

May 11, 2018

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

RE: Multi-Industry Association Comments on Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket Number: USTR-2018-0005)

Dear Ambassador Lighthizer:

The undersigned organizations representing U.S. manufacturers, farmers and agribusinesses, retailers, technology companies, importers, exporters, and other supply chain stakeholders are writing in response to the April 3, 2018, *Federal Register* Notice request for comments. We agree that China's ongoing intellectual property rights violations, forced technology transfers and state interventions harm U.S. companies, workers, consumers and our competitiveness. However, we are deeply concerned with the Administration's decision to use Section 301 of the 1974 Trade Act to develop a list of proposed tariffs on \$50 billion of Chinese imports to address China's unfair trade practices and its trade and investment relationship with the United States. The proposed tariff list, and escalating tariff threats made by the Administration, will not effectively advance our shared goal of changing these harmful Chinese practices in a durable, verifiable, and enforceable manner.

We welcome the opportunity to submit comments to evaluate the impact of the proposed tariffs on U.S. companies, farmers, consumers and the economy. We do not believe that tariffs are the right approach to address the issues raised in the USTR Section 301 Report on China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation. The comprehensive report rightly identified the key issues that U.S. businesses face in China. As an alternative to tariffs, we recommend the Administration use the results of the report to consult closely with industry stakeholders and Congress to develop a joint approach to address these longstanding commercial issues within China. There certainly are key areas of concern on which all parties can agree to jointly press China to make changes. Only through extensive collaboration and alignment can the Administration develop and execute a strategic policy to effectively address our shared issues of critical concern in China.

We appreciate the recent trip to Beijing by key Administration officials to begin negotiations with China, and we support these efforts. We also strongly support and encourage the Administration's efforts to coordinate and align its strategy with allied countries and like-minded economies. The fundamental challenges with China are real and can best be addressed through aligned efforts – not through the imposition of unilateral tariffs.

In the *Federal Register* Notice, USTR asked whether imposing increased duties on a particular product would be practicable or effective to obtain the elimination of China's acts, policies, and practices. We believe the proposed tariffs will be counterproductive and undermine

your efforts to change China's policies and practices. USTR also asked whether maintaining or imposing additional duties on a particular product would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers. Tariffs will harm U.S. businesses, farmers, workers and consumers. There is no way to scope tariffs such that they would not impose direct and indirect costs on U.S. imports, inputs, and exports in a way that strains the global supply chain and drives prices up.

Tariffs are taxes. Imposing wide-ranging tariffs will negate the economic and jobs benefits of the recent tax reform and tax cuts by offsetting those benefits with the costs embedded in the tariffs. These costs will be paid by the U.S. consumer in the form of higher product prices and by U.S. businesses in the form of higher costs. While the Administration has signaled that the proposed tariffs are intended to inflict maximum pain on China and minimal pain on the U.S. economy and consumer, unfortunately that is not the case. There are many consumer goods on the proposed tariff list— including goods that incorporate hardware, software, design and R&D inputs from the United States. Many other products on the proposed list are industrial parts and capital goods, including machinery, parts, chemicals and components that U.S. manufacturers and their workers need to make competitive American products here in the U.S. Should these tariffs go into effect they will harm the American economy and worker through:

- higher prices for American consumers;
- higher costs for American manufacturers;
- decreased demand for American-made products;
- decreased global competitiveness for American exporters; and
- ultimately fewer jobs and less income for American workers.

While the tariffs are not in effect yet, the very discussion of tariffs on billions of dollars of goods and threats of a potential trade war create uncertainty across the U.S. business and farm community, depress commodity prices, and have already harmed U.S. companies, farmers, consumers, and markets. China's threat of retaliation further exacerbates business and farm uncertainty. Farmers and manufacturers rely on the ability to export their crops and products to China for their livelihood, yet they are targeted for potential retaliation. We understand that the Section 301 tariff threat is intended to create leverage to change the direction of the Chinese economy, but that provides little comfort to those businesses, farms, and workers whose livelihoods are being put at risk.

The Administration's consideration of unilateral tariffs also does not adequately account for the role of the global supply chain in product production and assembly. As a result of global supply chains, a product marked as originating in China actually reflects manufactured and other inputs coming from the United States and many other countries. Increasing the costs of U.S. imports from China will also negatively impact U.S. exports of key inputs to China incorporated into those imports. These complex supply chains can take years to establish, and they cannot be shifted to different countries or facilities without compromising contracts, compliance, quality and value for the consumer.

Some US businesses work with contracts anywhere from six to nine months in advance of delivery, although other businesses, particularly manufacturers, have multi-year contracts with their suppliers. Applying tariffs on imports from China will disrupt those supply chains and the U.S. businesses, workers and U.S. suppliers, including manufacturers, farmers and service providers, that depend on those supply chains for employment and sales. Moreover, if U.S.

companies have to try to shift production to different countries from China in concert, they will likely face capacity constraints and higher prices due to the scarcity of capacity from suppliers in those countries. Such disruptions in supply chains would likely drive inflation up in the United States, even if they come from alternative suppliers other than China. Finally, small- and medium-sized businesses and farms will face especially negative consequence from the additional costs tariffs will impose on their imports, inputs, and exports since they lack the resources or ability to quickly change their supplier network.

Our concerns also apply to U.S. farmers and exporters who may be subject to China's proposed retaliation tariffs. These businesses and farmers cannot easily find new buyers for their products. Once a market is lost, and a buyer shifts to a foreign competitor, even if only for a short period of time, future U.S. exports and sales likely will be lost as well. Less demand for one set of products will lead to less demand for the U.S.-made products and services supporting their production. Agriculture subsidies and other government forms of assistance are also not a solution. While they may provide short-term relief to farmers – depending on existing legal authorities – the long-term costs of losing a market will be exponential.

The escalation of trade tensions with China could result in harm to all our member companies, member farms, their workers, and their consumers. The impact of a trade war and tariffs would harm businesses, workers, farmers and consumers throughout the United States and across industry sectors. Tariffs hurt the economy as a whole as well as jobs and consumers in every state. Everyone loses in a trade war.

We appreciate the opportunity to submit our organizations' comments through the Federal Register process. We stand ready to work with the Administration, Congress and stakeholders to find effective long-term solutions that meaningfully address commercial issues in China and that promote the competitiveness of U.S. farmers, workers, consumers, and businesses rather than saddle them with new costs, lost sales, and lost jobs. We appreciate your consideration of our comments and the views of our members.

Sincerely,

Agriculture Transportation Coalition
Airforwarders Association
American Apparel & Footwear Association
American Association of Exporters and Importers (AAEI)
American Chemistry Council
American Farm Bureau Federation
American Home Furnishings Alliance
American Import Shippers Association
American Lighting Association
American Pyrotechnics Association
American Soybean Association
Americans for Farmers and Families
Association of Equipment Manufacturers (AEM)
Auto Care Association
California Business Properties Association
California Farm Bureau Federation
California Retailers Association

CAWA - Representing the Automotive Parts Industry
Coalition of New England Companies for Trade (CONNECT)
Colorado Retail Council
Columbia River Customs Brokers and Forwarders Association
Computer & Communications Industry Association
Computing Technology Industry Association (CompTIA)
Consumer Technology Association
Customs Brokers and Forwarders Association of Northern California
Customs Brokers and International Freight Forwarders Association of Washington State
Direct Selling Association
Distilled Spirits Council
Electronic Transactions Association
Farmers for Free Trade
Fashion Accessories Shippers Association (FASA)
Florida Retail Federation
Footwear Distributors & Retailers of America (FDRA)
Foreign Trade Association
Fragrance Creators Association
Gemini Shippers Association
Georgia Retailers
Global Cold Chain Alliance
Harbor Trucking Association
Halloween Industry Association
Hardwood Federation
Home Furnishings Association
Household & Commercial Products Association
Idaho Retailers Association
Imaging Supplies Coalition (ISC)
Indiana Retail Council
Information Technology Industry Council (ITIC)
International Association of Refrigerated Warehouses
International Bottled Water Association (IBWA)
International Wood Products Association
Internet Association
Juvenile Product Manufacturers Association
Kentucky Distillers' Association
Louisiana Retailers Association
Los Angeles Customs Brokers and Freight Forwarders Association
Meat Import Council of America
Michigan Retailers Association
Minnesota Retailers Association
Missouri Retailers Association
Montana Retail Association
Motor & Equipment Manufacturers Association
National Association of Chemical Distributors
National Association of Foreign-Trade Zones (NAFTZ)
National Council of Chain Restaurants
National Customs Brokers and Forwarders Association of America (NCBFAA)
National Foreign Trade Council

National Marine Manufacturers Association
National Retail Federation
Nebraska Retail Federation
New Jersey Retail Merchants Association
North American Meat Institute
NYNJ Foreign Freight Forwarders and Brokers Association
Ohio Council of Retail Merchants
Oregon Dairy Farmers Association
Pacific Coast Council of Customs Brokers & Freight Forwarders
Pennsylvania Retailers' Association
Personal Care Products Association
Petroleum Equipment and Manufactures Association
Promotional Products Association International (PPAI)
Retailers Association of Massachusetts
Retail Council of New York State
Retail Industry Leaders Association (RILA)
San Diego Customs Brokers Association
Security Industry Association (SIA)
Specialty Equipment Market Association
Sports & Fitness Industry Association
Society of Chemical Manufacturers & Affiliates
Software & Information Industry Association
Solar Energy Industries Association
South Carolina Retail Association
South Dakota Retailers Association
Telecommunications Industry Association (TIA)
Texas Retailers Association
The Power Tool Institute
The Toy Association
Travel Goods Association (TGA)
Truck and Engine Manufacturers Association
U.S. Hide, Skin and Leather Association
United States Council for International Business
United States Fashion Industry Association
Vinyl Institute
Washington Council for International Trade
Washington Retail Association