



January 12, 2023

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600 17th Street NW
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**Comments by the
National Milk Producers Federation and the U.S. Dairy Export Council
in the Four-Year Review of Actions Taken in the Section 301 Investigation:
China's Acts, Policies, and Practices Related to Technology Transfer,
Intellectual Property, and Innovation**

Docket Number USTR-2022-0014

Dear Ms. Peisch:

Our organizations submit the following comments in response to the Request for Comments in Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (USTR-2022-0014). The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) appreciate the opportunity to present their views on this important issue.

NMPF develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of dairy producers on Capitol Hill and with government agencies. NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that affect milk production and marketing. NMPF's contribution to this policy is aimed at improving the economic interests of dairy farmers, thus assuring the nation's consumers an adequate supply of pure, wholesome, and nutritious milk and dairy products.

USDEC is a non-profit, independent membership organization representing the global trade interests of U.S. dairy farmers, dairy processors and cooperatives, dairy ingredient suppliers and export trading companies. Its mission is to enhance U.S. global competitiveness and assist the U.S. industry to increase its global dairy ingredient sales and exports of U.S. dairy products. USDEC and its 120-plus member companies are supported by staff in the United States and overseas in Mexico, South America, Asia, Middle East and Europe. Dairy Management Inc. founded USDEC in 1995 and, through the dairy checkoff program, is the organization's primary funder.

NMPF and USDEC appreciate the challenge facing U.S. policymakers in their efforts to address longstanding issues in China that have negatively impacted many U.S. companies, as well as the importance of holding our trading partners accountable to ensure that rules are properly enforced. However, the Section 301 duties that have been in place on Chinese imports have done little if anything to change the Chinese practices that are the focus of this investigation. Rather than

facilitating solutions, the successive rounds of tariffs have raised costs on American businesses and consumers and have led to tit-for-tat Chinese tariffs that have harmed U.S. exporters. Others will no doubt address the costs to American businesses and consumers who must pay the Section 301 tariffs, but we would like to focus on the impact of the retaliatory tariffs that China very predictably imposed.

Growing U.S. exports has become key to promoting a healthy U.S. dairy sector. Over the past decade, China has become a critically important market for U.S. dairy products. Sales last year alone totaled over \$705 million, ranking China the third largest export market for U.S. dairy products, despite the harmful impact of China's retaliatory tariffs in response to the Section 301 duties. Prior to the U.S.-China tariff stand-off, U.S. dairy exports to China had been growing over the previous decade at 12% a year on a total volume basis and at 17% a year on a total value basis. But U.S. exports to China's fast-growing dairy market fell in 2019 by more than 45% in volume and 25% in value when compared to 2018. The impact on U.S. dairy farm revenues resulting from China's retaliatory tariffs are estimated to be a loss of \$2.6 billion from 2019 through 2021, compared with China export levels had the prior rate of growth not been interrupted.

Our industry welcomed the conclusion of a U.S.-China "Phase One" economic and trade agreement in 2020 that resolved numerous regulatory impediments for U.S. dairy exports to the Chinese market. However, despite accompanying tariff exemptions for select products (primarily provided for through an application-based process), Chinese retaliatory duties still place U.S. exports at a disadvantage when compared to our major trade competitors. While there remains tremendous potential in this market as demand for dairy products continues to expand, China has not prioritized purchasing significantly larger shares of its dairy needs from the U.S. to date. The U.S. dairy industry is committed to the Chinese market, but as market access we have been building for years has continued to slip away to our competitors, it is becoming increasingly more difficult to recover.

We urge USTR to put an end to the Section 301 tariffs assessed on imports from China, while finding different avenues to address concerns regarding China's trade policy actions.

NMPF and USDEC appreciate the opportunity to provide comments on this important issue, and we remain available to provide any further clarification as needed. Should you have any questions, please feel free to contact Shawna Morris, whose contact information is provided below.

Point of Contact:

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