December 1, 2025

Ambassador Jamieson Greer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Request for Comments on the Section 301 Investigation of China's Implementation of Commitments Under the Phase One Agreement (Docket USTR-2025-0007)

Introduction

The Rail Security Alliance (RSA) appreciates the opportunity to submit comments in response to the Office of the United States Trade Representative's (USTR) request for public comments regarding China's implementation of its obligations under the Economic and Trade Agreement Between the Government of the United States of America and the Government of the People's Republic of China ("Phase One Agreement") and the potential need for additional action under Section 301 of the Trade Act of 1974.

RSA represents North America's freight rail manufacturing sector, an industry supporting more than 65,000 family-wage jobs and contributing over $6.5 billion to U.S. GDP annually. Our members produce freight railcars and the essential components that support America's rail transportation network, a core element of U.S. critical infrastructure.

As USTR reviews China's implementation of its Phase One commitments, the rail sector provides a powerful illustration of China's persistent failures to reform the anti-competitive, state-directed practices that distort global markets and threaten U.S. manufacturing. RSA's nearly decade-long engagement with successive administrations has documented how China's state-owned rail conglomerate, CRRC Corporation Limited (CRRC), has expanded globally through a combination of government subsidies, forced technology transfer, discriminatory procurement policies, and below-market pricing. These are precisely the types of practices the Phase One Agreement was designed to address.

Chapter 1 and Chapter 2 of the Phase One Agreement require China to eliminate pressure for foreign companies to transfer technology and expand transparency and eliminate discriminatory barriers to market access. China has failed to implement each of these obligations in the rail sector.

China's Industrial Policies Continue to Distort Global Rail Supply Chains and Burden U.S. Commerce

Despite the obligations China assumed under the Phase One Agreement, China has failed to reduce or realign the state support and anti-competitive policies driving its rail sector. The greatest single foreign trade barrier facing U.S. rail manufacturing arises from the Chinese state's systematic market distortions, particularly through the state-owned CRRC Corporation Limited (CRRC), a $33 billion state-owned enterprise (SOE).[1]

CRRC benefits from massive state support, below-market financing, and preferential tax and R&D treatment under the *Made in China 2025* initiative. According to OECD's 2023 report *Measuring Distortions in International Markets: The Rolling Stock Value Chain*, CRRC alone accounted for as much as 72% of all global government support to the rolling stock sector.[2] According to its own annual reports, CRRC received at least $2.16 billion in explicit government grants from 2014 to 2024, in addition to substantial implicit support through low-cost capital and state-directed procurement policies.

The Chinese government has explicitly identified CRRC as a national champion central to its strategy to dominate global rail supply chains. Disturbingly, CRRC boasted in 2018 that "83% of all rail products in the world" are either operated by or produced by CRRC, and bragged about "conquering the remaining 17%"[3] This is not normal commercial competition: it is a state-driven quest for global monopoly in a strategic sector.

CRRC also secured more than $2.6 billion in U.S. taxpayer-supported transit contracts to provide passenger railcars for the cities of Boston, Chicago, Philadelphia, and Los Angeles (federal funding is included in three of those contracts). CRRC underbids its competitors by 22% on average, but has submitted bids as much as 50% lower than "Buy-America" compliant companies with large manufacturing facilities in the United States.[4] CRRC also attempted to win several other transit contracts in the U.S., including one from the

[1] CRRC Corporation Limited, *Annual Report 2024*, June 2025.
[2] OECD, *Measuring distortions in international markets: The rolling-stock value chain*, February 2023.
[3] @CRRC_global, "Following CRRC's entry to Jamaica, our products are now offered to 104 countries and regions. So far, 83% of all rail products in the world are operated by #CRRC or are CRRC ones. How long will it take for us conquering the remaining 17%?" Twitter, January 11, 2018.
[4] Nigel Cory, Information Technology and Innovation Foundation, *Heading Off Track: The Impact of China's Mercantilist Policies on Global High-Speed Rail Innovation*, April 2021.

Washington Metropolitan Area Transit Authority (WMATA). These bids, however, were unsuccessful due to a combination of public and Congressional pressure and the passage of the Transportation Infrastructure Vehicle Security Act (TIVSA).

One needs only look at Australia's cautionary tale to see what China's rail dominance strategy can wreak on a domestic industry. When CRRC entered Australia, the country still had a thriving rail rolling stock manufacturing base. Within eight years, by 2016, every Australian railcar manufacturer had ceased production or gone out of business. In less than a decade, CRRC's subsidized, anticompetitive tactics wiped out Australia's domestic freight rail manufacturing entirely.[5] Today, Australia's railcar market is effectively controlled by the Chinese SOE. This rapid takeover was not a coincidence; it was the direct result of a state-backed entity flooding the market with below-cost bids and leveraging political influence to displace local industry. While the Phase One Agreement sought to constrain the these types of anti-competitive conduct, China has not meaningfully reformed the policies and conduct and continues to pursue complete domination of the global rail market.

China Has Failed to Implement Phase One Commitments Related to Technology Transfer and Fair Market Access

China has long required foreign rail firms to engage in technology-transfer-heavy joint ventures and to partner with Chinese firms as a precondition to market access. Nothing in China's current industrial policy indicates that these practices have ceased. The Chinese government has continued implementing hostile, anticompetitive practices toward foreign firms in China. While China committed to expand market access and eliminate discriminatory conditions, the rail market remains one of the most closed procurement markets in the world.[6] For instance, foreign market access to China's rail markets has decreased dramatically in recent decades. The Association of the European Rail Supply Industry (UNIFE) found that the Chinese rail market was only 17 percent accessible for 2017–2019, compared with 63 percent for 2009–2011.[7]

China also has a long, continuing pattern of forced technology transfer in the rail sector. For instance, in 2004, the Ministry of Railways announced three tenders for the construction of high-speed trains and each tender required foreign companies to collaborate with domestic partners and transfer key technologies to Chinese firms.[8] Forced

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[5] Brigadier General John Adams, US Army (Retired). (publication). National Security Vulnerabilities of the U.S. Freight Rail Infrastructure and Manufacturing Sector – Threats and Mitigation. October 2018.
[6] European Commission, *Study on the competitiveness of the Rail Supply Industry.* November 2019
[7] UNIFE. *White Paper on levelling the playing field as regards foreign subsidies position*. September 2020.
[8] China Daily, *China gears up for high-speed rail plan*. November 2005.

technology transfers remain a linchpin of China's broader rail and high-speed rail development strategy. For example, the country maintains an ongoing requirement for 100 percent Chinese-owned technology in many procurement contracts. Additionally, foreign firms must also engage with majority-Chinese-owned JVs to submit bids for contracts. These factors result in an effective mandate to transfer technology to Chinese firms.[9] Despite announcements by China's State Council to the contrary, procurement discrimination in the rail market persists and nothing in China's current industrial policy indicates that these practices have ceased.

China continues to significantly subsidize its rail champion, CRRC. CRRC is the most heavily subsidized rolling stock company in the world. In a 2023 report analyzing subsidies and distortions in the rolling-stock international markets, the Organisation for Economic Co-operation and Development (OECD) found that CRRC received as much as 72% of all global government absolute support, including government grants, tax concessions, and below-market borrowings identified by the study.[10] CRRC is also one of the most heavily subsidized companies in China. As mentioned previously, $2.16 billion in explicit government grants to CRRC from 2014 to 2024. Like other Chinese SOEs, CRRC is the recipient of larger implicit subsidies. In a recent report, the Center for Strategic and International Studies estimated that direct subsidies to Chinese firms represent up to 20% of total industrial spending.[11] For instance, as one of the ten sectors China targets under the Made in China 2025 strategy, CRRC is also eligible to receive preferential subsidies and tax incentives for R&D.[12] In addition, China reduced the income tax rate for high-tech firms like CRRC from 25% to 15%, and raised the rate of additional deductions of R&D expenses from 50% to 75%.[13]

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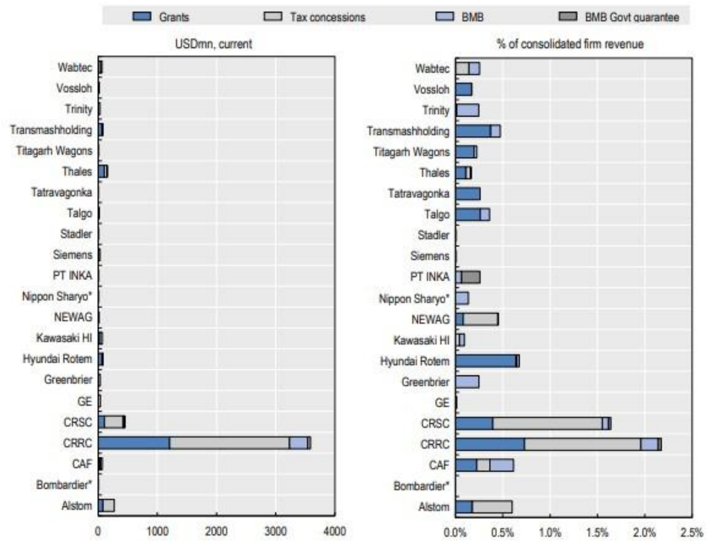
[9] Nigel Cory, Information Technology and Innovation Foundation, *Heading Off Track: The Impact of China's Mercantilist Policies on Global High-Speed Rail Innovation*, April 2021.
[10] OECD, *Measuring distortions in international markets: The rolling-stock value chain*, February 2023.
[11] DiPippo et al. The Center for Strategic and International Studies (CSIS). *Red Ink: Estimating Chinese Industrial Policy Spending in Comparative Perspective*. May 2022.
[12] Emily de La Bruyère & Nathan Picarsic. Radarlock. *Beijing's Dash for Global Rolling Stock Dominance*. October 2019.
[13] UNIFE, *A call for urgent action: The Fast Expansion of China's State-Owned Rail Suppliers*, November 2019.

Fig. 1. Total government support for sampled companies in the global rolling stock market, 2016 – 2020



Note: BMB = below-market borrowings. Data could not be located on the government grants obtained by firms marked "*". Data for GE only concern the period 2016-18 as the company exited the rail segment in 2019.
Source: OECD research. [14]

Conclusion

China has not implemented the structural reforms, market-oriented commitments, or transparency obligations required under the Phase One Agreement. The resulting distortions burden U.S. commerce, threaten the viability of the North American freight rail manufacturing base, and pose significant national security concerns.

RSA strongly supports USTR's Section 301 investigation and urges the Administration to use all available enforcement tools to defend the U.S. industrial base, ensure fair competition, and uphold the integrity of the Phase One Agreement.

Sincerely,

Erik Olson
Executive Director
Rail Security Alliance

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[14] OECD, *Measuring distortions in international markets: The rolling-stock value chain*, February 2023.