THE US-CHINA BUSINESS COUNCIL
美中贸易全国委员会

US-China Business Council Comments on Possible Further Extension of Certain Exclusions

Docket ID: USTR-2024-0001

February 21, 2024

The US-China Business Council (USCBC) represents over 270 American companies engaged in business across industries and sectors in China, employing millions of Americans across the United States. We welcome the recent extension of 429 Section 301 tariff exclusions covering goods that are key to US consumers, healthcare, and our manufacturing base, and we appreciate the opportunity to submit comments supporting their continuation beyond May 31, 2024.

As noted in previous submissions, ensuring market-based decisions on technology transfer and protecting intellectual property (IP) are priorities for USCBC and our members.[1] While USTR's Section 301 investigation identified important issues to be addressed, the tariffs implemented in response have, by and large, failed to address these issues. Instead, the tariffs have harmed American interests. American families and producers are paying more for everyday goods, American exporters are disadvantaged compared to their foreign competitors, and American companies are disincentivized from moving manufacturing to the United States.

Exclusions provide US importers with a reprieve from the harmful effects of the tariffs, and these benefits can be passed along to US businesses and consumers. **Given the harmful effects of the Section 301 tariffs and the reality that China remains the only viable source for many of the tariffed goods, USTR should approve all requests for extensions on any of the 429 tariff exclusions and reopen a comprehensive tariff exclusion process.**

In this submission, USCBC will address the negative impacts of tariffs on US interests, limited availability of sourcing excluded goods outside of China, and supply chain diversification challenges.

I. Impact of the Section 301 Tariffs on US Interests

The Section 301 tariffs were implemented by President Donald Trump in 2018 to address harm to the American economy caused by China's unfair trade practices and seek changes to these practices. Rather than address these issues, the tariffs have harmed American families, businesses, and the economy.

[1] "USCBC Comments on Four-Year Review of Actions Taken in the Section." 2023. US-China Business Council. January 18, 2023. https://www.uschina.org/advocacy/regulatory-comments-on-china/uscbc-comments-four-year-review-actions-taken-section-301-investigation.

President Joe Biden and members of his Cabinet have long acknowledged the harmful and nonstrategic nature of these tariffs. Commerce Secretary Gina Raimondo said in September 2023 that, “we didn't put those tariffs in place. We don't think they make a whole lot of sense in many cases.”[2] Her statement follows earlier statements from Treasury Secretary Janet Yellen, who noted in 2021 that “tariffs are taxes on consumers,”[3] and President Biden, who tweeted in 2019 that “Trump doesn’t get the basics. He thinks his tariffs are being paid by China. Any freshman econ student could tell you that the American people are paying his tariffs.”[4] The numbers support their arguments.

Over the past five and a half years, American importers have been assessed over $207 billion in Section 301 tariffs, the majority of which have been assessed during the Biden administration according to data from US Customs and Border Protection.[5] At the macro level, Section 301 tariffs and the broader trade war have erased market capitalization for US-listed firms, reducing long-term GDP, wages, and employment. At the micro level, they raised prices for consumers and producers, disadvantaged exporters, and disincentivized companies from developing manufacturing capacity in the United States.

Some examples:

- New York Federal Reserve researchers estimate that the trade war with China erased $1.7 trillion in market capitalization for US-listed firms between March 2018 and August 2019.[6]
- Oxford Economics estimates the losses over the 2018 to 2019 trade war period alone to be about $121 billion in output in today’s prices (0.5 percent of GDP).[7]
- Trade Partnership Worldwide estimates that both sides removing their tariffs could boost the US economy by $75 billion, with some of that money returning to American pocketbooks.[8]

a. Impact of Tariffs on US Families

American families have been burdened by higher costs, decreased wages, and the loss of jobs due to Section 301 tariffs. In 2020, the Congressional Budget Office estimated that tariffs, a significant majority

[2] Shepardson, David. 2023. “US Commerce Secretary Doesn’t Expect Changes to Trump China Tariffs Until Review Complete.” *Reuters*, September 5, 2023. https://www.reuters.com/world/us/us-commerce-secretary-doesnt-expect-changes-trump-china-tariffs-until-review-2023-09-05/.

[3] Rappeport, Alan, and Keith Bradsher. 2021. “Yellen Says China Trade Deal Has ‘Hurt American Consumers.’” *The New York Times*, July 20, 2021. https://www.nytimes.com/2021/07/16/us/politics/yellen-us-china-trade.html.

[4] Biden, Joe. 2019. “Trump Doesn’t Get the Basics. He Thinks His Tariffs Are Being Paid by China. Any Freshman Econ Student Could Tell You That the American People Are Paying His Tariffs. the Cashiers at Target See What’s Going on – They Know More About Economics Than Trump. #TeamJoe.” Twitter.Com. June 11, 2019. https://twitter.com/joebiden/status/1138506137697959939.

[5] U.S. Customs and Border Protection. n.d. “Trade Statistics.” Accessed February 21, 2024. https://www.cbp.gov/newsroom/stats/trade.

[6] Amiti, Mari, Sang Hoon Kong, and David Weinstein. 2020. “The Investment Cost of the U.S.-China Trade War - Liberty Street Economics.” Liberty Street Economics. May 28, 2020. https://libertystreeteconomics.newyorkfed.org/2020/05/the-investment-cost-of-the-us-china-trade-war/.

[7] Oxford Economics. 2023. “The Economic Impact of China PNTR Repeal.” November 14, 2023. https://www.oxfordeconomics.com/resource/the-economic-impact-of-china-pntr-repeal/.

[8] “Tariffs on China Weigh on the American Economy at a Critical Time,” The US-China Business Council, August 18, 2020, https://www.uschina.org/tariffs-china-weigh-american-economy-critical-time.

of which are Section 301 tariffs, would cost the average American household nearly $1,300 that year.[9] According to an analysis by the American Action Forum, Section 301 tariffs have led to an annual consumer cost increase of over $46 billion.[10] As for the impact on wages and jobs, the Tax Foundation estimates a 0.13 percent reduction in wages due to Section 301 tariffs, while Oxford Economics estimates a peak loss of 245,000 jobs over the 2018 to 2019 trade war period alone.[11] [12] The expiration of the 429 tariff exclusions, which include a number of consumer and healthcare products (as well as their components), would lead to even higher costs for consumers, a more significant decrease in wages, and new job losses.

b. Impact of Tariffs on US Companies

US importers (companies) bore nearly the full cost of Section 301 and Section 232 tariffs, according to a 2023 report from the United States International Trade Commission, which analyzed the impact of Section 301 and 232 tariffs between 2018 and 2021.[13] A 2021 analysis from Moody's also shows that American importers have absorbed a far greater share of the costs resulting from the tariffs than Chinese exporters. American importers pay around 18.5 percent more for affected Chinese products, while Chinese exporters receive just 1.5 percent less on the same product. A worker-centered trade agenda should account for the costs that US and Chinese tariffs imposed on Americans at home while removing tariffs that harm overall US interests. [14]

Some sectors and products have been hit especially hard by the Section 301 tariffs. According to the Consumer Technology Association, consumer technology products like desktops, digital cameras, phone chargers, earbuds, headsets, vacuum cleaners, and electrical cables all saw their prices increase significantly as US importers have paid more than $32 billion in additional tariffs on these products from China between 2018 and 2021.[15] Companies in other sectors have seen their manufacturing costs increase as much as $200 million, giving them no choice but to increase prices for consumers.[16] The ongoing Section 301 exclusions provide some relief for American industries that are already feeling the

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[9] "The Budget and Economic Outlook: 2020 to 2030," Congressional Budget Office, n.d., https://www.cbo.gov/publication/56073.
[10] Lee, Tom, and Jacqueline Varas. 2022. "The Total Cost of U.S. Tariffs." May 10, 2022. Accessed February 21, 2024. https://www.americanactionforum.org/research/the-total-cost-of-tariffs/#_ftn6.
[11] Erica York, "Tracking the Economic Impact of Tariffs," Tax Foundation, September 28, 2022, https://taxfoundation.org/tariffs-trump-trade-war/.
[12] Oxford Economics. 2023. "The Economic Impact of China PNTR Repeal." November 14, 2023. https://www.oxfordeconomics.com/resource/the-economic-impact-of-china-pntr-repeal/.
[13] United States International Trade Commission. 2023. "Economic Impact of Section 232 and 301 Tariffs on U.S. Industries." https://www.usitc.gov/publications/332/pub5405.pdf.
[14] Yen Nee Lee, "U.S. Companies Are Bearing the Brunt of Trump's China Tariffs, Says Moody's," U.S. companies are bearing the brunt of Trump's China tariffs, says Moody's (CNBC, May 18, 2021), https://www.cnbc.com/2021/05/18/us-companies-bearing-the-brunt-of-trumps-china-tariffs-says-moodys.html.
[15] "Analysis of Section 301 Tariff Impacts on Imports of Consumer Technology Products," July 2022, https://shop.cta.tech/products/analysis-of-section-301-tariff-impacts-on-imports-of-consumer-technology-products
[16] Joe Deaux, "Caterpillar Will Raise Prices to Combat $100 Million Tariff Hit," Chicago Tribune, July 30, 2018, https://www.chicagotribune.com/business/ct-biz-caterpillar-earnings-20180730-story.html.

burdensome impacts of tariffs on numerous products.

II. Availability of Section 301 Tariffed Goods Outside of China

USCBC acknowledges and appreciates the Biden administration's efforts to address trade imbalances and ensure strong and diverse supply chains for US manufacturers and consumers. The current Section 301 exclusions have played a vital role in mitigating the adverse effects of tariffs on many products and inputs that are sourced from China with no viable alternative. This holds true for a range of products and components. The lack of adequate sourcing options outside of China is due to multiple factors including specialized manufacturing capabilities and extensive infrastructure found only in China for certain products.

Even when products and inputs are available for sourcing outside of China, higher manufacturing costs limit production capacity and logistics challenges often make sourcing from other countries nonviable. In some industries protected by the current Section 301 exclusions, third-party alternatives are double the price.[17] In many price-sensitive markets, keeping the Section 301 exclusions will allow US enterprises to stay competitive. Relatedly, re-opening an exclusion process would allow US companies, including importers and domestic manufacturers, the opportunity to demonstrate the impact of particular tariffs on their competitiveness.

Section 301 exclusions also keep US manufacturers competitive—and in many cases, industry leaders—relative to overseas manufacturers that do not face increased tariffs on inputs from China. American companies that do not benefit from current Section 301 exclusions are a prime example of how competitiveness is lost. In one case, an American manufacturer of automotive and consumer magnets has seen two of its European competitors become much more competitive due to the Section 301 tariffs, the cost of which is partially absorbed by the American manufacturer and partially absorbed by their customers.[18] The European competitors, benefiting from tariff immunity, now stand on equal footing and are increasingly appealing to potential customers. For this reason, the current tariff exclusions protect their hard-earned competitive edge.

III. Supply Chain Diversification Challenges

The current Section 301 exclusions are also necessary since, for some industries, there are no readily available suppliers outside of China. Many companies have explored alternatives in other parts of Asia, Europe, and the Americas, but in many cases, there are no viable alternatives that meet technical specifications and requirements.

Many USCBC companies are taking steps to diversify production and supply chains, but identifying and standing up cost-competitive suppliers, particularly for products where China has long dominated global manufacturing, can take years. Design, permitting, equipment acquisition, training, and relationship building in other jurisdictions is a long, arduous, and costly process. As these alternatives are explored,

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[17] Third party alternatives: Manak, Inu."The Cost of Trump's Trade War with China Is Still Adding Up." Council on Foreign Relations, April 18, 2023. https://www.cfr.org/blog/cost-trumps-trade-war-china-still-adding.

[18] One American manufacturer: Doug Barry, "Magnets Attracted Indiana Engineer to China," The US-China Business Council (USCBC 50 States 50 Stories, October 19, 2022), https://www.uschina.org/50-states-50-stories/magnets-attractedindiana-engineer-china

existing manufacturing capacities must persist. The current Section 301 exclusions offer a protective buffer for American companies actively diversifying their supply chains while still relying on capacities in China.

The Section 301 tariffs are a significant factor in disincentivizing American companies from bringing back or creating additional manufacturing capacity in the United States. As noted in our previous comment letter on the Section 301 statutory four-year review, multiple USCBC member companies and affiliate companies would like to move their manufacturing back to the United States, but the Section 301 tariffs on the manufacturing equipment would make such a move cost prohibitive. This is especially true of the manufacturing of high-tech consumer devices. Ending tariff exclusions for manufacturing inputs would further disadvantage US manufacturers from relocating manufacturing back to the United States.

USCBC appreciates the opportunity to highlight the impact the Section 301 tariff exclusions have had on our member companies. We hope USTR sees USCBC's comments as a constructive step in addressing China's practices without harming US businesses and consumers. Please contact Rory Murphy (rmurphy@uschina.org) for clarification on any point referenced above.