

September 6, 2018

The Honorable Robert Lighthizer  
United States Trade Representative  
600 17th Street, NW  
Washington, D.C. 20508

Dear Ambassador Lighthizer:

The undersigned organizations representing U.S. agriculture producers and suppliers and food and beverage manufacturers, retailers, and restaurants write to voice our deep concern with USTR's July 17 proposal to add a 10 percent ad valorem duty on numerous agricultural goods and key ingredients used by our industries ("List 3"), as well as Ambassador Lighthizer's subsequent announcement on August 1 that the United States is now considering raising the tariffs on these goods to 25 percent.

If implemented, these measures threaten to raise the costs of basic food items, disproportionately harming low and middle-income families, while simultaneously jeopardizing global supply chains that directly support 23 million U.S. food and agriculture jobs and indirectly support an additional 21.5 million supporting jobs in industries such as transportation, storage, and manufacturing. These 42 million jobs produce nearly \$2 trillion in U.S. wages and \$895 billion in business tax revenue.

We share the Administration's serious concerns with China's unfair trade policies and practices, and we support efforts to produce meaningful, long-term, binding solutions. That said, we believe the proposal to impose tariffs on agricultural goods and key ingredients will penalize American food and beverage producers and consumers while doing little to address China's unfair practices. It is our belief that agricultural goods and other key ingredients in List 3 are not relevant to China's "Made in China 2025," which we understand is one of the key targets of the administration's enforcement actions.

China appears intent on continuing to match U.S. tariffs with damaging retaliation and is making moves to weather long-term disruptions in U.S.-Chinese trade by lowering or eliminating tariffs on thousands of goods from India, South Korea, Sri Lanka, Bangladesh and Laos, while also accelerating efforts to conclude the China-led Regional Comprehensive Economic Partnership (RCEP) free trade agreement. In this context, we believe the costs of the newly suggested tariffs outweigh any benefits to be gained, and we urge measured, commercially-meaningful enforcement actions that are consistent with international obligations and benefit U.S. farmers and manufacturers.

Our industries drive substantial U.S. growth and employment that will be endangered by the specific impacts of List 3, as well as by the escalation of tariffs and retaliation between China and the United States.

- U.S. food, beverage, and consumer product manufacturers employ 2.1 million Americans in 30,000 communities across the United States – the single largest source of employment in U.S. manufacturing.
- The restaurant industry is the second largest private sector employer, representing more than 15.1 million employees, with one million locations across the country - 90 percent small businesses - and \$800 billion in sales or four percent of the U.S. GDP.
- Exports of food, beverages, and feed are critically important to the U.S. economy, totaling \$133 billion in 2017.<sup>1</sup>
- In 2015, U.S. food, agriculture, and related industries contributed \$992 billion to U.S. gross domestic product (GDP), a 5.5-percent share. The industry is also a leading employer, supporting 21 million full- and part-time jobs at 11.1 percent of the U.S. workforce.<sup>2</sup>
- U.S. food and agricultural exports have produced a trade surplus for nearly fifty years. Consistent growth over this period has resulted in over \$152 billion worth of exports and, in 2016, created \$193 billion in additional U.S. economic activity.

The complex China-U.S. import/export supply and distribution networks which facilitate these incredibly valuable jobs and economic contributions depend on decades of cooperation and joint experience. The proposed tariffs may not only raise costs of agricultural goods and ingredients but also damage these underlying relationships, with serious long-term consequences for American trade competitiveness. Many of our foreign competitors enjoy tariff-free access to Chinese ingredients and with greater market access, they may gain the resources necessary to improve their supply chains, locking in permanent advantage should List 3 be finalized as proposed.

Given the potential harm to consumers and our industry, we respectfully request that agricultural goods and key ingredients be removed from List 3. If List 3 is implemented as proposed, we further request the administration immediately announce and implement a transparent, efficient approach to product exclusions, including the incorporation of requests made by multi-industry coalitions for improvements to the exclusion process detailed in USTR's Federal Register Notice dated July 11, should a similar process be applied to List 3.

It is critically important that the administration urgently resolve the current course of escalating tariffs and retaliation which threatens to seriously harm U.S. consumers, exports, and jobs, at a time when President Trump has expressed his desire to achieve the opposite. At a time when the United States enjoys a trade surplus in food and agriculture exports, the proposed tariffs will expose approximately nine percent of total U.S. exports to possible retaliation.

Continued escalation will disproportionately harm low and middle-income American families while putting at risk hard-won, efficient supply chains that feed a complex and vibrant economic system. These tariffs, if implemented, will have negative impacts that reach far beyond food and

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<sup>1</sup><https://www.thebalance.com/u-s-imports-and-exports-components-and-statistics-3306270>

<sup>2</sup> United States Department of Agriculture, Ag and Food Sectors and the Economy, accessed at: <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy.aspx>

beverages, at a time when the Administration has worked so hard to advance tax reform, low-skilled job creation, and US competitiveness abroad.

We would ask that the Office of Trade Representatives pursue policies which align our trade strategies with the long-term economic well-being of the United States. Alternative actions to avoid the negative impacts of increased tariffs or other restrictions on economic engagement with China that should be considered include building an international coalition; pursuing a comprehensive, sustained bilateral negotiation; and use of the WTO dispute settlement system. Thank you for your efforts to support food and agricultural production and manufacturing in America.

We look forward to working with you on solutions that minimize harm to this important sector of the U.S. economy.

Sincerely,

Grocery Manufacturers Association  
American Bakers Association  
American Beverage Association  
American Frozen Food Institute  
American Peanut Product Manufacturers  
American Soybean Association  
Corn Refiners Association  
CropLife America  
Food Marketing Institute  
Global Cold Chain Alliance  
Juice Products Association  
National Association of State Departments of Agriculture  
National Confectioners Association  
National Grocers Association  
National Potato Council  
National Restaurant Association  
SNAC International  
Sweetener Users Association  
The Association for Dressings & Sauces  
The Fertilizer Institute  
Vinegar Institute

Cc: Ambassador Gregg Doud, Chief Agricultural Negotiator, Office of the United States Trade Representative