September 6, 2018

The Honorable Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
Executive Office of the President
600 17th Street, NW
Washington, DC 20006

Comments on Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket Number: USTR-2018-0026)

Dear Mr. Ambassador:

We are writing to express our very strong opposition to any tariff increases on U.S. imports of consumer products, such as textiles, clothing, shoes, carpets and rugs, home goods, fashion accessories, sporting goods, or travel goods from China. Such tariff increases would hurt U.S. consumers, U.S. workers, and U.S. companies, and would not address the underlying concerns regarding illegal technology transfer and intellectual property rights theft in China.

We were pleased to see that some of these goods – such as those contained in Chapters 61-64, inclusive, of the Harmonized Textile System (HTS) – were excluded from each of the lists that has so far been proposed. We support that move and remain staunchly opposed to the potential inclusion of any of these items on the current ($200 billion) list or any future lists that may be developed.

At the same time, we are deeply distressed to see a number of these items were in fact included in the $200 billion tranche. Baseball caps and gloves, backpacks, handbags and other fashion accessories, and children's products have no place in this process and seem to contradict your algorithm that seeks to impose maximum pain on China and minimum pain on the United States. Because China, is the dominant, major, or only source of supply for many of these items, a 25% border tax would perversely impose maximum pain on the United States while leaving China relatively unscathed. We urge that you exclude these items from this and any future lists.

Please consider the following:

<u>The United States already imposes a significant border tax on these products</u>. Average tariff rates on most of these products range from 10.8% to 14.2%, even though the average rate the U.S. imposes on all products is less than 1.4%. Some tariffs are extraordinarily high. For example, ski jackets, baby garments, and tennis shoes face U.S. duties as high as 27.7%, 32%, and 67.5%, respectively. We impose these tariff rates – originally set during the early days of the Great Depression – even though there is very little or no commercial production of these items in the United States.

<u>China is the top supplier of these items to the United States – by far</u>. In 2017, China accounted for about 41% of all apparel, 72% of all footwear, and 84% of all travel goods imported into the United States. Because duty rates in these product categories are so high and because China is such a dominant supplier, U.S. imports from China already account for most of duties collected by the U.S. Government. In fact, duties on U.S. imports of these consumer products from China already represent more than 22% of all tariffs the U.S. collects from all countries on all products. And to be clear, such duties are paid by U.S. workers, U.S. consumers, and U.S. companies – not China.

<u>Imposing additional tariffs on U.S. imports from China will raise the price of these articles in the United States</u>. China's dominance, plus the fact that every American buys these consumer goods, means that every American will feel the adverse effect of this action. At a 25% additional duty rate, we estimate that a family of four will end up paying about $500 more to buy these basic consumer products every year, and this doesn't account for any price increases that other suppliers will surely charge as they respond to the cost increases. Of course, Americans may balk at those price increases and purchase less, especially lower income Americans who would bear the brunt of this regressive tax. But fewer purchases would only shift the harm to another part of the economy – the jobs of the more than four million Americans currently employed in the U.S. apparel, footwear, travel goods, and home goods industries.

Last year, President Trump signed into law a sweeping tax cut that will reduce the taxes paid by many Americans and position our country for unparalleled economic growth. Many of those gains could be eliminated through the inflationary and job-destroying effects of these new tariffs, undermining the Administration's pro-growth agenda that benefits American workers and their families.

While we share many of your concerns on the underlying problems in China, we urge you to find and implement remedies that address those problems rather than cause economic damage to U.S. citizens.

Sincerely,

Accessories Council
American Apparel & Footwear Association (AAFA)
American Bridal and Prom Industry Association (APBIA)
American Import Shippers Association (AISA)
California Fashion Association (CFA)
Council of Fashion Designers of America (CFDA)
Fashion Accessories Shippers Association (FASA)
Fashion Jewelry and Accessories Trade Association (FJATA)
Footwear Distributors & Retailers of America (FDRA)
Gemini Shippers Association
Halloween Industry Association (HIA)
International Prom Association
Juvenile Products Manufacturers Association (JPMA)
National Retail Federation (NRF)
North American Association of Uniform Manufacturers and Distributors (NAUMD)
Oriental Rug Importers Association (ORIA)
Outdoor Industry Association (OIA)
Promotion Products Association International (PPAI)
Retail Industry Leaders Association (RILA)
Sports and Fitness Industry Association (SFIA)
Travel Goods Association (TGA)
U.S. Fashion Industry Association (USFIA)