Business Roundtable

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Juan Millan
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Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Comments on 89 Fed. Reg. 16608 (March 7, 2024); Docket No. USTR-2024-0002

Dear Mr. Millan:

Business Roundtable (the Roundtable or BRT) submits this letter in response to the request from the Office of the United States Trade Representative (USTR) in the above-referenced Federal Register Notice (FRN or Notice) for public comments to inform objectives and strategies that advance U.S. supply chain resilience in trade negotiations, enforcement, and other initiatives. The Roundtable appreciates the opportunity to comment on the ways in which U.S. trade and investment policy can support private-sector initiatives to develop reliable, agile, and secure supply chains.

The Roundtable is an association of more than 200 chief executive officers (CEOs) of America's leading companies, representing every sector of the U.S. economy. Business Roundtable CEOs lead U.S.-based companies that support one in four American jobs and almost a quarter of U.S. GDP. Through CEO-led policy committees, Business Roundtable members develop and advocate directly for policies to promote a thriving U.S. economy and expanded opportunity for all Americans.

Business Roundtable believes that building resilient, diverse, and secure supply chains is critical to U.S. national security and economic competitiveness. However, many of the domestic and international policy authorities needed to enhance U.S. supply chain resilience fall outside the authorities that Congress has delegated to USTR.[1] Business Roundtable acknowledges the

[1] *See* Trade Act of 1974, 19 U.S.C. Sec. 2171(c)(1) (Duties of United States Trade Representative and Deputy United States Trade Representatives) ("The United States Trade Representative shall (A) have primary responsibility for developing, and for coordinating the implementation of, United States international trade policy, including commodity matters, and, to the extent they are related to international trade policy, direct investment

multifaceted policy approach needed to support supply chain resilience strategies. To that end, the Roundtable is preparing a report on the international and domestic policies necessary to support resilience in several critical supply chains. This report will include recommendations related to domestic tax, workforce, manufacturing, and regulatory policies that would enable onshoring of some supply chain activities, as well as trade and investment policies to facilitate diversification with reliable partners around the world. The Roundtable respectfully requests an opportunity to engage with USTR and all relevant federal agencies regarding this report and the recommendations it contains.

The Roundtable encourages USTR to recall its statutory mission to "harmonize, reduce, and eliminate barriers to trade" that prevent U.S. companies from accessing supplies internationally and deny "substantially equivalent competitive opportunities for the commerce of the United States" in foreign markets when undertaking this study.[2] Furthermore, the Roundtable submits that any such strategy should be developed in close coordination with, and when appropriate approved by, Congress through legislation to provide the business certainty necessary to influence supply chain decision making. Finally, the Roundtable believes that USTR should not close any international trade negotiation designed to promote supply chain resilience without

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matters; (B) serve as the principal advisor to the President on international trade policy and shall advise the President on the impact of other policies of the United States Government on international trade; (C) have lead responsibility for the conduct of, and shall be the chief representative of the United States for, international trade negotiations, including all negotiations on any matter considered under the auspices of the World Trade Organization, commodity and direct investment negotiations, in which the United States participates; (D) issue and coordinate policy guidance to departments and agencies on basic issues of policy and interpretation arising in the exercise of international trade functions, including any matter considered under the auspices of the World Trade Organization, to the extent necessary to assure the coordination of international trade policy and consistent with any other law; (E) act as the principal spokesman of the President on international trade; (F) report directly to the President and the Congress regarding, and be responsible to the President and the Congress for the administration of, trade agreements programs; (G) advise the President and Congress with respect to nontariff barriers to international trade, international commodity agreements, and other matters which are related to the trade agreements programs; (H) be responsible for making reports to Congress with respect to matters referred to in subparagraphs (C) and (F); (I) be chairman of the interagency trade organization established under section 1872(a) of this title, and shall consult with and be advised by such organization in the performance of his functions; and (J) in addition to those functions that are delegated to the United States Trade Representative as of August 23, 1988, be responsible for such other functions as the President may direct.").

[2] 19 U.S.C. 2112(a) ("The Congress finds that barriers to (and other distortions of) international trade are reducing the growth of foreign markets for the products of United States agriculture, industry, mining, and commerce, diminishing the intended mutual benefits of reciprocal trade concessions, adversely affecting the United States economy, *preventing fair and equitable access to supplies*, and preventing the development of open and nondiscriminatory trade among nations.")(emphasis added); 19 U.S.C. Sec. 2102(2) ("to harmonize, reduce, and eliminate barriers to trade on a basis which assures substantially equivalent competitive opportunities for the commerce of the United States").

meaningfully considering input from relevant private sector advisory committees as prescribed by statute, as well as all other interested stakeholders.[3]

## I. U.S. Trade and Investment Policy Has Evolved to Support American Competitiveness in an Increasingly Integrated Global Economy

Over the last several decades, the central project of U.S. trade and investment policy has been to ensure that global trade is both free and fair. That project has focused on improving the competitiveness of U.S. businesses in domestic and foreign markets and on raising standards to protect the comparative advantage of U.S. producers, innovators, and workers in the global economy. U.S. executive and legislative branch officials have not sought to create an "unfettered global marketplace"[4] but rather to create a global market for U.S. goods and services that reflects U.S. values. They also have sought to eliminate foreign government policies that distort conditions of competition for U.S. producers and workers in both U.S. and foreign markets, in ways that support U.S. communities and the environment.

U.S. trade and investment policy has evolved against the backdrop of an increasingly competitive and integrated global economy. Improvements in transportation and communication networks, lower tariff and non-tariff policy barriers, and technological innovations have expanded production and growth in the United States and abroad, catalyzing greater trade in goods and permitting previously non-tradable services to be traded internationally.[5] During the period from 1995 to 2008, trade liberalization and technological advances made the world more interconnected. While companies in the United States, Europe, and beyond expanded abroad and moved the physical production of some lower-technology and intermediate goods to lower-cost emerging economies, they continued to provide requisite technological and manufacturing know-how to support that production from the United

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[3] *See* 19 U.S.C. Sec. 2155(3)(e)(2) ("The report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee shall include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principal negotiating objectives" set forth in relevant authorizing legislation).

[4] *See* FRN 16608.

[5] *See* U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Pub. No. 4094, 59, 80-81 (2009) ("Improvements in transportation and communications, in addition to lower policy barriers, have expanded trade in goods (and increasingly services) and facilitated the creation of widely dispersed production networks. Partly as a result of these lower trade costs and improved communication, firms began to break apart their production processes and distribute them around the world. Companies sourced and produced parts internationally according to where the item could be made at a better quality or at a lower cost. This growing trade in intermediate goods contributed to trade expanding more rapidly than GDP and increased the number of players having a vested interest in lower trade barriers. Additionally, technological improvements permitted previously nontradable services to become increasingly traded.").

States.[6] During the same period, the United States continued to produce and export an increasing amount of high-value goods, with inflation-adjusted manufacturing value-added to GDP rising 53 percent from 1995-2008.[7] Subsequently, manufacturing supply chains were designed not only to take advantage of differences around the world in "factor costs—such as labor, materials, and energy" but also "to fulfill consumer needs within a particular time and at a specified quality standard in given markets."[8]

The growing trade in intermediate goods has contributed to significant productivity gains and substantial innovations and improvements in production in the United States due to an increase in the variety and quality of imports.[9] American manufacturers and farmers depend on imported inputs and raw materials to produce competitive products in America to sell at home and export abroad. Without access to these inputs at competitive prices, U.S. manufacturing and agricultural goods will become less competitive and, in many cases, would no longer be produced in the United States. Furthermore, globally integrated U.S. service providers enable U.S. businesses and farmers of all sizes to reach more customers at home and abroad.

## II. Global Economic Integration Creates Higher Standards of Living in the United States and Around the World

International trade and investment support American innovation, jobs, and families, while creating higher standards of living around the world. In 2019, prior to the pandemic disruptions, trade supported 41 million American jobs, including millions of jobs for workers

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[6] *See* McKinsey Global Institute, *Global Flows: The Ties that Bind in an Interconnect World*, 20 (Nov. 2022); *see also* Robert C. Feenstra, *Integration of Trade and Disintegration of Production in the Global Economy*, 12(4) JOURNAL OF ECONOMIC PERSPECTIVES 31 (1998) ("The rising integration of world markets has brought with it a disintegration of the production process, in which manufacturing or services activities done abroad are combined with those performed at home.").

[7] *See* United Nations Industrial Development Organization, *National Accounts Database*, Manufacturing Value Added in Constant 2015 USD Data (last visited April 18, 2024) (Chained 2015 data rose from $1,374 billion in 1995 to $2,106 billion in 2008, a 53 percent increase); *see also* Martin Neil Baily and Barry P. Bosworth, *U.S. Manufacturing: Understanding Its Past and Potential Future*, 28(1) JOURNAL OF ECONOMIC PERSPECTIVES 3 (2014) ("Over the last half century . . . the growth of real output in the U.S. manufacturing sector, measured by real value added, has equaled or exceeded that of total GDP, keeping the manufacturing share of the economy constant in price-adjusted terms" thus contradicting any suggestion that U.S. manufacturing—writ large—is presently in crisis).

[8] Boston Consulting Group, *Designing Resilience into Global Supply Chains*, 2 (2020).

[9] *See generally* Feenstra, 47 ("Over and above the traditional gains from increased specialization and exchange across countries, trade in intermediate inputs brings efficiency gains that amount to an outward shift in the production frontier for final goods in each country.") (citing Wilfred J. Ethier, *National and International Returns at Scale in the Modern Theory of International Trade*, 72(3) AMERICAN ECONOMIC REVIEW 389 (1982)).

with a high school education, middle-class workers, unionized workers, and minority workers.[10] These higher paying trade-related American jobs grew four times faster than total U.S. employment between 1992 and 2019.[11] One in five American jobs were supported by trade before the COVID-19 pandemic as compared to one in ten in 1992 before the North American Free Trade Agreement went into effect.

As highlighted in the recent Council of Economic Advisors (CEA) 2024 Economic Report, the United States is the second-largest trading country and is the largest source and recipient of foreign direct investment.[12] CEA emphasizes that global economic integration provides numerous benefits to Americans, including good jobs for American workers, lower inflation, greater choice for consumers, additional innovation, and increased productivity. CEA notes that this global economic integration will help achieve the Administration's climate goals. CEA also finds that trade and investment liberalization has increased purchasing power by an additional 8 percent for all U.S. households, with the lowest-income households experiencing a remarkable 69 percent gain in purchasing power.[13]

CEA highlights further that U.S. firms which both export and import goods account for a significant share of U.S. employment (36 percent) and were responsible for almost 40 percent of job creation in the U.S. economy between 1992 and 2019.[14] Furthermore, large U.S. employers which tend to engage in significant cross-border economic activity provide millions of American workers with a meaningful path for social and economic mobility. In fact, a recent analysis Business Roundtable conducted in partnership with the Burning Glass Institute estimated that from 2018 to 2022, 7.1 million American workers at leading U.S. companies

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[10] *See* Trade Partnership Worldwide LLC, *Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment: 2022 Update,* 1, 8-10 (Feb. 2022), *available at* https://tradepartnership.com/wp-content/uploads/2022/03/Business-Roundtable_TradeandAmericanJobs2022.pdf.

[11] *See* Business Roundtable, *How the U.S. Economy Benefits From Trade and Investment* (2022), *available at* https://s3.amazonaws.com/brt.org/BRT_General_Trade_USA_2022.pdf.

[12] *See* Council of Economic Advisors, *2024 Economic Report of the President*, 173 (March 2024), *available at* ERP-2024.pdf (whitehouse.gov) ("The United States is the world's second-largest trading country, with more than $7 trillion in combined goods and services exports and imports in 2022, and it remains both the largest source of and destination for foreign direct investment.").

[13] *Id*. 203 ("The results, showing that trade with China has benefited most Americans' purchasing power, are consistent with a larger body of evidence on the benefits from trade with all countries—again, with disproportionate benefits accruing to lower-income households. For example, the average U.S. household has been shown to gain 8 percent in purchasing power from trade compared with a counterfactual autarky. However, the lowest-income U.S. households gain the most, at 69 percent.").

[14] *Id.* 204 ("Among goods traders, averaged over the period 1992–2021, firms that both export and import goods account for a plurality of total U.S. private sector employment (36 percent), followed by firms that only export goods (8 percent) and firms that only import goods (6 percent)."); 206 (also finding that goods traders were responsible for almost 40 percent of net job creation in the U.S. economy between 1992 and 2019, underscoring "the changing nature of the U.S. production landscape, where both exports and imports support domestic jobs").

were elevated into jobs with middle-class wages, averaging out to just over 1.4 million workers per year.[15]

Finally, decades of increased international trade through integrated global supply chains has supported dramatic reductions in global poverty as well as narrowed the income gap between high-income and low-income countries.[16] Moreover, increased trade has helped grow employment for women and reduced the gender wage gap globally.[17] The International Labour Organization (ILO) has found that "(t)he emergence of a global middle class and the notable reduction in working poverty over the last two decades were supported by a continued integration of international markets and the integration of frontier markets in global supply chains."[18]

## III. U.S. Economic Activity Abroad Creates Economic Growth Here at Home

Global supply chains are a natural function of the success of U.S.-based multinational companies within the global economy. The U.S. Bureau of Economic Analysis' (BEA) annual survey on Activities of U.S. Multinational Enterprises provides insight into how large U.S.-based

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[15] *See* Business Roundtable and the Burning Glass Institute, *How America's Largest Employers Advance Economic and Social Mobility*, 2 (Feb. 2024). Business Roundtable partnered with the Burning Glass Institute to examine the career outcomes of millions U.S. workers at America's largest companies to examine whether large employers are successfully providing economic opportunity to their workers. The analysis shows that America's largest companies provide considerable mobility for their workers, *available at* https://s3.amazonaws.com/brt.org/BRTReport_How-Americas-Largest-Employers-Advance-Economic-Social-Mobility.pdf.

[16] *See* World Bank Brief, *Trade Has Been a Powerful Driver of Economic Development and Poverty Reduction* (Feb. 12, 2023) ("From 1990 to 2017, developing countries increased their share of global exports from 16 percent to 30 percent; in the same period, the global poverty rate fell from 36 percent to 9 percent. Not all countries have benefited equally, but overall, trade has *generated* unprecedented prosperity, helping to lift some 1 billion people out of poverty in recent decades.") (emphasis added). *See also* Sebastian Heise, Justin R. Pierce, Georg Schaur, and Peter K. Schott, *Board of Governors of the Federal Reserve System International Finance Discussion Papers Tariff Rate Uncertainty and the Structure of Supply Chains*, 2 (2024) ("Since the early 1990s, the rapid expansion of global value chains has promoted a substantial increase in world trade, boosted aggregate productivity, and supported an unprecedented convergence in rich and poor country incomes.").

[17] *See* World Trade Organization, World Trade Report 2023; *Re-globalization for a Secure, Inclusive and Sustainable Future*, 68 (2023) ("When trade induces an economy to specialize in sectors that employ more women, it helps to reduce the gender gap. [. . .] Trade can also contribute to improving gender equality because exporting firms tend to pay better wages. In developing economies, women make up 33 per cent of the workforce of export firms and 28 per cent of importing firms, compared with just 24 per cent of non-exporting firms. The share of female employment tends also to be higher in businesses that are part of [global value chains].").

[18] International Labour Organization, *ILO Flagship Report, World Employment and Social Outlook Trends 2023*, 47 (2023).

businesses operate at home and abroad.[19] The U.S.-based parents of U.S. multinational companies engage in innovative activities that lead to millions of high-paying American jobs and support overall economic growth:[20]

- *Value-Added*: U.S.-based parent companies contributed 24.4 percent of all private-sector value added—over $5 trillion.[21]

- *Capital Investment:* U.S.-based parent companies invested $730 billion in new property, plant, and equipment—over 43 percent of all U.S. private-sector capital investment.[22]

- *R&D:* U.S.-based parent companies performed over $400 billion of research and development. This accounted for two-thirds of the total R&D performed by all U.S. companies.[23]

These economic activities contribute to millions of jobs for U.S. workers. Parent companies employ 29.5 million U.S. workers, which is 23.1 percent of total private-sector employment.[24] Of these jobs, 7.4 million were in the manufacturing sector, accounting for 60 percent of total U.S. private-sector manufacturing employment.[25] High-value manufacturing jobs are more likely to occur at a U.S. multinational company than elsewhere in the private sector.

Operating abroad, close to the destination of sale, is often the only way a company can cost-effectively serve its customers, service existing customer equipment, and outcompete its local rivals. Importantly, this economic activity is largely to harness foreign demand rather than to

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[19] *See* U.S. Bureau of Economic Analysis (BEA), *Activities of U.S. Multinational Enterprises (MNEs)*, *available at* Activities of U.S. Multinational Enterprises (MNEs) | U.S. Bureau of Economic Analysis (BEA) (BEA annually tracks U.S.-based multinationals through legally mandated surveys (with penalties for noncompliance) that collect and publicly disseminate operational and financial data. BEA statistics track all multinational companies headquartered in the United States. A U.S. multinational company consists of its U.S. parent and its foreign affiliates. A U.S. parent is a person (individual, partnership, corporation, or other form of organization), resident in the United States, that owns 10% or more of a foreign business enterprise, referred to as its foreign affiliate.

[20] *See generally* BEA, *Activities of U.S. Multinational Enterprises in 2021: Visual Essay* (Dec. 5, 2023), *available at* https://apps.bea.gov/scb/issues/2023/12-december/pdf/1223-multinational-enterprises.pdf.

[21] *Id.* 6-7.

[22] *Id.* 9-10.

[23] *Id*. 12-13.

[24] *Id*. 2-3.

[25] *See* BEA, *Activities of U.S. Multinational Enterprises in 2021: Visual Essay* (Dec. 5, 2023) *and* BEA, *Activities of U.S. Multinational Enterprises in 2021: News Release,* 6 (Nov. 17, 2023), *available at* https://www.bea.gov/sites/default/files/2023-11/omne1123.pdf.

reduce the cost of goods exported to the United States.[26] Research has shown that when U.S. companies expand abroad, they generally also expand at home because their foreign activities complement their U.S. activities, rather than substitute for them.[27] Furthermore, increased foreign employment within the company generally leads the company to increase its U.S. employment, investment, R&D, and exports.[28]

## IV. Global Supply Chains Drive Agility and Resilience but Can Also Be a Source of Vulnerability

Economic analysis suggests that reliance on both foreign and domestic sources for intermediate inputs made economies more resilient in the face of pandemic-related lockdowns than they would have been had supply chains been entirely renationalized.[29] The same analysis also examined the impact of pandemic-related lockdowns on individual sectors and concluded that "there is no sector in which supply chain renationalization notably improves resilience, measured either by GDP, or by value added of the sector itself."[30]

These findings are consistent with earlier research that found that countries with higher degrees of international trade openness can reduce exposure to domestic interruptions through the ability to diversify supply and demand across trading partners.[31] The 2022 baby

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[26] *See* BEA, *Worldwide Activities of U.S. Multinational Enterprises: Preliminary 2021 Statistics*, Table II.E.2 (Nov. 2023) (providing country-by-country destination data for the goods and services supplied by majority-owned foreign affiliates of U.S. multinationals).

[27] *See, e.g.,* Mihir A. Desai, C. Fritz Foley, and James R. Hines Jr., *Domestic Effects of the Foreign Activities of U.S. Multinationals*, 1 AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY 181, 202 (2009) ("Manufacturing firms that expanded their foreign operations between 1982 and 2004 simultaneously expanded their domestic operations, and this relationship persists when actual foreign expansions are replaced by predicted values based on weighted growth rates of foreign economies."); Brian K. Kovak, Lindsay Oldenski, and Nicholas Sly, *The Labor Market Effects of Offshoring by U.S. Multinational Firms*, THE REVIEW OF ECONOMICS AND STATISTICS 1 (2021) ("A 10 percent increase in affiliate employment drives a 1.3 percent increase in employment at the U.S. parent firm, with smaller effects at the industry and regional levels.").

[28] *See* GARY C. HUFBAUER, THEODORE H. MORAN, AND LINDSAY OLDENSKI, OUTWARD FOREIGN DIRECT INVESTMENT AND U.S. EXPORTS, JOBS, AND R&D: IMPLICATIONS FOR U.S. POLICY, 27-41 (2013) ("Foreign expansion of R&D is still small, but it is positively and significantly associated with the expansion of R&D, capital expenditures, exports, sales, and employment in the United States. As with other activities of [multinational companies], outward expansion of R&D is a complement to, not a substitute for, domestic activities.").

[29] *See* Barthélémy Bonadio, Zhen Huo, Andrei A. Levchenko, Nitya Pandalai-Nayar, *Global Supply Chains in the Pandemic*, 133 JOURNAL OF INTERNATIONAL ECONOMICS 13 (2021) ("…eliminating reliance on foreign inputs increases reliance on the domestic inputs. Since a pandemic-related lockdown also affects domestic sectors, on average there is no benefit of resilience from renationalizing the international supply chains.").

[30] *Id.* 2.

[31] *See* Francesco Caselli, Miklós Koren, Milan Lisicky, and Silvana Tenreyro, *Diversification Through Trade*, National Bureau of Economic Research Working Paper No. 21498, 2-3, (Aug. 2015) ("In particular, openness

formula shortage demonstrates why near-exclusive reliance on domestic supply chains does not always create resilience. When the largest U.S. formula producer initiated a voluntary recall and shut down a major factory, there were no easy or immediate replacements available to meet the domestic demand. The White House estimated that 98 percent of the U.S. baby formula market is serviced by domestic production, while the Congressional Research Service calculated a marginally larger share.[32] By removing regulatory barriers the United States was able to import safe baby formula from Europe, New Zealand, and other countries to help American families. This demonstrates that supply chain resilience can depend on increased economic integration with the rest of the world rather than less of it.

Business Roundtable member companies work closely with their suppliers and partners in the United States and abroad to harness global, regional, and domestic capabilities to limit supply chain disruptions every day. Roundtable member companies and their suppliers proved remarkably resilient in the face of increased trade tensions with China, the COVID-19 pandemic, and significant geopolitical tensions including Russia's invasion of Ukraine. However, the series of cascading shocks to supply, demand, and supply chains over the past several years have revealed sources of risk from too much concentration of supply, raw material, and input chokepoints; supply chain distortions caused by non-market economy practices and geopolitical risks; and transportation, port, and logistics dislocations that do warrant policy attention. Business Roundtable supports the Biden-Harris Administration's efforts to map vulnerabilities, identify unsustainable dependencies, and implement policies in partnership with the private sector to promote additional resilience in critical supply chains.

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reduces a country's exposure to domestic shocks, and allows it to diversify its sources of demand and supply, leading to potentially lower overall volatility. This is true as long as the volatility of shocks affecting trading partners are not too big, or the covariance of shocks across countries is not too large. In other words, we show that the sign and size of the effect of openness on volatility depends on the variances and covariances of shocks across countries.").

[32] *Compare* The White House Briefing Room, *Fact Sheet: President Biden Announces Additional Steps to Address Infant Formula Shortage* (May 12, 2022), *available at* https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/12/fact-sheet-president-biden-announces-additional-steps-to-address-infant-formula-shortage/ ("The U.S. normally produces 98% percent of the infant formula it consumes, and trading partners in Mexico, Chile, Ireland, and the Netherlands are key sources of imports."), *with* Christopher Casey, *Tariffs and the Infant Formula Shortage,* Congressional Research Service, 2 (May 23, 2022) *available at* https://crsreports.congress.gov/product/pdf/IN/IN11932 ("In 2021, the $28.8 million in imports satisfied approximately 1.5% of the estimated domestic demand of $1.8 billion.").

## V. How High-Standard FTAs Promote Supply Chain Resilience

Since the mid-1980s, the United States has advanced free and fair trade by updating the rules of the multilateral trading system and creating stronger mechanisms to enforce those rules through the World Trade Organization (WTO). At the direction of Congress, it has also negotiated a series of bilateral and regional free trade agreements (FTAs) to further liberalize trade and raise standards beyond levels achieved at the WTO. The U.S. International Trade Commission has found that this agenda has increased U.S. real GDP, increased aggregate employment, and had a positive effect on U.S. imports and exports, particularly with U.S. FTA partners.[33] Importantly, U.S. international trade has grown faster than the overall U.S. economy in most of the past thirty years because of numerous factors, including the elimination of tariffs and non-tariff barriers to the trade in U.S. goods and services through our increasingly broad, deep, and high-standard FTAs.[34]

U.S. FTAs contain numerous chapters and provisions that can help strengthen supply chain resilience. Our FTAs make it easier for U.S. companies to regionalize their manufacturing capacity in countries susceptible to less geopolitical risk with investment chapters that prevent trading partners from discriminating against U.S. investors when they establish operations in-country. Our FTAs also make it possible for our financial service providers to finance these capital-intensive projects. Furthermore, through high-standard intellectual property chapters, our FTAs protect our innovative advanced manufacturing processes when facilities are relocated in the markets of FTA partners. Additionally, our FTAs make it easier to source inputs from alternate suppliers for manufacturing processes that are friend- or near-shored by aligning and harmonizing approaches to health and safety regulation, technical standard setting and conformity assessment procedures, as well as by promoting transparency and good regulatory practices more generally. Through high-standard digital trade disciplines, our FTAs ensure that U.S. supply chain executives can monitor and adjust production capacity in various production facilities to prevent disruption.[35] Finally, through high-standard customs administration and trade facilitation chapters, our FTAs significantly reduce delays and costs associated with routine customs and border clearance procedures.

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[33] *See* U.S. International Trade Commission, *Economic Impact of U.S. Trade Agreements Implemented under Trade Authorities Procedures*, Pub. No. 5199, 15 (June 2021) ("The Commission estimates that, to the extent quantifiable, the agreements have had a small but positive effect on the U.S. economy. In 2017 (the base year), they led to an estimated increase in U.S. real GDP of $88.8 billion (0.5 percent) and in aggregate U.S. employment of 485,000 full-time equivalent (FTE) jobs (0.3 percent), based on a model that assumes the economy is at its long-run full employment level. U.S. trade agreements have also had a positive effect on U.S. imports and exports as well, especially with U.S. FTA partners.").

[34] *Id.* 24.

[35] *See generally* Jim Kilpatrick, Paul Delesalle, and Adam Mussomeli, *The New Supply Chain Equilibrium*, DELOITTE INSIGHTS, 28 (Summer 2022) (explaining that companies depend heavily on vast networks of data and analytics to share information with entities across their supply chains to manage and ultimately prevent disruptions).

Critically, as the U.S. government seeks to promote supply chain resilience it should remember that no modern economy will ever be entirely self-sufficient and all regions are mutually interdependent. According to the McKinsey Global Institute, "[m]ore than half of global flows of goods and services (in value-added terms) cross regional boundaries, and every region has been importing 25 percent or more of its consumption needs of at least one important type of resource or manufactured good—and often much more."[36] Unsurprisingly, North America is a net importer of both manufactured goods and mineral resources, but "in 2019, the United States became a net exporter of energy resources—the largest reduction in dependency on resource inflows in any major economy."[37] Furthermore, the Chief Economist of the World Trade Organization points to strong evidence that a strong multilateral trading system is critical for facilitating swift substitution among alternate suppliers when supply chains become disrupted for a whole host of reasons.[38]

USTR should focus on trade and investment policies within its statutory authorization that will assist U.S. businesses in responding to future shocks and prioritize policies that strengthen commercial ties with key trading partners. The benefits of this approach are evidenced by the role that the United States-Mexico-Canada Agreement (USMCA) played in helping North America recover from the pandemic by facilitating trade within the free trade area and establishing communication channels among the three governments. Business Roundtable commends the three governments for going further than their original commitments in that agreement to create the trilateral Sub-Committee on Emergency Response within the USMCA North American Competitiveness Committee as it will promote even better coordination in

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[36] McKinsey Global Institute, *Global Flows: The Ties that Bind in an Interconnect World*, 10 (Nov. 2022) (explaining that while the Asia-Pacific region is the leading manufacturing exporter overall, it imports more than 25 percent of its energy, critical intermediate goods, and critical mineral needs; similarly, while the European region is also a strong manufacturing region, it imports more than 50 percent of its energy resource needs).

[37] *Id*. 11.

[38] *See* Ralph Ossa, *Today's supply chain disruptions reaffirm the importance of a multilateral trading system based on WTO rules*, World Trade Organization Blog (June 2, 2023), *available at* https://www.wto.org/english/blogs_e/ce_ralph_ossa_e/blog_ro_02jun23_e.htm ("Evidence is mounting that this "flexicurity" offered by the multilateral trading system is highly effective at mitigating supply shortages. Ethiopia's adjustment to the tragic war in Ukraine is a striking example of this point. As highlighted in a recent WTO report on the trade effects of the war, Ethiopia imported 45 percent of its wheat from Russia and Ukraine before the war and then saw these imports plunge dramatically—by 75 percent in the case of Russia and even 99.9 percent in the case of Ukraine. However, it was able to respond to these disruptions by sharply increasing its wheat imports from the United States and Argentina, even though it had not imported any wheat from Argentina before. Clearly, such swift substitution among alternative suppliers would have been much harder in a fragmented world economy.").

future emergencies.[39] This model for integration enjoys bipartisan, bicameral, and broad stakeholder support which USTR should replicate with other key trading partners.

Perhaps most importantly, USTR should return to its statutory mandate of negotiating trade agreements that make it easier for U.S. producers and service providers to access and operate in foreign markets so that they can create supply chain redundancies and reduce their dependence on China for critical imports. Research by the Rhodium Group, commissioned by Business Roundtable, analyzed the potential for diversification of manufacturing and sourcing from China to other economies, along with possible reasons for a gap between potential and realized diversification. The research finds that the existence of trade agreements is a key variable for understanding the relative over- and under-performance for diversification targets.[40]

## VI. Responses to Specific FRN Questions

### a. How Trade and Investment Policy, Coupled with Domestic Incentives, Can Promote Domestic Manufacturing and Services [FRN Question 1]

The U.S. government has at its disposal two important policy tools to support U.S. private sector investment in resilient and agile supply chains: public investment and trade policy. Business Roundtable believes that the Biden Administration and Congress have delivered important achievements in public investment in supply chains. Unfortunately, in the Roundtable's assessment, the Biden Administration has not embraced a sufficiently ambitious trade agenda to meaningfully impact supply chain decisions or reinforce its members' ongoing efforts to diversify their supply chains.

As described above, high-standard U.S. FTAs contain numerous chapters and disciplines designed to help U.S. companies invest and operate in, as well as export to and from, new markets on preferential terms, all of which are critical to facilitating diverse and agile supply chains. High-standard FTAs that provide meaningful market access and liberalization commitments are essential to ensure a ready, affordable, and secure supply of key inputs that are not produced or available in the United States. The innovative economic framework agreements that the Biden Administration has launched to date—the Indo-Pacific Economic Framework for Prosperity (IPEF) and the Americas Partnership for Economic Prosperity (APEP)—do not provide sufficiently deep and binding commitments to encourage U.S. companies to reorient their supply chains.

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[39] *See Statement from Ambassador Katherine Tai on USMCA Free Trade Commission Decision on North American Competitiveness* (February 23, 2023), *available at* https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/february/statement-ambassador-katherine-tai-usmca-free-trade-commission-decision-north-american.

[40] *See* Rhodium Group, *Indo-Pacific Trade Diversification Framework Report* (2024).

For example, while the IPEF Supply Chain Agreement creates important platforms to facilitate government-to-government and public-private sector consultation during supply chain crisis scenarios, it fails to provide U.S. companies with assurance that the cross-border data flows they rely on to monitor manufacturing production remotely will be available during such crises. Access to this kind of industrial data is critical to ensuring that disruptions abroad do not create shortages here at home. Furthermore, while Business Roundtable supports greater alignment with our trading partners to raise labor and environmental protections around the world, it believes that the U.S. government can only secure meaningful commitments from our trading partners in these areas if our trading partners believe that U.S. multinationals will invest in their countries because these agreements provide meaningful commercial benefits. Indeed, the collapse of the IPEF trade pillar negotiation is testament to this reality.

In addition to other trade and investment policy recommendations set forth in this letter, Business Roundtable recommends that the Biden Administration and Congress take the following actions to support increased supply chain resilience:

- eliminate Section 301 tariffs on intermediate inputs that U.S. manufacturers have indicated cannot be sourced at scale outside of China;

- create a mechanism with all like-minded countries to improve transparency and alignment related to greenhouse gas emissions; support mutual recognition of clean product certification schemes; develop frameworks to improve the production and uptake of clean energy products and their inputs; and promote the circular economy;

- convene the Free Trade Commission established under each of our existing free trade agreements to promote greater collaboration between the U.S. Geological Survey and its counterparts charged with identifying new critical mineral reserves;

- amend Title III of the Defense Production Act to include Australia and Japan as a “domestic source” to create new opportunities for U.S. investment in Australian and Japanese critical mineral extraction and processing facilities;

- create a mechanism for discussing tariff and non-tariff barriers to the trade in critical minerals with private sector participants in the Minerals Security Partnership (which presently includes Australia, Canada, Estonia, Finland, France, Germany, India, Italy, Japan, Norway, the Republic of Korea, Sweden, the United Kingdom, the United States, and the European Union (represented by the European Commission));

- amend the Trade Agreements Act of 1979 (TAA) to expand the list of countries whose products are eligible for U.S. government procurement to include all IPEF and APEP partners provided that a trade pillar with binding market access and liberalization commitments enters into force;

- evaluate the impact of existing federal government efforts to promote redundancies and resilience in the pharmaceutical and biopharmaceutical supply chain on the price of life-saving drugs;

- work with allies and partners to prevent ocean carrier alliances from engaging in anticompetitive practices during periods of intense supply chain disruption; and

- modernize and expand domestic free trade zones to incentivize domestic production and distribution in the United States.

### b. Trade and Investment Policy Recommendations to Minimize Negative Externalities Associated with Offshoring [FRN Question 2]

The Roundtable encourages USTR to recognize that in an integrated global economy, U.S. manufacturers and service providers cannot be competitive in critical overseas markets and provide services at scale without locating some of their operations in those markets. As described above, when U.S. companies expand their operations abroad, they create jobs and revenue here at home. Furthermore, many BRT companies operate manufacturing platforms in foreign markets for the express purpose of selling into those markets. These platforms also create good-paying jobs here in the United States. Additionally, many countries require U.S. service providers to establish a physical presence and hire local staff in country as a prerequisite for doing business there. Furthermore, many U.S. companies cannot operate in foreign countries without access to U.S. service providers, including U.S. financial services firms. Therefore, if the U.S. government wants these companies to grow, it must accept that some of this growth will take place in foreign markets.

Roundtable members further advise that as wages rise around the globe, production-cost arbitrage will become less relevant to supply chain sourcing decisions than it may have been in the past. They believe that technology will continue to erode production-cost arbitrage and eventually transform the manufacturing landscape. Based on this fact, U.S. companies will choose to locate manufacturing facilities in the countries that are most hospitable to advanced manufacturing processes—*i.e.*, countries where they can competitively access resources and meet their workforce needs for operating those factories. Moreover, as purchasing power outside the United States grows, U.S. companies will further regionalize supply chains to reach those customers more easily. These market-driven trends will create additional sources of supply in the event of future supply chain shocks.

### c. Trade and Investment Policy Recommendations to Create a "Race to the Top" on Labor and Environment Protections [FRN Question 3]

Roundtable members recognize the importance of creating safe and healthy workplaces, as well as promoting strong environmental protections, in every component of their supply chains. However, lack of coordination with our most important trading partners—particularly the EU—on significant standard-setting initiatives in these areas continues to adversely impact the U.S. business community. Business Roundtable members have set and maintained significant sustainability goals to mitigate the environmental impact of their operations. Nevertheless, the European Commission has introduced several measures, including the Carbon-Border Adjustment Mechanism, Urban Wastewater Treatment Directive, and proposed Deforestation Regulation, that discriminate against U.S. producers. Constantly evolving and conflicting environmental regulations create uncertainty and disincentivize investment. For that reason, Business Roundtable encourages the U.S. government to create sensible initiatives to better document the carbon intensity of U.S. production processes, particularly those of energy-intensive trade-exposed (EITE) industries, as well as the sustainability requirements associated with domestic forest land management. The Roundtable encourages the Administration to continue actively engaging with the EU to address discriminatory approaches in its development of these and related policies.

Business Roundtable was among the first U.S. trade associations to endorse the inclusion of high-standard labor and environment chapters in U.S. free trade agreements. Roundtable members believe that the U.S. government will be unable to persuade trading partners to meaningfully raise standards in these areas outside the context of trade agreement negotiations that offer meaningful market access commitments. Furthermore, the Roundtable advises that the U.S. government do more to promote the circular economy in those agreements, by further liberalizing the trade in environmental goods and services (*e.g.*, eliminating duties on energy efficient and clean energy products, liberalizing trade in repair and distribution services, and eliminating non-tariff barriers to the trade in remanufactured goods more generally).

### d. How Access to Capital Equipment, Manufacturing Equipment, and Technology Support Supply Chain Resilience [FRN Question 6]

Access to capital, manufacturing equipment, and technology support is vital for supporting supply chain resilience for U.S. producers. Today, many types of capital equipment are produced in China as well as in other parts of North America, Asia, and Europe. Therefore, the U.S. government should work to eliminate tariffs on all such intermediate products and technologies to support U.S.-based production activity, particularly from allied nations and like-minded countries. Implementation of the WTO Information Technology Agreements is also vital to supply chain resilience because productivity-enhancing technologies are deployed in the manufacturing sector and throughout the economy in ways that make U.S. workers and businesses more competitive. Finally, our trade agreements must be updated to strengthen collaboration to combat cyberattacks and facilitate cybercrimes enforcement, as biopharmaceutical manufacturers and regulators faced a growing number of cyber-attacks during the COVID-19 pandemic.

### e. Developing Technical Standards and Regulations to Support Supply Chain Resilience [FRN Question 7]

Technical standards and regulations are pivotal in bolstering supply chain resilience by ensuring common or comparable materials, designs, and outputs, thus facilitating trade and movement of goods. To achieve this, collaboration among government, industry, academic, and private-sector stakeholders in the development and adoption of standards is paramount. As manufacturing technology evolves (*e.g.*, 3D printing, artificial intelligence), developing interoperable standards is critical. Collaborative efforts with trading partners through engagements like the U.S.-EU Trade and Technology Council can minimize regulatory fragmentation and ensure improved alignment and mutual recognition of requirements across borders.

Aligning and mutually recognizing (and harmonizing where possible) standards and regulations with allied nations and key trading partners facilitates trade and mitigates the risk of diminishing manufacturing sources and material shortages. Strengthening mutual recognition agreements (MRAs) and ensuring regulatory clarity and flexibility through the implementation of good regulatory practices (GRP) are imperative. The USMCA is the first U.S. trade agreement to contain a chapter devoted to GRP and to incorporate regulatory commitments on critical sectors essential to many supply chains, such as chemicals. These provisions are a model to ensure sound-science, risk-based, efficient regulatory practices on essential manufacturing inputs. GRP should strike a balance between effective governance and avoiding regulatory overreach, particularly in high-innovation sectors where capabilities and processes must adapt to evolving expectations. Ensuring efficiency in regulatory processes, such as expedited label change approvals and adoption of e-labeling, enhances flexibility and reliability within supply chains.

The Roundtable supports USTR's efforts to negotiate GRP agreements and chapters with a fuller range of countries through bilateral and regional trade dialogues but submits that unless these commitments are binding and fully enforceable, they will not accomplish the objectives USTR seeks. More recently, the WTO concluded plurilateral negotiations on Services Domestic Regulation containing many of these same GRP. The United States should continue to engage with trading partners to ensure that they meet their commitments to regulatory transparency and GRP.

### f. Trade and Investment Policy Recommendations to Support Adherence to Rule of Origin Requirements [FRN Question 8]

Rules of origin (ROOs) in FTAs are designed to promote production, integrate supply chains, and increase trade between the United States and FTA partners. ROOs are carefully negotiated at the product and industry level to account for the different capabilities and resources of FTA partners and the need to allow certain inputs from third countries to enable their production. It is crucial to maintain clarity, flexibility, and effectiveness in ROOs to ensure they promote trade flows between FTA partners and diversify supply chains according to the terms of the entire agreement, including binding labor and environment commitments.

Requiring material certifications, including input minerals, could enhance transparency and ensure compliance with various ROOs. This practice, already implemented by the EU, could be adopted to certify the country of origin for certain materials, such as iron and ore. However, it remains essential to strike a balance between strengthening ROOs and avoiding overly restrictive, rigid measures that inadvertently hinder trade flows and harm supply chain resilience. For example, requirements for companies to confirm that inputs at every tier in the supply chain have been purchased from an FTA partner have proven challenging and unworkable for U.S. and foreign regulators in the past.[41] USTR should examine whether amending our existing FTAs to allow for cumulation among FTA partners could be used as a tool to further incentivize potential trading partners to adhere to our strong labor, environment, investment, and intellectual property chapter commitments. There is also an opportunity to enhance ROO calculations to champion U.S. innovation. ROO calculations could be strengthened to allow for more value added in the United States, such as design and development components, to be part of the content equation. Finally, we encourage USTR to begin discussions with all existing FTA partners about ROOs in annual Free Trade Commission meetings conducted pursuant to the terms of our existing FTAs.

### g. Geopolitical Risk, Traceability, and Transparency Considerations in Supply Chain Sourcing Decisions [FRN Question 9]

Before the pandemic, geopolitical, technological, and economic forces caused many U.S. multinationals to begin moving to regional manufacturing and sourcing footprints to be closer

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[41] *See* U.S. International Trade Commission, *The Impact of Apparel Specific Rules of Origin on U.S. Textile and Apparel Trade: Case Study on CAFTA-DR Countries*, Office of Industries Working Paper ID-092, 12 (June 2022) ("Looking at actual trade data, […] U.S. exports of textiles to the CAFTA-DR region increased from 2005 to 2015. In 2015, U.S. exports of textiles to the region totaled $2.6 billion, up by $139 million or 5.6 percent from 2005 levels. […] In spite of this increase, the U.S. share of the CAFTA-DR region's imports of textile inputs declined from 2005 to 2015, while the share supplied through inter-regional trade and China increased").

to end markets.[42] During the early stages of the COVID-19 pandemic, 93 percent of supply chain executives surveyed by McKinsey took proactive measures to make their supply chains more resilient, "including building redundancies across suppliers, nearshoring, reducing the number of unique parts, and regionalizing their supply chains."[43] Supply chain pressures have subsided significantly since the pandemic-related peak and, as of December 2023, remain near the pre-pandemic average.[44] Despite the normalization in supply chain pressures, companies continue to incorporate lessons learned during the pandemic and to implement novel supply chain resilience strategies.

U.S. multinationals systematically assess the extent of their supply chain risk based on various factors, including: (1) the degree to which they source inputs from suppliers concentrated in particular countries; (2) the percentage of their manufacturing capacity in particular countries; (3) the amount of production capacity which they outsource; (4) the existence of back-up production capacity in various locations; and (5) the extent to which distributions networks and inventory levels in end markets could help them get products to customers notwithstanding disruptions.[45] Some companies are adopting a "China + 1" strategy, seeking stable investment environments in countries in the Indo-Pacific and beyond to serve regional customers. However, companies are also aware of the potential impacts of replicating preexisting supply chains elsewhere inefficiently, as this may lead to cost inflation, production disruptions, and challenges in meeting supply.

The success of companies in de-risking their supply chains depends in great measure on the "sector's capital intensity, the level of regulatory changes that could constrain adjustments, and the availability of alternate suppliers."[46] When selecting alternative suppliers, cost is one among many factors. A supplier may offer a lower per-unit cost, but if its facilities lack the quality control necessary to meet regulatory compliance or customer quality requirements; if it lacks the workforce and capacity to scale its production; or if the products it makes cannot reliably get to ports with the necessary infrastructure to load on to ships, then low per-unit cost will not overcome these factors. These factors and others taken together determine the supplier and supply chain decisions of U.S. businesses.

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[42] *See generally* Willy C. Shih, *Global Supply Chains in a Post-Pandemic World*, 98 HARVARD BUSINESS REVIEW 82-89 (2020), *available at* https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world.

[43] McKinsey Global Institute, *Risk, Resilience, and Rebalancing in Global Value Chains*, 16 (Aug. 2020).

[44] *See* Citi, *Supply Chain Financing: Building Resilience as the New Definition of "Global" Emerges*, 6 (Jan. 2024) ("We view the normalization in supply chain pressures as largely reflecting an easing in the global consumer's demand for goods. As the pandemic receded, consumers rotated their spending away from goods and back towards services. This rotation strengthened services sectors but weighed on manufacturing, as well as hampering global trade and production.").

[45] *See* Boston Consulting Group, *Designing Resilience into Global Supply Chains*, 4 (2020).

[46] *Id*. 2.

Traceability deeper than a few tiers down into a supply chain remains extremely difficult to achieve.[47] Additionally, adherence to social and responsible sourcing initiatives is gaining prominence due to consumer demand and, in some cases, regulatory mandates, adding to the complexity of this task. Companies are actively enhancing policies, processes, and technologies to better address this challenge, although it will take time to achieve comprehensive visibility. BRT member companies are leaders internationally in this area. The Roundtable requests that policymakers consider the impact of new supply chain tracing requirements on the U.S. business community's existing diversification efforts given the significance of supply chain diversification for insulating the entire U.S. economy from geopolitical risk.

Effective risk management is a paramount priority for publicly traded companies. Trade agreements that reduce barriers and incorporate robust dispute settlement mechanisms can significantly improve risk management strategies. Transparency and accountability in sourcing decisions are critical, especially given the importance of high standards of inputs and capital equipment. Compliance with U.S. laws and sanctions adds further importance to transparency in sourcing decisions.

### h. How Supply Chain Resilience is Shaping Capital Allocation Decisions [FRN Question 10]

Supply chain resilience is an important factor shaping capital allocation decisions among industries and investors but not the sole factor. Businesses are re-evaluating their supply chain strategies to enhance supply chain reliability and flexibility, which can involve reshoring, nearshoring, or adding additional buffer and inventory stocks positioned near consumers. Despite the higher costs associated with manufacturing in certain locations like the United States, companies recognize the importance of enhancing supply chain resilience and are willing to invest capital accordingly. However, these investments are currently limited by factors such as higher inventory levels (and the costs associated with carrying it), weighted average cost of capital (WACC), and longer return on investment (ROI).

The impact of supply chain disruptions, exacerbated by factors like COVID-19 restrictions and logistics challenges, is evident in the concerns raised by small- and medium-sized enterprise (SME) suppliers. Respondents to a survey highlighted increased costs of goods sold, including raw material sourcing costs, as a significant challenge.[48] The current environment of high inflation and rising interest rates—one consequence of supply chain disruptions two and three

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[47]*See* McKinsey Global Institute, *Risk, Resilience, and Rebalancing in Global Value Chains*, 40 (Aug. 2020) ("[Finding] that some companies have seven to seventeen times as many suppliers in their [second and third tiers of suppliers] as in the first tier").

[48] *See* Citi, *Supply Chain Financing: Building Resilience as the New Definition of "Global" Emerges*, 20 (Jan. 2024) (Figure 25).

years ago—further amplifies these challenges, particularly for smaller companies financing inventory at their own cost of capital.

Access to efficient supply chain partners is a key consideration in evaluating capital investments, with factors like transportation infrastructure playing a significant role. Notwithstanding these challenges, there is evidence of a gradual shift in capital allocation towards building more resilient supply chains, with increased inventory and strengthened supply chains observed post-COVID-19. Investments are being made to enhance local production capabilities and duplicate production in multiple locations, enabling supply chain agility in case of disruptions. Furthermore, U.S. financial services firms are at the forefront of developing supply chain finance tools that facilitate access to scarce supplies at lower costs.[49]

### i. Quantitative and Qualitative Approaches to Measuring Supply Chain Resilience [FRN Question 11]

There is no single indicator or benchmark to measure supply chain resilience. Measuring supply chain resilience involves a combination of quantitative and qualitative indicators, assessing different aspects of supply chain management, financial health, and operational performance. These measurements vary across sectors, industries, and companies.

Important quantitative data for measuring resilience include financial metrics such as cash reserves, inventory levels, work in progress (WIP), and lead times. These metrics provide insights into the financial health of supply chain operations and their ability to respond to disruptions effectively. Performance indicators such as throughput, time for containers moving through ports, and recovery time from disruptions can offer valuable insights into supply chain efficiency and resilience. Additionally, resilience is demonstrated by a supply chain's capacity to adapt to fluctuations in supply and demand, its responsiveness to disruptions, and the speed of its recovery when disruptions occur. These factors can be quantified through metrics that assess production shutdowns, late shipments, and air freight costs, providing tangible indicators of resilience levels. Economists and financial market researchers have utilized similar statistics to develop indices measuring supply chain disruptions or pressures in near-real time.

Trade and investment policies play a crucial role in shaping supply chain resilience. Trade statistics, including import data for key materials and products, can serve as quantitative measures of resilience. They reveal shifts in strategic sourcing and the impact of policy decisions. Trade policies should support and incentivize U.S. business efforts to diversify supply chains and reduce reliance on single sources, thereby strengthening resilience. Comprehensive,

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[49] *Id.* 64, 66-67 (explaining that "supplier resiliency and stability has become an increasing concern to [Citi] clients who are buyers of goods and services" as well as how companies can leverage supply chain finance to help their smaller suppliers withstand supply chain shocks, as well as to meet their sustainability, diversity, and inclusion goals).

enforceable, high-standard trade agreements are the most effective mechanisms for tackling the entire range of barriers that U.S. companies face when executing such strategic shifts in production.

### j. Trade and Investment Policy Recommendations to Support Supply Chains that are Inclusive of Small, Disadvantaged, and Underserved Businesses [FRN Question 12]

Small businesses, including those that are small, disadvantaged, and underserved, have increasingly participated in trade and supply chains. For example, a 2021 survey found that, on average, Business Roundtable member companies contracted with more than 900 small businesses, including those owned by minorities, women, and veterans.[50] At the time of the survey, over 90% of the responding companies tracked small-business suppliers that are owned by women, minorities, and veterans. Many Roundtable member companies have committed to increasing the number of partnerships with suppliers that are Black- and Latino-owned and better integrating Black- and Latino-owned suppliers in their procurement processes.[51]

The benefits are wide-ranging. Beyond sales, small business suppliers to large, multinational companies often gain a wealth of knowledge about technology, management, and many other innovation-leading practices through formal and informal channels. The synergies in these supply-chain partnerships often mean that innovation gains in U.S. multinational companies result in employment gains in their U.S. supplier companies. New products discovered and designed by multinationals may be produced or sourced by their suppliers. New processes that boost efficiency in multinationals may result in their supplier firms assuming tasks the multinational previously performed.

To build on recent progress in this area, one approach is to encourage the use of Public-Private Partnerships (PPP) involving large industry, academia, trade schools, and government agencies to promote workforce development and supply chain inclusivity. Additionally, programs at the Small Business Administration (SBA) and the Export-Import Bank (EXIM Bank) can provide

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[50] *See Business Roundtable Marks Second Anniversary of Statement on the Purpose of a Corporation* (Aug. 19, 2021), *available at* https://www.businessroundtable.org/business-roundtable-marks-second-anniversary-of-statement-on-the-purpose-of-a-corporation#:~:text=Aug%2019%2C%202021,to%20all%20of%20their%20stakeholders. ("On average, Business Roundtable companies contracted with more than 900 small businesses, including those owned by minorities, women and veterans. In addition, 30% of companies worked with more than 2,000 small businesses, 20% worked with more than 3,000 and 17% worked with more than 4,000. Nearly two-thirds of companies spent more than $100 million on products and services from small businesses, with a quarter spending over $1 billion. Many companies have also expedited payments to suppliers during the pandemic.").

[51] *See* Business Roundtable *Racial Equity and Justice Initiative*, *Impact Report on Business Roundtable Member Company Efforts to Expand Economic Opportunity*, 3 (April 2023), *available at* https://s3.amazonaws.com/brt.org/Racial-EquityandJusticeInitiative-ImpactReport.pdf.

essential support, including financial assistance and capacity-building initiatives, to help small and disadvantaged businesses navigate international trade opportunities. Furthermore, expanding the Foreign-Trade Zone (FTZ) program with a focus on underserved communities can create trade opportunities not only for operators but also for the surrounding businesses, fostering economic growth and inclusion.

Further workforce development initiatives are essential for fostering diversity and inclusion in supply chains. This can include supporting STEM education, particularly in fields relevant to research, development, and manufacturing, and targeting federal resources for STEM programs at Historically Black Colleges and Universities and other minority serving institutions.[52] Investing in trade profession advancement and creating education and training programs for advanced manufacturing technologies can enhance the skills and capabilities of underrepresented groups, ensuring their readiness to participate in global supply chains.[53]

Finally, leveraging international best practices can provide valuable education and benchmarking insights for enhancing U.S. trade policy. By aligning policies with practices that support small and disadvantaged businesses, the United States can promote trade opportunities in underserved communities and contribute to building more inclusive and resilient supply chains.

## VII. Conclusion

The Roundtable is grateful for the opportunity to testify at USTR's upcoming hearing on promoting supply chain resilience. If you would like to discuss these comments in greater detail in the interim or at a later date, please contact Jennifer Thornton (jthornton@brt.org), Matt Sonnesyn (msonnesyn@brt.org), or Scott Farnham (sfarnham@brt.org).

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[52] *See generally* Business Roundtable's partnership with the Thurgood Marshall College Fund (TMCF) to invest in students attending Historically Black Colleges and Universities (HBCUs) and develop a pipeline of diverse talent for their companies, *Partnering to Invest in HBCU Students, Develop Diverse Talent Pipeline*, *available at* https://www.businessroundtable.org/tmcfpartners.

[53] *See generally* Business Roundtable's Multiple Pathways Initiative, *Placing a Greater Emphasis on Skills in Hiring and Advancement, Improving Equity and Diversity in Employment*, *available at* https://www.businessroundtable.org/workforceskills ("Companies participating in this effort are implementing new recruitment and assessment strategies to better recognize and evaluate skills of all job seekers. They are also identifying upward career paths that employees can navigate by acquiring new and/or different skills along their career journey. And companies are developing and updating training programs to help employees gain the skills they need to advance.").