THE PORT OF LOS ANGELES 425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

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June 17, 2019

Submitted Electronically Via:
www.regulations.gov

Ambassador Robert E. Lighthizer
United States Trade Representative
Office of the United State Trade Representative
600 17th Street NW
Washington, DC, 20508

RE: Comments on Docket Number USTR-2019-0004 -- Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Dear Ambassador Lighthizer:

The Port of Los Angeles ("Port") appreciates this opportunity to provide comments on proposed actions to be taken in the investigation referenced above. While we understand and support efforts to address unfair trading practices and create fair and equitable access to foreign markets, we remain concerned that the use of tariffs creates unintended impacts, including higher consumer prices, lower profitability for American firms, uncertainty in the maritime supply chain, and the potential shifting of trade routes to the detriment of the Port and the Los Angeles trade gateway.

The Port is the largest single gateway for waterborne containerized cargo entering and leaving the United States, handling nearly 9.5 million container units of cargo. Together with our neighbor port in Long Beach, we comprise the San Pedro Bay Port Complex, which handles approximately 40% of all containerized imports and 30% of all containerized exports for the United States. This cargo generates over $310 billion annually in national economic impact, supports roughly 3 million jobs across the country, and reaches every one of our 435 Congressional districts.[1]

Trade with China accounts for a large segment of this cargo. In 2018, the top five trading partners using the San Pedro Bay Ports were: 1) China (*$202.6 billion*), 2) Japan (*$48.7 billion*), 3) Vietnam (*$23.7 billion*), 4) South Korea (*$22.7 billion*), and 5) Taiwan (*$18 billion*). The San Pedro Bay Ports account for nearly half of all seaborne trade between the U.S. and China.[2] Historically, up to 50% of imports through the San Pedro Bay is destined for the U.S. manufacturing stream. Our top five imports (by dollar value) were machinery, electronics, machinery, vehicles & parts, furniture, and mineral fuels & distillates; our top five exports were machinery, vehicles & parts, plastics, meat, and electronics.

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[1] Trade Impact Study prepared for the Port of Los Angeles by BST Associates, August 2017.
[2] Based on use of Port Import Export Reporting Service (PIERS) data for 2018.

Based on the large share of Chinese trade handled in the San Pedro Bay, the amount of cargo exposed to Section 301 tariffs and associated retaliatory tariffs is more pronounced than other trade gateways. On the import side, our most recent analysis estimates the current and proposed tariffs directed at China will impact roughly 66% of all imports by value and 64% by both tonnage and container volume at the San Pedro Bay. That's $130B worth of U.S. imports from China exposed to higher costs.

While our analysis does not assess the degree to which the tariff is passed through to consumers or borne by one of the 200,000 beneficial cargo owners that use the Port, we can confirm that the uncertainty surrounding the tariff did impact the operations of the maritime supply chain. Specifically, the threat of an increase in tariff rates (from 10% to 25%) in late 2018 through early 2019, led to a surge of imports as U.S. retailers and manufacturers deemed it advantageous to advance their inventories instead of paying the higher tariff rates. The surge of import cargo caused regional warehouse and distribution centers to fill up, which created operational challenges upstream at the San Pedro Bay Port Complex.

On the export side, approximately 50% of U.S. exports by value, 81% by tonnage, and 78% by container volume will be subjected to retaliatory tariffs by China. A year over year comparison of January through April 2018 and 2019 shows that exports to China dropped by 27.4%. While trade volumes with the rest of the world increased 15.1% during this period, these gains were eclipsed by the loss of exports to China, resulting in a minor 1.8% increase in container exports.

Over the long term, the prolonged presence of tariffs on trade with China may cause American businesses to source materials and goods from other countries, which may result in shifting of trade volumes away from the U.S. West Coast and the Los Angeles trade gateway.

We appreciate your attention to these comments and ask that you carefully consider the potential impacts of expansion of Section 301 tariffs on the Port of Los Angeles. If you have any questions or require additional information, please do not hesitate to contact me at (310)732-3456.

Sincerely,

EUGENE D. SEROKA
Executive Director
Port of Los Angeles
EDS: mn