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Ambassador Jamieson Greer
United States Trade Representative
Office of the U.S. Trade Representative
600 17th St. NW
Washington DC, 20508

Re: Initiation of Section 301 Investigation: China's Implementation of Commitments Under the Phase One Agreement; Notice of Hearing; and Request for Public Comments (Docket Nos. USTR-2025-0007, USTR-2025-0020)

Dear Ambassador Greer:

The Consumer Technology Association (CTA) appreciates the opportunity to comment on the Section 301 Investigation initiated by the Office of the United States Trade Representative (USTR) into China's Implementation of Commitments Under the Phase One Agreement.¹ We also welcome your notice of a public hearing on this topic and, by separate submission, respectfully request to testify on December 16.

CTA represents the more than \$537 billion U.S. consumer technology industry which supports more than 18 million U.S. jobs. Our members include over 1200 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 and mid-sized companies. CTA also owns and produces CES®, which showcases technology innovation and serves as a premier forum for technology policy discussions, including trade and investment. Over 142,000 people attended CES 2025, including more than 57,000 from outside the United States.

I. Introduction

CTA appreciates USTR's continued efforts to evaluate China's unfair and distortive trade practices and the significant challenges they pose for U.S. workers, businesses, and innovators. We value the agency's sustained attention to these issues and its willingness to solicit public input as it considers how to ensure China's compliance with its Phase One Agreement commitments.

¹ Federal Register, *Initiation of Section 301 Investigation: China's Implementation of Commitments Under the Phase One Agreement; Notice of Hearing; and Request for Public Comment*, (October 28, 2025), <https://www.federalregister.gov/documents/2025/10/28/2025-19679/initiation-of-section-301-investigation-chinas-implementation-of-commitments-under-the-phase-one>

CTA has engaged with USTR throughout the Section 301 process, including through our many comments on the proposed tariffs on imports from China during the first Trump Administration. In recent years, we submitted comments and provided testimony on multiple occasions, including on the May 2022 Necessity Review of the Section 301 tariffs,² the June 2024 request for comments on proposed modifications of Section 301 tariffs,³ and the October 2025 request for comments on potential extensions of existing exclusions.⁴

Across this record, CTA's position has remained clear: **USTR should avoid placing tariffs on consumer technology products and roll them back where possible.**

Tariffs have not changed China's market-distorting trade policies and practices. They impose substantial and lasting costs on U.S. companies, workers, and consumers. After seven years of Section 301 tariffs, China has expanded many of the practices that concern U.S. firms, including coercive technology-transfer pressures, discriminatory procurement rules, and restrictive data-governance requirements. Meanwhile, the combination of Section 301, Section 232, and IEEPA tariffs have increased inflation, raised production and sourcing costs, discouraged supply chain diversification, and weakened U.S. competitiveness in advanced technology sectors.

To avoid compounding these harms, CTA urges USTR to avoid applying tariffs on consumer technology products under the indefinitely suspended List 4B along with items not yet listed ("no-list items"). We encourage USTR to revoke tariffs on consumer technology products and inputs covered under Lists 1, 2, 3, and 4A. These categories encompass critical devices and components that support U.S. technology leadership, competitiveness, innovation, digital inclusion and economic growth. Higher duties will compromise affordability for American families and businesses and undermine national objectives designed to expand connectivity, health care, education, manufacturing, services, and rural development.

The following comments review China's non-implementation of its Phase One Agreement commitments and the resulting impact on U.S. businesses, workers, and consumers. CTA highlights the ineffectiveness and harmful consequences of Section 301 tariffs, emphasizing that these measures have failed to alter China's trade practices while imposing significant costs on the U.S. economy and technology sector. Instead, CTA advocates for a coordinated, multilateral approach with allies and partners to address China's behavior, promote resilient supply chains, and support American innovation. The comments also urge USTR to maintain transparency and stakeholder engagement throughout the investigation

² Consumer Technology Association, *Consumer Technology Association Comment to Docket USTR-2022-0014, 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*, (January 17, 2023), [final-cta-comments-to-ustr-for-four-year-review-of-china-section-301-tariffs-20230117.pdf](https://www.cta.tech/media/hzvix1ud/cta-final-comments-to-ustr-for-four-year-review-of-china-section-301-tariffs-20230117.pdf)

³ Consumer Technology Association, *CTA Comments to USTR on China Section 301 Tariff Rate Increases and Exclusion Process (USTR-2024-0007)*, (June 28, 2024), <https://www.cta.tech/media/hzvix1ud/cta-final-comments-to-ustr-on-china-section-301-tariff-rate-increases-and-exclusion-process-20240628.pdf>

⁴ Consumer Technology Association, *CTA Comments to USTR on Section 301 Exclusions ((90 FR 44749; Docket ID: 2025-17894)*, (October 16, 2025), [final-cta-comments-to-ustr-on-section-301-exclusions.pdf](https://www.cta.tech/media/hzvix1ud/cta-final-comments-to-ustr-on-section-301-exclusions.pdf)

and recommend targeted tariff relief for consumer technology products to strengthen U.S. competitiveness and economic growth.

CTA looks forward to continued engagement with USTR as it evaluates appropriate responses to China's non-implementation of its Phase One commitments.

II. Tariffs are Inflicting Irrevocable Harm on the U.S. Economy, Consumer Technology Sector, and U.S. Consumers

A. Tariffs are accelerating inflation and eroding household purchasing power

Independent analyses and real-time price evidence show that the Trump Administration's tariff regime, consisting of Section 301, Section 232, and IEEPA tariffs, operates as a broad consumer tax and a measurable source of inflation. The Yale Budget Lab estimates that consumers now face an average effective tariff rate of 16.8 percent, the highest since 1935, and that even after households shift consumption toward substitutes not facing tariffs, the effective rate remains 14.4 percent.⁵ Under current policy, the resulting price shock raises the overall price level by 1.2 percent in the short run, which reduces purchasing power by roughly \$1700 for the average household and about \$900 for households at the bottom of the income distribution. The Tax Foundation reaches a similar conclusion, finding that tariffs amount to an average tax increase of \$1200 per household in 2025 and \$1600 in 2026.⁶

Observed pricing confirms these modeled impacts. The HBS Pricing Lab finds that 2025 tariffs have already contributed about 0.7 percentage points to CPI within six months.⁷ Without tariffs, August 2025 CPI-U inflation would have been roughly 2.2 percent rather than 2.9 percent. The Pricing Lab also finds inflationary spillovers into domestic substitutes. Tariffs raise prices through direct pass-through on imports and reduce competitive discipline in the market. The Federal Reserve Bank of St. Louis finds the same pattern.⁸ Durable goods inflation has moved well above trend as tariff rates increased, with durable goods PCE running 1.83 percent above trend since early 2025 even as headline PCE remained essentially at trend. The St. Louis Fed estimates that tariffs account for 10.9 percent of headline PCE inflation over the 12 months ending August 2025 and attributes roughly 0.5 percentage points of headline PCE annualized inflation, and 0.4 points of core PCE, to tariffs in mid-2025.

This evidence shows that tariffs now operate as a direct and continuing source of inflation. They raise prices across traded goods, spill into domestic substitutes, and reduce competitive pressure, which keeps consumer costs elevated beyond the tariffed items

⁵ The Budget Lab at Yale, State of U.S. Tariffs: November 17, 2025, (November 17, 2025), <https://budgetlab.yale.edu/research/state-us-tariffs-november-17-2025>

⁶ Erica York & Alex Durante, Tax Foundation, *Trump Tariffs: Tracking the Economic Impact of the Trump Trade War*, (November 17, 2025), <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>

⁷ Alberto Cavallo, Paola Llamas, & Franco M. Vazquez, HBS Pricing Lab, *Tracking the Short-Run Price Impact of U.S. Tariffs*, (November 12, 2025), https://www.pricinglab.org/files/TrackingTariffs_Cavallo_Llamas_Vazquez.pdf

⁸ Maximiliano A. Dvorkin, Fernando Leibovici, & Ana Maria Santacreu, Federal Reserve Bank of St. Louis, *How Tariffs Are Affecting Prices in 2025*, (October 16, 2025), <https://www.stlouisfed.org/on-the-economy/2025/oct/how-tariffs-are-affecting-prices-2025>

themselves. Households already absorb these increases through lower real incomes and reduced purchasing power, with the largest burdens falling on lower-income families. Continuing or expanding this tariff regime will deepen these inflationary harms without producing corresponding benefits.

B. Tariffs are weakening growth and employment

The economy absorbs the inflationary burden alongside a clear macroeconomic drag. The Yale Budget Lab estimates that tariffs reduced real GDP growth by 0.5 percentage points in 2025 and 0.4 points in 2026.⁹ The tariffs leave the U.S. economy about 0.3 percent smaller in the long run, which equals roughly \$90 billion annually in 2024 dollars. The Tax Foundation similarly projects a long-run GDP reduction of 0.6 percent under imposed and scheduled tariffs, before additional retaliation, and a 0.5 percent reduction in capital stock.¹⁰

Weaker economic output and reduced investment are contributing to labor market deterioration. The Budget Lab projects that payroll employment will be roughly 460,000 lower by the end of 2025. They also project that the unemployment rate will rise by 0.3 percentage points by the end of 2025 and by 0.6 percentage points by the end of 2026.¹¹ The Tax Foundation estimates long-run job losses will equal 559,000 full-time positions.¹² It attributes roughly 400,000 of those job losses to IEEPA tariffs and an additional 159,000 to Section 232 tariffs. These estimates show that tariffs reduce growth and impose costs on employment and wages.

C. Tariffs are harming the U.S. manufacturing sector

Recent labor market and survey evidence shows that contrary to the Trump Administration's claims, its tariff regime has not revived domestic manufacturing. Federal manufacturing employment has moved in the wrong direction in 2025: the Bureau of Labor Statistics reports that manufacturing payrolls fell by 6000 jobs in September 2025, bringing losses to 58,000 jobs since April 2025 and to 94,000 jobs over the past year.¹³ This pattern undercuts the Administration's claim that Section 301, Section 232, and IEEPA tariffs are "bringing jobs back."

Forward-looking indicators reinforce this picture. ISM's Manufacturing PMI has stayed in contraction territory through most of 2025, including October, signaling that factory activity continues to shrink rather than expand.¹⁴ Respondents describe an environment where tariff-driven cost increases and constant policy shifts suppress new orders, delay production plans and discourage hiring. In other words, the tariffs have not created a durable expansion cycle

⁹ *The Budget Lab at Yale, State of U.S. Tariffs.*

¹⁰ *Tax Foundation, Trump Tariffs,*

¹¹ *The Budget Lab at Yale, State of U.S. Tariffs.*

¹² *Tax Foundation, Trump Tariffs.*

¹³ The Wall Street Journal, *America Lost More Manufacturing Jobs in September*, (November 20, 2025), <https://www.wsj.com/livecoverage/jobs-report-bls-september-stock-market-today-11-20-2025/card/america-lost-more-manufacturing-jobs-in-september-8qhCqaA8rQLXv3fFvxyX>

¹⁴ Institute for Supply Management, *October 2025 ISM Manufacturing PMI Report*, (October 2025), <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/october/>

in manufacturing; they have added uncertainty and input-price pressure that firms cite as reasons to pull back.

Firm-level survey results also align with these national trends. A recent survey of Ohio manufacturers¹⁵ found that about one-third of firms saw tariffs affect sales, and firms reporting sales declines averaged a 16 percent revenue drop while firms reporting gains averaged 9 percent growth. The survey also shows that tariff costs and uncertainty crowd out investment and innovation, with many companies lowering the priority they place on new product development and delaying capital decisions. These findings indicate that tariffs create isolated benefits for some producers but impose broader and more durable costs across the manufacturing supply chain.

D. Tariffs are raising business costs and undermining the consumer technology sector

The Trump Administration's expanding tariff regime places overlapping duties on consumer technology products and inputs. These tariffs raise costs throughout technology supply chains, reduce firms' ability to invest and innovate, and weaken the international competitiveness of U.S. consumer technology producers.

CTA's May 2025 study¹⁶ explained that the Administration's tariff actions would significantly increase costs for essential consumer technology products. The study projects that the tariffs already implemented and those announced in early 2025 reduce consumer spending power by \$123 billion each year and shrink the U.S. economy by an estimated \$69 billion across ten core product categories. Average global tariff rates on many widely used devices at the time of the study exceeded 25 percent, which caused many U.S. technology companies to absorb higher sourcing and production costs relative to their international competitors.

Evidence from CTA's 2025 Tariff Impact Snapshot reinforces this trend.¹⁷ As of mid-September 2025, consumer technology importers have paid \$9 billion in tariffs. This amount is more than triple what they paid during the same period in 2024. Under the tariff schedule in effect on September 15, the industry is projected to pay \$24 billion in tariffs for the full year, which is five times the total paid in 2024. These increases occur while industry revenues remain flat or begin to fall. Current tariff rates include 28 percent on gaming consoles, 25 percent on health technology products, 24 percent on wireless earbuds, 19 percent on accessories, and 18 percent on smart home devices. These sustained cost increases reduce the capital that firms need for research and development, hiring, and long-term investment.

¹⁵ MAGNET, *How Ohio Manufacturers are Navigating a Shifting Trade Landscape*, (November 2025), <https://www.manufacturingsuccess.org/hubfs/Manufacturing%20Surveys/MAGNET-Tariffs-Report-NOV-2025-FINAL.pdf>

¹⁶ Consumer Technology Association, *How the Proposed Trump Tariffs Increase Prices for Consumer Technology Products*, (May 2025), <https://www.cta.tech/research/how-the-proposed-trump-tariffs-increase-prices-for-consumer-technology-products-may-2025/>

¹⁷ Consumer Technology Association, *Industry Forecast 2025-2026: Tariff Impact Snapshot*, (September 2025), <https://www.cta.tech/research/consumer-technology-industry-forecast-2025-2026-tariff-impact-snapshot/>

Consumer survey evidence shows that tariffs also reduce demand for technology products. The 2025 U.S. Consumer Tariff Market Survey conducted by Simon-Kucher finds that tariff-driven price increases lead consumers to delay purchases, shift to lower-cost options, or exit the market.¹⁸ In consumer electronics, a 20 percent price increase produces a 25-percentage-point rise in consumers who say they would stop buying altogether, and even a 10 percent increase triggers significant trade-down and purchase-delay behavior. These demand effects compound the cost shock, lowering sales volumes and weakening returns on innovation in the sectors where U.S. leadership is most critical.

III. Tariffs Are Unpopular and Widely Understood as Price-Increasing

Public opinion has turned sharply against the Administration's tariffs, reflecting both perceived price impacts and doubts about economic benefits. A Fox News poll conducted November 14–17 reports that 63 percent of registered voters disapprove of President Trump's handling of tariffs, compared with 35 percent who approve.¹⁹ The same poll finds 61 percent disapprove of his handling of the economy, and 46 percent say the Administration's economic policies have hurt them personally, versus 15 percent who say they have helped.

Recent data from The Economist/YouGov show that skepticism extends across political ideologies.²⁰ Among Republicans, 44 percent say tariffs increased prices, while only 27 percent say they had no effect. Independents lean even more strongly toward rollback: 40 percent say tariffs should be decreased, compared with 6 percent who say they should be increased. Other national polling underscores the same pattern. CBS News finds 62 percent of those surveyed oppose placing new tariffs on imports and 71 percent say tariffs are already affecting the prices they pay in the short term.²¹ ABC News similarly reports that 63 percent believe tariffs hurt inflation and 55 percent say tariffs harm their family's financial situation.²²

These polls indicate a broad, cross-partisan view that tariffs raise prices and impose tangible costs on households. Voters also express skepticism that tariffs improve economic conditions or protect jobs in practice. Public experience with the tariff regime therefore runs in the opposite direction of its stated aims.

¹⁸ Simon-Kucher, *2025 U.S. Consumer Tariff Market Survey*, (February 2025), <https://www.simon-kucher.com/sites/default/files/media-document/2025-02/2025%20Tariff%20Market%20Study.pdf>

¹⁹ Fox News Poll (tariff approval/disapproval topline), as reported in *Trump's Handling of Economy Gets Lowest Mark in Fox Poll*, Mediaite, (November 19, 2025), <https://www.mediaite.com/politics/trumps-handling-of-economy-gets-lowest-mark-of-all-time-in-new-fox-news-poll/>

²⁰ The Economist/YouGov, *The Economist/YouGov Poll, November 15–17, 2025 (Toplines)*, (November 18, 2025), https://d3nkl3psvxxpe9.cloudfront.net/documents/econtoplines_Wnui9DE.pdf

²¹ CBS News, *CBS News Poll, October 29–31, 2025 (Adults in the U.S.)*, (November 2, 2025), https://d3nkl3psvxxpe9.cloudfront.net/documents/cbsnews_20251102_1.pdf

²² Langer Research Associates for ABC News/Washington Post/Ipsos, *Majority of Americans Say Tariffs Hurt Their Family's Financial Situation*, ABC News, (October 2025 poll fielded September 24–28, 2025), <https://abcnews.go.com/Politics/majority-americans-tariffs-hurt-familys-financial-situation-spending/story?id=127135842>

IV. The Most Effective Means to Address China's Non-Implementation of Its Commitments Under the Phase One Agreement is Coordination with Allies

CTA believes that effective strategies to address China's potential non-implementation of its commitments under the Phase One Agreement will require collaboration with U.S. allies and trading partners. CTA is a firm believer that a multi-geography "team approach" is best suited to counter any burden or restriction on U.S. commerce resulting from China's non-implementation. Through coordinated engagement with allies and partners, the United States can create stable and resilient supply chains that are less dependent on, and thus less susceptible to, the acts, policies, or practices of China.

Further, without engaging others, unilateral efforts by the United States to counter China's unfair practices, including the non-implementation of its commitment under the Phase One Agreement, will be futile. Rather than imposing trade-restrictive measures that force higher burdens on U.S. companies and consumers or restrict imports from U.S. allies, USTR's focus should be on leading a whole of government approach and engaging stakeholders in like-minded countries to address the challenges posed by China.

Among other things, the United States can:

- negotiate bilateral agreements providing for alternative, more reliable, stable, resilient, and transparent technology supply chains;
- develop networks of trusted suppliers for U.S. companies through U.S. allies and aligned trading partners;
- strengthen enforcement mechanisms through the WTO, bilateral agreements, and digital trade frameworks; and
- engage with regional partners to counter China's unfair acts, practices, and policies as well as diversify supply chains outside of China.

Bilateral agreements could include dedicated supply/purchase commitments, right of first offer provisions, and long-term joint development of supply chain infrastructure. An incentive-based framework would reinforce international cooperation and promote the adoption of secure supply chain practices by the private sector.

The Administration is already making substantial progress on cooperation with its allies and aligned trading partners, including through:

- its bilateral agreements with Japan²³, the EU²⁴, Korea²⁵, Malaysia²⁶, Cambodia²⁷, as well as Switzerland and Liechtenstein²⁸ that include purchase commitments;
- its framework deals with the United Kingdom,²⁹ Indonesia³⁰, Thailand³¹, Vietnam³², Argentina³³, Ecuador³⁴, El Salvador³⁵, and Guatemala³⁶ to strengthen economic partnership and bilateral trade and investment cooperation; and

²³ *Fact Sheet: President Donald J. Trump Secures Unprecedented U.S.–Japan Strategic Trade and Investment Agreement*, The White House (July 23, 2025), <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-secures-unprecedented-u-s-japan-strategic-trade-and-investment-agreement/>.

²⁴ *Joint Statement on a United States-European Union Framework on an Agreement on Reciprocal, Fair, and Balanced Trade*, The White House (Aug. 21, 2025), <https://www.whitehouse.gov/briefings-statements/2025/08/joint-statement-on-a-united-states-european-union-framework-on-an-agreement-on-reciprocal-fair-and-balanced-trade/>.

²⁵ *Joint Fact Sheet on President Donald J. Trump's Meeting with President Lee Jae Myung*, The White House (Nov. 13, 2025), <https://www.whitehouse.gov/fact-sheets/2025/11/joint-fact-sheet-on-president-donald-j-trumps-meeting-with-president-lee-jae-myung/>.

²⁶ *Agreement between the United States of America and Malaysia on Reciprocal Trade*, The White House (Oct. 26, 2025), <https://www.whitehouse.gov/briefings-statements/2025/10/agreement-between-the-united-states-of-america-and-malaysia-on-reciprocal-trade/>.

²⁷ *Agreement between the United States of America and the Kingdom of Cambodia on Reciprocal Trade*, The White House (Oct. 26, 2025), <https://www.whitehouse.gov/briefings-statements/2025/10/agreement-between-the-united-states-of-america-and-the-kingdom-of-cambodia-on-reciprocal-trade/>.

²⁸ *Joint Statement on a Framework for a United States – Switzerland – Liechtenstein Agreement on Fair, Balanced, and Reciprocal Trade*, The White House (Nov. 14, 2025), <https://www.whitehouse.gov/briefings-statements/2025/11/joint-statement-on-a-framework-for-a-united-states-switzerland-liechtenstein-agreement-on-fair-balanced-and-reciprocal-trade/>.

²⁹ *Fact Sheet: Implementing the General Terms of the U.S.-UK Economic Prosperity Deal*, The White House (Jun. 17, 2025), <https://www.whitehouse.gov/fact-sheets/2025/06/fact-sheet-implementing-the-general-terms-of-the-u-s-uk-economic-prosperity-deal/>.

³⁰ *Joint Statement on Framework for United States-Indonesia Agreement on Reciprocal Trade*, The White House (July 22, 2025), <https://www.whitehouse.gov/briefings-statements/2025/07/joint-statement-on-framework-for-united-states-indonesia-agreement-on-reciprocal-trade/>.

³¹ *Joint Statement on a Framework for a United States-Thailand Agreement on Reciprocal Trade*, The White House (Oct. 26, 2025), <https://www.whitehouse.gov/briefings-statements/2025/10/joint-statement-on-a-framework-for-a-united-states-thailand-agreement-on-reciprocal-trade/>.

³² *Joint Statement on a United States-Viet Nam Framework for an Agreement on Reciprocal, Fair, and Balanced Trade*, The White House (Oct. 26, 2025), <https://www.whitehouse.gov/briefings-statements/2025/10/joint-statement-on-united-states-vietnam-framework-for-an-agreement-on-reciprocal-fair-and-balanced-trade/>.

³³ *Joint Statement on Framework for a United States-Argentina Agreement on Reciprocal Trade and Investment*, The White House (Nov. 13, 2025), <https://www.whitehouse.gov/briefings-statements/2025/11/joint-statement-on-framework-for-a-united-states-argentina-agreement-on-reciprocal-trade-and-investment/>.

³⁴ *Joint Statement on Framework for United States-Ecuador Agreement on Reciprocal Trade*, The White House (Nov. 13, 2025), <https://www.whitehouse.gov/briefings-statements/2025/11/joint-statement-on-framework-for-united-states-ecuador-agreement-on-reciprocal-trade/>.

³⁵ *Joint Statement on Framework for United States-El Salvador Agreement on Reciprocal Trade*, The White House (Nov. 13, 2025), <https://www.whitehouse.gov/briefings-statements/2025/11/joint-statement-on-framework-for-united-states-el-salvador-agreement-on-reciprocal-trade/>.

³⁶ *Joint Statement on Framework for United States-Guatemala Agreement on Reciprocal Trade*, The White House (Nov. 13, 2025), <https://www.whitehouse.gov/briefings-statements/2025/11/joint-statement-on-framework-for-united-states-guatemala-agreement-on-reciprocal-trade/>.

- its Technology Prosperity Deals (TPD) with the United Kingdom,³⁷ Japan,³⁸ and Korea.³⁹

Additionally, the United States has proven in the past that offensive WTO dispute settlement cases can successfully compel China to change WTO-inconsistent practices. Prior to USTR's decision to disable the Appellate Body (AB) by blocking the appointment of new AB members, the U.S. government had a solid track record of using the dispute settlement system to address China's WTO-inconsistent practices. Most notably, in 2012, the United States, the European Union, and Japan together successfully prosecuted China's export restraints on rare earths and other critical minerals.⁴⁰ China lost this case, did not appeal, and modified its measures that the dispute settlement panel found to be inconsistent with its WTO commitments, including those under China's WTO Accession Protocol.

USTR, unfortunately, never deployed this highly successful model again. During the first Trump Administration, USTR brought a single, largely pro forma WTO case against China focused on China's intellectual property licensing and forced technology transfer rules as part of the predicate for the Section 301 tariffs.⁴¹ China moved to revise the challenged technology-transfer framework soon after, including through its 2019 Foreign Investment Law, which prohibited mandatory technology transfer and was aimed at the measures at issue in the WTO dispute.⁴² Even so, after a dispute settlement panel was composed in January 2019, USTR asked the WTO Dispute Settlement Body to suspend the panel's work, and the panel's authority lapsed in 2021. Since then, USTR has not pursued new offensive WTO cases against China on these issues. Instead, it has been largely on the defensive in WTO litigation brought by China against U.S. measures, including the Section 301 tariffs,⁴³ the Section 232 steel and aluminum tariffs,⁴⁴ and the IEEPA-fentanyl⁴⁵ and reciprocal tariffs⁴⁶ imposed by the U.S. in 2025.

³⁷ *Memorandum of Understanding Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland Regarding the Technology Prosperity Deal*, The White House, (Sept. 18, 2025), <https://www.whitehouse.gov/presidential-actions/2025/09/memorandum-of-understanding-between-the-government-of-the-united-states-of-america-and-the-government-of-the-united-kingdom-of-great-britain-and-northern-ireland-regarding-the-technology-prosperity-deal/>.

³⁸ *Memorandum of Cooperation Regarding the Technology Prosperity Deal Between the Government of the United States of America and the Government of Japan*, The White House, (Oct. 28, 2025), <https://www.whitehouse.gov/articles/2025/10/u-s-japan-technology-prosperity-deal/>.

³⁹ *Memorandum of Understanding Between the Government of the United States of America and the Government of the Republic of Korea regarding the U.S.-ROK Technology Prosperity Deal*, The White House, (Oct. 29, 2025), <https://www.whitehouse.gov/articles/2025/10/u-s-korea-technology-prosperity-deal/>.

⁴⁰ China — Rare Earths, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds431_e.htm.

⁴¹ China — Intellectual Property Rights II, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds542_e.htm.

⁴² Centre for International Governance Innovation, *Understanding the Intellectual Property Disputes between China and the United States*, May 15, 2019, <https://www.cigionline.org/articles/understanding-intellectual-property-disputes-between-china-and-united-states/>.

⁴³ US — Tariff Measures (China), https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds543_e.htm.

⁴⁴ US — Steel and Aluminium Products (China), https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds544_e.htm.

⁴⁵ China — Fentanyl Tariffs, www.wto.org/english/tratop_e/dispu_e/cases_e/ds633_e.htm.

⁴⁶ China - Reciprocal Tariffs, www.wto.org/english/news_e/news25_e/dsrfc_08apr25_e.htm.

USTR's zeal for tariffs has hidden its failure to leverage other, more effective tools to address barriers to trade. Offensive dispute settlement cases at the WTO appear to have fallen out of USTR's toolbox entirely, not just with respect to China but also with respect to all other WTO Members. Since 2019, USTR has forgone critical opportunities to hold China and other WTO Members to account regarding their WTO commitments and increase U.S. leverage in negotiations to address barriers to trade through dispute settlement proceedings.

For the aforementioned reasons, CTA strongly urges USTR to focus on engaging with U.S. allies and aligned trading partners and utilizing its vast array of non-tariff tools to address any potential burden or restrictions on trade that may result from China's non-implementation of its obligations under the Phase One Agreement while protecting the interests of U.S. businesses, workers, and consumers.

V. Tariffs are an Ineffective Tool for Achieving the Objectives of Section 301 and Addressing China's Non-Implementation of Its Commitments Under the Phase One Agreement

A. Tariffs have not worked to change China's practices

The results of USTR's own necessity review ("Review")⁴⁷ show that tariffs are an ineffective tool for addressing China's forced technology-transfer practices, let alone for rebalancing the U.S.–China trade relationship or safeguarding American workers. USTR's findings that China continued, and in some respects escalated, its efforts to extract technology from U.S. companies underscore that the Section 301 duties have not curbed the practices at the core of the original investigation.

Although USTR notes that China issued certain policy statements in the years since the tariffs were imposed, the Review characterizes these actions as "superficial measures aimed at addressing negative perceptions," not the "fundamental reform" required to eliminate coercive technology transfer.⁴⁸ Simultaneously, China intensified its use of cyber intrusions, cyber-enabled theft, data-harvesting tactics, and other forms of pressure to obtain advanced technology. This shows that the tariffs neither reshaped China's strategic aims nor constrained its ability to pursue them. By acknowledging that the tariffs failed to produce meaningful or sustained behavioral change, USTR undercuts its own justification that continued duties are needed to "maintain the current leverage."

The tariffs also did nothing to foster constructive engagement, raise specific concerns, or encourage negotiated outcomes under the Phase One Agreement. Instead, they escalated tension, encouraged sharp retaliatory signaling, and contributed to the deterioration of bilateral relations. China has shown willingness to respond with tit-for-tat tariff measures, continuing the pattern of reciprocal escalation. And while these actions originate at the

⁴⁷ USTR, *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*, (May 14, 2024), <https://ustr.gov/sites/default/files/USTR%20Report%20Four%20Year%20Review%20of%20China%20Tech%20Transfer%20Section%20301.pdf>

⁴⁸ *Ibid*, 16.

government-to-government level, the resulting costs fall overwhelmingly on private U.S. businesses, workers, and consumers, who bear the consequences of reduced market access, higher prices, and persistent uncertainty.

USTR's Review claims the tariffs worked because some firms shifted production out of China. But this framing overstates the role of tariffs while overlooking broader drivers of diversification. In recent years, companies adjusted supply chains for several reasons. Pandemic-related disruptions, geopolitical instability, and logistics volatility drove firms to reassess sourcing.⁴⁹ Companies also pursued internal goals to improve resilience, reduce concentrated risk, raise fulfillment rates, and lower total landed costs.⁵⁰ Many firms already planned or executed these shifts before the imposition of tariffs. In fact, increased duties complicate diversification by raising input and production costs precisely when companies need flexibility and capital to reconfigure operations. Rather than accelerating transitions, tariffs often slow them by constraining resources and reducing demand through higher consumer prices. In fact, imposing tariffs on imports from both China and U.S. allies and trading partners has caused some companies to keep sourcing from China or reverse course back to China.

B. The U.S. has more effective tools at its disposal for combating China's practices

1. Engage in Dialogue with China

The United States should pursue sustained, high-level engagement with China to address the underlying policies that distort technology transfer and competition. Diplomatic dialogue helps establish clear expectations, reduce misunderstanding, and create structured channels for raising concerns about industrial policies, data regulations, licensing pressures, and market access barriers. Regular engagement also gives USTR and other agencies opportunities to press for concrete reforms, reinforce the importance of fair treatment for foreign firms, and encourage China to align its practices with global norms. While dialogue alone cannot resolve every issue, it remains an essential tool for securing commitments, monitoring follow through, and reducing reliance on blunt measures that raise costs for American consumers and businesses. In fact, Chapter 7 of the Phase One Agreement sets a regular cadence of working-level and political-level engagement to ensure compliance and avert triggers to the enforcement mechanism. USTR and Treasury should restart that engagement to press China on outstanding Phase One concerns.

2. Use Targeted Enforcement Tools that Directly Constrain PRC Firms

Modern U.S. policy tools restrict the growth of PRC firms tied to forced technology transfer, IP theft, and coercive industrial practices. These tools deliver effects that broad tariffs cannot:

i. Dispute Resolution under Phase One:

⁴⁹ Supply Chains and US Inflation: Short-Term Gains, Long-Term Pains?, GOLDMAN SACHS (Nov. 21, 2022).

⁵⁰ Made in America: Here to stay?, KEARNEY (2024) ("Kearney 2024 Reshoring Index").

Article 7.4 of the Phase One Agreement sets out a dispute resolution process when one party raises a concern. It lays out the consultation steps and allows the complaining party to act based on the facts developed in those consultations if the parties do not resolve the issue. If this Section 301 investigation leads USTR to identify Phase One compliance problems, USTR can follow Article 7.4 and take appropriate action to secure full implementation of the deal.

ii. DOJ data security rule:

The DOJ Data Security Program⁵¹ restricts how PRC-linked entities can access sensitive U.S. data through cloud services, analytics platforms, and other transactions. This rule closes a channel China has used to harvest U.S. data for commercial and strategic advantage.

iii. OICTS authorities:

Commerce's OICTS authorities allow the United States to review and restrict ICTS transactions involving PRC suppliers when those transactions create unacceptable risks. These actions limit PRC access to U.S. networks and reduce the ability of Chinese firms to embed software or equipment that generates leverage over U.S. companies. Together, these tools constrain PRC firms where it matters most: access to U.S. capital, advanced technology, sensitive data, and ICT infrastructure.

3. Use Public Lists to Expose PRC Firms that Benefit from Coercive Practices

The U.S. government has used public lists effectively to highlight concerning PRC practices, including the Entity List and related tools. A focused list of PRC firms that benefit from forced technology transfer or IP theft would deter global companies from engaging with these firms and weaken their commercial position. This targeted approach would reduce the competitiveness of firms that profit from the practices at the center of the Section 301 investigation without imposing new costs on American importers or consumers.

C. Maintaining increased tariffs is counterproductive and inconsistent with the Trump Administration's policy objectives

The Administration has stated that its trade actions aim to strengthen U.S. manufacturing, enhance global competitiveness, and reinforce American leadership in advanced technologies.⁵² Maintaining elevated and overlapping tariffs undermines each of these goals. Rather than fostering resilience and growth, the current tariff regime raises production costs, discourages investment, and weakens the competitive position of U.S. firms.

First, higher input costs directly work against domestic manufacturing goals. Tariffs raise the price of components, materials, and equipment that U.S. producers rely on, increasing

⁵¹ National Security Division, U.S. Department of Justice, Data Security, <https://www.justice.gov/nsd/data-security>

⁵² The White House, *America First Trade Policy*, (January 20, 2025), <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>

production expenses and compressing already narrow margins. These conditions deter firms from expanding U.S. capacity and, in many cases, lead companies to delay or scale back domestic investment. As previously mentioned, manufacturing employment has declined in the past year, reflecting this weakening environment.

Second, tariffs reduce the global competitiveness of U.S. technology companies. Firms in the consumer technology sector compete in fast-moving international markets where pricing, innovation cycles, and supply chain efficiency determine success. Tariffs raise the cost of sourcing and production for U.S. firms while leaving many foreign competitors unaffected. As a result, international rivals can often access the same components at lower cost, price finished products more competitively, and gain market share at the expense of U.S. companies. This dynamic is reflected in multiple CTA studies, described in Section II, which find that excessively high tariff rates on consumer technology products raise costs, weaken consumer purchasing power, and ultimately erode the competitiveness of U.S. firms.

Third, the tariff regime weakens U.S. technology leadership over time. Sustained innovation depends on consistent investment in research and development, workforce training, new product design, and next-generation manufacturing. Tariffs divert resources away from these priorities by increasing operating costs and reducing available capital for long-term investment. Sharp tariff increases squeeze investment budgets and delay product development, even as global competitors continue to scale production and invest in emerging technologies without comparable trade barriers. This dynamic erodes U.S. leadership in the very strategic sectors the Administration has identified as national priorities.

Finally, imposing tariffs on U.S. allies through IEEPA and Section 232 makes supply chain diversification more difficult, not less. These tariffs raise the cost of shifting production to alternative markets and cut against the Administration's stated objective of reducing reliance on China through coordination with like-minded economies. In practice, imposing broad and overlapping duties on allies increases costs for U.S. companies and consumers while limiting the feasibility of building resilient non-China supply chains.

For these reasons, continued reliance on elevated tariffs does not advance the Administration's strategic objectives. It raises production costs, chills investment, weakens competitiveness and slows the innovation needed to sustain U.S. manufacturing strength and technology leadership.

VI. USTR Should Permanently Remove Consumer Technology Products and Inputs from Section 301 Actions

Given the renewed negotiations and resulting deal between the United States and China, as well as the recent steps taken by both sides to implement the terms of the deal,²¹ CTA would like to reiterate that the Administration should avoid imposing tariffs on the List 4B products and other "no-list" products, which include price-sensitive consumer technology products. As a part of the Phase One Agreement, the prior Trump Administration agreed to suspend any tariffs on List 4B products indefinitely. We urge the Administration to maintain this course to

avoid aggravating U.S. relations with China even further, especially in light of the “truce” agreed to by President Trump and President Xi on October 30 in South Korea.

CTA also urges USTR to remove existing Section 301 tariffs on consumer technology products and inputs under Lists 1, 2, 3, and 4A, particularly where no domestic production exists or there is insufficient domestic supply. CTA and our member companies heavily rely on the global supply chain to produce high-quality, innovative, and cost-competitive technology products. They represent the foundation of American innovation and competitiveness. U.S. leadership in high-tech, innovative industries is critically dependent on cost-effective access to goods covered by the Section 301 tariffs.

At a time when the United States is striving to achieve technology dominance and spread access to technology to all parts of our country, tariffs on consumer technology products under Lists 1, 2, 3, and 4A directly undermine these goals and undercut the ability of U.S. businesses to compete on a global scale. This, in turn, harms U.S. businesses, consumers, and workers. Thus, given the importance of consumer tech products for U.S. leadership and competitiveness, CTA urges the Administration to remove existing Section 301 tariffs on them and not to use them as leverage or bargaining chips in future trade negotiations.

VII. USTR Must be Consistent in its Policymaking and Abide by its Statutory Procedural and Transparency Obligations During this Review and Any Future Use of its Section 301 Authority

We welcome a consistent, transparent process and approach with the opportunity for continued industry input as USTR considers potential remedy actions under its Section 301 authority. Pursuant to the requirements under the APA, USTR must follow a robust and fulsome process when conducting Section 301 investigations, including conducting notice and comment rulemaking to “incorporate in the rules adopted a concise general statement of their basis and purpose.”²² By considering all relevant factors when proposing remedies under its Section 301 authority,²³ USTR ensures a stable and consistent policy environment, which is necessary for American and foreign companies to build up a significant manufacturing footprint in the United States. Any uncertainty stemming from remedy actions will threaten to undercut the confidence of companies.

As such, USTR should conduct an open, transparent, and fair engagement process with stakeholders, including the following:

- **Consult Industry and Classify Risk-Based Components:** Engage with the private sector to identify the risks and impact associated with USTR’s actions, and apply narrow, evidence-based trade tools.
- **Provide a Forum for Meaningful Engagement:** Allow sufficient time and opportunity for meaningful engagement between government and the private sector, in formal comment opportunities, public hearings, and other formal consultation mechanisms. CTA welcomes the establishment of a clear and structured timeline for stakeholder engagement, following this solicitation of public comment but before the

conclusion of the Section 301 investigation, which would enable us to contribute constructive and well-researched recommendations to support the Administration's efforts.

- Offer Transparent Methodology: Publish clear methodologies and economic impact assessments for this and future Section 301 investigations allowing stakeholders to provide valuable insights and expert opinions for USTR to consider when making final determinations.

Failure to provide a transparent and fair engagement process would only undermine business confidence and compliance, running counter to the Administration's goal of effectively addressing China's potential non-implementation of its commitments under the Phase One Agreement.

VIII. Conclusion

CTA appreciates USTR's continued efforts to examine China's policies and assess their impact on U.S. companies and workers. The record developed through this and prior proceedings demonstrates that a unilateral, tariff-heavy approach has not achieved the objectives of Section 301. After seven years of duties, China's underlying practices remain unchanged, while the tariffs themselves have increased production costs, reduced consumer purchasing power, constrained investment, and weakened U.S. competitiveness in key technology sectors.

For these reasons, CTA strongly recommends that USTR refrain from imposing duties on products that currently face no Section 301 tariffs, including the List 4B products and other "no-list" items. CTA also urges USTR to remove tariffs on consumer technology products covered under Lists 1, 2, 3, and especially 4A. Prioritizing targeted tariff relief for these products would support U.S. innovation and technology manufacturing, enable firms to diversify supply chains, and reduce cost pressures on American households, all without diminishing U.S. leverage in efforts to address China's policies.

Looking ahead, the United States should focus on cooperative, multilateral strategies with allies and partners that face the same barriers in China. Coordinated engagement through WTO mechanisms, bilateral agreements, and regional frameworks offers a more effective and durable path to encourage meaningful reforms in China's trade practices and strengthen global supply chain resilience.

CTA thanks USTR for the opportunity to provide these comments and stands ready to continue working with the agency as it evaluates appropriate actions under Section 301.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Brzytwa".

Ed Brzytwa
Vice President of International Trade
Consumer Technology Association

A handwritten signature in black ink, appearing to read "Michael Petricone".

Michael Petricone
Senior Vice President of Government Affairs
Consumer Technology Association

Annex

Whether non-implementation by China of its commitments under the Phase One Agreement denies rights of the United States or an act, policy, or practice of China denies benefits to the United States.

China continues to use policies that limit market access, pressure U.S. companies to disclose sensitive information, and create unpredictable compliance obligations. These practices appear in many areas. U.S. companies still report cyber intrusions, data-harvesting tactics, and informal mechanisms that pressure firms to share technology. China has also expanded its use of opaque regulatory processes, coercive licensing conditions, discriminatory procurement rules, and intrusive data-governance requirements. These actions reflect long-standing industrial and security strategies that run counter to the commitments China made in Phase One.

These persistent behaviors also reveal the limits of tariffs as a policy tool. Seven years of Section 301 duties have coincided with China expanding many of these practices. During the tariff period, China tightened data localization rules, broadened the *xinchuang* indigenization program, increased export-control interventions (e.g., its October 2025 export controls on rare earth elements and refined materials),⁵³ and maintained coercive technology-transfer pressure. Tariffs did not curb these practices and did not create incentives for meaningful change. Instead, tariffs raised costs for U.S. companies and consumers, reduced investment capacity, and complicated supply chain diversification at the exact moment firms needed flexibility.

For these reasons, USTR should not impose additional duties on products that remain tariff-free, including List 4B products and products not yet on a list, and should not increase rates on consumer technology goods under Lists 1 through 4A. These tariffs have not delivered structural changes in China's behavior and have harmed U.S. competitiveness. The United States should address these issues through coordination with allies that face the same barriers and through multilateral channels that more directly target China's regulatory and industrial policies.

China's implementation of its commitments under the Phase One Agreement, including concrete examples of non-implementation of specific commitments.

U.S. companies encounter many specific policies that conflict with the commitments China made in Phase One and that create ongoing barriers in the market.

China enforces the Unreliable Entity List⁵⁴ without clear standards or predictable procedures. Companies report sudden designations and unclear paths to compliance. Export licenses for

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⁵⁴ China adjusts unreliable entity list measures on certain U.S. firms: ministry, PRC State Council, Aug. 12, 2025, https://english.www.gov.cn/news/202508/12/content_WS689aad53c6d0868f4e8f4c67.html.

rare earth elements and magnets face long delays, shifting criteria, and unexplained rejections, which complicate production planning for U.S. manufacturers⁵⁵.

China continues to create unique technology standards that favor domestic suppliers. A clear example is the requirement that computer processors pass a proprietary Chinese security test. Many U.S. companies cannot share the sensitive technical information required for this test. The result is a de facto barrier that blocks foreign processors from public procurement and signals further divergence from global norms.⁵⁶

China has not carried out its Phase One obligations to curb pirated and counterfeit goods sold through domestic e-commerce platforms. China has fallen short on its enforcement commitments in Section E and Section G, which require stronger action against platforms that facilitate infringement and meaningful penalties for repeat violations, including revoking operating licenses where appropriate. By failing to enforce these commitments, China allows counterfeit listings and sales to persist and reach U.S. consumers and businesses. This failure weakens the Agreement's intellectual property protections and harms legitimate companies that comply with the rules.

China's procurement⁵⁷ and indigenization policies, including the *xinchuang* initiative,⁵⁸ direct government agencies, state-owned enterprises, and critical infrastructure operators to purchase only domestic hardware, software, and cybersecurity products. These policies exclude U.S. companies from major sectors of the economy.

Since 2017, China has been developing and implementing a comprehensive cyber and data regulatory framework, which has placed onerous but vague compliance requirements on U.S. technology companies. Moreover, the Chinese laws, regulations, policies and proposals making up this framework have introduced measures that erect substantial market access barriers:

- China's 2017 Cybersecurity Law (CSL)⁵⁹ is broadly written and imposes a complex and burdensome cybersecurity review on companies. It also serves as China's legal justification behind certain regulations, such as the Multi-Level Protection Scheme 2.0, which restrict usage of foreign technology products.

⁵⁵ China is still choking exports of rare earths despite pact with U.S., Wall Street Journal, Jun. 26, 2025, <https://www.wsj.com/world/china/china-rare-earths-exports-2fd0dab4>.

⁵⁶ Regulations on Network Data Security Management, PRC State Council, Sept. 30, 2024, https://english.www.gov.cn/policies/latestreleases/202409/30/content_WS66fab6c8c6d0868f4e8eb720.html.

⁵⁷ The Government Procurement Law of the People's Republic of China, National People's Congress, Dec. 6, 2007, http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/06/content_1382108.htm.

⁵⁸ Understanding China's Xinchuang Initiative, U.S.-China Business Council, Oct. 9, 2024, <https://www.uschina.org/articles/understanding-chinas-xinchuang-initiative/>.

⁵⁹ Translation: Cybersecurity Law of the People's Republic of China (Effective June 1, 2017), Stanford University, Jun. 29, 2018, <https://digichina.stanford.edu/work/translation-cybersecurity-law-of-the-peoples-republic-of-china-effective-june-1-2017/>

- The Data Security Law (DSL)⁶⁰ introduces stringent data localization requirements for CIIOs, as well as compliance requirements for overseas transfer of important data. The broad and vague definition of what constitutes CIIOs, as well as important data, means that U.S. technology companies continue to face high costs to comply with the law.
- The Personal Information Protection Law⁶¹ and the Outbound Data Transfer Security Assessment Measures⁶² build on the CSL and the DSL in imposing onerous measures on the cross-border transfer of data, while also containing opaque or incomplete guidance.
- The Cyberspace Administration of China's (CAC's) Measures on Data Exit Security Assessment, effective since September 2022, set forth requirements for cross-border transfers of important data and personal information by CIIOs and companies meeting certain thresholds, including mandatory self-evaluations and security assessments. This framework, combined with certification and standard contract rules, creates heavy compliance burdens and risks disclosure of trade secrets and IP for foreign companies.

The persistence of these practices also shows that tariffs have not been effective in addressing them. Despite several years of Section 301 duties, China has continued to expand the policies that concern U.S. companies, including restrictive data requirements, indigenization directives, export licensing delays, and unique technical standards. These developments demonstrate that tariff measures have not influenced the underlying regulatory direction in China. For this reason, additional or higher tariffs would not resolve these issues and would instead increase costs for U.S. businesses and consumers.

Any future Phase Two agreement must address China's digital and data-governance regime directly. The United States should pursue binding commitments on cross-border data transfers, data localization, cybersecurity reviews, and regulatory transparency to prevent China from using digital rules as non-tariff barriers and to ensure that U.S. companies can operate in China without facing unpredictable, discriminatory, or intrusive requirements.

Any estimate of the burden or restriction on U.S. commerce resulting from any non-implementation by China of its commitments under the Phase One Agreement.

China's non-implementation of its commitments, combined with its broader regulatory approach, imposes significant costs on U.S. companies that operate in or source from China. As described earlier in these comments, U.S. firms face higher compliance costs from China's data-localization rules, cybersecurity reviews, vague export-licensing practices, and

⁶⁰ Data Security Law of the People's Republic of China, National People's Congress, Jun. 10, 2021, http://www.npc.gov.cn/englishnpc/c2759/c23934/202112/t20211209_385109.html

⁶¹ Personal Information Protection Law of the People's Republic of China, National People's Congress, Dec. 29, 2021, http://en.npc.gov.cn.cdurl.cn/2021-12/29/c_694559.htm.

⁶² Translation: Outbound Data Transfer Security Assessment Measures – Effective Sept. 1, 2022, Stanford University, Jul. 8, 2022, <https://digichina.stanford.edu/work/translation-outbound-data-transfer-security-assessmentmeasures-effective-sept-1-2022/>

discriminatory procurement and standards policies. These measures reduce market access, increase legal and operational risk, and limit long-term planning.

At the same time, U.S. firms also absorb the ongoing cost of Section 301 tariffs. CTA's May 2025 analysis shows that the current and announced tariff actions on a set of ten core consumer technology categories alone reduce U.S. consumer spending power by an estimated \$123 billion each year and shrink the U.S. economy by about \$69 billion annually. These burdens fall on U.S. households and businesses, not on the Chinese government entities that design and implement the underlying policies of concern.

In CTA's view, China's non-implementation clearly restricts U.S. commerce. However, the past seven years also show that tariffs have not corrected these practices and have instead added substantial costs for U.S. producers, workers, and consumers.

What action, if any, should be taken to address these issues, including:

- ***The level and scope, if any, of duties on products of China.***

CTA does not support additional or higher duties as a response to China's non-implementation of its Phase One commitments. The existing Section 301 tariffs have not produced meaningful changes in the practices at issue, including discriminatory procurement, data localization, restrictive export licensing, and coercive technology-transfer pressures. Instead, they have increased input costs, suppressed demand, and diverted resources away from investment and innovation in the United States.

CTA strongly recommends that USTR refrain from imposing duties on products that currently face no Section 301 tariffs, including the List 4B products and other "no-list" items. CTA also recommends that USTR not increase tariff rates on consumer technology products covered under Lists 1, 2, 3, and especially 4A, and that USTR prioritize targeted tariff relief for these products. Reducing these duties would support U.S. competitiveness, help firms diversify supply chains, and ease cost pressures on U.S. households without weakening U.S. leverage over China's policies.

The United States should instead work with key allies and partners that face the same barriers in China. Coordinated engagement, including joint use of WTO mechanisms, plurilateral arrangements, and aligned regulatory dialogues, is more likely to address structural policies than unilateral tariffs that fall on U.S. importers and consumers.

- ***The level and scope, if any, of fees or restrictions on services of China.***

CTA does not believe that new fees or broad restrictions on Chinese services provide an effective response to the problems identified in this investigation. The core concerns relate to China's domestic regulatory measures in areas such as cybersecurity, data governance, standards, export controls, and procurement. Additional fees or restrictions on services supplied from China would not directly address those policies and could invite further retaliation in areas where U.S. firms remain competitive.

Rather than imposing new service-related measures, the United States should focus on cooperation with allies to develop and promote high-standard digital trade and services commitments, including disciplines on data flows, localization, and discriminatory regulation. This approach would better support U.S. service exporters while creating a clearer framework for addressing China's practices over time.

- ***The level and scope, if any, of import restrictions on products of China.***

CTA does not support new import restrictions on products from China as a tool for addressing China's non-implementation. Additional restrictions would raise costs for U.S. manufacturers and consumers, complicate supply chain planning, and increase uncertainty for businesses that already face a challenging regulatory environment in China. As with additional tariffs, such restrictions would likely fail to influence the underlying industrial and regulatory strategies that give rise to the concerns identified in this investigation.

Instead of expanding restrictions, USTR should pursue policies that reduce unnecessary costs on U.S. firms and households while strengthening cooperation with like-minded partners. Trade tools should focus on opening markets and promoting clear, rules-based disciplines rather than creating new barriers that primarily affect U.S. stakeholders.

The appropriate aggregate level of trade to be covered by any additional duties on products of China, fees or restrictions on services of China, or import restrictions on products of China.

Given the experience of the past seven years, CTA does not see justification for any expansion in the aggregate level of trade subject to new duties, fees, or restrictions. Existing Section 301 tariffs have not delivered measurable improvements in China's implementation of its commitments or in its broader trade-related policies. Additional coverage would increase the economic burden on U.S. companies and consumers without addressing the root causes of the problem.

From CTA's perspective, the appropriate aggregate level of trade to target with additional duties, fees, or import restrictions in this context is zero. Policy efforts should instead focus on:

1. Working closely with allies and partners that face the same PRC acts, policies, and practices, including through the WTO and other multilateral or plurilateral initiatives; and
2. Providing relief from existing tariffs on consumer technology products, including by refraining from imposing duties on List 4B and other currently untariffed products and by not increasing, and ultimately reducing, tariff rates on products covered under Lists 1, 2, 3, and especially 4A.

This approach would reduce unnecessary costs on the U.S. economy, enhance U.S. competitiveness and supply chain resilience, and support a more effective, coordinated strategy to address China's non-implementation and related trade practices.