

July 23, 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-2018-0018)

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 June 20, 2018 *Federal Register* Notice request for comments. As we have stated previously, we agree that China's unfair trade practices and policies must be addressed. However, we are concerned with the continued use of tariffs as a means of leverage against the Chinese. The new proposed tariffs on an additional \$16 billion worth of Chinese imports and the recently announced retaliatory tariffs on another \$200 billion in Chinese goods will harm U.S. companies, workers and consumers.

We welcome the opportunity to submit comments again 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 serious 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 strongly 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. We must also work with our allied trading partners who share the same concerns. There are key areas of concern on which all parties can agree to jointly seek changes in Chinese policies. 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. A continued escalation of a trade war will not benefit either country.

In the *Federal Register* Notice, USTR asks whether imposing increased duties on a particular product would be practicable or effective to obtain the elimination of China's acts, policies, and practices. As we noted in our previous submission, the proposed tariffs will be counterproductive and undermine the administration's 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. The answer is yes. Tariffs are taxes that will harm U.S. businesses, farmers, workers and consumers. In addition, acting unilaterally makes American companies targets of retaliation that will result in loss of market share to our trading partners – a disproportionate economic harm.

We continue to believe that imposing wide-ranging tariffs will negatively affect the economic and jobs benefits of the recent tax reform and tax cuts by offsetting those benefits with the costs embedded in the tariffs. Imposing tariffs on Chinese imports will not have the effect that the Administration desires. Instead of inflicting maximum pain on China, tariffs will harm the American economy, worker, and consumer:

- higher prices for American consumers;
- higher costs for American manufacturers;
- decreased demand for American-made products;
- loss of market share to non-American, competitor companies;
- decreased global competitiveness for American exporters; and
- ultimately fewer jobs and less income for American workers.

The ongoing discussion of tariffs on billions of dollars of goods has created great uncertainty across the U.S. business and farm community, depressed commodity prices, and has already harmed U.S. companies, farmers, consumers, and markets. The ongoing escalation by both the U.S. and China will only continue to make this worse.

The continued use of tariffs does not adequately account for the role of the global supply chain in product production and assembly. 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. 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 these inputs will have a negative impact on U.S. manufacturers who rely on those inputs to export finished products across the globe.

We remain concerned about the growing impact to farmers and manufacturers of retaliation from China, as well as our other trading partners. If the goal is to open markets for U.S. goods and services abroad, the use of tariffs goes against that goal.

The escalation of trade tensions with China could result in harm to all our member companies, member farms, their workers, and their consumers. We are no longer in a “trade dispute.” The tit for tat tariffs have now landed us in a trade war that is starting to do real harm to U.S. businesses, workers, farmers and consumers. Tariffs hurt the economy as a whole as well as jobs and consumers in every state. We are witnessing this in the daily stories published in local and national press.

We appreciate the opportunity to submit our organizations’ comments through the *Federal Register* process. We urge the administration to outline fully the strategy to address the long-standing issues in China and how it plans to assess whether tariffs have been an effective tool. The business and agriculture communities stand ready to work with the administration on a clear and concise strategy that will lead to measurable change in China’s unfair trade practices.

The end goal should be a long-term solution that meaningfully addresses the commercial issues in China while promoting the competitiveness of U.S. farmers, manufacturers, workers, consumers, and businesses. Implementation of tariffs only saddles the United States with new costs, lost sales, and lost jobs. We appreciate your consideration of our comments and the views of our members.

Sincerely,

Airforwarders Association
American Apparel & Footwear Association
American Association of Exporters and Importers
American Bakers Association
American Beverage Association
American Chemistry Council
American Farm Bureau Federation
American Frozen Food Institute
American Home Furnishings Alliance
American Lighting Association
American Petroleum Institute
American Pyrotechnics Association
American Rental Association
American Soybean Association
Americans for Farmers and Families
Association For Creative Industries (AFCI)
Association for Print Technologies
Association of Equipment Manufacturers (AEM)
Auto Care Association
CAWA – Representing the Automotive Parts Industry
Coalition of Services Industries (CSI)
Computer & Communications Industry Association
Computing Technology Industry Association (CompTIA)
Consumer Healthcare Products Association
Consumer Technology Association
Corn Refiners Association
Distilled Spirits Council
Electronic Transactions Association
Farmers for Free Trade
Footwear Distributors & Retailers of America (FDRA)
Global Cold Chain Alliance
Grocery Manufacturers Association
Hardwood Federation
Household & Commercial Products Association
Information Technology Industry Council
Institute of International Container Lessors, Ltd.
International Bottled Water Association (IBWA)
International Foodservice Distributors Association

International Wood Products Association
Internet Association
Kentucky Distillers Association
Motor & Equipment Manufacturers Association
National Association of Chemical Distributors
National Association of Foreign Trade Zones
National Council of Chain Restaurants
National Fisheries Institute
National Foreign Trade Council
National Marine Manufacturers Association
National Retail Federation
North American Meat Institute
Personal Care Products Council
Petroleum Equipment & Services Association
Power Tool Institute
Promotional Products Association International (PPAI)
Retail Industry Leaders Association (RILA)
Security Industry Association (SIA)
SEMI
Snowsports Industries America
Society of Chemical Manufacturers & Affiliates
Software & Information Industry Association (SIIA)
Telecommunications Industry Association (TIA)
The Toy Association
Travel Goods Association
Truck & Engine Manufacturers Association
United States Council for International Business
United States Fashion Industry Association
US-China Business Council
U.S. Hide, Skin and Leather Association