



September 5, 2018

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Docket Number USTR-2018-0026; Comment Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Thank you for this opportunity to comment on USTR's proposal to impose a twenty-five percent duty on \$200 billion worth of products imported from China.

The proposed tariff list covers a wide range of Apple products and the products used in our U.S. operations: Apple digital health and wireless connectivity products, including Apple Watch, Apple Pencil and Air Pods; Apple computing tools such as MacMini; Apple adapters, cables and chargers engineered for efficiency and safety; Apple-designed components and made-to-specification tooling for Apple's U.S. manufacturing and product repair facilities; specialty testing equipment for Apple's U.S. product development labs; and servers, hard drives and cables for Apple's U.S. data centers that support our global services such as the App Store.

We have provided a list of the proposed tariff codes that cover Apple's products in Annex A and a list of some of the hundreds of additional proposed tariff codes that cover Apple's inputs for U.S. operations in Annex B. We urge the Administration not to apply tariffs on these HTS lines.

Our concern with these tariffs is that the U.S. will be hardest hit, and that will result in lower U.S. growth and competitiveness and higher prices for U.S. consumers.

First, given the balance of Apple's economic footprint, the burden of the proposed tariffs will fall much more heavily on the United States than on China. The traditional method of calculating the U.S. trade balance attributes the entire value of our products to the country where final assembly is located, in most cases China. That calculation, however, does not reflect the immense value that Apple generates in, and returns to, the United States. Every Apple product contains parts or materials from the United States and is made with equipment from U.S.-based suppliers. And every one of these products reflects the labor of 2 million U.S. workers across all 50 states, including our 80,000 direct employees, the 450,000 employees at our 9,000 U.S. suppliers, and 1.53 million U.S. app developers.¹ We expect our total direct contribution to the U.S. economy over the next five years to exceed \$350 billion.

¹ <https://www.apple.com/job-creation/>



For example:

- Apple’s direct employees are engaged in a wide range of activities in the United States, including most of our research and development, as well as other critical functions including engineering and testing, retail sales, device repair, facilities construction, and physical- and cyber-security.
- Apple sourced over \$50 billion of inputs last year from its 9,000 U.S. suppliers across the country. These suppliers are key to our success, including:
 - Texas-based Finisar, which makes advanced vertical-cavity surface-emitting lasers that power some of Apple’s most popular new features, including Face ID, Animoji, and Portrait mode selfies, and also received a \$390 million investment from Apple’s Advanced Manufacturing Fund to increase its R&D spending and high-volume production;
 - Kentucky-based Corning, which does advanced glass processing, and also received a \$200 million investment from Apple’s Advanced Manufacturing fund to support R&D, capital equipment purchases, and state-of-the-art glass processing; and
 - Massachusetts-based Analog Devices, which produces the semiconductors that enable iOS touch displays.
- Apple is the largest U.S. corporate taxpayer to the U.S. Treasury and pays billions more each year in local property, sales, and employee taxes.

Tariffs increase the cost of our U.S. operations, divert our resources, and disadvantage Apple compared to foreign competitors. More broadly, tariffs will lead to higher U.S. consumer prices, lower overall U.S. economic growth, and other unintended economic consequences. As a result, tariffs will ultimately reduce the economic benefit we generate for the United States.

Second, because all tariffs ultimately show up as a tax on U.S. consumers, they will increase the cost of Apple products that our customers have come to rely on in their daily lives. For example, the proposed tariffs cover Apple Watch, which has become the top-selling smart-watch in the U.S. and globally.² Since we introduced Apple Watch a few years ago, we have heard from users about how it has changed, and in some cases saved, their lives.³ Apple Watch

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³ <https://www.youtube.com/watch?v=N-x8lk9G5Dg>



is also being used in conjunction with American universities to help individuals to manage health conditions such as epilepsy and post-heart attack recovery.⁴

Finally, it is difficult to see how tariffs that hurt U.S. companies and U.S. consumers will advance the Government's objectives with respect to China's technology policies. We hope, instead, that you will reconsider these measures and work to find other, more effective solutions that leave the U.S. economy and U.S. consumer stronger and healthier than ever before.

We would be pleased to provide any additional information to assist in your decision making, and thank you for your consideration of our comments.

⁴For example, Johns Hopkins University has developed health apps that work in conjunction with Apple Watch: EpiWatch enables people to track in real-time the onset and duration of seizures, which may eventually help predict seizures before they happen; Corrie supports recovery and decreases post-recovery admissions for heart attack survivors.



Annex A — Tariff codes covering Apple products

Tariff Code	Apple Products
85176200	Apple Watch, AirPods, HomePod, BeatsWL, AirPort, Time Capsule
84715010	MacMini
84716090	Apple Magic Mouse and Trackpad, Apple Pencil
84718010 85044070 85044085 85044095 85366980 85444220 85444290	Apple adapters, chargers, cables and cords
42023160 42029190 42050080	Apple leather covers and cases for iPhone, iPad, MacBook and Apple Pencil

Annex B — Tariff codes covering Apple inputs for U.S. operations

Tariff Code	Apple Inputs for U.S. operations
84715010	Apple main logic boards with microprocessing units
84733011	Memory modules, Video graphic/audio cards and PCBAs
84733051	Apple computer parts (e.g., housings and internal components)
84798994	Equipment used for research, development, testing and engineering
85366980	Electrical connectors
84716070	Apple MacBook internal keyboards and trackpads
85340000	Printed circuit boards



BUSINESS CONFIDENTIAL ANNEX C

