

April 11, 2018

The Honorable Kevin Brady
Chairman
House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20015

The Honorable Richard Neal
Ranking Member
House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20015

RE:

Dear Chairman Brady and Ranking Member Neal,

The undersigned organizations representing U.S. manufacturers, farmers and agribusinesses, retailers, technology companies, importers, exporters, and other supply chain stakeholders are writing to express our deep concern with potential impact of the Administration's decision to use tariffs to address China's unfair trade practices and its trade and investment relationship with the United States. We agree that China's ongoing intellectual property rights violations, forced technology transfers and state interventions harm U.S. companies, workers, consumers and our competitiveness. We are concerned that the proposed tariff list, and escalating tariff threats made by the Administration, however, will not effectively advance our shared goal of changing these harmful Chinese practices.

We applaud the Committee for holding this hearing to specifically evaluate the impact of tariffs on U.S. companies, farmers, consumers and the economy. As required by the Constitution, Congress must play a strong role in quickly mitigating this situation. We strongly encourage Congress to work together and with the Administration to develop and execute a strategic policy to effectively address the longstanding problems in China. This must include clearly defined objectives, deadlines and immediate negotiations with China, preferably in coordination with likeminded economies. The fundamental challenges with China are real and can best be addressed through aligned efforts.

Congress must ensure that hardworking families in the United States are not forced to pay the price for China's bad behavior. As Committee Members are aware, tariffs are hidden, regressive taxes that will be paid by U.S. businesses and consumers in the form of higher product prices. While the Administration has signaled that the proposed tariffs are intended to inflict maximum pain on China and minimal pain on the U.S. consumer, unfortunately that is not the case. Many of the products that are currently on the proposed U.S. tariff list are consumer goods. Even more troubling the proposed list includes machinery, parts, chemicals and components that U.S. manufacturers and their workers need to make American products. This will impact downstream industries who rely on these materials and will ultimately result in higher prices for consumers for essential everyday products. Higher costs for manufacturing will result in less production here in the U.S. If imposed, these tariffs will result in higher prices for American consumers and fewer jobs for American workers.

While the tariffs are not yet in effect, the possibility of imposition of tariffs on billions of dollars of goods, the as-yet-undefined potential investment restrictions and threats of a potential trade war create unpredictability across the business and farm community here in the United States, depress commodity prices, and have already harmed U.S. companies, farmers, consumers, and markets. China's threat of retaliation further exacerbates uncertainty as farmers and manufacturers rely on the ability to export their crops and products to China for their livelihood, yet they are targeted for potential retaliation. China's potential retaliatory measures would likely have broad, cross-industry impact aimed at constraining current U.S. operations in country and impeding any new market entrants. With no clear strategy to aid those businesses, farms and workers impacted by the new tariffs, their livelihoods are at risk.

The Administration's approach also does not adequately account for the role of the global supply chain in product production and assembly. These complex supply chains can take years to establish, and in some instances rely on suppliers who bring unique capabilities that cannot be replaced. Even in those instances where sufficient alternative suppliers may exist, supply chains cannot be shifted to different countries or facilities without compromising contracts, compliance, quality and value for the consumer. U.S. businesses typically work with contracts anywhere from six to nine months in advance. Applying tariffs on imports from China will certainly disrupt those supply chains. Moreover, if U.S. companies had to try to shift production to different countries in concert, they would face capacity constraints and likely higher prices from suppliers in those countries. Such disruptions in supply chains would likely drive inflation up in the United States.

The concerns also apply to U.S. farmers and exporters who may be subject to China's proposed retaliation tariffs. These businesses and farmers cannot easily find new buyers for their products. Once a market is lost, and a buyer shifts to a foreign competitor, even if only for a short period of time, future U.S. exports and sales likely will be lost as well. Subsidies and other government forms of assistance are also not a solution. While they may provide short-term relief – depending on existing legal authorities – the long-term costs of losing a market will be exponential.

The escalation of trade tensions with China could result in harm to all our member companies, member farms, their workers, and their consumers. The impact of a trade war and tariffs would be felt by businesses, workers, farmers and consumers throughout the U.S. and across industry sectors. This would hurt the economy as a whole, as well as jobs and consumers in every state. Everyone loses in a trade war.

We appreciate the opportunity to submit our thoughts to the Committee. We stand ready to work with the Committee, Congress, and the Administration to find effective solutions that promote and not punish U.S. farmers, workers, consumers, and businesses.

Sincerely,

Agriculture Transportation Coalition
Airforwarders Association
American Apparel & Footwear Association (AAFA)

American Association of Exporters and Importers (AAEI)
American Chemistry Council
American Import Shippers Association
American Soybean Association
Americans for Farmers and Families
Association of Equipment Manufacturers (AEM)
Auto Care Association
California Association of Winegrape Growers
California Retailers Association
CAWA – representing the automotive parts industry
Coalition of New England Companies for Trade (CONNECT)
Coalition of Service Industries (CSI)
Colorado Retail Council
Columbia River Customs Brokers and Forwarders Association
Computing Technology Industry Association (CompTIA)
Computer & Communications Industry Association (CCIA)
Consumer Technology Association (CTA)
Customs Brokers and Forwarders Association of Northern California
Customs Brokers and International Freight Forwarders Association of Washington State
Distilled Spirits Council
Electronic Transactions Association
Farmers for Free Trade
Fashion Accessories Shippers Association (FASA)
Florida Retail Federation
Footwear Distributors and Retailers Association
Foreign Trade Association
Furniture Shippers Association
Gemini Shippers Association
Georgia Retailers
Global Cold Chain Alliance
Halloween Industry Association
Harbor Trucking Association
Hardwood Federation
Home Furnishings Association
Idaho Retailers Association
Indiana Retail Council
Information Technology Industry Council (ITI)
International Association of Refrigerated Warehouses
International Refrigerated Transportation Association
International Wood Products Association
Internet Association
Juvenile Products Manufacturers Association
Kentucky Distillers' Association
Kentucky Retail Federation
Los Angeles Customs Brokers and Freight Forwarders Association
Maryland Retailers Association

Meat Import Council of America
Michigan Retailers Association
Midwest Shippers Association
Minnesota Retailers Association
Missouri Retailers Association
Montana Retail Association
National Association of Chemical Distributors
National Council of Chain Restaurants
National Customs Brokers and Forwarders Association of America
National Foreign Trade Council
National Marine Manufacturers Association
National Retail Federation
Nebraska Retail Federation
New Jersey Retail Merchants Association
North American Meat Institute
North Carolina Retail Merchants Association
NY/NJ Forwarders and Brokers Association
Ohio Council of Retail Merchants
Oklahoma Retail Merchants Association
Oregon Dairy Farmers Association
Oregon Wheat Growers League
Outdoor Power Equipment Institute
Pacific Coast Council of Customs Brokers & Freight Forwarders
Pennsylvania Retailers' Association
Promotional Products Association International (PPAI)
Retail Council of New York State
Retail Industry Leaders Association
Retailers Association of Massachusetts
San Diego Customs Brokers Association
Security Industry Association (SIA)
SEMI
SNAC International
Snowsports Industries America
Society of Chemical Manufacturers and Affiliates
Software & Information Industry Association
South Dakota Retailers Association
Specialty Equipment Market Association
Sports & Fitness Industry Association
Tea Association of the U.S.A., Inc.
Telecommunications Industry Association (TIA)
Texas Retailers Association
The Fertilizer Institute
The Household & Commercial Products Association
The Toy Association
Travel Goods Association (TGA)
Truck & Engine Manufacturers Association

U.S. Direct Selling Association
U.S. Hide, Skin and Leather Association
US Council for International Business
United Egg Producers
United States Fashion Industry Association
Utah Retail Merchants Association
Virginia Retail Federation
Washington Retail Association
Washington Trucking Associations
WineAmerica
Wyoming Retail Association
Yankton Area Chamber of Commerce