

1919 S. Eads St. Arlington, VA 22202 703-907-7600 CTA.tech

August 11, 2023

ELECTRONIC SUBMISSION TO https://www.regulations.gov

Ambassador Katherine Tai U.S. Trade Representative Office of the United States Trade Representative 600 17th Street NW Washington, DC 20508

Re: Consumer Technology Association

Public Comments to USTR's Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy (USTR-2023-0004)

Dear Ambassador Tai:

The Consumer Technology Association ("CTA") respectfully submits these comments to the Office of the U.S. Trade Representative ("USTR") in response to its request for comments on advancing inclusive, worker-centered trade policy. CTA represents the more than \$505 billion U.S. consumer technology industry, which supports more than 18 million U.S. jobs. Our members are comprised of over 1500 companies from every facet of the consumer technology industry, including manufacturers, distributors, developers, retailers, and integrators, with 80 percent of CTA members being start-ups or small- to mid-sized enterprises ("SMEs").

CTA appreciates USTR's consideration of American workers in developing its trade policy. USTR would benefit from further public engagement on the issue, including a hybrid-format public hearing. In our view, an inclusive, worker-centered trade policy would leverage every tool at USTR's disposal to advance opportunities for *all* American workers. The Administration's current approach is *not* inclusive of *all* workers. Instead, it privileges only a small sub-set of American workers at the expense of U.S. workers whose livelihoods depend on importing and exporting, and of the U.S. consumers and businesses who pay more to protect the jobs of that small sub-set. This approach neither takes advantage of nor further advances the United States' strategic position as an innovation powerhouse and the incubator of the workforce of tomorrow.

For one, USTR's decision to exclude binding market access provisions in its current negotiations, through new free trade agreements, or at the World Trade Organization ("WTO"), appears in part driven by a narrow focus on protecting specific U.S. manufacturing sectors that represent a narrow portion of the overall American economy and workforce, particularly when compared to



other sectors, such as services.¹ The Administration's economic initiatives seem to deprioritize the core principles of non-discrimination at the heart of the multilateral trading system.

These omissions ignore the ways in which the other sectors of the U.S. economy—such as import- and export-focused sectors like consumer technology²—would greatly benefit from market access. Undermining those sectors weakens the U.S. economy overall, undercuts the future workforce of an industry that powers U.S. businesses, including SMEs, and leads to unlevel playing field for SMEs navigating global markets³. Weaker market access also favors large incumbent companies that can afford to establish a global presence, denying easier entry points abroad to SMEs. SMEs employ nearly half of the entire U.S. workforce,⁴ are disproportionately owned and run by women and people of color,⁵ and are a significant driver of the consumer technology sector's growth.⁶ A trade policy approach that ignores the needs of SMEs is fundamentally not a worker-centric trade policy. By upholding the principles of non-discrimination and pursuing a level playing field for U.S. exports, USTR can expand opportunities for U.S. businesses, particularly SMEs, who will create more well-paying jobs for U.S. workers.

Second, the continuation of policies like the Section 301 tariffs and the intentional expiration of exclusions from those tariffs—has driven up prices of consumer technology goods, disproportionately harming underserved workers and SMEs. The distributional effects of higher product prices and inflation are mostly felt by workers with fixed sources of income, and they disproportionately affect people and public institutions of lower means. Numerous Biden-Harris Administration officials have recognized that the tariffs have, in the words of National Security Council spokesperson John Kirby, "increased costs for American families and small businesses, as well as ranchers. And that's, you know, without actually addressing some of China's harmful trade practices." And as U.S. Federal Reserve Chair Jerome Powell has noted, "[t]he burdens of high inflation fall heaviest on those who are least able to bear them." In the face of increased prices on these goods, workers' salaries simply don't go as far to care for their families. To keep up with the increased price tag on those products, employers must also spend less on employee benefits, slow increases in worker salaries, and defer hiring or even reduce their workforce.

¹ https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm.

² https://cdn.cta.tech/cta/media/media/resources/research/pdfs/2019 pwc cta economic-contribution-of-the-consumer-technology-sector.pdf.

³ https://itif.org/publications/2022/09/19/how-the-it-sector-powers-the-us-economy/.

⁴ https://www.forbes.com/advisor/business/small-business-statistics/.

⁵ *E.g.*, https://advocacy.sba.gov/wp-content/uploads/2021/08/Small-Business-Facts-Women-Owned-Business-pdf; https://advocacy.sba.gov/2023/05/23/facts-about-small-business-asian-american-and-pacific-islander-ownership-statistics/.

⁶ https://itif.org/publications/2017/11/28/how-technology-based-start-ups-support-us-economic-growth/.

⁷ https://www.barrons.com/news/biden-undecided-on-china-tariffs-ahead-of-xi-call-w-house-01658867406. *See also, e.g.*, https://www.business-standard.com/article/international/some-trump-era-china-tariffs-serve-no-strategic-purpose-yellen-122061900798 1.html.

A range of studies found that the Section 301 tariffs and other tariffs enacted by the prior administration and continued under this administration have resulted in lost U.S. jobs or prevented job creation. The evidence is clear that U.S. importers have borne the cost of these tariffs, not China.⁸ While tariffs may have created jobs in certain sectors, the overall impact on American workers – especially in the consumer technology sector – has been far from positive.⁹

Third, the United States' diminished leadership of the multilateral trading system, including at the World Trade Organization (WTO), has divided it from its historic allies. This division has led to missed opportunities for U.S. leadership and coordination on issues of trade facilitation and market access that would help workers engage with the international trading system. As a result, the WTO as an institution has become weaker, undermining its decades long efforts to increase economic welfare and unleash opportunities for workers across sectors. USTR's retrenchment also creates a window for countries like China to take the reins and rewrite the rules of the road for global trade, impacting the future of the U.S. economy and U.S. workers.

These policies, with their root in an "America first" mentality, have led to an "America only" trade policy approach. Such a narrow view not only harms workers but leads USTR further astray from its statutory mandate, which is to: "conduct [] international trade negotiations, including commodity and direct investment negotiations", make policy for the "expansion of exports from the United States", "11 and serve as the chief representative for "all activities" falling under the WTO General Agreement on Tariffs and Trade ("GATT 1994"), among others. "12 USTR's current trade policy neglects these pillars, just as it neglects all workers.

In CTA's view, an inclusive, worker-centered trade policy would consist of the following pillars:

• Champion the long-standing trade principles of non-discrimination. At the core of the U.S. government's toolkit for maintaining a level playing field for U.S. businesses lie the timetested principles of non-discrimination. Principles such as national treatment benefit U.S. businesses of all sizes, across all sectors of the economy, including minority, women-owned, and other underrepresented communities' businesses and their workers, by ensuring they have an equal opportunity to reach their customers and fairly compete in foreign markets. This approach directly supports U.S. national security objectives. By upholding a rules-based trading system with non-discrimination at its core, the U.S. can counter efforts by adversaries like China and Russia to wall off the digital economy and exert strategic dominance over core technology industries.

⁸ https://www.usitc.gov/publications/332/pub5405.pdf, p. 139 ("An econometric model shows full pass-through of section 301 tariffs to prices paid by importers.")

⁹ https://www.wita.org/wp-content/uploads/2022/08/CTA Section-301-Tariff-Whitepaper.pdf.

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1100287/valuing-the-impact-of-the-world-trade-organization.pdf.

¹¹ https://www.govinfo.gov/content/pkg/STATUTE-93/pdf/STATUTE-93-Pg1381.pdf#page=1.

 $^{^{12}\,\}underline{https://www.archives.gov/federal-register/codification/executive-order/12188.html}.$

- Recommit to market access provisions in binding free trade agreement negotiations. Greater market access means greater opportunity for SMEs. Effective and inclusive workercentered trade policies therefore must include market access to help SMEs succeed. To that end, CTA supports the creation of a concrete pathway to re-enter the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the negotiation of new free trade agreements with U.S. allies that open markets and prevent barriers to trade. The negotiation of comprehensive FTAs (e.g., with the United Kingdom, Kenya, Taiwan) would unleash growth in the consumer technology industry and among SMEs. As would the negotiation of FTAs with partners who maintain high tariff rates that impact exports of consumer technology, and the further expansion of the WTO Information Technology Agreement (ITA).
- Repeal the Section 301 tariffs, which have raised the cost of living for U.S. workers, led to job reductions, and disproportionately harmed low-income families and SMEs. If the expectation is that the United States can only repeal or change the Section 301 tariffs if China changes its system or offers meaningful concessions otherwise, it is highly likely then that these regressive taxes on U.S. workers, businesses, and consumers will stay in place indefinitely. Rather than wait for China, USTR must make the best possible decision for the long-term health of the U.S. economy and all U.S. workers and repeal the Section 301 tariffs.
- **Expand export-focused trade policies and priorities** that bolster dynamic and growing export-focused industries, keep American products competitive in the global marketplace, and secure the future of the U.S. workforce in those industries as a result. Supporting the export of American products and ideas means supporting American leadership in industries like consumer technology, which will determine countries' economic competitiveness in the 21st century. The United States cannot afford to cede its command of these sectors, and the multitude of jobs they support, to countries like China.
- Open access to trade for all American workers by liberalizing trade with allies bilaterally, regionally, and at the WTO through leading cutting-edge trade facilitation initiatives. Workers and SMEs will struggle to access new markets if they are not given the right tools.

CTA expands on these ideas and principles in the attachment that follows in response to USTR's specific questions to stakeholders.

Sincerely,

Michael Petricone

Senior Vice President of Government Affairs

Consumer Technology Association

Ed Brzytwa

Vice President of International Trade Consumer Technology Association

That Buffer TV



Attachment: Responses to Specific USTR Inquiries

1. What meaningful and substantive trade policies, actions, or provisions should policy and decision makers consider that would advance racial and gender equity, equality, and empowerment in U.S. trade and investment policy? If applicable, what existing tools can be better utilized for these goals?

USTR's mandate is to develop and adopt trade policies that meet the objectives of the U.S. Government. In CTA's view, USTR should abide by U.S. statute and negotiate binding free trade agreements and pursuing commitments that open market access and expand export opportunities from the United States. Greater market access benefits SMEs, which are disproportionately owned and run by women and people of color and employ nearly half of the American workforce. SMEs do not have the same resources as large corporations to expand into new markets absent the benefits and incentives that are hallmarks of free trade agreements. Market access levels the playing field for small businesses seeking to globally.

To that end, CTA supports the U.S. re-entrance in the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the negotiation of new free trade agreements with U.S. allies and key trading partners (e.g., the United Kingdom, Kenya, and Taiwan). The recently signed Atlantic Declaration for a Twenty-First Century U.S.-UK Economic Partnership is a welcome development in U.S.-UK trade relations. But it means little for workers and SMEs if not backed up by binding, concrete commitments that create opportunities for greater market access. Further, such commitments should not be isolated to discrete SME chapters of questionable value. Instead, SMEs' interests should be reflected and promoted throughout trade agreements.

USTR should also reinvigorate its leadership in the WTO, which can serve as a platform for increased access to the global trading system for workers from every background. Current and prior U.S. administrations have overlooked the potential of the WTO to unleash economic welfare and opportunities for workers to engage in the global trading system, as well as push back against unfair trading practices by WTO Members like China that disadvantage U.S. companies and workers. CTA urges USTR to consider raising as many specific trade concerns as possible within the relevant WTO bodies¹³ and to ensure that its allies also associate their interventions with those of the U.S. delegation. CTA also urges USTR to engage with allies through the WTO to enhance access to foreign markets and increase cooperation in trade facilitation activities, such as increasing access to ports, logistics services, access to the internet, and more. Further, the WTO can serve as a productive platform to reach plurilateral agreement on expanding the WTO Information Technology Agreement (ITA) and on e-commerce and digital trade, which can further open foreign markets to wide swaths of the U.S. workforce.

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¹³ This includes the General Council on Trade Goods, Council on Trade in Services, TRIPS Council, Committee on Technical Barriers to Trade, ITA Committee, Trade Facilitation Committee, and others.

2. What new and innovative tools, structures, and capacity should the U.S. Government adopt to advance inclusive trade and investment policy? Please identify data gaps that, if addressed, would be most helpful in undertaking meaningful impact analysis.

In an increasingly digitalized and competitive global economy, U.S. businesses and workers depend on digital trade policies that ensure a level playing field abroad. This is particularly important for small businesses, who utilize digital tools to expand their reach and export goods and digital services to customers around the world. As stated above, USTR should prioritize agreements that advance issues of digital trade and expand trade in consumer technology products. For decades, the U.S. government has upheld non-discrimination principles to great effect, providing U.S. businesses with the certainty and support they need to grow their exports. In turn, these businesses hire and grow in local communities across the U.S. These principles are critical in the digital context given that a) well-paying U.S. jobs tied to the digital economy are found in nearly every sector, b) digital jobs have outpaced overall job growth over the last decade, and c) compensation growth for digital jobs exceeds that for all jobs generally. ¹⁴

For example, USTR can help advance discussions in the WTO's Work Programme on E-commerce, pursue the expansion of ITA I and II, launch negotiations on ITA III, and take a leadership role driving the development of new global rules of the road for digital trade. While such issues are not new, the full potential for greater cooperation and access to digital trade has yet to be realized. Access to digital markets has only grown in importance for traditionally marginalized communities, as an increasing majority of U.S. jobs require digital knowledge and rely on the digital marketplace. Increased access to foreign digital markets will provide greater opportunities for the entrance of newcomers and those without entrenched advantages.

USTR should also consider expanding its programs to aid those who have been pushed out of the workforce because of the prior and current Administrations' policies that have punished U.S. importers and undercut exports. Those could include retraining and upskilling programs for those in marginalized communities harmed by under-investment in export sectors, as well as expanding the Trade Adjustment Assistance program to cover export-related job loss that has occurred because of trade enforcement actions like the Section 301 tariffs.

Finally, trade facilitation measures can also lower barriers to entry for international trade. USTR can negotiate stronger trade facilitation provisions to make market access commitments even more effective for SMEs. Such provisions can provide exporters with easily accessible knowledge on exporting to trading partners; simplify customs procedures that cut through red tape; promote cooperation between border agencies to reduce potential disputes and confusion; provide capacity-building for WTO Members to meet their TFA commitments; and include binding "TFA plus" commitments where possible to help SMEs access trading opportunities.

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¹⁴ https://www.uschamber.com/international/trade-agreements/the-digital-trade-revolution-how-u-s-workers-and-companies-can-benefit-from-a-digital-trade-agreement



3. How can trade and investment policy address multiple, intersecting barriers to advancing equity for underserved persons (e.g., rural communities, race/ethnicity, gender, and persons with disabilities)?

To advance equity for underserved persons, USTR should place increased focus on SMEs, on sectors beyond manufacturing, and on programs that will bring more underserved persons into exporting industries. As noted above, SMEs are more likely to be owned by women and minorities than large companies—the smaller the business, the more likely it is to be minority owned. What's more, SMEs are a backbone of rural communities; small businesses provide 42% of all jobs in rural America. SMEs often lack access to capital, investment, foreign markets, and, in the case of rural SMEs, access to broadband and digital connectivity. U.S. trade policy can help SMEs fill these gaps and power their growth. A trade policy that focuses on the needs of SMEs would be more "worker-centric" than USTR's current approach.

Moreover, minority-owned firms are not concentrated in the manufacturing sectors, which seem to be the main targets and beneficiaries of USTR's current tariff-focused policies. The U.S. Census Bureau found that the highest number of Asian-owned firms was in the accommodation and food services sector, the highest number of Hispanic-owned firms was in the construction sector, and the highest number of Black-owned firms was in sectors like health care, professional services, administrative and support services, and more. Black-owned manufacturing businesses was the fourth smallest sector of Black-owned firms out of eighteen sectors. For U.S. trade policy to address barriers to equity for underserved persons, USTR must broaden its focus from narrow sub-sectors like manufacturing to sectors like services, which employ a far larger majority of minority Americans. Doing otherwise ensures that USTR resources remain directed *away* from underserved persons and minority-owned firms.

These priorities can be advanced through a number of means, including public-private partnerships that support SME growth and help bring more disadvantaged communities and workers into exporting industries. The skills used in export-oriented industries—such as consumer technology—often enjoy a "skill premium" that leads to greater demand and higher salaries for those workers. Entering these industries is thus not only good for wage growth; it is an investment that will pay dividends throughout workers' lives.

¹⁵ <u>https://www.jpmorganchase.com/institute/research/small-business/small-business-dashboard/diverse-ownership.</u>

¹⁶ https://www.prnewswire.com/news-releases/rural-small-businesses-play-key-factor-in-american-economic-growth-but-experience-roadblocks-to-success-301560238.html.

¹⁷ https://www.census.gov/library/stories/2023/01/who-owns-americas-businesses.html.

¹⁸ https://obamawhitehouse.archives.gov/sites/default/files/docs/cea trade report final non-embargoed v2.pdf.

¹⁹ https://www.ilo.org/wcmsp5/groups/public/---ed emp/---ifp skills/documents/publication/wcms 561536.pdf.

4. What best practices should USTR consider to ensure that advancing equity, equality, and economic empowerment is standardized in community and stakeholder engagement regarding the development and implementation of U.S. trade and investment policy?

CTA believes that communities and stakeholders are better positioned to share their own experiences and the barriers that they have faced rather than to expound to USTR on specific international trade mechanisms that USTR could develop and implement in its trade policy. USTR should develop its own policies based on and informed by the experiences elicited from communities and stakeholders. To that end, we would suggest USTR implement a best practice that, when engaging stakeholders through requests for comments such as this one, its primary questions focus on eliciting stories, experiences, and lessons learned from those stakeholders to which USTR may otherwise not have access. Many of USTR's comment periods in recent years have been no more than 30 days. Lengthening the time for public responses could increase participation and allow underserved stakeholders a better chance to offer their experiences more fully. More public hearings on issues of trade can also spur public conversation and engagement on these issues. CTA notes that USTR under this Administration has not proactively organized a single public hearing on the issues for which it has solicited comments.

We also believe that USTR's public engagement must be transparent and meaningful. In its many engagements with USTR regarding its Section 301 tariffs in the past six years, CTA has been fully consistent and transparent in its views throughout the policymaking process. USTR, on the other hand, has been neither consistent nor transparent. It made decisions without providing any rationale, it was not forthcoming about the impact of the tariffs on China or the United States, and it continuously moved the goal posts with respect to the objectives of the tariffs. USTR risks losing faith in communities and stakeholders from which it seeks engagement if those stakeholders do not feel that such a dialogue is transparent, meaningful, and robust.

5. Are there specific engagement and consultation considerations and/or processes that policy makers should consider in incorporating equity into U.S. trade and investment policy?

Trade policymakers should ensure that any engagement and consultation process include the largest sectors of the U.S. workforce, including those representing services and SMEs, rather than the smaller sub-sets that USTR has focused on thus far in the manufacturing sectors. USTR could elicit targeted comments and testimony in hybrid-format public hearings from those sectors, as well as the sectors involving many minority-owned firms, to inform its trade policy. USTR should also elicit comments and experiences from the export-side of the economy, such as consumer technology, which USTR has otherwise neglected when making trade policy to date.

6. What key actions should USTR pursue with trade partners and allies to ensure that the benefits from trade and investment policy reach underserved communities?

USTR should prioritize binding and enforceable free trade agreements among allies. Free trade agreements between the United States and its allies are both possible and desirable. High-

standard FTAs with U.S. allies and other trading partners with binding market access provisions will level the playing field for SMEs that would otherwise face high barriers to entry, favoring incumbents with the funds to access foreign markets absent such provisions. CTA also urges USTR to reinvigorate its engagement in the WTO by taking leadership on the ongoing talks to reform the organization, to engage in dispute settlement to remedy unfair or discriminatory trade practices, and to implement the results of dispute settlement even in the event of an unfavorable ruling. Moreover, USTR should use the WTO as a platform to further develop mechanisms for trade facilitation measures that would allow SMEs and other underserved communities to better engage in the international trading system.

7. Are there trade policies, provisions, or actions which are detrimental to advancing racial and gender equity, equality, and economic empowerment? If so, please specify the relevant policy, program, and/or provision, and if available, provide data or analysis that would be useful evidence of this detrimental effect. Do you have a recommendation for how this should be corrected?

CTA maintains that the Section 301 tariffs are particularly detrimental to U.S. workers from underserved communities. CTA has repeatedly warned that the tariff actions would undermine U.S. companies' competitiveness against foreign companies, have inflationary effects, and result in significant U.S. job losses. These ill effects unfortunately have come to pass. As CTA has demonstrated in its abundance of evidence provided to USTR in the past, the tariffs on consumer technology goods have forced many companies to pass costs onto the consumer in the form of price increases. Increasing costs to access technology marginalizes workers unable to afford them in the global digital economy. An increasing majority of jobs require digital knowledge. Workers of every stripe – from white-collar professionals to utility workers or line operators – use technology products, consuming and transmitting data. They therefore require digital skills. Facilitating access to consumer technology is therefore vital to create the workforce of tomorrow. Due to the regressive nature of tariffs and other protectionist trade policies, underprivileged households are the most likely to be excluded from the digitalization of the economy, thus perpetuating inequalities and curbing social mobility.

These price hikes are also felt across U.S. companies, and particularly by SMEs, who are forced to either pay more for products—resulting in profit losses—or buy fewer products that would have otherwise increased their productivity. Lower profit margins lead to more conservative attitudes towards investment and growth, which in turn affect decisions on wages and employment. Many SMEs had to forgo workforce expansions, cut employee benefits, and let go of workers because of these slimmer margins.

It is expected that these depressed employment effects will only worsen over time absent tariff relief. The Tax Foundation reported in April 2022 that U.S. trade war tariffs will reduce long-run U.S. employment by 173,000 full-time equivalent jobs.²⁰ A January 2021 study by Oxford

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²⁰ https://taxfoundation.org/tariffs-trump-trade-war/.

Economics, in conjunction with the U.S.-China Business Council, placed the impact on jobs even higher, reporting that the U.S.-China trade war has already cost 245,000 American jobs.²¹ The same study projected that the U.S. economy would otherwise employ an additional 145,000 people by 2025 if China and the United States gradually reduced their average tariff rates to around 12 percent.²² These general trends were also observed in the technology industry. In this sector, job growth in some cases underperformed pre-Section 301 trends, and otherwise merely matched those trends.²³ In fact, in the communications equipment sector, which includes connected devices and routers—goods that have faced the highest cumulative burden from the Section 301 tariffs among technology products—jobs have remained essentially flat.²⁴ At no point since the tariffs were imposed on communications equipment did U.S. jobs in that sector rise above pre-tariff expected trends.²⁵ Similarly, for computers, despite strong U.S. consumer demand and high tariff rates, there was no significant change in manufacturing jobs.²⁶

In sum, the data is clear: The Section 301 tariffs are bad for the U.S. workforce, particularly underserved workers. USTR should expeditiously wrap up its "four-year review" process, which has now inexplicably dragged into a fifth year. USTR should substantially modify the Section 301 tariff actions and eliminate them from key consumer-focused products.

8. How can trade policymaking better respond to the specific interests of different U.S. regions and local communities?

Trade policy should recognize that, to deliver on its promise to raise everyone up, then *everyone* must be considered when it is being developed. This means that not only should the negative effects of trade be mitigated as much as possible, but that the potential benefits should also be leveraged. This can look like opening market access to SMEs and sectors like agriculture, which depend heavily on access to foreign markets. This can also look like addressing region-specific issues, such as connectivity to the internet in rural communities that have been otherwise shut out of digital trade. CTA urges USTR to pursue many objectives within its larger authority, to support both manufacturing *and* other sectors, to consider both import *and* export-focused sectors, and to both mitigate the potential harms of trade *and* seize its benefits.

https://www.uschina.org/sites/default/files/the us-china economic relationship a crucial partnership at a critical juncture.pdf.

²² Id.

²³ https://shop.cta.tech/products/analysis-of-section-301-tariff-impacts-on-imports-of-consumer-technology-products?variant=43179752358058.

²⁴ *Id.* at 14.

²⁵ *Id*.

²⁶ *Id*. at 15.