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March 19, 2025

Mr. Jameison Greer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Docket USTR-2025-0002

Dear Ambassador Greer:

Thank you for the opportunity to submit comments related to this matter. By way of my own background, I've been consistently involved in the container shipping sector since obtaining an MBA from Harvard Business School in 1980. I co-founded a U.S. flag container operator that I led as CEO for 15 years. That innovative carrier was ranked #1 in terms of its operating income to revenue ratio in an American Shipper comparison of over 50 carriers worldwide. I'm the holder of two maritime related patents. I worked on a daily basis for 20 years with Malcom McLean, the inventor of container shipping decades earlier, and he chose me to act as executor of his estate. My background later included managing a portfolio typically over $500 million of container shipping and transportation investments at a major hedge fund for five years. More recently, I write extensively about various maritime industry topics that interest me. I'm the author of "Giants of the Sea," a well-received hardcover book about the modern worldwide cargo shipping industry and the individuals most responsible for its development. My writings demonstrate I'm a strong advocate of the U.S. flag merchant marine, including my January 2023 article on the need to grow our merchant marine published by the Center for Maritime Strategy, the Navy League's think tank, where I serve as a Non-Resident Senior Fellow. I've authored more than a dozen articles detailing the inaccurate and misleading claims in the Cato Institute's multiyear lobbying effort aimed at thwarting the Jones Act. The Marine Corps University Press just published "Returning from Ebb Tide," the first Center for Maritime Strategy book. Written by 13 authors and edited by Steven Wills, PhD with a foreword by Admiral James

G. Foggo, USN (Ret) and Dean at the Center for Maritime Strategy, the book is focused on renewing the U.S. commercial maritime enterprise. I was selected to write the first two chapters of "Returning from Ebb Tide." Colleagues have said that they believe I am one of the strongest and most effective advocates for our merchant marine. These comments are submitted solely in my individual capacity. I have no vested interest in or anything to gain financially related to the outcome of this matter. My overriding concerns are what is in the best interest for America as a citizen as well as for the U.S. flag merchant marine as one of its stronger advocates.

The focus of my comments is on the Federal Register notice dated 2/27/25. At a threshold level, I believe there are two key requirements that should come out of anything resulting from this initiative. First, because it has been the American maritime sector that has been most disadvantaged over the actions the investigation has uncovered, any fees should be used to offset that and to solely benefit the American maritime sector. This needs to be made clear and guaranteed by the establishment of a trust fund. The proposed action does not say the usage of any fees will be so limited and without that clarity loses much of its intended corrective effect. Second, it is imperative that all of the parties understand exactly what the fees would be if the proposed actions were implemented. Due to terms used that need to be much more precisely defined and syntax that could be improved, that is not the case here. The fee per port call framework also results in unintended consequences worth fully understanding. I will later highlight problematic terms and language, but everyone should agree that nobody benefits from not having a precise understanding of what any fees will be. Another reason for this is that there needs to be a fairly good estimate of what the collective fees will be in order for policymakers to plan how those funds will best be spent to benefit the American maritime sector.

I will initially address the proposed actions and then suggest what I think is a better framework to achieve the two key requirements above in a manner that is proportional and that more readily achieves the hopefully shared goals of building our merchant marine. I do not see how the proposed actions in their present form achieve that, despite my analysis showing the potential annual fees would readily be in the tens of billions. Those amounts go well beyond any concept of proportionality, raising fundamental questions related to their reasonableness and what the actual goals are if the proposed actions were to be implemented. It is my view that whomever crafted the proposed actions either does not know as much as they should about how maritime supply chains operate or worse yet does not care about how or if they operate. This goes beyond imprecise definitional terms and is based on a granular analysis of the trade impact. In fact, one could conclude from the proposed actions that one goal is to be an actual barrier to trade by erecting punitive fees that make trade under those conditions in many situations uneconomical. In their current form, these fees are little more than a different form of tariff but with a bluntness and an array of adverse consequences that makes them worse.

Of the manifold adverse consequences that would emanate from this initiative, a primary one is that the proposed action immediately hurt exports and the American jobs linked to those exports. That occurs automatically even if there is no countervailing action which is the usual response to any such trade constraints. By having the proposed fees apply to all ships whether involved with imports or exports, they will effectively be a direct tariff on exports. The empty Panamax bulker arriving to load a cargo of grain or the empty tanker arriving to load a cargo of LNG or the empty collier arriving to load a cargo of coal will all be tagged with these large fees. In all of those commodity areas, shipping cost is an exponentially larger percent of cargo value than with containers so the adverse trade impact will be geometrically worse. Iowa farmers grain exports would be displaced by Brazil, Texas roughnecks LNG exports would be displaced by Qatar and West Virginia miners coal exports would be displaced by Australia. All of these involve shipping costs that are a significant part of the final delivered cost of the commodity and the proposed fees will change those relative trade economics in both known and unknown ways.

Not only is it unwise to impose a fee that would materially hinder American exports, but the courts may very well determine that the proposed actions if implemented are not even legal. In 1998, the U.S. Supreme Court ruled unanimously that the Harbor Maintenance Fee is indeed a tax and not a user fee and it is unconstitutional to apply it to exports. The same logic would presumably apply to this matter with the courts finding any fees charged to empty ships arriving at U.S. ports to carry American exports are illegal.

Terms including “operator”, “Chinese-built”, “vessel entrance” and “to be charged” all lend themselves to confusion at best and chaos at worst. Is “operator” determined by flag registry or ownership? With chartered vessels, is the test based on the charteree or the charterer? Does a “vessel operator of China” include Hong Kong or is it meant to include just mainland China? If a carrier participates in the Ocean Alliance with

COSCO where the respective loads of that carrier and COSCO move on each other's vessels, does that make it a Chinese maritime transport operator? By the term "Chinese-built," does that include any ship that has had significant modification work performed at a Chinese shipyard? What about any ship that was drydocked in a Chinese shipyard for major maintenance? What about maintenance performed alongside a berth at a Chinese shipyard? What is the data source that will be used to determine the percent of fleet and order book that is linked to China? Are chartered vessels included in those percentages? Are those real-time tests or are they based on defined previous periods that are verifiable? How can opaque order books that are typically kept confidential by shipyards and shipowners be determined or verified? Is "vessel entrance" based on ports or individual terminals? If a parcel tanker were to make multiple stops to discharge cargo at different terminals within the same port, does each stop result in another fee? When a ship stops at a terminal just to be refueled, does that result in a fee? Who precisely is the party "to be charged?" When does the fee have to be paid? If the fee is not paid in advance and the party that is billed does not pay, who is responsible for the fee? Would terminals or shippers ever be held responsible for unpaid fees? The foregoing questions are just a few that come to mind related to the imprecise definitions in the current proposal and undoubtedly there are others needing clarification.

The lack of clarity in the proposed actions is underscored by how the potential fees are being reported in news stories. The articles generally refer to amounts of up to $1.5 million per port call, yet that is only one prong of what is detailed as a three-prong test. The Federal Register notice states that any fees are cumulative and are based on fees for 1) Chinese maritime transport operators; 2) operators with fleets comprised of Chinese-built vessels; and 3) operators with prospective orders for Chinese vessels. My reading of that is that it is clearly not the highest fee of the three prongs but the additive combination of all three that becomes the total fee per port call. The first prong is a yes or no test, while the second and third prongs are graduated based on broad ranges. Most news stories are reporting on just the fee related to the second prong while ignoring the fees related to the first and third prongs.

An example of what the fees would be for a COSCO ship in a transpacific service is illuminating. A weekly service from Asia to the West Coast can be accomplished with five ships on a 35-day voyage turn. Our example will be based on 10,000 TEU ships as COSCO has many ships in that size range and that is similar to the average ship size in the typical transpacific service. Such a service would typically call at three different West Coast ports. Let's go through what the estimated fee cost per port call would be for a COSCO ship in such a service. The first prong of $1 million would clearly apply. With the majority of COSCO's ships built in China, the second prong at the highest $1.5 million level would also generally apply. Similarly, with the large majority of COSCO's order book with Chinese shipyards, the third prong would apply at the highest $1 million fee level. In total, that COSCO ship would be charged $3.5 million per port call or $10.5 million for each voyage involving three West Coast ports. With ten 35-day voyages per year, that would translate into $105 million in annual fees just for that one COSCO vessel. If that vessel were to operate at 100% utilization inbound, generally not possible due to seasonality, it would move 100,000 TEU's which is the equivalent of $1,050[1] per TEU. That is equivalent to $2,100 for the typical 40' container moving in that lane. To put that fee into perspective, it is equal to 72% of the latest Drewry spot rate in the Shanghai to Los Angeles trade lane of $2,906 per 40' container. Clearly that fee would make that COSCO ship non-competitive and trade involving such a ship would be constrained.

The fee situation involving ships of other carriers may not be diametrically different even if the circumstances are dissimilar. For instance, take carrier CMA CGM, which is larger than COSCO and the second largest container carrier in the world. Based in France, America's oldest ally, CMA CGM also includes APL which owns and operates 10 U.S. flag container ships. The CEO of CMA CGM recently met with President Trump and announced that it would be investing more than $20 billion in the U.S. maritime sector, including more than tripling the number of U.S. flag ships it operates. But because the first prong test is an absolute one and CMA CGM operates in the Ocean Alliance with COSCO, operates vessels with Hong Kong flags and charters vessels from China controlled leasing companies, it may actually be deemed to be a Chinese maritime transport operator subject to the $1 million fee. With 42% of its current fleet built in China, it would be subject to a $750,000 fee related to the second prong. However, with the majority of its order book now with shipyards in China, it would be subject to the maximum $1 million fee related to the third prong. Taken all together, those three prongs total to fees of $2.75 million per call and $8.25 million per voyage in transpacific deployments that are most relevant to the U.S. At $82.5 million in annual fees, the competitiveness of that ship in today's market is also constrained. A case could be made that

[1] $105,000,000 total annual fees dividend by 100,000 total annual TEU volume

the first prong should not apply, but that gets into who is making the call and what is the underlying intent or goal.

Different fees will apply to various carriers depending on their own circumstances, but it becomes abundantly clear that the minimums would be in the $1 million to $2 million range per port call. The latest available data from the Bureau of Transportation Statistics shows that there are [39,296 port calls by container ships] in the U.S. each year. Based on the proposed actions, my analysis is that the average fee per call would be at least $1.5 million. If the number of calls were to remain unchanged, that translates into $58.9 billion[2] in total fees per year related to container ships. As large as that number is, it pales in comparison to the estimated value of the goods imported into the U.S. in containers. Using [$54,493 per TEU] as the cargo value from an [UNCTAD] study, the 28,245,785 TEU's[3] of inbound containers to the U.S. in 2024 had a value of $1.539 trillion. As the $58.9 billion in potential fees is just 3.8% of that figure, the good news/bad news is that the high value of container cargo puts that sector in the best position to absorb such large fees.

In theory, if such fees broadly affected the container carriers in the same way, everyone's costs would go up similarly and costs would just be passed on. The bad news is that all the additional costs would ultimately be paid by American consumers in what in effect is a regressive tax. The further bad news is that the imposition of such massive fees will disrupt the status quo and immediately lead to carriers adapting their deployments to minimize any fees. Diversion to other North American ports outside of the U.S. would occur immediately. Discharging U.S. loads in Mexico and Canada and completing the movements overland adds both costs and time. But that workaround and the variations it can lead to avoids U.S. port calls and the related fees. In addition to adding costs and time for shippers, it also takes away the related economic activity from American dockworkers, railroads, truckers and the array of vendors linked to our maritime supply chain. Another predictable adaption would be an immediate reduction in the number of U.S. port calls. Going to a sole U.S. port rather than multiple U.S. ports will add costs for rerouted loads and inevitably lead to congestion at some ports and less activity at others. While confusion and even chaos will result as schedules are torn up, the carriers have two recent examples related to extraordinary pricing increases that accompany disruptions. During the pandemic, overall pricing in the container shipping sector tripled,

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[2] $1,500,000 in total fees per container ship per port call times 39,286 port call per year

[3] 24,291,375 TEU's to Top 10 ports from The McCown Report divided by 86% to include 23 smaller ports

going from an annual industry revenue that approximated 2% of the value of goods moved to a peak of 6%. Similar but not as high price spites occurred related to the disruption and resulting capacity contraction coming out of the Red Sea situation. Any and all cost increases resulting from these maritime supply chain changes and the disruption that follows will ultimately be paid by American consumers. Indeed, there are likely container carriers that based on the past now view disruption as a friend.

The reality is that related to the container sector, if the proposed actions are implemented it is virtually impossible to predict all of the ramifications. The only certainly will be major disruption and the past has demonstrated that the knock-on effects from such supply chain disruptions will significantly amplify the direct adverse impacts. Because the cargo values for container ships are dozens of times higher than the typical cargo values for other shipping segments, those other segments would be even more disrupted by the proposed fees per port call. Furthermore, many ships in those other segments are linked only to export cargoes that it makes no sense to burden with such fees. As referenced earlier, it is not even clear that the proposed fees if linked only to exports are legal.

The Bureau of Transportation Statistics data on port calls shows that for the most recent available year, dry bulk vessels made 29,732 port calls. A catchall category that includes tankers and presumably all other vessel types including smaller domestic vessels is several times that figure. Some guidance on port calls by tankers on international voyages can be gleaned from the relationship of tankers to dry bulk vessels worldwide. Based on ships over 600' long, that ratio is 61.3%[4] which translates into an estimated 18,226[5] port calls each year by tankers on international voyages. Even if port calls in those other two key segments only triggered the lowest fee level in the second and third prong categories, that is still at least $1 million per port call. By extension, the hypothetical fees from those key non-container segments would be $48.0 billion per year. When added to the $58.9 billion earlier amount for container ships, you get a total of $106.9 billion per year even before accounting for car carriers, ro-ro vessels, reefer ships and general cargo ships. As the saying goes, when you get into twelve figures you are starting to talk about real money. Except that in the case of the non-container segments, that hypothetical is very much just that. While a case can be made that the high relative cargo values involved with container shipping would allow it to be significantly less constrained by the proposed

[4] 4,810 tankers divided by 7,849 bulk carriers in table on page 36 of "Giants of the Sea" book
[5] 29,732 port calls by dry bulk vessels times 61.3% worldwide ratio between tankers and bulk carriers

fees, no such case can be made for the dry bulk vessels and tankers given the relatively low value cargoes they transport.

In my view, a better, more reasonable, straightforward and predictable framework is to assess fees on just inbound containers. Because every container carrier of any size has some linkage and therefore benefit from ships built in China, the fees would be assessed at the same amount for every container. The only difference would be related to ships where Lloyd's Register or another accredited directory would show that the ship was built in mainland China. In those cases, the fee per inbound container would be twice the amount as the fees for containers coming off other ships.

In order to meet the reasonableness test of offsetting the claimed harm, any fee should be gauged in relation to the impact of the unfair trade practice. One way to define the latter is the direct government subsidies disclosed in the annual reports of COSCO, China's largest shipping company, since 2005 when slightly less than one half its stock has been owned by individual investors following an initial public offering then. In the 19 years through 2023, those governmental subsidies and grants have totaled over $2.3 billion.[6] Relating those subsidies to COSCO's overall container volume also disclosed in its annual reports is one method to measure their impact. Based on the most recent five years of actual data, those subsidies were the equivalent of $7.68[7] per TEU. Based on the entire 19-year period, those subsidies were the equivalent of $6.49[8] per TEU. Based on the most recent available annual report for 2023, those subsidies were the equivalent of $17.52[9] per TEU. Doubling those amounts per TEU to get the typical 40' marine container used in international shipments results in a range of from $13 to $35 per container for the impact of COSCO's operating subsidies. The midpoint of that range is $24 per container.

The figures above are a starting point. While they may show the operating cost impact of ongoing governmental subsidies, they do not reflect all of the subsidies related to vessel construction. When the U.S. had its operating differential subsidy and construction differential subsidy programs decades ago, my recollection is that they involved similar overall amounts. If that is the case here, that would readily justify doubling that midpoint of $24 per container to get $48 per container as a hypothetical value of the beneficial impact of all subsidies for COSCO. Adding 25% to that as a type

[6] $2,309,185,000 from 2005 through 2023 from disclosure in publicly available annual reports over period
[7] $975,419,000 subsidy divided by 126,962,201 TEU's from last five years of COSCO annual reports
[8] $2,309,185,000 subsidy divided by an estimated 355,574,155 TEU's from annual reports/my estimates
[9] $412.593,000 subsidy divided by 23,554,977 TEU's from 2023 COSCO annual report

of disincentivizing penalty results in a base fee charge of $60 per inbound container to the U.S. The only difference would be on inbound containers coming off a ship built in China where the fee would be $120 per container. While ships built in China represent 40% of existing container ships and 68% of the current order book for container ships, we can assume that even a relatively modest inbound fee per container would result in some vessel switching within current deployments. It seems reasonable however to assume that at least 25% of the containers discharged in the U.S. would still come in on ships built in China. Based on that breakdown and using the total inbound containers for 2024 of 28,245,785[10] TEU's, the initial annual amount raised from this framework can be estimated and is detailed in the following table.

Where Built	ROW	China	Total
Inbound TEU's	21,184,339	7,061,446	28,245,785
Inbound 40's	10,592,169	3,530,723	14,122,893
Fee/Container	$60.00	$120.00	$75.00
Annual Fees	$635,530,163	$423,686,775	$1,059,216,938

The per container fees above would generate just over $1 billion per year, an amount similar to the Harbor Maintenance Fee. These would be the only amounts going into the trust fund, with no amounts coming in from other segments. Exempting those segments precludes adding any burden to key exports moving in those segments. Even with imports in those other segments, the preponderance of cargo are crucial inputs to a variety of our manufacturing and service sectors and we should want to avoid adding any burden to those domestic businesses.

Within this simpler and more straightforward fee per inbound container framework, there would be two factors that will completely inoculate any fee. The first one would be a container coming in on any U.S. flag vessel, regardless of where the vessel was built. Particularly as you go up in the size of the container ships, the $60 fee provides an incentive to reflag based on using the present Maritime Security Program annual stipend of $5.3 million as the operating cost differential. The following table shows the estimated annual fees based on ships deployed in a typical transpacific service for different sized vessels built both outside of and in China.

[10] 24,291,375 TEU's from December McCown Top 10 Report divided by 86% to include 23 smaller ports

TEU	$60 Fee	$120 Fee
6000	$3,600,000	$7,200,000
8000	$4,800,000	$9,600,000
10000	$6,000,000	$12,000,000
12000	$7,200,000	$14,400,000
14000	$8,400,000	$16,800,000
16000	$9,600,000	$19,200,000

As the table shows, there is an immediate economic incentive for the operator of a ship built in China to look into reflagging it under the U.S. registry. Note that these will solely be U.S. flag vessels operating in foreign services with no domestic privileges. We should embrace and encourage such reflagging and refine the process involved in such transitions in order to streamline it where possible.

The second factor that will inoculate any fee on an inbound container shipment is if the container itself was manufactured in the U.S. There is no such domestic manufacturer today, as China presently makes 96% of the dry containers and 100% of the refrigerated containers used worldwide in shipping. But this is a segment that with demand the U.S. can be producing boxes in a relatively short period of time. The automated assembly lines could result in relative overall costs being tighter than some may assume. The incentive to inoculate the per inbound container fees would be more than sufficient to compensate for the additional cost related to building these long-lived assets in the U.S. Importantly, it would not only put a dent in the maritime segment where China is the most monopolistic, but it would allow the U.S. to manufacture all of the components for the smart containers that will increasingly be in use. There is a range of smart containers and the more high end, the more the U.S. should seek to stay in the lead. In everything related to maritime technology, it is important that the U.S. strive to stay on top.

The suggested per container fees should be the same regardless of the size of the container. This is both for simplicity and to encourage the use of larger containers which inherently are more efficient overall and therefore result in less U.S. port congestion. This extends to 53’ containers. While that size may not work in other countries, it has been the size full load freight has moved within the U.S. for more than two decades. The U.S. freight system adapts to that fact by significant transshipment activity, particularly on the West Coast. I wrote an article a few years ago on an array of initiatives to grow our merchant marine, including the compelling economics of a weekly transpacific service built around 53’ containers. By encouraging adaption of equipment size that works best in the U.S., we make our freight system more efficient. Indeed, the use of 53’ containers for inbound loads to the U.S. takes out so many unnecessary steps along with the related cost and time that serious consideration should be given to waiving any inbound container fee for 53’ containers regardless of the ships they come in on.

The precise allocation of how the trust fund amount estimated above at some $1 billion annually should be spent to benefit our maritime sector would need to be broadly defined. Some flexibility for a recognized panel of maritime national security experts that have the final authority would allow for shifting priorities and is a good approach. The per inbound container fee mechanism automatically acts as an incentive for existing foreign flag container ships serving U.S. trade lanes to reflag under the U.S. registry. This immediately provides additional billets for American mariners which should be high on our list of priorities.

Related to other vessel segments, key among them being tankers and ro-ro ships due to both their utility in the projection of military power and their shortage, they should be directly subsidized using some of the money in the trust fund. The current Maritime Security Program stipend of $5.3 per ship per year is the basis for the 60 U.S. flag ships now in international services. Another 60 U.S. flag ships could be deployed using $318 million[11] per year, an amount that would be approximately one-third of the trust fund.

Another maritime area deserving support from any trust fund resulting from inbound container fees is our port infrastructure. Just as the Harbor Maintenance Fee goes into a trust fund to support dredging costs where all users benefit, it is rational to use a portion of a new trust fund to ensure all users have sufficient container terminal capacity. We are approaching capacity limits at our container terminals and my May 2023 article made the case for a national port strategy and more federal government leadership in this area. We all realized during the pandemic the adverse commercial effects of not having adequate container terminal capacity. Our ports being in gridlock at a time of national emergency would have even more severe consequences. It is imperative as a matter of national security that at all times we have sufficient reserve container terminal capacity.

The digital platforms that are playing an increasingly important role in maritime supply chains are also an important part of port infrastructure that

[11] $5,300,000 annual stipend to equalize to foreign operating costs times 60 additional ships

needs more focus by the federal government. The cybersecurity initiative at U.S. ports that my April 2024 article referenced is a good start but we need to find a way for the leading digital platforms to be based in the U.S. We should be concerned that the LOGINK software, developed by the Chinese Ministry of Transport and now integrated into equipment made in China and used in most container ports, can become a trove of data and information that could be turned against us. It is important to remember that information related to a container, such as where it is and where it has been, can become as equally or more vital as an asset than the product it is carrying.

Obviously, a major area that should be supported from monies in the trust fund is our commercial shipbuilding industry. Initiatives to expand the number of shipyards with the capability of building large ocean-going vessels should be paramount. In that area, further and deeper cooperation with leading shipyards based in Japan and Korea, our closest allies in Asia, would result in an array of strategic benefits for all parties. Care must be taken to preserve the century old requirements for building vessels used domestically in the Jones Act. However, as it relates to building ships in the U.S. that will be used in international services, a null set for decades, amendments to laws and regulations allowing greater use of large modules made elsewhere and assembled here should be looked into. An analogy is the transition in the automobile industry and many other manufacturing sectors. The Koreans in particular have been adept at doing that in the car business, with major components manufactured in Korea and shipped in specialized containers where final assembly is performed in the U.S.

In any tariff or potential restraint of trade of which even this modest per inbound container fee suggestion would be, it is important to be mindful of possible countervailing measures. The response is often proportional to the actual trade impact of the initial action. Based on that yardstick, the suggested fee per inbound container is so low relative to cargo value that it will hopefully not impact trade. Compared to the $54,493 per TEU average cargo value, the $60 per container or $30 per TEU base fee is equal to just 0.055%.[12] That should translate into having a negligible effect on container trade volume and the related inflation impact to American consumers will also be negligible. At the same time, it should allow the funding of key initiatives to benefit the American maritime sector in a predictable and consistent manner.

[12] $60 per container divided by $54,493 per TEU or $108,984 per typical 40’ container

For the reasons explained earlier, none of those outcomes or goals are achievable with the fee per port call proposal that is the subject of the requested comments. In fact, the guaranteed sharp and harsh responses that proposal will invite if it were actually implemented are another particularly unattractive feature. The responses would hardly be limited in terms of the area they would affect. Most previous retaliatory responses have been focused on the goods aspect of the U.S. economy. But countervailing and retaliatory measures do not have to be limited to goods as recent history has shown.

It is worth noting that the U.S. has a trade surplus in the services area. The latest GDP figures show that the services aspect of the economy actually represents 2.18 times[13] the goods aspect. In that area, we have a surplus with exports of services being 1.37 times[14] imports of services. Just as initiatives in the goods area invariably lead to countervailing actions impacting exports, it would be naïve to not take into account the unintended consequences of retaliations in the services area. Take just higher education as one such area. There we have a major trade surplus and what results from that leads to even more economic benefits. With just 4% of the world's population, we are home to more than two-thirds of the leading universities in the world based on every creditable ranking. We want the best and the brightest to come to the U.S. to be educated and ideally stay here. That trade process results in manifold benefits for the U.S. That is just one example of the need to look at trade figures in a holistic context.

For reasons that are not supported by any underlying facts, our trade deficit in goods has recently emerged as a lynchpin that is synonymous to some with a transfer of wealth. While large, those characterizations fail to recognize that in exchange for cash, American consumers are getting in return tangible products that they value at least as much if not more than the cash they used to acquire them. Rather than a transfer or decrease in wealth, it is actually the opposite and an increase. It is irrefutable that the explosion of trade in the postwar era has actually made the U.S. collectively wealthier, but that is a discussion for a different day.

Specifically related to our trade deficit in goods, not only does it not represent a transfer of wealth, but by virtue of the position of the U.S. dollar as the reserve currency of the world, it is a mathematical certainty that we

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[13] 2024 GDP figures show $13,584.4 billion in services compared to $6,242.8 billion in goods
[14] 2023 Bureau of Economic Analysis figures show $1,026.6 billion in exports and $748.2 billion in imports

destined to always have a trade deficit. There is nothing wrong with that. To measure the economic health of the U.S. by its trade deficit in goods has about as much relevancy as using sunspots as the gauge. A smaller trade deficit is the ultimate low bar, but what really matters is what are the incremental costs in real wealth reduction and inflation to achieve that pyrrhic victory. When those steps become a catalyst to move the U.S. dollar away from being the world's reserve currency, that will open up a Pandora's Box and usher in devasting economic problems and automatically bring in a reduction in wealth along with inflation. We benefit immensely from our reserve currency status and never want to do anything to lose it.

In its broadest sense, the overlap of trade goes well beyond GDP and census figures. My May 2024 article presents the case for globalization actually preserving national security. I think IBM founder Thomas Watson had it right when he adopted the slogan "World Peace Through World Trade." He had that slogan inscribed of the façade of IBM's New York headquarters building, believing that international trade fostered global understanding and cooperation.

The mission of the Office of the United States Trade Representative is to constantly seek ways to enhance the benefits of trade for the U.S. That certainly includes investigating and ferreting out situations involving unfair trade practices. But proof of unfair trade practices is no more a reason to take a sledgehammer to trade itself than highway deaths being a justification to make cars illegal. In seeking ways to enhance trade, a broad array of initiatives should be reviewed but that has to be done within the bounds of solid facts and real analysis. This is an area where the Carpenter's Rule ("measure twice, cut once") should be at work on steroids given the stakes. It is imperative that the USTR take no action that will harm the American economy.

Thank you for the opportunity to submit these comments. Please feel free to contact me at john.d.mccown@gmail.com if you have any questions about these comments or the sources I referenced.

Sincerely,

John D. McCown

John D. McCown