

November 12, 2021

The Honorable Janet Yellen
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC, 20220

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

Dear Secretary Yellen and Ambassador Tai:

We write in follow up to Ambassador Tai's October 4 China trade policy speech and each of your more recent public remarks, and in anticipation of the upcoming virtual meeting between Presidents Biden and Xi. We agree that the U.S.-China relationship is profoundly consequential to both countries and the world economy. We also welcome Ambassador Tai's recent comments about aiming to stabilize U.S.-China trade relations and better address long-standing challenges.

We support the Administration's initial China trade policy priorities, including enforcing China's existing commitments in the U.S.-China Economic and Trade Agreement ("Phase One"), working to address long-standing structural concerns, and partnering with our allies to address non-market economy and other practices that adversely impact American businesses, farmers, and workers. Concrete steps advancing this agenda would restore greater certainty in both bilateral and global trade and economic affairs.

Our organizations and members have helped to build and sustain the dynamic U.S. economy through our contributions to American innovation, respect for rule of law and human rights, and market-led growth and job creation. We continue to work with the Administration on our shared goals of supporting U.S. economic recovery and jobs and strengthening ties with key U.S. trading partners with shared interests. In line with the administration's worker-centric trade efforts, our organizations agree that forced labor and other human rights abuses should have no place in supply chains, and our members work to prevent forced labor in supply chains in China and around the world. We also support targeted export controls on sensitive technologies that safeguard U.S. national security, but also preserve and protect U.S. technology leadership, carefully consider foreign availability, and are implemented in concert with other supplier governments.

We offer the following recommendations to advance a more comprehensive and durable trade and economic strategy with China:

First, continue working with China to ensure full implementation of the Phase One Agreement. The Chinese government has made progress on some important Phase One commitments, including opening its markets wider to U.S. financial institutions, and other U.S. financial service providers, addressing many long-standing market access barriers for U.S. agricultural goods, and increasing purchases of some U.S. exports. However, many U.S. exports were not covered by the purchase agreement. Moreover, China has not fully met its purchase commitments (e.g.

manufacturing, energy, licensing of services), nor has it implemented all of its structural commitments regarding intellectual property for pharmaceuticals, agricultural biotechnology, and services. China's opening of its markets should continue to be monitored and evaluated on a regular basis, with a goal of expanding on the progress made under the Phase One Agreement. Near-term progress on Phase One commitments can forge a pathway to address more difficult, systemic issues related to China's state-directed economic model.

Second, prioritize making progress on outstanding structural challenges in China that fall outside the scope of the Phase One Agreement to improve the operating environment for U.S. businesses and farmers and ensure American goods and services are treated fairly. These challenges include China's state-directed economic policies and market access issues. In fact, state-directed policies are often one and the same as the market access barriers that restrict competition on a level playing field in the China market. These challenges also distort competition in the U.S. and other markets around the world.

Such outstanding issues outside the scope of the Phase One Agreement include: 1) discriminatory regulations and enforcement in the areas of intellectual property, services, standards, and competition policy; 2) quotas; 3) digital restrictions; and 4) state subsidies, among other issues. Progress on these issues will improve the ability of U.S. businesses, workers, and farmers to fairly compete in and sell to China, enhance U.S. competitiveness at home and globally, and support tens of millions of American jobs.

Third, reduce harmful Section 301 tariffs and broaden the tariff exclusion process. The Section 301 and retaliatory tariffs put in place over the last several years continue to disproportionately cause economic harm to U.S. businesses, farmers, workers, and families. For example, the Congressional Budget Office [estimated](#) that tariffs would cost the average American household nearly \$1300 in 2020 alone. American importers have paid over \$110 billion in Section 301 China tariffs since their inception, about \$40 billion of which has been assessed during the Biden Administration. These costs, compounded by other inflationary pressures, impose a significant burden on American businesses, farmers, and families trying to recover from the effects of the pandemic.

We agree with Secretary Yellen's recent comments that tariffs tend to increase domestic prices and raise costs to consumers and businesses due to higher cost inputs and that lowering U.S. and Chinese tariffs could help ease inflation. Accordingly, we urge the Administration to work toward removal of the Section 301 tariffs, most of which extend well beyond the scope of the original Section 301 investigation. We also request immediate action to significantly broaden the tariff exclusion process to provide additional relief to Americans. U.S. businesses and farmers appreciate USTR restarting a Section 301 tariff exclusion process, but the scope and retroactivity are far too narrow given the ongoing negative effects from the tariffs and their inflationary pressures. We urge USTR to expedite review and act on pending exclusion requests to provide needed relief.

Fourth, build on the Administration's efforts to improve U.S. ties with other key trading partners with shared interests. Specifically, we urge you to:

1. Strengthen transatlantic relations by building off the resolution of the large civil aircraft and Section 232 steel and aluminum tariff disputes and advancing concrete deliverables through the U.S.-EU Trade and Technology Council and other transatlantic efforts, including resolving the privacy shield issue.
2. Re-engage the Indo-Pacific region through economic initiatives that bolster U.S. competitiveness, open markets, advance market-based rules, and promote U.S. innovation leadership. These could include setting an agenda and operationalizing the recently announced Indo-Pacific Economic Framework, negotiating a regional digital trade agreement, leading and supporting Asia-Pacific Economic Cooperation (APEC) initiatives and hosting APEC in 2023, and taking steps needed to rejoin the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), especially as China has announced its interest in joining the CPTPP and the Digital Economy Partnership Agreement (DEPA).
3. Secure concrete outcomes at the 12th World Trade Organization (WTO) Ministerial and lead efforts to reform and modernize the WTO.
4. Remove Section 232 tariffs and quotas applied to other U.S. allies such as Japan, the United Kingdom, and South Korea.
5. Continue partnering with our neighbors to implement and enforce the United States-Mexico-Canada Agreement (USMCA) and strengthen North American competitiveness and supply chain resilience.

We commit to work with you and your colleagues across the Administration to achieve our common goals. We would welcome meeting to advance these recommendations and ensure a fairer and level playing field for American businesses, workers, and farmers when they compete at home, in China, and around the world.

Sincerely,

US China Business Council

American Chemistry Council

American Feed Industry Association

American Soybean Association

Advanced Medical Technology Association

American Apparel & Footwear Association

American Association of Exporters and Importers

American Council of Life Insurers

American Farm Bureau Federation

American Seed Trade Association

Business Roundtable

Coalition of Services Industries

Futures Industry Association

Information Technology Industry Council

National Fisheries Institute

National Foreign Trade Council

National Retail Federation

North American Export Grain Association

Retail Industry Leaders Association

Securities Industry and Financial Markets Association

Semiconductor Industry Association

The Toy Association

Travel Goods Association

U.S. Apple Association

U.S. Chamber of Commerce

U.S. Grains Council

cc:

The Honorable Antony Blinken, Secretary of State
The Honorable Gina Raimondo, Secretary of Commerce
The Honorable Tom Vilsack, Secretary of Agriculture
Jake Sullivan, National Security Advisor
Brian Deese, Director of the National Economic Council