September 20, 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

Comments on Proposed Tariff Rate Increase for Tranches 1-3: Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket Number: **USTR 2019-0015**)

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.

We are writing to express our strong opposition to the proposed increase in the punitive tariff rates on goods imported from China on Lists 1, 2, and 3. The current punitive tariff rate is 25%. The Administration is proposing to increase that to 30%. The *Federal Register* notice, published on September 3, 2019, proposed an effective date of October 1, 2019. A subsequent tweet by President Trump suggested that this date will be delayed until October 15. Whether it is October 1, October 15, or any other date, we oppose the tariff rate increase. Further, we hereby ask for the existing 25% punitive tariff rate to be rescinded immediately.

We continue to stress, as we did a bit more than a year ago when we filed comments in connection with the original hearings to consider these punitive tariffs, that these tariffs are taxes that are paid by U.S. companies, and are borne by the workers they employ, the consumers they serve, and the investors they support.

In our comments last September, we wrote:

> *In the hearings, 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.*

It has now been nearly a year since the List 3 tariffs have been in place and longer for the earlier lists. We can now see that these damages have in fact taken place.

The bottom line is that many jobs in the United States depend on trade with China. Tariffs – both those levied by the U.S. as well as those levied by China in response to those U.S. tariffs – interferes with the proven ability of trade linkages with China to create and sustain jobs throughout the United States. Reviewing any of the hearing records over the past year bears this out. Some witnesses 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. These tariffs only adversely affect U.S. global value chains and undermine the ability of those global value chains to create and support U.S. jobs and benefit the U.S. economy.

We are heartened to see reports suggesting that the trade talks could be back on track. As those talks progress, we urge the Administration to refrain from imposing new tariffs or increasing existing tariff rates and respectfully request that the existing punitive tariffs be removed as quickly as possible.

Sincerely,

The U.S. Global Value Chain Coalition