



GLOBAL  
BUSINESS  
**ALLIANCE**

*Investing in America*

January 17, 2023

The Honorable Katherine Tai  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

**RE: Comments Regarding the Section 301 Tariffs**

Dear Ambassador Tai:

The Global Business Alliance (“GBA”) appreciates the opportunity to provide comments regarding the Section 301 tariffs imposed under the former administration. Foreign companies investing in the United States have been negatively affected by the 301 tariffs. As your office correctly concluded last year, the tariffs have failed to accomplish the original goal of changing the Chinese government’s unfair trading practices. Therefore, GBA recommends the complete removal of the Section 301 tariffs that are taxing U.S. consumers and urges USTR to pursue alternative policies to combat the Chinese government’s unfair trade practices.

**FDI Strengthens the U.S. Economy**

Foreign Direct Investment (“FDI”) is a critical component of our economy as international companies employ 7.9 million Americans. Workers at these companies earn an average compensation of \$84,800, which is 10 percent higher than the private sector average. In addition, FDI in the United States reached \$5 trillion cumulatively at the end of 2021.<sup>1</sup>

International companies are invested in every industry and state across the United States, and they are especially concentrated in the manufacturing sector – responsible for employing 23 percent of America’s manufacturing workforce. Moreover, international companies reinvested \$80 billion annually back into their U.S. operations in 2020.<sup>2</sup>

In addition to creating millions of high-paying U.S. jobs, international companies operating in the United States account for nearly 24 percent of U.S. exports, providing American-made goods to

---

<sup>1</sup> Bureau of Economic Analysis (BEA), Survey of Current Business, Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2020, released August 2022.

<sup>2</sup> *Id.*

customers worldwide.<sup>3</sup> In short, international companies help strengthen America’s economy and generate prosperity for hardworking U.S. workers.

### **The Economic Impact of the Section 301 Tariffs**

Tariffs make the United States a less attractive location for global investment. As tariffs are taxes paid by U.S. taxpayers, they raise the cost of operating in the United States, thereby harming America’s economic competitiveness.

U.S. Customs and Border Protection (“USCBP”) has assessed over \$166 billion<sup>4</sup> in Section 301 tariffs since implementation in 2018, impeding U.S. revenue growth. The money seized by the USCBP represents funds *unavailable for* job-creating business expansion and wage growth. Worse, American manufacturers and consumers have been forced to bear this additional tax burden through higher-priced and scarcely available products.

Tariffs exacerbate ongoing issues related to inflation by creating unnecessary scarcity for common manufacturing components. These tariffs have harmed American consumers by needlessly increasing their overall household costs by \$51 billion annually.<sup>5</sup> Additionally, the Tax Foundation has calculated the impact of the Section 301 tariffs as net negative on the United States macroeconomy.<sup>6</sup>

### **The Section 301 Tariffs Have Failed to Achieve Their Objectives**

The previous administration turned to the Section 301 tariffs as a tool to eliminate “China’s harmful acts, policies, and practices.”<sup>7</sup> However, in USTR’s report on China’s WTO Compliance, published in February 2022, your agency bluntly stated: “Despite the United States’ extensive efforts... and using domestic trade tools like Section 301... a long list of problems with China’s economy and trade regime persist.”<sup>8</sup>

USTR further states that fundamental issues remain concerning China’s market-distorting industrial policies, including: “preferential treatment of state enterprises, massive subsidization of domestic industries ... state-sponsored theft of intellectual property.” GBA concurs with USTR that the actions taken by the United States, such as the Section 301 tariffs, have failed to change the Chinese government’s behavior.

A stated objective of the tariffs was to shift American manufacturing away from China and back to the United States. Instead of significant reshoring, the tariffs are pushing manufacturers away from China and into other Asian locations.<sup>9</sup>

---

<sup>3</sup> *Id.*

<sup>4</sup> [https://www.cbp.gov/newsroom/stats/trade?language\\_content\\_entity=en](https://www.cbp.gov/newsroom/stats/trade?language_content_entity=en)

<sup>5</sup> <https://www.americanactionforum.org/research/the-total-cost-of-tariffs/>

<sup>6</sup> <https://taxfoundation.org/tariffs-trump-trade-war/>

<sup>7</sup> 83 Fed. Reg. 28710 (June 20, 2018).

<sup>8</sup> <https://ustr.gov/sites/default/files/enforcement/WTO/2021%20USTR%20Report%20to%20Congress%20on%20China's%20WTO%20Compliance.pdf>

<sup>9</sup> <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/did-us-section-301-tariffs-work.html>

This underscores the point that these tariffs make the United States less competitive for job-creating investment, and it is time for the Biden-Harris administration to deploy more successful, less harmful tools.

### **Alternative Policies**

Tariffs are ineffectual in changing the Chinese government’s disconcerting trading practices, which is likely why the Biden-Harris administration rightfully integrated many trade policy areas into its national security strategy. One example of coordinating these policy areas is the use of export controls to counteract unfair practices, which the administration pursued last year.

As the administration works with like-minded allies on these issues, it should consider market access benefits and plurilateral agreements. Furthermore, GBA applauds the administration’s search for new ways to confront the Chinese government’s unfair trading practices, especially multilateral efforts like the U.S./EU Trade and Technology Council and the Indo-Pacific Economic Framework.

New rules and standards with trading partners to prevent subsidies, economic coercion and anti-competition practices will encourage companies to expand in the United States.

Having robust and technical meetings with the Chinese officials is important, but thus far, they have not yielded desired results. Therefore, the United States must take actions to advance its own economic competitiveness while working to remediate China’s imbalanced trade practices.

### **GBA Supports a Transparent Exclusion Process**

In advance of the full removal of the tariffs, GBA recommends an immediate, strong and transparent exclusion process to the Section 301 tariffs. Offering an opportunity for Americans to petition their government for redress of these harmful tariffs should be a fundamental tenant of your agency as it works to achieve its mission of ensuring, “American trade policy works toward ... creat[ing] new opportunities and higher living standards for [U.S.] families, farmers, manufacturers, workers, consumers, and businesses.”<sup>10</sup>

Members of Congress agree. In two separate bipartisan letters, over 100 U.S. Members of the House<sup>11</sup> and over 40 Senators<sup>12</sup> advocate for a strong exclusion process. The U.S. Representatives state: “The lapse – and continued absence – of critical exclusions have deepened the challenges for businesses and their workers, hindering efforts to relocate supply chains in sectors ranging from new-energy vehicles to semiconductors by raising the costs of critical inputs, components, and machinery.”

USTR should once again allow U.S. employers to apply for exclusions and USTR should expedite their review procedures.

---

<sup>10</sup> <https://ustr.gov/about-us/about-ustr>

<sup>11</sup> <https://gop-waysandmeans.house.gov/wp-content/uploads/2022/01/Congressional-Letter-to-USTR-on-301-Exclusion-Process.pdf>

<sup>12</sup> <https://www.carper.senate.gov/wp-content/uploads/archives/Letter%20to%20USTR%20Tai%20301.pdf>

Thank you for the opportunity to provide comments on the Section 301 tariffs.

If you have any additional questions, please reach out as GBA looks forward to assisting in developing a framework that will improve U.S. economic competitiveness.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nancy McLernon', with a stylized flourish at the end.

Nancy McLernon  
President & CEO  
Global Business Alliance