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600 17th St. NW  
Washington, D.C. 20508

RE: Testimony Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Firsd Tea North America, LLC, and I personally thank you for the opportunity to respond to the proposed modification of action pursuant to section 301: China's acts, policies, and practices related to technology transfer, intellectual property, and innovation.

On behalf of our company, our customers, and US tea consumers, we request the removal of black and green teas related to HTS subheading: 0902.10.10, 0902.10.90, 0902.20.10, 0902.20.90, 0902.30.00, 0902.40.00) and instant tea/extracts (Instant/Extracts of Tea (2101.20 series) from the proposed list.

As the Marketing Director of the leading importer of Chinese specialty teas in the US, I appreciate the opportunity to present testimony to the Section 301 Committee about the importance of the tea industry in the United States and the disproportionate economic harm these tariffs would have on US tea businesses and US consumers. The current success and future growth of the US tea industry, particularly specialty tea, is shaped by access to Chinese tea imports.

**1. Tariffs on tea are not related to the furtherance of the stated goals.**

NO TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY INFRINGEMENTS, OR STIFLING OF INNOVATION

The expressed intent of the tariffs is to change China's practices relating to technology transfers, intellectual property and innovation. Imposing punitive tariffs on tea would not



be effective in changing these practices because tea exports are a very small part of China's overall tea sector. Most tea that China produces is consumed domestically. Moreover, the tea trade does not suffer from unfair technology transfers, theft of intellectual property, or stifled innovation. Further, punitive tariffs on tea would have a disproportionate economic impact on small and medium-sized enterprises because most of the US importers (those that pay the tariffs) are small businesses.

#### NO NOTICEABLE IMPACT ON CHINA'S TEA INDUSTRY

Tea production long predates China's rise as a manufacturing powerhouse- it is a rural-based, long-term crop that was not designed to capture foreign business. According to the International Tea Committee (ITC) 2017 Annual Bulletin of Statistics:

- China produced approx 5.2 Billion pounds of tea and retained approx 4.5 Billion pounds for domestic consumption
- China exports less than 1% of its total tea production to the US (0.042 Billion pounds)

This quantity is not a meaningful amount of tea from the perspective of Chinese tea producers. The imposition of tariffs on Chinese tea will not impact the Chinese producer, exporter, or the tea industry in China. However IT WILL negatively impact US tea businesses and the US consumer.

#### NO US TEA FARMS, GROWERS TO PROTECT

The United States is not a tea producing nation. There is virtually no commercial tea grown that needs to be protected by tariffs, nor are there any farm-based jobs that would be protected.

## **2. Access to Chinese specialty teas is important for the growth of the US tea industry**

#### CHINESE TEAS REPRESENT SIGNIFICANT VALUE TO THE US TEA BUSINESS GROWTH AND CONSUMERS

Firsd Tea North America, LLC is a US company importing and distributing Chinese teas to the US tea industry and tea businesses. Tea is a growing industry in the US, with specialty



tea as a significant driver of that growth. The American tea industry is growing at an annual rate of 3 - 6% with specialty teas as an important contributor to that growth. The US imported over 263 million pounds of tea in 2018. By volume, 15 - 20 % of all tea imported into the US each year comes from China, but in dollar value, Chinese teas represent nearly 30% of teas imported to the US . Many of the Chinese teas imported were higher value teas compared to tea imports from other countries, so the Chinese portion of US tea imports is a significant contributor to the value of tea products in the US. On any given day, half of the US population is drinking tea, and they are increasingly drinking more higher value, specialty teas like Chinese teas.

#### CHINESE TEAS OFFER IRREPLACEABLE VALUE AND UNIQUE CHARACTER

Like wine, tea varies dramatically due to local terrior (geography, climate, and local manufacturing techniques). China has many unique teas that are unavailable elsewhere, due to their unique cultivars, terriors, and processing methods. In the area of specialty tea, many teas are unable to be sourced from anywhere else in the world.

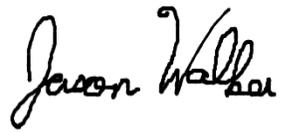
#### CHINESE TEAS HAVE SIGNIFICANT HISTORICAL AND CULTURAL VALUE TO THE US

Chinese teas have a significant historical and cultural value to America. The Boston Tea Party and similar events of the American Revolution were motivated by onerous and unreasonable impediments to the import of Chinese tea.

Given the circumstances described, it is our firm belief that an increased tariff on China teas imported into the US will harm US tea businesses and the American tea drinking public significantly more than any economic impact on the tea industry in China.

We strongly urge you to forego a tax (tariff) on tea as it will negatively impact American businesses and citizens and have no effect on the trade issues with China. Thank you for the opportunity to provide my testimony to this Committee.

Sincerely,

Jason Walker

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