



May 11, 2018

The Honorable Robert E. Lighthizer
Office of the U.S. Trade Representative
600 17th St NW
Washington, D.C. 20006

Subject: Docket number USTR-2018-0005 Section 301 China tariffs

Dear Ambassador Robert E. Lighthizer:

Freedom Partners Chamber of Commerce (Freedom Partners), Americans for Prosperity (AFP) and The LIBRE Initiative (LIBRE) appreciate the opportunity to present the following comments on the proposed determination of action in Section 301: "China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation."

Under President Trump, the U.S. economy is rolling. Growth continues each month, unemployment is at a 40-year low and wages have increased. Hispanic and African-American unemployment is at the lowest level in recorded history.¹ Tax reform and relief enacted by President Trump has further fueled U.S. economic and job growth, and have made America a more competitive global destination for business and capital. Now, it's other countries that are racing to keep up with the United States.

Respectfully, we write in opposition to this effort to enact tariffs and trade barriers because they would severely undermine the economic growth and success cited above, effectively amount to a reversal of the 2017 tax cuts, and negatively affect American consumers as well as the workers and businesses the tax cuts are intended to help.

Trade's Benefits are Win-Win for Americans

Trade between individuals, companies, and countries helps promote well-being and prosperity. Both trading partners benefit from more access to a rich array of goods and services. Trade is an essential part of the economy in most states in the United States.² With this current round of tariffs aimed at China, it is helpful to remember the outsized benefits of trade for both countries.

¹ "Black and Hispanic Unemployment in America Reach Record Lows," Bloomberg, May 4, 2018

² Mark Perry, "How important is international trade to each US state's economy? Pretty important for most US states" Carpe Diem, American Enterprise Institute March 9, 2018 <https://www.aei.org/publication/how-important-is-international-trade-to-each-us-states-economy-pretty-important-for-most-us-states/>

America's biggest export markets, in order, are Mexico, Canada, and China.³ China also represents America's biggest export market⁴ for agricultural goods and products. While our trading partners also benefit from access to exported goods and services from our farmers, workers, and manufacturers, our country similarly prospers from imported materials and goods. Opening and expanding access to new markets is a net win-win and we should continue to unwind problematic trade barriers with other countries.

Tariffs are Lose-Lose for Sustainable Economic Growth

We are concerned about the list of specific products to be subject to new or increased tariff duties under Section 301 and recommend removing all products from the list.

Alternatively, we urge you to reconsider and significantly lower the duties on the list of products, as well as strongly discourage raising the aggregate level of additional duties on other products. The proposed list spans a dizzying array of more than 1,300 imports with an estimated value of \$46.2 billion. Tariffs on these imports would raise prices and limit their availability across the economy. They are concentrated in machinery, mechanical appliances, and electrical equipment used widely in domestic manufacturing, but also include numerous kinds of vehicles, aircraft, and vessels, chemicals, metals (including steel), medical equipment and supplies, drugs, parts, and much more.⁵

We are also concerned about responses to these tariffs -- tariffs beget more tariffs as our trade partners retaliate by erecting new barriers. As predicted by many, China quickly announced its own tariffs on products at a slightly higher estimated value of \$49.8 billion. They target vehicles, aircraft, and vessels, along with livestock, beverages, wine and spirits, vegetables such as soybeans and sorghum, tobacco, and more.

One study prepared for the Consumer Technology Association and the National Retail Federation estimated that, in response to both U.S. Section 301 tariffs *and* China's retaliatory tariffs, more than four jobs would be lost for every job protected. Job gains would occur in metals and machinery industries, while far greater losses would occur in agriculture, transportation equipment, and services. Economic output would shrink by \$3 billion, and a net of nearly 134,000 workers would lose jobs, with most of those losses falling on less-skilled workers. Every state in the country would be hurt.⁶

Tariffs are lose-lose for American consumers, farmers, workers, and manufacturers. This is more than just theory. For example, the drawbacks to tariffs were most recently exemplified by the George W. Bush administration in 2002. The Bush administration enacted tariffs on steel intended to help buoy struggling U.S. steel manufacturers and the industry at large. 200,000 jobs were lost in industries that

³ "Top Trading Partners, February 2018" U.S. Census Bureau <https://www.census.gov/foreign-trade/statistics/highlights/toppartners.html#exports>

⁴ "Infographic: U.S. Agricultural Exports to China, 2016" U.S. Department of Agriculture, Foreign Agricultural Service <https://www.fas.usda.gov/data/infographic-us-agricultural-exports-china-2016>

⁵ Chad P. Brown, "More than Soybeans: Trump's Section 301 Tariffs and China's Response," Peterson Institute for International Economics, April 4, 2018 <https://piie.com/blogs/trade-investment-policy-watch/more-soybeans-trumps-section-301-tariffs-and-chinas-response>; and USTR "Notice of Determination and Request for Public Comment," Federal Register, Vol. 83, No. 67, April 6, 2018 Notices <https://www.gpo.gov/fdsys/pkg/FR-2018-04-06/pdf/2018-07119.pdf>

⁶ Trade Partnership Worldwide, LLC "Tariffs on Imports from China: The Estimated Impacts on the U.S. Economy, April 30, 2018 <http://tradepartnership.com/wp-content/uploads/2018/04/China-301-Tariffs-FINAL.pdf>

use steel – more than were employed by the U.S. steel industry itself, with losses occurring in every state of the country.⁷

The experience with Bush steel tariffs were not an anomaly. A study on tariffs and other trade protections found that between the 1950s and 1970s they did not revitalize affected industries, which was their primary purpose.⁸ Instead the companies that were the targets of these intended benefits were insulated from competition and thus failed to innovate. Another study on steel and auto protections found that over the long-term, trade protections discouraged improvements in quality and cost controls.⁹

Additionally, between the 1990s and early 2000s, nearly 150 antidumping provisions were in effect on imported steel. But one study found that the U.S. steel industry had shrunk in terms of employment and investment, with some firms declaring bankruptcy.¹⁰ In this case, the costs of these trade protections and policies on steel cost between \$200,000 and \$2.3 million for every American steel industry job that was protected.

Recently enacted U.S. tariffs have sent steel prices skyrocketing for family-owned local businesses in places like Indiana¹¹ and Pennsylvania.¹²

Better Path to Address Unfair Practices, Increase Trade, and Improve the American Economy

We recognize there are legitimate concerns with some trade practices of our global trading partners, such as China’s treatment of intellectual property or technology development. But there is a better path to address these concerns than these retaliatory tariffs. The administration should focus on continuing to negotiate with China to identify concerns and come to a consensus on how to remedy challenges before reaching for blunt instruments like tariffs that harm American consumers, workers, and business owners. We should also work with other trading partners and multilateral institutions, such as members of the Trans Pacific Partnership, to identify better mechanisms for resolving intellectual property and technology issues in a way that secures the rights of innovators and entrepreneurs around the globe to the benefit of consumers and workers.

There are also ways that the administration can continue to prioritize economic growth through better trade policy. Washington policymakers should work to implement reforms that increase the international competitiveness of U.S. companies, such as promoting economic freedom and removing

⁷ Joseph Francois and Laura M. Baughman, “The Unintended Consequences of U.S. Steel Import Tariffs: A Quantification of the Impact During 2002,” Trade Partnership Worldwide, LLC, Prepared for the CITAC Foundation, February 4, 2003 http://www.tradepartnership.com/pdf_files/2002jobstudy.pdf

⁸ Scott Lincicome, “No Mr. President, American Steel Protection Hasn’t “Worked” in the Past” Cato at Liberty, Cato Institute, February 31, 2018, <https://www.cato.org/blog/no-mr-president-american-steel-protectionism-hasntworked-past>

⁹ Scott Lincicome, “Doomed to Repeat It: The Long History of America’s Protectionist Failures” Cato Institute Policy Analysis 819, August 22, 2017 <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa-819-updated.pdf>

¹⁰ Lincicome, “No Mr. President...”

¹¹ David Lynch, “The winners in Trump’s trade war? This Indiana family. The losers? The same family.” Washington Post, April 9, 2018 https://www.washingtonpost.com/business/economy/the-winners-in-trumps-trade-war-this-indiana-family-the-losers-the-same-family/2018/04/09/3f738a4a-3bf8-11e8-8d53-eba0ed2371cc_story.html?noredirect=on

¹² Eduardo Porter, “‘How Long Can We Last?’ Trump’s Tariffs Hit Home in the U.S.,” New York Times, April 10, 2018 <https://www.nytimes.com/2018/04/10/business/economy/tariffs-steel.html>

protectionist and corporate welfare policies. For example, ending or reforming agricultural subsidies for corn and wheat, sugar quotas, and other price support programs – some of which were included in the president’s budget – would be a good place to start. Given that the United States ranks merely 63rd best for trade policy, according to the Economic Freedom of the World Annual Report, there many other trade barriers as well that deserve reconsideration and removal.¹³

Conclusion

We appreciate your interest in helping U.S. workers and businesses, but tariffs have the opposite effect and act as taxes on imports. They set off a tit-for-tat conflict that, once started, quickly escalates. The damage can be especially severe in trade-dependent regions such as the rural Midwest and South. All U.S. consumers and companies are hurt as products become more expensive – undermining the benefits of tax relief. Moreover, the related uncertainty can freeze or delay new investment and other business decisions. The Trump administration is rightly concerned about certain Chinese trade practices. The best way to change those ways is through negotiations and pressure, not self-defeating tariffs.

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Freedom Partners Chamber of Commerce is a non-profit, non-partisan, chamber of commerce, representing a diverse group of local leaders, dedicated citizens and successful entrepreneurs, many of whom have achieved the American Dream from very modest beginnings. All supporters share a deep commitment to America, promoting free enterprise, effective fiscal, monetary and tax policies, efficient and effective policies that promote and protect hardworking taxpayers, and genuine accountability in government.

Americans for Prosperity is a non-profit, non-partisan, grassroots organization which educates, recruits and mobilizes citizens in support of the policies and goals of a free society at the local, state, and federal level, helping every American live their dream – especially the least fortunate. Grassroots activists share a common vision for an America where truly free markets allow for a free and prosperous people and they work to educate friends, neighbors, and public officials on the issues shaping the American economy and building a culture of freedom.

The LIBRE Initiative is a non-profit, non-partisan, grassroots organization that advances the principles and values of a free and open society to empower the U.S. Hispanic community so it can thrive and contribute to a more prosperous America. LIBRE is dedicated to informing the U.S. Hispanic community about the benefits of a constitutionally limited government, property rights, rule of law, sound money supply and free enterprise through a variety of community events, research and policy initiatives that protect our free and open society.

¹³ James Gwartney, Robert Lawson & Joshua Hall, “Economic Freedom of the World 2017 Annual Report” The Fraser Institute, <https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2017.pdf>