

Congress of the United States

Washington, DC 20510

June 11, 2019

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, D.C. 20250

Dear Secretary Perdue,

We appreciate and support the Administration's long-term goal of rebalancing the trade environment and establishing free, fair, and reciprocal trade between our nation and its trading partners, especially China. In the short term, however, unjustified retaliatory tariffs on U.S. seafood are disrupting trade and significantly damaging seafood producers across the country, especially in Alaska.

The assistance package announced by the Department of Agriculture on May 23, 2019, for food and agricultural goods affected by unjustified and retaliatory Chinese tariffs is important and needed now. This is as true for Alaska fisheries and seafood products as it is for other U.S. agricultural products. Including seafood in your agency's latest trade relief package for agricultural producers is vital to Alaskan fishermen, our coastal communities, and our seafood processors who supply both foreign and domestic markets with premium, sustainably-harvested seafood. Nationally, the Alaska seafood industry creates an estimated \$5.2 billion in annual labor income and \$12.8 billion in economic output (2017). Negative consequences of retaliatory tariffs on Alaska's seafood have amplified throughout the supply and marketing chains, affecting Alaska coastal fishing communities and stakeholders at the local level.

China is the largest of Alaska's seafood export markets, with about \$989 million of sales (first wholesale value only to China), representing more than 50% of Alaska's seafood products. As you know, China imposed retaliatory tariffs on U.S. agricultural imports—including seafood—effective early July 2018. China's retaliatory actions are taking a heavy toll on Alaska seafood, and the consequences of this unjustified retaliation in terms of market and value loss are getting worse over time for seafood producers—just as they are for farmers and ranchers.

On July 6, China put in place an unjustified retaliatory tariff on American seafood imports, a 25% increase over an already burdensome 7-10% tariff level on certain Alaska origin products. This action drove the tariff on wild Alaska pollock, flatfish, and other Alaska seafood serving the Chinese domestic market as high as 32% while competing Russian products remained at a 7% tariff rate. Alaska (U.S.) origin pollock, salmon, cod, rockfish, and flatfish products are now subject to steep tariffs for entry to the Chinese domestic market. The impacts of this retaliation are severe and worsening as time passes.

As a strategy to keep markets from shifting to non-U.S. origin product, U.S. producers and their customers have absorbed costs of the initial tariff increase but this cannot be sustained in the

long-term. Chinese markets are shifting from mainly U.S. product to Russian-origin salmon, pollock or other non-U.S. whitefish. Concurrently, new market growth has stopped and Alaska seafood consumption has dropped. Marketing and sales outreach continue in order to minimize lost ground, but the Alaska seafood industry cannot effectively compete in the Chinese domestic market under current conditions. For Alaskan whitefish producers who depend primarily on the China to sell their premium white fishmeal and oil products, there is no alternative premium market for the high volume of Alaska pollock fishmeal and oil that is being displaced.

In addition to being Alaska's largest export market for seafood, China is also the largest re-processor of Alaska seafood. The majority of Alaska seafood shipped to China for reprocessing is filleted, de-boned, and made into new frozen products that are then moved back into the United States and around the world. Products coming back to the United States are greatly affected by existing or proposed U.S. tariffs on goods imported from China. For reprocessed products, trade disruption and a shift in government priorities has left the Chinese reprocessing sector undercapitalized to purchase U.S. inventory. Lending has collapsed and the drop in processing capacity has significant long term implications for Alaska seafood to competitively access the China market.

Alaska seafood sales in the U.S. are also depressed due to trade tensions with China. As tariffs increase, prices paid to fishermen decrease and consumer product demand decreases. Valuable industry resources are being rerouted to identify and develop new markets for nearly a billion dollars of displaced China-bound product. Russia and Southeast Asian countries are aggressively moving into the U.S. seafood marketplace to replace higher-value wild Alaska seafood products, which are losing their competitive edge due to the factors described above. In total, this aggravates our nation's seafood trade deficit by constraining export opportunities for domestic producers and Alaskan seafood harvesters.

Given the clear and significant impact of the current trade dispute on this broad range of Alaska fisheries and seafood producers, we strongly urge you to include Alaska fish and seafood products in the recently announced package of support for U.S. food commodities affected by unjustified retaliatory retaliation and trade disruption. This is critical for Alaska and its diverse fisheries. We are happy to work with your office to provide additional data, and look forward to your reply.

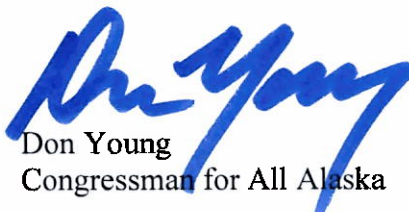
Sincerely,



Lisa Murkowski
United States Senator



Dan Sullivan
United States Senator



Don Young
Congressman for All Alaska