

Statement of U.S. Global Value Chain Coalition
Senate Committee on Finance
Hearing on the Nomination of Katherine Tai on February 25, 2021
March 10, 2021

This statement is 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 generated through our global value chains.

Global value chains include those jobs traditionally associated with the creation of a product – such as those in a factory or on a farm – as well as those positions involved in the lifecycle of a product from conception to distribution – such as design, engineering, marketing, research and development, logistics, compliance, and sales. Simply put, 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.

The U.S. Global Value Chain Coalition supports the nomination of Katherine Tai to be United States Trade Representative and urges her quick confirmation. Ms. Tai has a great track record supporting policies that remove barriers to trade and open new markets for American businesses and American workers. This nomination sends a clear message that the U.S. is ready to reassert American leadership in setting high-standard trade rules and to engage at the negotiating table on deals that benefit American business and workers.

Role of Global Value Chains in Pandemic Response

As the administration and Congress examine the role of supply chains in responding to the COVID-19 pandemic, we urge both to consider and recognize the important role that global value chains have and continue to play in responding to the pandemic, as well as their important role in creating good-paying American jobs and helping American businesses remain competitive.

It is not easy for companies to shift their global value chains, especially when prompted by government policies rather than business considerations. While many companies have worked to diversify their value chains over the years, even more so as a result of the trade war with China, there are many others where it is just not feasible in a short period of time – if at all. There are many challenges to supply chain diversification, 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, an input, intermediate part or other 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 policies.

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

We certainly support an effort to identify challenges and opportunities to strengthen supply chain vulnerabilities against future pandemics or other disruptions. This evaluation must rely on market realities, business considerations, and other incentives to improve global value chains, including the development of infrastructure, logistics, and inputs in the U.S. and sufficient and appropriately trained future workforce.

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 American jobs in such disciplines as design, quality control, marketing, logistics and compliance.

Furthermore, chemicals imported from China make their way through a network of U.S. distributors and manufacturers, employing tens of thousands of Americans who manufacture, 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 damaged these job-creating U.S. global value chains. Tariffs are taxes that American companies, and consumers, pay. These tariffs have led to considerable increased costs and uncertainty for our members, who are also facing unprecedented uncertainty and financial burdens as a result of the economic recession brought on by the COVID-19 pandemic.

As we work to reopen the U.S. economy and get Americans back to work, we request Congress insist that once confirmed, Ms. Tai take several immediate steps as USTR: (1) retroactively reinstate product exclusions that expired in 2020; (2) reopen the Section 301 product exclusion process, with improvements to address concerns regarding fairness, transparency, and speed; and (3) lift all punitive China tariffs, which have harmed American businesses, workers, and consumers.

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>.



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Generalized System of Preferences (GSP)

The Generalized System of Preferences (GSP) expired 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. For example, many American businesses utilized GSP to help make and distribute urgently needed personal protective equipment in response to the coronavirus outbreak. 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 is a critical component to reopening the country and improving the U.S. economy. We request Congress renew this critical trade preference program quickly to provide certainty and predictability to American businesses.

Thank you for this opportunity to provide a statement.

Sincerely,

U.S. Global Value Chain Coalition