COALITION for a PROSPEROUS AMERICA

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October 20, 2021

Ambassador Katherine Tai
U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Tai:

We write to urge the Biden Administration not to expand the exclusion process beyond the current review of 549 products subject to our China tariffs imposed pursuant to Section 301 of the Trade Act of 1974 ("301 tariffs"). CPA is the leading national, bipartisan organization representing exclusively domestic producers and workers across many sectors of the U.S. economy.

We do not believe any rationale exists in 2021 – more than four years after the initiation of the Section 301 investigation – for revisiting any Section 301 exclusions. We hope that the current review of the 549 products results in none being restored. We are concerned, however, that the Biden Administration has left open the possibility for a more general exclusion round.

Restarting the 301 Tariff Exclusions Runs Counter to the Build Back Better Agenda

When President Biden further outlined his vision for the Build Back Better agenda in front of Congress in April, CPA praised the goals as good economic sense. However, we believe that a renewed general 301 tariff exclusion process runs counter to that vision. Every time an exclusion is granted, it is a missed opportunity for American workers and producers. Our 301 tariffs are necessary to ensure they have a fighting chance.

Alleviating 301 Tariffs Rewards China's Bad Behavior

Despite ongoing bad behavior by the Chinese Communist Party (CCP), we are concerned that the Administration seems intent on rewarding China. The CCP shows no inclination of changing its ways. Our 301 tariffs were imposed to counter the unfair trade advantages the CCP accrued thanks to their decades-long brazen Intellectual Property (IP) theft and blatant disregard for American IP rights.

USTR found, among other things, that the Chinese government deprived U.S. companies of the ability to set market-based terms in licensing and other technology-related negotiations with Chinese companies. In the last year, the Chinese government has *further* ramped up its

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discriminatory forced localization practices, now through their courts by way of anti-injunction suits to force American businesses to license their IP.

Some critics may deride the 301 tariffs as "not working" because they failed to dissuade the CCP's bad behavior. These critics are wrong. The tariffs have been critical at limiting the unjust enrichment China enjoys from its exploits.

More 301 Exclusions Penalizes Companies Committed to Building Back Better

Expanding opportunities for 301 exclusions penalizes American companies, and the workers that they employ, that made the investments and did the hard work of shifting supply chains out of China. For List 1 exclusion requests in 2018, businesses could plausibly argue that they needed a bit more time to shift their sourcing from outside of China. However, we are now in the fourth quarter of 2021 and it is clear that this rationale is long since extinct. Indeed, from our examination of List 3 exclusion requests in 2019, we found examples of requestors openly acknowledging that they had no plans to shift sourcing from outside of China as it was not cost competitive. Our view is that if this is the case, then the answer is a further increase of tariffs on that product, not exclusions.

Even absent reform in China, please consider that our 301 tariffs are invaluable and provide multiple essential benefits. These benefits include relocating supply chains out of China, whether to less hostile nations, or better yet, reshoring to America. And where sourcing from China has persisted, the U.S. Treasury has enjoyed a windfall that denies the CCP unjust enrichment. In their most recent update, U.S. Customs & Border Protection's Office of Trade announced that we collected over $105 billion dollars thanks to our China 301 tariffs. This is almost half of the amount our country collects in annual corporate income tax. This should be celebrated.

Thank you for your attention to this important matter.

Sincerely,

Zach Mottl, Chairman
Coalition for a Prosperous America

Michael Stumo, CEO
Coalition for a Prosperous America