

AMERICANS FOR FREE ★ TRADE

June 28, 2024

Mr. Juan Millan
Acting General Counsel
Office of the United States Trade Representative
600 17th Street N.W.
Washington, DC 20508

RE: Request for Comments on Section 301 China Tariff Modifications (Docket Number USTR-2024-0007)

Dear Mr. Millan:

On behalf of the undersigned members of Americans for Free Trade, we respectfully submit the following comments regarding the proposed modifications to the ongoing Section 301 China tariff actions.¹ The Section 301 China tariffs have failed to achieve their stated goal, and we do not believe the modified tariffs will help to achieve this goal either. We urge the administration to eliminate these tariffs, especially on consumer goods, which only increase prices on American companies, workers and consumers.

By way of background, [Americans for Free Trade](#) represents every part of the U.S. economy including manufacturers, farmers and agribusinesses, powersports, retailers, technology companies, service suppliers, natural gas and oil companies, importers, exporters, and other supply chain stakeholders. Collectively, we employ tens of millions of Americans through our vast supply chains.

For more than five years, AFT has called for an end to the Section 301 tariffs which have had a disproportionate economic impact on American companies, workers, and consumers. As we have stated and as USTR noted in its statutory four-year report², the tariffs have failed to achieve their stated objective of changing China's use of unfair trade practices relating to intellectual property rights, forced technology transfers, and innovation. Continuing to double down on this failed approach will not produce different results.

Instead, we urge the administration to chart a new path forward to address the ongoing China trade issues. AFT proposed several alternatives in its comments to USTR as part of the four-year review, in addition to a strategic realignment of the tariffs to focus on the original intent of the

¹ *Request for Comments on Proposed Modifications and Machinery Exclusion Process in Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 89 Fed. Reg. 46,252 (May 28, 2024).

² *Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation* (May 14, 2024)

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Section 301 investigation and achieve the necessary changes in China's behavior. Unfortunately, USTR did not consider any alternatives as part of the four-year report, and the proposed modifications will not achieve USTR's stated goal.

For example, the modifications include products such as ship to shore cranes (HTS 8426.19.00) which were excluded from the original 301 tariffs because there is no significant U.S. industry that can produce this key maritime equipment. The modifications also include increased tariffs on all lithium-ion non-electrical vehicle batteries (HTS 8507.60.0020), which will impact a wide range of consumer goods from outdoor power equipment to consumer electronics to toys but do nothing to change China's behavior.

According to U. S. Customs and Border Protection, importers have paid more than [\\$219 billion](#)³ in Section 301 tariffs on covered products imported from China. These taxes continue to create tremendous uncertainty, increase the cost of doing business in the United States, and place a financial burden on American businesses – negatively impacting their ability to invest in their companies, hire more American workers, innovate new technologies, and remain competitive globally. Despite what some may say, the tariffs have had an impact on American consumers. While many companies have tried to absorb or offset the cost increases because of the tariffs, many have had to share the costs with final consumers.

As we stated in our comments⁴ submitted for the four-year report:

- 1) **The tariffs make U.S. manufacturers less competitive.** While protecting domestic manufacturing was never the stated purpose of the section 301 tariffs, they have been harmful to manufacturers by taxing inputs they need to produce more products domestically. Many of these companies are not able to find alternate markets to purchase their inputs, even from U.S. manufacturers. The section 301 tariffs have harmed, and continue to harm, U.S. manufacturers and make them less competitive vis-à-vis their competitors and China.
- 2) **Tariffs increase costs for American consumers and contribute to inflation.** Despite what the proponents of the tariffs say, the tariffs do have a very real impact on inflation when they artificially cause prices to remain high. Time and again, we have heard from businesses of all kinds that they were forced to pass along the increased costs associated with the section 301 tariffs directly to their customers.
- 3) **Tariffs disproportionately harm low-income American families.** Tariffs harm American families by raising prices on consumer products, and this is felt most acutely

³ CBP Trade Statistics - <https://www.cbp.gov/newsroom/stats/trade>

⁴ AFT Comments to USTR on Four Year Review - <https://americansforfreetrade.com/wp-content/uploads/2024/04/AFT-USTR-301-Review-Comments-011723-Final.pdf>

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by low-income families. A [report](#)⁵ by the Progressive Policy Institute found that tariffs on consumer goods are discriminatory and regressive because low-income Americans are disproportionately impacted by these tariffs, especially single-parent families and people of color.

As we have repeatedly asked USTR and Biden-Harris administration, the U.S. needs a clear and transparent China trade strategy that addresses the ongoing underlying unfair trade practices. This strategy cannot solely rely on tariffs as the only tool, especially since they have not worked.

AFT continues to urge the following path forward:

- 1) **Realign the Section 301 Tariffs** – The administration must strategically realign the tariffs away from consumer goods and manufacturing inputs and equipment that are currently unavailable in sufficient quantities from sources other than China. These tariffs continue to harm American companies and consumers.
- 2) **Create a New Exclusion Process** – USTR must also include a new, fair, predictable, and transparent exclusion process available to all products subject to the 301 tariffs to ensure that American companies are not unduly harmed. This must go beyond the limited exclusion process offered for just machinery for U.S. manufacturing.
- 3) **Use Targeted Tools to Hold Bad Actors Accountable** – There are ongoing discussions about what tools other than tariffs can be used to achieve success regarding China’s unfair practices. USTR has discussed other “tools in the toolbox” and potentially the development of “new tools” but has stopped short of articulating what those might be. We believe these discussions are incredibly important and need to continue, with stakeholder input. We need to find the right set of tools that address China’s unfair trade practices in a targeted way without causing disproportionate economic harm to American businesses, workers, and consumers.
- 4) **Support U.S. Supply Chain Resiliency and Competitiveness by Partnering with Allies** – AFT continues to call upon the administration to work with allies to address China’s unfair trade practices. This includes work at the G-20, G-7, World Trade Organization, the Asia-Pacific Economic Cooperation (APEC) forum, and other multilateral and regional institutions. The U.S. can be much more effective in addressing China’s unfair trade practices by working in concert with allies.
- 5) **Support Efforts on Supply Chain Diversification** – Congress and the Biden-Harris administration should support the U.S. business community’s efforts to further diversify supply chains. This includes developing an offensive trade agenda that supports supply chain diversification and ensures the U.S. does not cede global economic influence and

⁵ Progressive Policy Institute Report - [Trade Policy, Equity, and the Working Poor: United States MFN Tariffs are Regressive Taxes Which Help Few Workers and Harm Many](#) (4/19/22)

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international rulemaking to China. This should include seeking new free trade agreements with our allies that include tariff reduction and market access considerations. USTR should support efforts in Congress to quickly retroactively renew expired trade preference programs including the Generalized System of Preferences (GSP), which provide sourcing alternatives to China, as well as the Miscellaneous Tariff Program (MTB), which provides temporary duty benefits for U.S. manufacturers and businesses. This should also include renewal of preference programs that are set to expire such as the African Growth and Opportunity Act.

Conclusion

We strongly urge USTR and the administration to reevaluate the proposed modifications to the Section 301 China tariffs, including the decision to maintain current tariffs on non-strategic goods, like consumer products. We appreciate the opportunity to provide these comments to USTR.

Sincerely,

List of AFT Member Trade Associations