

April 30, 2018

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

Dear Secretary Ross:

The Environmental Technologies and Trade Advisory Committee (ETTAC) appreciates the Administration's justifiable focus on global overcapacity in steel and aluminum and on China's IP theft, forced tech transfer and other unfair trade practices. However, we are concerned that the imposition of sweeping tariffs could trigger a chain reaction of negative consequences for the U.S. economy and provoke retaliation from China and our allies.

With respect to the 232 steel and aluminum tariffs and the proposed tariffs on imports from China, we are already seeing increasing pricing volatility and uncertainty in sourcing, leading to disruptions in pricing schedules and capital projects, regardless of country of origin.

For example, with respect to the 232 steel and aluminum tariffs, advisory committee members note in their enterprises:

- Carbon steel and stainless steel prices are increasing by 7% to 40%
- Materials suppliers will only commit to daily prices
- Lead times to source materials are increasing by an additional 60 days.

Factors such as these are driving up our input costs and making U.S. products less competitive. These increased costs effectively levy a tax on U.S. consumers and businesses, negating landmark gains for American workers from U.S. tax reform.

We believe the Administration must account for the role of the global supply chain in product production and assembly. As you know, these complex supply chains can take years to establish, and in most cases cannot simply be shifted to different countries or facilities without compromising contracts, compliance, quality and value for the consumer. U.S. businesses typically work with contracts anywhere from six to nine months in advance. Applying tariffs on imports of key components from China, the main source of overcapacity, as well as our allies, will certainly disrupt those supply chains. Moreover, if U.S. companies had to try to shift production to different countries in concert, they would face capacity constraints and likely higher prices from suppliers in those countries. Such disruptions in supply chains would likely drive inflation up in the U.S.

We recognize and appreciate the Department's process in the 232 decisions to allow for country and product exclusions. This will be helpful, especially in cases where China may be the only

source of a certain products. We also appreciate the comment period provided for the 301 tariff list. These processes are important to ensure that U.S. consumers and business have an opportunity to identify challenges in their supply chain that could impede their ability to source critical components.

The escalation of trade tensions with China and our allies could result in harm to many companies in the environmental sector, their workers, and their customers. The impact of a trade war and tariffs would be felt by environmental businesses, their workers, and customers who rely on their products to ensure environmental compliance throughout the U.S. and across global environmental industry sectors. This would hurt both the economy and U.S. exports, as well as jobs and consumers in every state where environmental companies manufacture products.

There are alternatives to address China's policies and practices that would not have the same adverse impacts on U.S. consumers, businesses, and local communities as well as undermine the benefits of the tax reform. In particular, it is critically important that the Administration work with like-minded partners to take joint action to effectively address shared common concerns with China's trade and investment policies.

We urge the administration to- re-evaluate the imposition of these tariffs and to work with the business community to find an effective, but measured solution that protects American jobs and competitiveness.

The ETTAC appreciates your consideration of our recommendations and stands ready to work with you and Ambassador Lighthizer to find effective solutions that achieve your fair trade objectives without negatively impacting U.S. workers, consumers, and businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Swinko". The signature is fluid and cursive, with a small mark above the "i" in "Swinko".

Ron Swinko
Chair, ETTAC