

June 26, 2018

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
341 Cannon House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal,

This letter is in response to the Trump administration's recent imposition of tariffs against key trade allies and on imports that are critical to U.S. industries. We write to you with the utmost urgency as these tariffs do more harm than good to our industries and our country's national security.

We fully support the administration's efforts to protect American consumers, jobs, and the economy from trade partners that continue to participate in unfair trade practices. Initially, we were hopeful that these efforts would address the theft of American intellectual property, and the trade of counterfeit goods across our borders. While we wholeheartedly believe that it is not the administration's intent to inflict more burdens on those that have been affected by these egregious trade abuses, the reality of the situation has our industries concerned.

The sale of counterfeit goods makes up 2.5 percent of international trade, or \$461 billion. Furthermore, 20 percent of all global seizures infringe upon U.S. intellectual property. This affects U.S. rights holders big and small, from major apparel brands that we have come to trust for fashionable clothing, those engaged in supplying water filtration and water treatment products, to the mother that sells handcrafted jewelry online.

The administration's Section 232 and Section 301 tariffs place significant barriers on the fight against harmful fakes. U.S. tariffs on critical imported machinery not only hurt industries, but the additional costs trickle-down to consumers thus, affecting their choices. Rather than pay more for legitimate goods, we fear that consumers might seek cheap counterfeits as a replacement, whether knowingly or unknowingly. In other words, U.S. policy could help legitimize fake goods at the expense of rightful intellectual property owners.

Abroad, industries targeted by retaliatory tariffs will lose out on market access to international competitors. For example, China's plan to improve water quality presents a major opportunity for U.S. water treatment brands who have a trusted reputation worldwide. Higher import duties on these products will give foreign brands preference for fulfilling China's needs and shut them out of future competition. Restricted market access prevents industries from investing in critical anti-counterfeiting education, research, and development for protecting their intellectual property.

The U.S. should be leveraging these relationships to put an end to China's mass production of counterfeits instead of focusing on retaliation. Recently, EU Trade Commissioner Cecilia Malmström said the following regarding U.S.-EU relations: "We are determined to do what has to be done, and we are also working with many other countries, because this is not only the EU against the U.S."

We couldn't agree with Chairman Brady any more when he said, "Our trade practices need to hit the right target, which is China and its unfair trade practices, not our allies, and certainly not Americans." These are trade allies. They should not be against us.

China needs to respect U.S. intellectual property rights, and we urge the administration to continue its efforts to hold China accountable. However, such a strategy should include a collaborative front with our trade allies – not fractured relationships resulting in multiple trade conflicts. We fear the current situation has already weakened our country's negotiating position with China and will do more harm than good to the health and safety of consumers, the well-being of our country, and the vitality of our national security.

It is necessary for the administration to be more transparent with the American people since so much more is at stake, and respectfully urge you to exercise your constitutional oversight on trade discussions between the U.S. and the international community.

Thank you for your consideration on this matter. Please contact Mitchell Moonier at (703) 383-1330 or MMoonier@mwcapitol.com with any questions or to discuss further.

Respectfully,

American Apparel & Footwear Association
American Bridal and Prom Industry Association
Fashion Jewelry and Accessories Trade Association
National Office Products Alliance
Precious Metals Association of North America
Water Quality Association