

**Statement of U.S. Global Value Chain Coalition
House Ways and Means Committee
Hearing on U.S. China Trade
February 27, 2019**

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.

Thank you for holding this important hearing on U.S./China trade. We are submitting this statement to make two points:

First, while our members are heartened by the prospect that the U.S. and China are negotiating a comprehensive agreement, we wonder if such an agreement will adequately reflect the role that global value chains have on the U.S. economy. We note that Congress, through the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 made “utilization of global value chains” a priority in the first two negotiating objectives– relating to goods and services – for trade agreements. Such a priority is well placed because, in today’s global economy, global value chains measure the full impact of trade policies on jobs. This is particularly important with our trading relationship with China.

Please consider the following:

- In the first 11 months of 2018, two-way trade with China accounted for more than \$600 billion, equivalent to more than 15 percent of total trade that transited our nation’s ports. Cargo activities at our nation’s seaports – imports, exports and domestic shipments – support more than 23 million American jobs and over a quarter of annual U.S. GDP.
- U.S. companies design and market consumer products in China that are sold in China, in the United States, and around the world. Although these everyday items – articles such as U.S. branded clothes, shoes, and backpacks – are physically produced in China, they support millions of U.S. jobs in such disciplines as design, quality control, marketing, and compliance.

- Chemicals imported from China make their way through a network of U.S. distributors employing tens of thousands of Americans into industries, employing millions, including agriculture, automotive, pharmaceuticals, textiles, plastics, paints and coatings, and more.

These are just a few examples of how global value chains dependent upon trade with China create jobs and economic opportunities across the United States.

Second, we wish to stress that the actual and threatened imposition of tariffs on U.S. imports from China have been very damaging to these U.S. global value chains. These tariffs have led to considerable costs and uncertainty for our members because tariffs are no more than U.S. taxes that U.S. companies pay. Please consider the following:

- These tariffs have required companies to make painful choices – usually at the expense of U.S. jobs – as they figure out ways to manage these new costs. In some cases, these new U.S. taxes are passed along to customers and consumers, in the form of price increases, which can result in lost sales and lost jobs.
- In cases where companies can absorb those U.S. taxes, the extra unforeseen costs come at the expense of other planned activities, such as investments in innovation or hiring of new staff.
- To add insult to injury, Chinese retaliatory tariffs often mean that U.S. companies face double taxation since U.S. corporate entities control many of the supply chains that are targeted by Chinese tariffs. Again, these extra taxes come at the expense of U.S. jobs.

It is our strong hope that the current trade talks will send end trade tensions and the imposition of punitive tariffs and retaliatory tariffs. We welcome continued inquiry and oversight by this Committee to help bring about that outcome in the speediest possible manner. It is our hope that greater Congressional involvement can help end punitive tariffs on U.S. global value chains – and the U.S. jobs they support – that depend on U.S./China trade.