



August 21, 2018

**Ambassador Robert Lighthizer
United States Trade Representative
Winder Building
600 17th St. NW
Washington, D.C. 20508**

RE: Docket No. USTR-2018-0026-0001; *Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.*

Dear Ambassador Lighthizer,

On behalf of the North American Meat Institute (NAMI) and the U.S. Hide, Skin and Leather Association (USHSLA), thank you for the opportunity to comment on Docket No. USTR-2018-0026-0001; *Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.*

NAMI is the nation's oldest and largest trade association representing packers and processors of beef, pork, lamb, veal, turkey, and processed meat products and NAMI member companies account for more than 95 percent of United States output of these products. NAMI's member companies are directly impacted by the imposition of tariffs under the Section 301 proceeding and the resulting actions taken by China's government.

USHSLA is a full service industry trade organization devoted to the U.S. hides, skins and wet blue leather products industry. Founded in 1979, the association provides its members with government, public relations, and international trade assistance and support. The USHSLA's member companies are directly impacted by the imposition of tariffs under the Section 301 proceeding and the resulting actions taken by China's government.

China over the past 39 years has emerged as the world's second largest economy with the rapidly growing middle class, a demographic with increasing levels of disposal income. With China's domestic production constraints and increasing demand from consumers for high quality, safe food products the resulting import demand offers significant opportunities for agricultural exporters. Indeed, China is the number two market for U.S. agricultural commodities and products, behind Japan.

U.S. exports of beef, pork and poultry products to China/Hong Kong exceeded \$2.5 billion in 2017, up nearly 13% compared to 2016. U.S. exports of beef and beef variety meats to China/Hong Kong in 2017 totaled \$915 million, up 34% compared to 2016. In 2017, mainland China opened its market to U.S. beef and exports for the last six months of 2017 came in at \$31 million, a relatively small start to the market opening but also encouraging given the restrictive requirements under the China protocol for U.S. beef. The market opening in 2017 was the culmination of 13 years of work to reopen the market and was seen as a breakthrough for the industry. Meanwhile, U.S. exports of pork and pork variety meats in 2017 dropped slightly from 2016 levels to \$1.1 billion while poultry and poultry variety meats increased to \$476 million over the same period.

Additionally, China is the primary export market for many byproducts of the U.S. meat industry. In 2017, The U.S. industry exported more than \$1 billion worth of cattle hides, pig skins and semi-processed leather products to China's booming leather and footwear manufacturing industries, accounting for over 50% of total U.S. production of these items. For the byproducts of the U.S. meat industry, China is not just an important market, it is an essential market.

It cannot be understated how important China is as a market to the entire U.S. meat and poultry industry, and U.S. agriculture in general. It is both an essential market today, and a substantial growth market for the future.

However, the United States is not the only supplier of meat, poultry and hides and skins products to China; competitors from the European Union, Australia, Brazil, Chile and Canada have also done very well in this expanding market. If a relatively open trading environment exists between the U.S. and China, we anticipate that the market for U.S. meat and poultry products will continue to grow. The United States has an excellent reputation for high quality, safe food products. Additionally, with the growth in disposable income in China, many Chinese tourists have visited the USA, have seen our supermarkets and experienced our restaurants. Similarly, Chinese consumers have visited Europe, Canada, Australia and other markets know about the high quality/safe food available in other well-developed markets. These experiences and familiarity with other international cuisine has had a profound impact on not only demand for imported products in China, but also the need to enhance and improve the production of safe, wholesome food products in China.

However, once a market is lost, and a buyer shifts to a foreign competitor, even if only for a short period of time, future U.S. exports and sales likely will be lost as well. Less demand for one set of products will lead to less demand for the U.S.-made products and services supporting their production. Agriculture subsidies and other government forms of assistance are not a solution.

To date, the Section 301 tariff process has led to retaliation by China against the U.S. meat and poultry industry and created uncertainty across the U.S. business and farm community, depressed commodity prices, and harmed U.S. companies, farmers, consumers, and markets. China's threat of more retaliation as a result of this process further exacerbates business and farm uncertainty. Farmers and manufacturers rely on the ability to export their crops and meat products to China for their livelihood, yet they are the primary targets for retaliation. We

understand that the Section 301 tariffs are intended to create leverage to change the direction of the Chinese economy, but that provides little comfort to the many businesses, farms, and workers in our industry whose livelihoods are now being put at risk.

In response to the latest List 3 tariff proposal under Section 301 by USTR, China has announced it will retaliate in kind on \$60 billion in U.S. imports with tariff levels ranging from five percent to 25%. U.S. hides, skins and leather products, which, to date, have avoided retaliatory duties from any trading partner, are included on China's proposed retaliation list. This announcement could not come at a worse time for this segment of the U.S. meat and livestock industry. Leather prices globally are at near all-time lows and many U.S. hide, skin and leather companies are struggling to survive. A five to 25 percent tariff levied on the U.S. industry by its largest customer during this critical time in its history will have a significant, detrimental impact on many U.S. businesses and workers.

In the *Federal Register* Notice, USTR asked whether imposing increased duties on a particular product would be practicable or effective to obtain the elimination of China's acts, policies, and practices. We believe all the proposed tariffs will be counterproductive and undermine the Administration's efforts to change China's policies and practices. USTR also asked whether maintaining or imposing additional duties on a particular product would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers. Tariffs have and will continue to harm U.S. businesses, farmers, workers and consumers. There is no way to scope tariffs such that they would not impose direct and indirect costs on U.S. meat and poultry companies, which we have already experienced to date.

The escalation of trade tensions with China has resulted in significant harm to our member companies, their workers, and their consumers. The impact of the trade war and tariffs has further harmed businesses, workers, farmers and consumers throughout the United States and across industry sectors. Tariffs hurt the economy as a whole as well as jobs and consumers in every state. Everyone loses in a trade war.

We stand ready to work with the Administration, Congress and stakeholders to find effective long-term solutions that meaningfully address commercial issues in China and that promote the competitiveness of U.S. farmers, workers, and businesses rather than saddle them with new costs, lost sales, and lost jobs.

Thank you again for the opportunity to comment on this important matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen Sothmann". The signature is written in a cursive style and is centered within a light gray rectangular box.

Stephen M. Sothmann
President
U.S. Hide, Skin and Leather Association
An Affiliate of the North American Meat Institute