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Submitter Information

Submission ID

USTR-2022-0014-00035721

Are you a third party, such as a law firm, trade association, customs broker, worker, or union representative submitting on behalf of an organization or industry?

Yes

Organization Name

Telecommunications Industry Association

Third Party Organizational Type

Trade Association

Commenter First Name

Patrick

Third Party Firm, Association Name

Telecommunications Industry Association

Commenter Last Name

Lozada

Third Party Representative

Patrick Lozada

Does your business meet the size standards for a U.S. small business as established by the Small Business Administration?

Yes

Please report the number of employees your business employs in the United States.

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A. Economy-wide Comments

Do you have views regarding the actions at an economy-wide level?

Yes

If you have views on the effectiveness of the actions in obtaining the elimination of China's acts, policies, and practices related to technology transfer, intellectual property and innovation, please discuss below.

While it is difficult to establish a direct, causal line between the U.S. imposition of Section 301 tariffs and specific changes in China's policies related to IP and tech transfer, data from the U.S. China Business Council's annual survey does demonstrate that – since the imposition of Section 301 tariffs in 2018 – U.S. businesses have reported some improvement in the country's protection of IP rights. After the imposition of tariffs and subsequent negotiations in 2018, companies reporting that China's protections of IP had somewhat improved over the past year increased from 38% to 51% while the number noting it had “greatly improved” went from 5% in 2018 to 7% in 2019 and 10% in 2020. Despite this improvement, concerns about IP theft do persist. Going forward, we believe that a results-oriented dialogue focused on addressing IP issues and making careful distinctions about the utility of specific tariffs is the best way forward.

If you have views on changes in China's acts, policies, and practices related to technology transfer, intellectual property and innovation since 2018, please discuss below.

As noted previously, since the Section 301 tariffs came into place there has been some improvement in China's policies toward intellectual property protection. These changes came about as the result of sustained negotiations and dialogue focused on addressing shortcomings in China's legal regime around intellectual property. In the absence of further dialogue, there is not a clear path through which these issues could be addressed.

Please discuss the role of the actions in causing any such change.

If you have views on whether the actions counteract China's acts, policies, and practices related to technology transfer, intellectual property and innovation, please discuss below.

While there has been some progress, Section 301 tariffs have failed their intended goal of comprehensively addressing concerns related to tech transfer, IP, and innovation. There is no indication that maintaining all of them – particularly in the absence of structured, regular negotiations – will lead to improvements in China's policies in this area.

If you have views on how the actions taken in the investigation could be modified to make them more effective in obtaining the elimination of or in

counteracting China's acts, policies, and practices related to technology transfer, intellectual property, and innovation, please discuss below.

If you have views on any other actions that could be taken under Section 301 that would be more effective in obtaining the elimination of or in counteracting China's acts, policies, and practices related to technology transfer, intellectual property, and innovation, please discuss below.

Tariffs should be considered strategically and reduced where it is in the national interest to do so, particularly for certain consumer goods, ICT products, and inputs into ICT products. Tariff reductions should also be paired with robust negotiations in support of fair market access and with consumer and producer welfare in mind.

If you have views on the economy-wide effects of the actions on the U.S. economy (including consumers), or on the economy-wide effects of other actions that could be taken under Section 301, please discuss below or in response to the following, more specific questions.

The economy-wide effects of the actions or other possible actions on domestic manufacturing, including in terms of capital investments, domestic capacity and production levels, industry concentration, and profits;

In general, tariffs increase costs to consumers – driving up prices, increasing inflation, and reducing both producer and consumer welfare. Additionally, as a result of the Section 301 tariffs, China put into place their own tariffs on U.S.-origin products and took steps to limit government and non-government purchases of U.S.-origin products through discriminatory regulations and other technical barriers to trade. These costs should be weighed carefully against perceived benefits of maintaining these tariffs. While part of the stated motivation behind the tariffs was to support U.S. manufacturing, tariffs on China have also introduced perverse incentives that disincentive manufacturing in the United States, including for manufacturers in the telecommunications sector. These disincentives are most apparent in the context of tariffs on inputs into products that might be manufactured in the United States. If a firm relies on certain low-margin Chinese inputs in its such as printed circuit boards, plastic housings, or other products – then it will pay more for those products if they choose to produce in the United States. By contrast, if it chooses to produce that product in a country like Mexico, it avoids having to pay the increased price from those Section 301 duties.

The economy-wide effects of the actions or other possible actions on U.S. technology, including in terms of U.S. technological leadership and U.S. technological development;

TIA represents trusted manufacturers and supplier of telecommunications equipment and services, and we have long held that certain PRC firms like Huawei and ZTE do pose a threat to national security and diminish U.S. technological development. Tariffs, however, may not be the best way to resolve these concerns, not least because tariffs focus on where something is manufactured and not where the parent company is located or what security risks it might pose as a result. Indeed, the U.S. has a separate set of security-focused controls that limit the use of specific telecommunications and semiconductor vendors from the PRC in the sector including but not limited to: - The Secure and Trusted Networks Act - Restrictions on USF funding pursuant to FCC Docket No. 18-89 - Section 889 of the FY 2019 National Defense Authorization Act (NDAA) - Section 224 of the FY 2020 NDAA - Section 5949 of the FY 2023 NDAA - Section 60101(g)(1)(D) of the Infrastructure Investment and Jobs Act (IIJA) There are also separate controls on the U.S. export of technologies and products, primarily via the export controls system managed by the U.S. Bureau of Industry and Security, that have direct relevance on U.S. technological leadership relevance to China. Section 301 rightly focuses on unfair trade practices and not on relative technological position, which is not directly relevant to the subject of tariffs and is the purview of other parts of the U.S. government and private sector.

The economy-wide effects of the actions or other possible actions on U.S. workers, including with respect to employment and wages;

U.S. workers are also U.S. consumers. As such they face higher prices and diminished economic well-being as a direct result of tariffs. Additionally, tariffs on inputs have led to a) lower employment and b) increases in producer prices. As noted in a 2019 study written by economists from the Federal Reserve Board: “We find that tariff increases enacted in 2018 are associated with relative reductions in manufacturing employment and relative increases in producer prices. In terms of manufacturing employment, rising input costs and retaliatory tariffs each contribute to the negative relationship, and the contribution from these channels more than offsets a small positive effect from import protection. For producer prices, the relative increases associated with tariffs are due solely to the rising input cost channel.”

The economy-wide effects of the actions or other possible actions on U.S. small businesses;

Small businesses face specific challenges in the context of tariffs. In general, they are less able to absorb negative shocks from higher prices and are less equipped to navigate the tariff exemption process than large multinational companies with in-house counsel and external legal advisors.

The economy-wide effects of the actions or other possible actions on U.S. supply chain resilience or the goals of U.S. critical supply chains outlined in Executive Order 14017 and in subsequent reports and findings;

The Information and Communications Technology sector was named as a critical sector in EO 14017 as were certain upstream components such as semiconductors. Supply chain resiliency is essential to the telecommunications industry, and while there are many factors – from climate to reliable global logistics – that impact this resiliency, overreliance on any one country or region is certainly an important one to consider. Companies in the ICT sector are already in the process of building resilience into their supply chains by further diversifying their manufacturing and component supply chains. It is difficult to attribute the shift of critical supply chains to the Section 301 tariffs. As noted in survey data from the U.S.-China Business Council, business leaders cite COVID-related uncertainty and supply chain resilience as the #1 and #2 challenge, and 24% report that their objective for current and future investment is to further localize their products in the local market. With this in mind, the benefits to U.S. supply chain resilience of continuing the tariffs are unclear while the costs in terms of lost consumer surplus, producer surplus, and deadweight loss are more easily calculable.

The economy-wide effects of the actions or other possible actions on U.S. consumers, including with respect to prices and product availability

The nature of the impact on U.S. consumers will likely depend on the course of action that the administration takes going forward. Maintaining will tariffs will keep costs high in the short to medium term. Should continued tariffs lead to a broader exclusion from the China market, consumers may see higher prices and slower technology development in the long term due to a smaller addressable market by U.S. companies.

B. Sector-Specific Comments

Do you have views regarding a specific sector or industry?

Yes

C. Comments on Tariff Headings

Do you have views on a tariff heading currently covered by the actions (List 1, 2, 3, and 4A)?

Yes

Do you have views on modifying the actions to include additional goods not currently covered by the actions and List 4B?

Public Attachments

There are no public attachments to display.