Statement of U.S. Global Value Chain Coalition
Senate Committee on Finance
Hearing on the 2020 U.S. Trade Policy Agenda on June 17, 2020
July 1, 2020

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 the 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 jobs that add value from beginning to end 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 these important hearings on the U.S. 2020 Trade Policy Agenda and providing the opportunity to provide this statement for the record. We would like to respond to several points on China and trade preference programs that Ambassador Robert Lighthizer made during his testimony.

China

Global value chains are dependent upon trade with China to create jobs and economic opportunities across the United States. For instance, American companies, and their American workers, design and market consumer products 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 – might be physically produced in China, they support millions of U.S. jobs in such disciplines as design, quality control, marketing, and compliance.

Furthermore, chemicals imported from China make their way through a network of U.S. distributors, employing tens of thousands of Americans who reformulate, market, and distribute into American industries, including agriculture, automotive, pharmaceuticals, textiles, plastics, paints and coatings, and more.

The punitive 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 taxes that U.S. companies pay, which are then passed on to U.S. consumers in the form of higher prices. Even before the coronavirus pandemic, these tariffs have required companies to make painful choices – usually at the expense of American jobs – as they figure out ways to manage these new costs. Now more so than ever, thousands of companies are facing a stark choice of paying their duty bills now or keeping their American workers on payroll.

Despite what Ambassador Lighthizer said, it is not easy for companies to shift their global value chains. While many have worked to diversify their value chains from the start of the trade war, there are others where it is just not feasible in a short period of time – if at all. There are many challenges such as ensuring new vendors can meet capacity, quality, product safety, sustainability, and social responsibility requirements, the availability of a skilled work force, available infrastructure, and testing and auditing capabilities – just to name a few. In some instances, a product may not be available from any other source. Further, the coronavirus pandemic has made shifting supply chains even more complicated with travel essentially shut down due to global stay at home orders and limits on corporate travel. This should certainly be factored in as the Administration reviews current exclusions.

Further, global supply chains have helped, not hurt, the U.S. response to the coronavirus outbreak. Just recently, a study done by the University of Michigan, Yale, and the University of Texas at Austin concluded that while "the average contraction in gross domestic product tied to the COVID-19 shock is expected to be 31.5% with about a third of it attributed to kinks in global supply chains . . . *the average GDP drop would have been 32.3%"* without global trade.[1]

As we work to reopen the U.S. economy and get Americans back to work, we request Congress: (1) demand the Administration lift all punitive China tariffs; (2) improve the Section 301 product exclusion process and grant more approvals in a swift, transparent manner; (3) eliminate Most Favored Nation (MFN) tariffs for all products and inputs for Personal Protective Equipment (PPE); and (4) extend and modify the duty deferral program to cover ALL duties for imports through at least the summer months, allow for retroactive refunds, and improve the hardship test to allow more companies to defer duties.

Trade Preference Programs

Several trade preference programs are expiring this year and although there has not been a clear signal of support from the Administration, they have bipartisan, bicameral support. We request Congress renew these critical trade preference programs quickly to provide certainty and predictability to American businesses, many of whom are utilizing these programs to help make and distribute urgently needed personal protective equipment in response to the coronavirus outbreak.

<u>Caribbean Basin Trade Partnership Act (CBTPA)</u>

The Caribbean Basin Trade Partnership Act (CBTPA) recently celebrated its 20th anniversary and is set to expire on September 30, 2020. With the coronavirus crisis, providing continued certainty in this region is needed now more than ever. Our members have been proud to work on, support enactment of, and operate under this program during the past two decades. Since it was enacted, the CBTPA – along with the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act, and the Haiti Economic Lift Program (HELP) Act – has provided an important trade policy basis to support U.S. investment in and exports to U.S. allies in the Caribbean Basin.

[1] Brendan Murray, *Trade Helped Cushion the World Economy's Pandemic Plunge*, Bloomberg News (May 26, 2020) *available at* https://www.bloomberg.com/news/newsletters/2020-05-26/supply-chains-latest-trade-cushioned-the-world-economy-s-fall.

Generalized System of Preferences (GSP)

The Generalized System of Preferences (GSP) is set to expire at the end of 2020. The GSP program allows American businesses to use duty-savings to compete internationally, lower costs for American families, hire more American workers, and invest in new products. GSP is also an effective enforcement tool to open foreign markets, protect intellectual property, and improve workers' rights. With the coronavirus debilitating global value chains, renewing the GSP program will be a critical component to reopening the country and improving the U.S. economy.

Thank you for this opportunity to provide comments on the 2020 U.S. Trade Policy Agenda.

Sincerely,

U.S. Global Value Chain Coalition