

July 2, 2019

The Honorable Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
Executive Office of the President
600 17th Street, NW
Washington, DC 20006

Post-Hearing 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 2019-0004-0001**)

Dear Mr. Ambassador:

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 U.S. consumers now expect and that is paid at the cash register.

Thank you for holding these important hearings, and receiving comments from thousands of companies, individuals, and organizations on the impact of proposed tariffs on the U.S. economy.

The cumulative seven days provided insight 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. The consequences of the Administration's ultimate decision, as well as the underlying negotiations, will be significant for U.S. jobs in all fifty states and across many industries.

Even during panels in which parties argued for adding some items to the proposed 301 list, the importance of global value chains to U.S. jobs was made abundantly clear as those same witnesses also noted their own dependence on imports from China.

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 U.S. production offshore to stay competitive. Many warned of significant price increases, which would result in lost sales and lost U.S. jobs. Some felt that they would be forced to absorb the tax increase themselves – resulting in U.S. 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, or taxing, their U.S. exports while the U.S. is proposing to tax the finished product using that U.S. exported content. Finally, many, especially smaller businesses, indicated that these tariffs could put them or other supply chain partners out of business.

A common theme throughout the seven days – in comments that were reflected in EVERY 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 to the many U.S. 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. But witness after witness emphasized that more tariffs on legitimately traded goods is not the answer.

Throughout the hearing, 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, highlighting the considerable investment that is made in locating and fostering skilled and compliant factories and how integrated those factories are with other partners. They noted it would take months, if not years, to shift supply chains to alternate sourcing locations, and at a significant cost. Some indicated that such a shift is impossible no matter how much time is provided. 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.

We encourage that continued deliberation in the coming weeks and months focus on how the proposed tariffs could adversely affect U.S. global value chains and their impact on U.S. jobs and the U.S. economy.

Sincerely,

The U.S. Global Value Chain Coalition