation, and integrate new domestic suppliers. We also continue to expand our trade surplus, with a 25 percent year-on-year growth in exports from 2024 to 2025 with continued global demand for U.S. aerospace and defense products and services.

As other countries develop industrial policies and incentives to enhance their own domestic manufacturing, the U.S. government must also consider tools that may bolster the American industrial sector beyond application of tariffs. To ensure reciprocity in the global market, the U.S. government must develop robust domestic policies that promote budget stability, innovation, research and development, skilled workforce development, and regulatory flexibility in concert with trade remedies. Our members encourage USTR and interagency partners to consider the following specific recommendations:

- **Reciprocal Trade Agreements:** This Administration has taken meaningful action in securing preferential and reciprocal trade agreements for U.S. manufacturers through trade deals with countries including the United Kingdom, Japan, and the E.U. Our members encourage the Administration to continue to pursue and implement these deals. Reciprocal trade environments demonstrate how industry-targeted policies can align with economic priorities and counter foreign trade barriers, with minimal administrative burden on government and industry.

Maintaining reciprocally tariff-free access to aerospace parts and components, manufacturing, and critical inputs, as outlined in the Agreement on Trade in Civil Aircraft (ATCA), will ensure the security and health of the aerospace and defense supply chain as well as global market access and competitiveness for U.S. exports. The Administration should also consider including additional products, beyond those listed in the ATCA, imported for civil aerospace usage if importers self-certify and substantiate civil aerospace end use for each product.

Trade deals can also reduce dependencies on adversarial supply chains and increase competitiveness for U.S. exporters. For example, the United States-Canada-Mexico Agreement (USMCA) strengthens the U.S. aerospace and defense industry in competing

against existing and emerging foreign aerospace industries. Certainty around USMCA reviews would allow U.S. manufacturers to further strengthen supply chains, maintain access to critical minerals and raw materials, and reduce dependencies on adversaries.

- **Policies to Strengthen Domestic Capacity and Production:** The U.S. government should provide financial incentives and investments which support onshoring of goods and services that increase domestic capability and capacity. The U.S. government has already produced recommendations on such incentives, such as those outlined in the International Trade Administration’s 2026 Manufacturing Incentives Overview Report. The aerospace and defense industry would be eager to engage across the federal government on effective implementation of these recommendations, to further support for U.S. manufacturing and counter market-distorting incentives that foreign governments offer for their own domestic aerospace and defense industry. Additionally, as industry makes continual private investment in their human capital, the U.S. government should provide policy incentives and budget stability to invest in a skilled manufacturing workforce.
- **Regulatory Streamlining to Drive On-Shoring:** The U.S. government should consider the regulatory burden on foreign companies wanting to move production to the U.S., and evaluate whether existing regulations align with the objective of strengthening and onshoring domestic manufacturing. The U.S. government should avoid creating further supplier certification requirements that are potentially duplicative or increase time needed for certification of new suppliers in our industrial base. Standards for certification should be clear and streamlined to ensure the safe and sustainable integration of new suppliers.
- **Health of the Defense Industrial Base:** The aerospace and defense industry is integral to the United States’ military capabilities. A robust U.S. defense industry depends on resilient supply chains, reliable access to critical materials from non-adversarial sources, and strong exports to achieve economies of scale. Trade policies, including tariffs, must avoid inadvertently hindering domestic defense industrial base efforts to expand, innovate, and produce rapidly at scale.

Provisions in Chapter 98 of the Harmonized Tariff Schedule (HTS), i.e., Department of War Duty Free Entry (9808.00.3000) and U.S. Government Property returned to the United States (9801.00.11) ensure that the U.S. Department of War continues to acquire new and existing military platforms, built by U.S. workers and with reliable U.S. and allied supply chains. These provisions minimize inadvertent tariff-related costs which U.S. defense manufacturers might incur when, for example, acting as the Importer of Record for U.S. military materiel returning to the United States for maintenance and repair.

The U.S. government should also consider removing tariffs on military parts and components produced outside of the United States as part of Direct Commercial Sales (DCS) when they are subject to government-to-government (G2G) cooperative programs or supported by U.S. government funding through Title 10 Security Assistance or Foreign Military Financing (FMF). Placing tariffs on these components results in significant cost increases to DCS cases, which risks international partners opting to decrease product quantities or walk away from the



U.S. system in favor of a foreign competitor, with secondary impacts to U.S. interoperability with allies.

- **Export Crediting for Trade Growth:** Foreign countries continue to expand their export credit agencies to support domestic exports and reinvest into their domestic job creation and supply chain security. The U.S. Export-Import (EXIM) Bank is a critical tool for industry, signaling sustained marketplace availability and growth opportunities for companies throughout the supply chain. The U.S. government should reauthorize the EXIM bank and continue to support its policies, like *Make More in America*, to bolster U.S. export abilities and compete with the over 100 international credit agencies that provide non-U.S. competitors an edge in the global market.

The aerospace and defense industry remains a committed partner to driving U.S. trade. U.S. trade relationships must be balanced and fair. The U.S. aerospace and defense industry remains committed to supporting the Trump Administration in adopting policies and strategies that counter unfair trade practices, expand foreign market access, and build incentives to improve the competitiveness of domestic manufacturing. AIA and our members are eager to work with USTR to continue to identify tools for industry to achieve shared goals of strengthened supply chains and reciprocal trade.

We appreciate the opportunity to provide public comments and look forward to close collaboration on this matter. If you have any questions or require additional information, please contact me at dak.hardwick@aia-aerospace.org.

Respectfully,

A handwritten signature in black ink, appearing to read "Dak Hardwick", written in a cursive, flowing style.

Derek "Dak" Hardwick
Vice President, International Affairs
Aerospace Industries Association