

August 5, 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:

On behalf of the undersigned organizations, we write to express our support for continued engagement with China on trade and economic issues, including full implementation of the U.S.-China Phase One Trade Agreement (“Phase One”), and swift action to address the costly and burdensome tariffs and retaliatory tariffs. We support the Biden Administration holding China accountable to its Phase One commitments, and we strongly urge the Administration to work with the Chinese government to increase purchases of U.S. goods through the remainder of 2021 and implement all structural commitments of the Agreement before its two-year anniversary on February 15, 2022.

The Chinese government has met important benchmarks and commitments made in the agreement that benefit American businesses, farmers, ranchers, and workers. For example, the commitment by China to open up its markets to U.S. financial institutions – and other U.S. financial service providers – reflects a hard-won U.S. achievement, and years of work by administrations of both parties. The chapter 3 commitments have been good for American agriculture, addressing most long-standing market access barriers. China has removed market access barriers for some U.S. fruits and grains and for nearly all U.S. beef products, as well as expanded its list of U.S. facilities eligible to export beef, pork, poultry, seafood, dairy, feed additives, and infant formula to China, among other actions. However, there is more work to be done by both governments to ensure that China meets its existing purchase commitments, including purchases of American ethanol. The commitments also did not include some of the most competitive U.S. goods exports to China, such as US lumber and chemical industry exports. Additional work is also needed to ensure that China fully implements outstanding structural commitments, particularly in the areas of biotechnology, patent linkage, services (including financial services), and protection of intellectual property rights.

The Phase One agreement did not address some of the significant challenges identified in USTR’s Section 301 investigation of China, nor many of the core structural economic concerns in the relationship. Longstanding issues remain unaddressed, including state subsidies; procurement by government and state-owned enterprises; cybersecurity, digital trade, and data governance; services issues; competition policy; regulatory data protection for new drugs, biological products, and other items; Chinese domestic standards-setting; outstanding

agriculture policy issues; and continued market access barriers for U.S.-manufactured goods. Many of these topics were reserved for future talks, assuming successful implementation of Phase One. By fully implementing the structural commitments in Phase One and returning to the negotiating table, we are hopeful that progress can be made on these many outstanding concerns.

In addition to ensuring full implementation of Phase One commitments, and resuming talks on outstanding issues, we also urge the Administration to retroactively restore product exclusions that expired in 2020; reinstate a new, fair, and transparent tariff exclusion process; and continue negotiations with China to remove both nations' counterproductive tariffs as soon as possible. These steps are sorely needed to mitigate the tariffs' significant and ongoing harm to the U.S. economy, U.S. workers, and U.S. national competitiveness. Secretary Yellen recently noted that the tariffs harm American consumers, and these tariffs are also exacting a continued toll on U.S. manufacturers, service providers, and businesses. Due to the tariffs, U.S. industries face increased costs to manufacture products and provide services domestically, making their exports of these products and services less competitive abroad. They also must deal with international competitors who do not face the tariffs on inputs from China nor high tariffs on their exports to China.

From the rural farmer to urban school teachers, the Congressional Budget Office [estimated](#) that tariffs would cost the average American household nearly \$1300 in 2020 alone.¹ A recent analysis from Moody's also [shows](#) that American importers have absorbed a far greater share of the costs resulting from the tariffs than have Chinese exporters. American importers are paying around 18.5 percent more for affected Chinese products while Chinese exporters receive just 1.5 percent less.² The Administration can take immediate steps to relieve increasing inflationary pressures and rising prices for all Americans by reducing these tariffs. A worker-centered trade agenda should account for the costs that U.S. and Chinese tariffs impose on Americans here at home and remove tariffs that harm U.S. interests.

We appreciate that achieving durable, concrete, meaningful results to level the playing field for American businesses, innovators, workers, and farmers will not be easy, and that past bilateral trade consultations have not yielded hoped-for changes in critical areas. We also recognize that fully resolving tariffs is unlikely, absent substantially more progress by China on core issues. Iterative progress and sustained effort with the second largest economy in the world, however, can serve the Administration's goal of Building Back Better and help to advance its worker-centered trade policy by addressing structural issues in the Chinese economy.

We therefore ask your respective agencies to redouble efforts with China to meet Phase One purchase and structural commitments; restart a tariff exclusion process to mitigate damage to U.S. workers and other stakeholders; and increase broader economic and trade engagement to address structural concerns that will further open China's market and level the playing field for U.S. goods and services. Making progress will depend on a whole-of-government approach, and

¹ ["The Budget and Economic Outlook: 2020-2030,"](#) Congressional Budget Office, January 2020.

² ["U.S. companies are bearing the brunt of Trump's China tariffs, says Moody's,"](#) CNBC, May 18, 2021.

we appreciate your ongoing work with all relevant cabinet departments and agencies to advance a highly coordinated and collaborative process.

We stand ready to work with you to support the implementation of the Phase One agreement and address ongoing challenges and opportunities in the U.S.-China economic relationship. In that spirit, we urge the Administration to engage industry and other stakeholders in open, transparent consultations, and develop benchmarks and a timeline for addressing ongoing economic issues with China, leading to more negotiated commitments on China's structural barriers and full removal of tariffs.

Sincerely,

US-China Business Council
U.S. Chamber of Commerce
AdvaMed
American Apparel and Footwear Association (AAFA)
American Association of Exporters and Importers (AAEI)
American Chemistry Council
American Council of Life Insurers (ACLI)
American Farm Bureau Federation
American Feed Industry Association
American Seed Trade Association
American Soybean Association
Biotechnology Innovation Organization (BIO)
Business Roundtable
Coalition of Services Industries (CSI)
CropLife America
Futures Industry Association (FIA)

Idaho Potato Commission
Information Technology Industry Council (ITI)
Leather and Hide Council of America
National American Meat Institute
National Council of Farmer Cooperatives (NCFC)
National Foreign Trade Council (NFTC)
National Retail Federation (NRF)
Pharmaceutical Research and Manufacturers of America (PhRMA)
Retail Industry Leaders Association (RILA)
Securities Industry and Financial Markets Association (SIFMA)
SEMI
Semiconductor Industry Association (SIA)
Sports and Fitness Industry Association
Travel Goods Association
U.S. Apple Association

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