October 30, 2018

Edward Gresser
Chair, Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

RE: Request for Public Comments to Compile the National Trade Estimate Report on Foreign Trade Barriers. Docket Number: USTR-2018-0029

Dear Mr. Chairman:

These comments are being filed on behalf of the U.S. Global Value Chain Coalition – a coalition of U.S. companies and associations – that is on a mission to educate policymakers and the public about the American jobs and the domestic economic growth our companies generate through their global value chains.

Global value chains include those jobs we traditionally associate with creation of a product – such as those in a factory or on a farm – as well as those positions involved in the conceiving of and delivery of those products – such as design, marketing, research and development, logistics, compliance and sales. Simply put, the global value chain accounts for all the jobs that add value to the good or service sold in the global marketplace. These positions are essential to the creation or sale of a good or service. Moreover, these jobs are primarily here in the United States and are usually high-paying, accounting for much of the value that is paid at the register.

We strongly support efforts to reduce and remove foreign trade barriers.

The existence of such barriers – be they in the form of tariffs or non-tariff measures – add costs and burdens to U.S. companies that use global value chains to stay competitive as they access key markets around the world. This is equally true for trade barriers that are erected both home and abroad.

The most recent hearings on the Administration's proposed Section 301 list provide a good snapshot into the complex and integrated array of U.S. global value chains that are reacting to and being disrupted by the proposed tariffs on U.S. imports of products made in China, particularly on consumer products, and on the retaliation that such tariffs are provoking. The importance of global value chains to U.S. jobs was made abundantly clear as witness after witness identified the painful choices that will have to be made – usually at the expense of U.S. jobs – because of the new taxes that will be imposed on their supply chains. Some indicated that they may have to move production offshore to stay competitive. Many warned of significant price increases, which would result in lost sales and lost jobs. Some felt that they would be forced to absorb the tax increase themselves – resulting in job cuts or layoffs – because they would not be able to pass it along to the consumer. Several indicated grimly that their supply chains are now facing double taxation, noting that China is proposing to tax their U.S. exports while the U.S. is proposing to tax the finished product using that U.S. exported content.

A common theme throughout the six days – in comments that were reflected in EACH panel – is that these tariffs will interfere with the proven ability of trade linkages with China to create and sustain jobs throughout the United States. Some asked that the tariffs not be levied on products of interest to them, describing a need for inputs and imported equipment necessary for their U.S. job creation activities. Others argued against tariffs on finished products, pointing the many jobs that the design, logistics, distribution, and sale of those products create.

Of course, long-term, sustainable resolution of the underlying concerns related to intellectual property rights and forced technology transfer are also critical for U.S. job creation – a point made by many witnesses. Many testifying also expressed their support for holding our trading partners accountable and for making sure countries adhere to their international obligations.

Throughout the hearings, the Administration raised important questions on the impact of tariffs on U.S. manufacturers and consumers, and the sourcing options currently available to American companies if tariffs were imposed on China. Most, if not all, of the witnesses pointed out the complexities of their supply chains. They noted that it would take months, if not years to shift supply chains to alternate sourcing locations at a significant cost. We appreciate the thoughtfulness of these questions, as they show a sensitivity to the role global value chains play in supporting millions of U.S. jobs.

Of course, the threat to global value chains emerges not just from the recent actions associated with the Section 301 investigation. Tariff and non-tariff barriers throughout the world have long caused harm to our members in the form of increased duty costs, diversion of capital to duplicate or less efficient activities, and administrative burdens. Instead of investing in innovation, hiring workers, or passing savings to consumers, companies in the global value chain must squander scarce resources on non-value-added activities instead.

We are pleased to note that the Trade Promotion Authority (TPA), which was recently renewed, includes important negotiating objectives to reduce barriers that interfere with U.S. global value chains and their proven ability to create jobs in goods and services. Our hope is that forthcoming free trade agreement (FTA) negotiations with the United Kingdom, the European Union, and Japan will see concreate and irreversible progress in the elimination of trade barriers affecting the global value chain partnerships threading through these countries.

As you prepare this year's report, we encourage you to identify U.S. global value chains as beneficiaries of the reduction of these barriers.

Please consider the following:

Apparel

- A recent study by the U.S. Global Value Chain Coalition found that about 75 percent of the retail value of an apparel article imported from abroad and sold in the U.S. comes directly from American ingenuity. This means that despite being physically sewn overseas, the vast majority of the value found in a T-shirt, jeans, dress or suit was created by Americans and supported American jobs such as quality assurance, social and import compliance, marketing, and web development.

- The industry directly employs about 3 million Americans, with many more indirectly employed once related industries – like textiles or dry cleaning – are factored in. These jobs are directly dependent upon an industry for which imports account for more than 97 percent of all sales.

Footwear

- The U.S. imports nearly 2.4 billion pairs of shoes every year to meet the incredible demand of U.S. consumers. That means there are 7.3 pairs of shoes each year for every man, woman, and child in America. Each one of these pairs comes in through a U.S. port, travels across the country (usually by truck), goes to a distribution center (often in rural areas), and reaches store shelves all over America. At each stop along the way, these 2.4 billion pairs of shoes support U.S. workers.

- The overwhelming value of every pair of shoes is produced here in America. Today's shoe company has entire teams of U.S. employees dedicated to sourcing, logistics, design, marketing, administration, protecting intellectual property, and navigating the more than 430 ways to classify a shoe under the U.S. Harmonized Tariff Schedule.

- New 3D printing technology advancements have significantly reduced the time required to sample new shoe designs. While the traditional way of designing and sampling shoes takes two to three weeks for each sample to be produced and shipped to the U.S., 3D printed samples can be made in the U.S. and reviewed in 1 to 2 days. This allows for more resources to be invested in the high-tech and good paying U.S. jobs focused on creating the latest footwear styles, technology, and innovation.

Promotional Products

- The promotional products industry plays an important role in the national economy—collectively, the industry provides nearly 500,000 jobs and generates revenues exceeding $23 billion annually in the U.S. alone. Promotional products are any tangible item with an imprinted message and are one of the most effective, cost-efficient and longest-lasting media used by advertisers and marketers.

- The promotional products industry relies on a symbiotic partnership of global supply chain providers. Although most promotional products are manufactured overseas, once in the U.S., these products are sold by U.S. workers and are used to promote U.S. goods and services. But perhaps surprising, most promotional products are imported without any logo applied. There are workers in factories in every state in the country that decorate those items to fill domestic and international demand.

Warehouse and Logistics

- The warehouse-based third-party logistics (3PLs) sector is the intersection point of the domestic and global supply chains. It is a burgeoning industry, with a 60% increase in newly opened distribution warehouses between 2013 and 2015 and an expected 10% annual growth in real revenue over the next 5 years.

- The overall economic impact of the 3PL warehouse industry includes direct, supply chain (indirect), and induced impacts through employment, labor income, value added services, and output. The 3PL industry supports economic activity and growth in engineering, specialized design, finance, insurance, real estate, transportation, and manufacturing because of its niche and specialty services.

- As the intermediary in the domestic and global supply chain, the 3PL warehouse industry accounted for 625,000 direct jobs and nearly $80 billion in labor income and value in 2015,and supported 1.1 million additional jobs across the economy.

Ports

- Cranes to improve port productivity that enables the U.S. to reach world markets depend on crane manufacturers outside the United States.

- Moreover, American ports make our holidays brighter. Recently,
    - 58 million pounds of imported chocolate were purchased by Americans for Valentine's Day
    - 611 million pounds of turkey meat and $238 million of cranberry preserves were exported in 2016.
    - $463.2 million worth of Christmas lights and $1.5 billion of Christmas ornaments were imported into the U.S. in 2016.
    - 92 percent of Pacific Northwest Christmas Trees are exported out of the region, including to markets in Japan, China, Hong Kong, and The Philippines.

These are just a few examples of how global value chains create jobs and economic opportunities across this country

Sincerely,

The U.S. Global Value Chain Coalition