Testimony by the China General Chamber of Commerce - USA Relating to the Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974 (the "Report")

On behalf of Chinese businesses in the U.S., the China General Chamber of Commerce – USA (CGCC) appreciates this opportunity to provide our comments to the recent Section 301 Report on China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation before this Committee. It is our opinion that the Report made arbitrary assumptions of facts to reach a predetermined conclusion without any actual evidentiary support. Through our Testimony, we hope to show that the tariffs proposed in the Report will not only impede decades of progress towards global free trade, but significantly hurt the American consumers, American businesses, American jobs, and deter future foreign direct investment into the United States.

The CGCC was founded in 2005 and has been recognized as the largest and most influential non-profit organization representing Chinese enterprises in the U.S. Our mission is to create value, generate economic growth and enhance cooperation between U.S. and Chinese business communities. Today, we are proud to have 1,500 members throughout the U.S., 58 of which are Fortune 500 companies. CGCC currently serve our members through 6 offices in New York, Washington D.C., Chicago, Houston, San Francisco and Los Angeles. Our members range from large public companies to small and medium enterprises across all sectors of business. As of 2017, CGCC Chinese member companies have cumulatively invested over $120 billion, contributed billions in tax revenue in the U.S., and directly employed more than 200,000 jobs, while indirectly supported over 1,000,000 jobs throughout the U.S.

CGCC and its member companies are concerned with the current U.S. - China economic relations, because it adds to great uncertainty and unpredictability to U.S. - China business, and it is hurtful to the interests of both sides. As a unified voice for the Chinese enterprises in the U.S., we are deeply concerned about the proposed actions of increasing tariffs on Chinese imports and adding restrictions on Chinese investments released on April 3, 2018. The proposed actions in the Report would do more harm than good (if any good) to the United States. The Report ignores the achievements made by the Chinese government in the intellectual property areas, disregards the harm caused to the American consumers and key export industries in the U.S., and violates international agreements (especially the WTO). On behalf of Chinese enterprises, we are firmly against the findings and its subsequent conclusions in the Report. We oppose the use of tariff and investment restriction measures as a tool for political gain.

First, we would like to again point out that the protection of intellectual property in China has been strengthened year by year, and related legal systems have become more complete. Chinese government has been making greater efforts in protecting intellectual

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property rights. Though there is still room for improvement, substantial progress has been achieved by Chinese government. It can be clearly demonstrated from three aspects - institutional system, judicial level and national legislation level.

- Institutional system: China has continuously carried out institutional reforms to enhance the systematic and institutionalized protection of intellectual property disputes and cases. Since the establishment of the first intellectual property judicial tribunal in 1995, China has constantly been improving its institutional system from the combining of civil, administrative and criminal proceedings in one intellectual property court in 2016, to today where there are a total of 18 intellectual property courts and over 5,000 intellectual property judges, judge assistants, technical investigators and clerks to provide the technical knowledge necessary in any intellectual property case.

- Judicial policy: The Supreme People's Court has formulated judicial policies to guide trial practices and make sure legal application standards for the creation, use, and trade dispute resolution of intellectual property in different periods, different regions and different fields are unified, transparent and effective. From 1985 to 2016, a total of 34 judicial interpretations related to intellectual property rights were formulated, and over 40 judicial policy documents were issued. These efforts are all aimed at providing a transparent and standardized interpretation of the intellectual property rights laws in China.

- National legislation level (protection of intellectual property infringement): The state pays more attention to the protection of intellectual property infringement disputes from the legislative level and makes amendments to laws and regulations aimed at the main points found in judicial practices.

Second, evidence clearly shows that the proposed $50 billion tariff measures will have a significantly higher impact on U.S. consumers than it will hurt Chinese companies. The sanction will hurt U.S. consumers in the form of higher prices to end consumers. For example: According to the U.S. Consumer Technology Association (CTA), about 47% of all TVs sold in the U.S. are imported from China, as are 83% of PC monitors and 34% of lithium batteries. After the proposed tariffs, American shoppers could expect to pay about 23% more for TVs, computer monitors, batteries, and printer ink and cartridges. These products represent just a small portion of the 1,300 tech-related imports from China the 301 Report has targeted. More importantly, this does not only affect products that are made in China, but the overall prices for these 1,300 products would increase across the board (no matter the location of manufacture), since most retailers would spread their additional costs to other models. For our TV example, U.S. consumers could pay an additional $711 million a year and cut back their total purchases by 7.8%.[1]

1 Paul Davidson, "Trump China tariffs could hike prices for TVs, batteries by 23%, study shows", *USA Today*, April 17, 2018, https://www.usatoday.com/story/money/2018/04/17/trump-

Third, the tariff will hurt the development of related export industries in the United States. Industries between the two countries are complementary to each other. As of 2017, industrial manufacturing accounted for 40% of total Chinese GDP. In the US, the manufacturing only accounts for 19% of total GDP, while service accounted for 80%. Many US firms rely on imported components from China. Increased tariffs on such components would ultimately hurt their competitiveness in the global market. The currently published Harmonized Tariff Schedule of the United States (HTS) for the steel industry, especially machinery manufacturing industry, contains a large number of general machinery equipment such as elevators, boilers and baking ovens under the HTS headings beginning with No. 840, 841, 842. The low added value of these products effectively fills the gap in the US domestic output. As such, the high tariff imposed will hurt the development of related industries.

Lastly, the punitive measures from the 301 Report violate WTO rules and disregard the corresponding international rules and guidelines. Extreme tariff measures are unilateral behavior; it was not authorized by WTO under dispute resolution mechanism and is a violation of WTO obligations and rules. We urge U.S. and Chinese governments to continue with good faith bilateral negotiation and dialogues, settle disagreements and improve mutual understanding, in the hope of restoring amicable bilateral trade orders as soon as possible.

Chinese investments in the United States have brought substantial tangible benefits to U.S. economic development, government revenue, and job creation. As a representative of the business community, we are deeply concerned about the proposed actions in the 301 Report. In light of the above comments, we respectfully suggest that this Committee carefully consider all aspects of this issue before making its final decision.

china-tariffs-hike-tv-prices/521249002/ (accessed April 21, 2018)