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Investigation No. 332-591
Economic Impact Of Section 232 And 301 Tariffs On U.S. Industries
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The National Fisheries Institute ("NFI") appreciates the opportunity to appear before the Commission in this Section 332 Investigation concerning the economic impact of Section 301 tariffs on U.S. industries. NFI represents the entire commercial seafood value chain in the United States, ranging from harvesters and vessel owners to processors, distributors, retailers, and seafood restaurants. Utilizing a mix of domestic and globally sourced products, NFI member companies provide American and overseas consumers billions of sustainable seafood meals every year. According to the United States Department of Commerce, the nation's commercial seafood companies directly employ about 1.25 million workers and indirectly support many more, in the process providing a nutritious protein that the federal government urges Americans to eat two to three times per week.

To begin, the Commission must properly scope the Investigation. Investigation of the impacts of Section 301 tariffs "that were active as of March 15, 2022," means, of course, the tariffs implemented against China origin goods starting in 2018. But the Commission cannot faithfully meet its Section 332 charge without assessing the full sweep of the bilateral dispute, including the People's Republic of

China retaliation against those tariffs, U.S. counterretaliation, China's woeful performance under the Phase I Agreement, and the collateral effects of these actions on U.S. producers, importers, and exporters. All these steps arose out of the nation's imposition of the Section 301 tariffs, and therefore the Commission must take account of their impacts in its Investigation.

Although U.S. commercial seafood producers do not represent the nation's largest manufacturing sector, the experience of these companies over the last four years is illustrative of the impacts of these actions on domestic producers and their American workers. Thus the following summary.

In August 2018, NFI appeared before the Interagency Section 301 Committee in connection with the proposal by the Office of the United States Trade Representative ("USTR") to apply tariffs of ten or 25 percent to $200 billion in annual China origin "List 3" goods, among them finfish and shellfish products shipped to the United States. USTR proposed these tariffs in response to China's implementation of tariffs against U.S. goods exports, an action China took in retaliation against the USTR imposition of the "Lists 1 and 2" tariffs against $50 billion in goods imports from China. NFI argued then that, if put into place against seafood, the List 3 tariff would increase costs for essential inputs for U.S. seafood processors; would punish American seafood harvesters utilizing China processing for U.S.-bound products; and would rob U.S. exporters of competitive access to the world's largest seafood market – all without doing anything to address the violations USTR catalogued in its March 2018 report. That is what happened.

First, the Section 301 duty on inbound seafood items has raised costs for U.S. seafood importers and processors, making their products and workers less competitive and less affordable, and forcing them and their customers to shoulder a massive tax increase. Even incorporating the value of applicable tariff exclusions, NFI estimates that U.S. seafood companies – overwhelmingly small businesses – have paid roughly $700 million in Section 301 duties since the List 3 tariff took effect. Expiration of current exclusions in December 2022 will again expose these companies and the consumers they serve to the full weight of this tax increase. And that appears to have had an impact on U.S. seafood processing employment. According to the Department of Labor, from April 2018-April 2022, the monthly employment figure for seafood product preparation and packing has dropped by 27 percent. Because China producers supply U.S. customers primarily with affordable, value-oriented items, the price impacts of Section 301 duties on China products are highly regressive, making it harder for low- and middle-income families to access seafood in the freezer aisle at retail, and in quick-service and fast-casual restaurants. Piling tariffs on top of record food inflation may place the affected items out of reach of these families.

Second, because a substantial amount of U.S.-harvested white fish and other products is sent to China for secondary processing and re-exportation to the U.S., the Section 301 tariff applies. Applying a punitive tariff to products caught in U.S. waters by U.S. crewmembers aboard U.S.-flagged vessels has the perverse effect of making American fishermen less competitive in their own country. Although USTR since 2018 has intermittently granted exclusions to some of these products, the threat of an expiring exclusion and return to a high tariff is itself harmful. And because in certain cases a substitute can be sourced from a harvesting nation not subject to that duty, the Section 301 policy has incentivized U.S. processors *to source away from U.S. fishermen.* That has happened in, for instance, cod, where the U.S. market reacted to the Section 301 dispute by increasing purchases from Iceland and Norway. According to the Freezer Longline Coalition – operators of Alaska-based catcher-processor cod vessels – the U.S. decision to impose tariffs on re-processed U.S.-harvested seafood, "caused many FLC member company customers in the U.S., China and elsewhere… to refrain from the purchase of seafood from FLC member companies and other U.S. seafood harvesters."

Third, China responded to USTR actions with tariffs of its own, aimed at U.S. goods exports. Starting in summer 2018, this retaliation targeted fish. In quick succession, the PRC assessed 10 and then 25 percent tariffs against U.S.-harvested salmon, lobster, Alaska pollock, cod, halibut, sole, whiting, crab, oysters, and a dozen other species. But the PRC's retaliation came on top of existing duties, creating aggregate rates of 32, 35, even 45 percent on shipments to China. This occurred even as China unilaterally *reduced* tariffs on seafood imports in order to spur additional domestic supply for the world's largest middle class. The results were predictable. The China market, which in 2017 accounted for more than one-fourth of all U.S. seafood exports – has eroded in value by over a half billion dollars and counting.

Given that it established certain commitments for China to purchase U.S. goods – including in foodstuffs – the Phase I Agreement announced in January 2020 offered some promise. China instituted its own tariff exclusion process, in theory waiving its own 25 percent duty on products to the extent necessary to meet its purchase commitments on the goods in question. But from the start China's process was beset with restrictions and a lack of transparency that made it largely inaccessible for most U.S. seafood exporters, who sell to average businesses and not the state-owned behemoths capable of cutting through Beijing's red tape. Here, again, the results were predictable. The scale of China's failure to meet its Phase One purchase commitments with respect to seafood is, so far as NFI is aware, *unmatched by any other Chapter Six purchase category*. Instead of increasing substantially over the 2017 baseline established by Phase I, China seafood purchases *fell* from the 2017 baseline by 44 percent in 2020 and 38 percent in 2021. Principally because of the collapse in the China market, U.S. exports in 2021 declined to their 2011 level.

These impacts have harmed U.S. seafood companies, their workers, and the many coastal *and* inland communities they sustain. One might argue in response that such costs were worth paying in order to discipline China for the many violations USTR established in its Section 301 reports. But that argument would require evidence that the bilateral seafood tariffs, uncertainty, and disruption in two-way commercial seafood trade caused by this dispute in fact persuaded China to reduce illegal subsidies, to rein in cybertechnology crimes, to halt forced technology transfers, to police rampant intellectual property theft, and the like. After four years, NFI is unaware of any such evidence.

Perhaps the Commission should ask proponents of the Section 301 China policy to provide some. In the meantime, NFI urges the Commission to fully consider the harmful impacts of that policy on U.S. seafood companies and their workers as described above.

Thank you.