TESTIMONY OF KARAN BHATIA, GENERAL ELECTRIC COMPANY

Before the Office of the United States Trade Representative
Re: Proposed Determination of Action Pursuant to Section 301, No. USTR-2018-0005

May 16, 2018

Good morning. I am Karan Bhatia, President of Government Affairs and Policy at GE. I appreciate the opportunity to testify today on the impact of certain proposed tariffs affecting GE's business units, particularly their significant negative impact on U.S. manufacturing, jobs and exports.

GE is one of America's largest exporters and employers, and a global leader in high-tech manufacturing. GE employs more than 100,000 workers in approximately 160 manufacturing facilities across the United States, supporting an additional 20,000 U.S. suppliers accounting for approximately 1,000,0000 jobs in this country. GE exports 60 percent of the products we make in the United States to our customers around the world.

We support the Administration's efforts to promote a level playing field for international trade. We hope these important issues can be resolved without resorting to tariffs, by either side, but should tariffs ultimately be imposed by the President, I am here today to urge that they be implemented in a manner consistent with the stated goals of the Section 301 investigation. As the President set forth in his memorandum, these goals are to:

- maintain the United States' position as a world leader in high-technology goods;
- strengthen the competitiveness of U.S. exports; and
- create American jobs.

We urge you to avoid any tariffs that would conflict with these goals. Toward that end, we urge the Administration to apply the following three cross-cutting criteria in reviewing any requests you may receive for product exclusions from the Section 301 tariffs, and in finalizing the list of products to which Section 301 tariffs could be applied:

First, exclude inputs that are intracompany transfers from facilities in China that are wholly owned by U.S. manufacturers. No forced technology transfer to Chinese competitors is occurring as a result of these wholly-owned U.S. investments in China, and putting tariffs on the parts they produce will not hurt Chinese businesses or sway Chinese decisionmakers. Rather, such tariffs hurt the U.S. companies that own these facilities, as well as the U.S. workers and suppliers who rely on those parts from China to make world-class products in the United States.

Second, exclude inputs that cannot be quickly replaced. For some specialized industrial parts, alternative suppliers outside China are simply not readily available, due to global capacity constraints, rigorous quality control and compliance requirements for suppliers to critical infrastructure equipment, or in some instances the need for U.S. regulatory approvals. Even with heavy tariff pressures, these inputs cannot be readily moved to a new supplier outside of China. Without alternative sourcing options, the imposition of tariffs would seriously disrupt GE manufacturing operations and hand our foreign competitors a comparative advantage in both the U.S. and international markets. Ironically, broad-based Section 301 tariffs intended to create a more level playing field for U.S. businesses could end up leading to fewer exports by GE and by companies like ours for which switching suppliers is a long and complex process.

Third, exclude inputs containing high U.S. content. A significant number of GE imports from China include high U.S. content. For example, some of our GE Aviation parts imported

from China contain roughly 50% U.S. content by value. Putting tariffs on parts from China with high U.S. content would hurt both the small- and medium-sized U.S. companies that make those initial components, as well as those GE plants and workers who turn the imported parts into final products in the United States.

Our written comments detail which specific imports used by GE's business units, at the ten-digit HS code level, meet these objective exclusion criteria that we propose, but let me provide just one example of the harm this could cause U.S. workers and suppliers here. GE's healthcare business employs 6,000 workers at our Wisconsin facilities, producing high-tech medical equipment, such as MRI machines. While the vast majority of the parts that GE Healthcare uses in our U.S. plants are made in the United States, GE also imports certain MRI machine parts – which contain high levels of U.S. content -- from our wholly-owned GE factories in China. GE's 6,000 Wisconsin-based employees utilize these imported parts, in tandem with parts from many of our 6,200 U.S. Healthcare suppliers, to create a MRI machine. About 75 percent of the health equipment we produce in the United States goes to U.S. hospitals and other health facilities, which face stringent cost containment pressures. And about 25 percent of those machines are exported around the world, including to a growing market in China. In total, GE Healthcare exports $1.8 billion of complex medical equipment to customers around the world. Not only would GE be hurt and U.S. jobs – at GE's Wisconsin facilities, at our U.S. suppliers, and at the American businesses that supply the U.S. content in these MRI machine parts – be put at risk by tariffs that undermine our ability to compete with foreign rivals; but we think it is clear that placing tariffs on products made in a U.S.-owned plant would generate no meaningful negotiating leverage with the Chinese Government.

Moreover, due to GE's stringent quality and sterilization requirements, we estimate, based on our awareness of current global production capacity for the specialized MRI parts involved, that it would take well over a year to find new suppliers of these inputs outside of China. Until new suppliers could be identified and meet the rigorous requirements to join the supplier network for our Healthcare equipment – requirements GE's hospital customers rely on – the proposed 25 percent tariff on such inputs would be an added cost that our international competitors do not face. Such tariffs would have the perverse effect of harming the ability of the leading U.S. manufacturer of advanced medical equipment to compete with foreign products, in both the U.S. and export markets.

These are the kinds of imports that we propose to be excluded from the proposed tariff list. To be clear, many of the proposed Section 301 tariffs would impact GE in some way. But our request for adjustments to the proposed tariff list is limited to those products that should be removed because tariffs would impose significant and disproportionate costs on U.S. businesses, workers and consumers without advancing – or potentially even undermining -- the President's goals pursuant to the Section 301 Report. We urge you to support the removal of these items from any final list that may be implemented.

In addition, we would urge that duty drawback be available for any products subject to Section 301 tariffs. GE, like many U.S. manufacturers, competes around the world against tough global rivals. The cost implications of 25% tariffs on Chinese inputs that our European and Asian competitors do not face would seriously undermine the competitiveness of our U.S. manufacturing and our U.S. workforce. Duty drawback must be available to allow U.S. exporters to compete effectively in global markets.

That concludes my prepared testimony, and I would be pleased to answer any questions you may have. Thank you.