

**Testimony to the United States Trade Representative on the Impact of  
Proposed Tariffs against the People's Republic of China – USTR-2018-0005**

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Trade actions do not occur in a vacuum.

As we all know, by imposing hefty tariffs on China for their trade practices involving intellectual property, the U.S. has triggered Chinese retaliation. Shortly after the USTR announced the tariffs resulting from the 301 investigation, China announced its own list of tariffs on a strategically targeted list of U.S. goods. I think everyone in this room had a pretty good sense of what was in the pipeline, particularly soybean tariffs, because China had been publicly hinting at action on soy for months.

There is a playbook for how these exercises go and the U.S. wrote it back during the “banana wars” with the European Community. No one should be surprised that China has made use of that playbook to strike back at the U.S., in this instance hitting some of the most vulnerable and valuable sectors of the American economy.

The difference between the current trade tensions and the U.S./E.C. banana-based struggle of days past is that China does not answer to its citizens or industries for the consequences of trade retaliation. The state of power in China right now gives Xi Jinping almost absolute immunity from internal political pressure. The U.S. obviously is not similarly situated.

And while the U.S. postures itself in an indefensible position with China, we risk irreparable harm to our domestic industries. Soybeans are notable in this regard for reasons both economic and environmental.

First and foremost, soybeans are our largest agricultural export, totaling at \$21.6 billion in 2017. The majority of those exports go to China. Even now before implementation, there are already reports of U.S. soybean sales drying up in China. Brazil, Argentina, and other soybean producers are ready and waiting to ramp up their capacity and permanently replace the U.S. as the main exporter to China. These tariffs, if implemented, would have both an immediate and lasting impact on the U.S. soy industry.

Secondly, this will not only devastate a vital sector of the U.S. economy, but it will also take an environmental toll. My colleagues at the Northeast-Midwest Institute are about to release a study detailing the growing levels of nitrates in water sources. These nitrates have to be removed by water utilities to keep drinking water safe, and this removal comes at a cost. That cost is passed onto the tax payer in their utility bill.

According to our study, the main reason these nitrate levels are increasing is agricultural runoff. To grow corn, farmers apply a nitrate-laden fertilizer, most of which is absorbed by the plants, but still leaves a significant amount of nitrates in the soil that ultimately make their way into the water. Farmers have had success limiting this runoff by cycling soybeans into their usual corn crops, as soybeans help absorb the nitrates.

By essentially cutting off the main importer of U.S. soybeans, these tariffs will remove a major incentive to grow soybeans. Subsequently, the nitrate pollution in source water will only continue to escalate and further harm taxpayers.

In conclusion, these proposed tariffs will harm American consumers, American business, and the American environment. I urge the administration to choose an alternative means of combatting China's unfair trade practices.