



May 12, 2021

Katherine Tai, JD
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508
via email: engagement@ustr.eop.gov

Addressing the negative impact of select tariffs on Chinese commodities

Dear Ambassador Tai,

On behalf of the American Herbal Product Association¹ (AHPA), I write to congratulate you on your successful confirmation as the 19th United States Trade Representative. AHPA and its members look forward to working with the Office of the U.S. Trade Representative in the current administration.

AHPA supports efforts by the U.S. Trade Representative to address certain objectionable economic practices by the Chinese government. However, we believe that these actions can be appropriately tailored to limit the harm that they do to our members, many of whom are small businesses that make significant contributions to the U.S. economy and who collectively employ thousands throughout the country.

AHPA's members make use of a significant number of ingredients from China which are not strategically important, or related to the "Made in China 2025" program. Several of these commodities were made subject to tariffs under the previous administration. Our members have informed us that the resulting *ad valorem* regime has significantly increased their cost of business, despite some initial reductions made by the Phase One agreement; individual AHPA member companies estimated that even early tariffs from 2018 would increase their annual ingredient costs by as much as \$2.4 million.

The current tariff regime has also caused ingredient supply chain disruptions, and tariffs on product packaging have affected herbal and supplement products at multiple points in the supply chain. China has long been a primary or sole source for a number of herbal ingredient commodities, including items such as roots or bark that may take anywhere from three years to over a decade before they are sufficiently mature to harvest. Even where other countries could be persuaded to begin development of these crops, the process is lengthy,

expensive, and may not result in goods of sufficient quality to meet stringent U.S. regulatory standards.

The tariffs have market-wide effects as well. Dietary supplements are usually a discretionary purchase commodity, and as such have high price elasticity. Companies faced with a double digit increase in ingredient prices will be forced either to adjust to drastically reduced sales volumes, drastically reduced margins, or some combination of both, any of which will significantly reduce profitability. Many supplement firms operate on net margins of less than 10 percent. As the industry adapts to a market transformed by the COVID-19 pandemic, these tariffs represent the potential for reduced profitability, job losses, and outright business failures.

We therefore respectfully request that you remove punitive tariffs from products relevant to companies in the dietary supplement and herbal products industry that manufacture or market their products in the United States. Lists of HTS codes affected are documented in our comments on the third and fourth rounds of tariffs, available in dockets USTR–2018–0026 and USTR–2019–0004. We are happy to provide additional information if it would help identify the need for relief.

We thank you in advance for your consideration of this request.

Sincerely,



Michael McGuffin
President
American Herbal Products Association
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¹ AHPA is the national trade association and voice of the herbal products industry. AHPA's members include domestic and foreign companies doing business as growers, collectors, processors, manufacturers, marketers, importers, exporters and distributors of herbs and herbal products as well as other dietary supplement products. AHPA's members are engaged in the commerce of herbs, herbal products, and other natural products marketed in a variety of sectors, including as foods, dietary supplements, drugs, and cosmetics.