



The American Chamber of Commerce in Shanghai
上海美国商会

Submission for Proposed Tariffs From 301 Investigation

The American Chamber in Shanghai (AmCham Shanghai) is pleased to provide comments on USTR's proposed actions in connection with the Section 301 investigation on Chinese policies on technology transfer, intellectual property and innovation. An independent business chamber representing 3,000 members from approximately 1,500 companies, AmCham Shanghai has long served as a bridge to connect the two largest economies in the world. Trade between the two countries has brought enormous benefits to both countries and is an important pillar in the overall bilateral relationship.

Many of our member companies have highly successful business operations in China. Moreover, China is a strategic market of increasing importance to the overall performance of many U.S. companies, particularly the large multinationals. Operational and regulatory barriers to continued success in the vital China market are a growing frustration for the American business community. This includes market access barriers and market distorting policies that can put American companies at a competitive disadvantage in China and threaten their positions globally. For that reason, AmCham Shanghai welcomes the U.S. government's efforts to address China's unfair trade practices. However, we urge that the government not impose tariffs as the principal response.

As part of this submission, we have attached comments from members on specific products. In general, member companies are concerned that tariffs will lead to significant increases in operating costs that will put them at a disadvantage when competing with other companies in China and around the world. In addition, some companies act as suppliers to other U.S. manufacturers and will have to pass on increased costs to manufacturers and consumers in the United States. Member companies are also concerned about the impact of retaliatory tariffs that China will impose on U.S. goods to China. That could lead to price increases that will make many American products uncompetitive in a vital market.

Finally, it is unclear whether the tariffs will change Chinese government behavior. Many of the products that could potentially be subjected to tariffs are consumer electronics and household products such as televisions and dishwashers. As part of its developmental plans, China hopes to move away from this type of lower-end manufacturing to high-tech manufacturing and, therefore, less likely to make structural changes to save these industries. China has also built up strong economic ties with other countries to open new markets for its products. In addition, according to a report in the *Financial Times*, China has become less dependent on trade and the percentage of U.S. imports as part of Chinese GDP has dropped. U.S. tariffs will accelerate these trends while also harming American manufacturers and consumers.

Rather than using tariffs to encourage the Chinese government to change its behavior, AmCham Shanghai recommends that the U.S. government consider other tactics to address the market access, industrial policy and regulatory transparency concerns on the minds of our members. These would include building coalitions with like-minded countries to increase pressure on China and initiating structured government to government dialogues that focus on specific outcomes. Specific outcomes should include the following:

- Fully open up the services sector: value-added telecommunications, finance, health care, education, and logistics
- Eliminate equity caps and joint venture requirements for foreign investors
- Eliminate technology transfer requirements
- Lower tariffs on manufactured products such as automobiles and machinery
- Move toward market-based standards and certification systems
- Ensure China's cybersecurity regime promotes global commerce and protects privacy
- Improve regulatory transparency

AmCham Shanghai appreciates the U.S. government's efforts to balance the trade relationship and support American companies in China. We also appreciate the government's efforts to seek views from the business community on its proposed actions. In addition to these general comments, we have attached specific comments from member companies on items in the proposed list of tariffs. We hope these comments are useful and are willing to offer further assistance in any areas USTR finds appropriate.

Specific Comments by Product

Product and 8-digit # on USTR list	IMPACT	RECOMMENDATION
<p>84122100 (cylinders)</p>	<p>A 25% Tariff on linear actuators (cylinders) would severely impact the competitiveness of US machine manufactures. These cylinders are often components used in the assembly of higher value-add machine manufacturing in the US and would increase costs of these US OEMs. This would in turn negatively impact US manufacturing jobs.</p>	<p>Remove the HS code 84122100 from the list of proposed tariffs.</p>
<p>73181600; 84131900 (Pump and nuts)</p>	<p>Annually \$100K for one American member company in China.</p>	<p>Remove from the list.</p>
<p>39081011 (Nylon66)</p>	<p>Ascend is an American company operating in China. The majority of Ascend's Nylon66 materials are under this code. All PA66 products from Ascend already are subjected to increased duties of 25%. Since 2009, the neat PA66 chips are charged 31.4% of anti-dumping duty. These duties make the product from the American company more expensive compared to Chinese suppliers. China needs to import about 270,000MT per year. If it imposes additional duties this would cause disproportionate economic harm to U.S. interests.</p>	<p>Remove from the list.</p>
<p>38220090 (Bio & chemical reagent)</p>	<p>\$1 million for an American chemical company. The company is a market leader for offering bio/chemical reagent, device and service for laboratory and analytical purposes for various industries, e.g. Life Science, Pharmacy, Food & Beverage, Biotechnology, Clinical Diagnostics, Cosmetics & Personal Care. The company has a broad portfolio of products and an expanded global footprint and a huge volume of cross-border transactions. Due to China & US government proposals on uplifting tariff rate for certain products, the company will be impacted from both US and China actions. In particular, the company supports lots of academic, university and corporate research & development of biotechnology and pharmacy, which is highly driven and desired by China government 13rd Five-Year Plan. Increasing import tariffs may cause a tremendous increase of operating cost for these R&D activities.</p>	<p>Remove from the list.</p>
<p>29349990</p>	<p>See comments for 382220090. \$1 million for the</p>	

(Heterocycle compounds)	chemical company.	
39209990 (Plastic in primary forms)	See comments for 382220090. \$1 million for the chemical company.	Remove from the list.
85322100 (Tantalum fixed capacitors)	In the referred market, one American electronics company in China and their major competitors (AVX and Panasonic/Sanyo) take around 78% of global market share. Neither AVX nor Panasonic/Sanyo have manufacturing facilities for these products in China. The tariff would be a punishment purely to the American company. The company hopes that these two products (tantalum fixed capacitors and aluminum fixed capacitors) can be removed from the tariff product list. Around \$3 million additional in tax per year, or lose business for the US market	Remove from the list
85322200 (Aluminum electrolytic fixed capacitors)	Around \$1 million additional tax per year for one American electronics company in China, or lose business for the US market	Remove from the list
8536.90.85 (Accessory power outlet for automotive OEMs)	The new tariffs would add 25% to cost of these products for Casco, an American company operating in China.	These products should be exempt from the new tariffs because they cannot be obtained in the U.S.
8541.40.20 (Accessory power outlet cover with magnet closure and LED illumination)	Casco's plant in China is producing some products to the end customer's (automotive OEM's) specifications using tooling and equipment owned by the end customer, and then these products are imported into our warehouse in US. These products can only be made in China because the end-customer owned specialized tooling and equipment only resides in China.	
9027.90.88 (Sun load sensor and ambient light sensor for automotive OEMs)		

Specific Impact & Comments (US Import View):

Company	Imports from China (New Duty)	*Imports with COO China (New Duty)	Total Duty Increase
An American chemical company's different legal entities in the U.S.	\$4 million for the company	\$4 million for the company	\$3 million for the company