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Oral Statement of the

National Retail Federation

submitted to the

United States Trade Representative

for its hearing on

Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

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Good afternoon, members of the Section 301 Interagency Committee. My name is Jonathan Gold, and I am the Vice President for Supply Chain and Customs Policy for the National Retail Federation. We appreciate the opportunity to testify today about the potential impacts of the proposed tariffs on List 3.

NRF is the world's largest retail trade association, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and Internet retailers from the United States and more than 45 countries. Retail is the nation's largest private sector employer, supporting one in four U.S. jobs – 42 million working Americans. Contributing $2.6 trillion to annual GDP, retail is a daily barometer for the nation's economy.

As we have stated in our previous testimony and comments, we support the conclusion of USTR's Section 301 investigation that certain Chinese acts, policies and practices are disadvantaging U.S. companies. However, by now the Administration should know something it questioned several months ago: tariffs will not get China to change its unfair trade practices. Instead, these tariffs threaten to increase costs for American families and destroy the livelihoods of U.S. workers, farmers, manufacturers and small business owners. There is still time to prevent these harmful consequences. We hope this week's discussions between the U.S. and China will pave the way for real action that will resolve these ongoing problems and end the trade war before it further escalates.

With regard to List 3: the proposed list includes many consumer goods including –

- Food products;
- Personal care products;
- Bicycles and related safety equipment;
- Furniture;
- Lighting and mirrors;
- Home improvement supplies;
- Travel goods such as luggage and handbags;
- Hats;
- Pet products;
- Paper products including paper plates and toilet paper;
- Baby products;
- Fabric and craft supplies; and
- Many, many others

NRF strongly opposes any efforts to include or add consumer products to the proposed list. The administration noted that the original goal of the tariffs was to bring maximum pain to China and minimum pain to U.S. consumers. The proposed list reflects the complete opposite of that.

These are products purchased by nearly every American household. Many are everyday staples, and account for a relatively large share of total household spending, especially for lower-income families. Research that we will include in our final submission has found that imposing 25 percent tariffs on furniture from China would take $4.6 billion a year out of the pockets of American consumers – money they would otherwise have had available to spend on other goods and services. Similarly, 25 percent tariffs on travel goods such as luggage and handbags, would cost consumers $1.2 billion a year. At 10 percent, the impact would be smaller but still significant.

We would like to suggest some criteria for your consideration in evaluating the products that could be subject to further tariffs – again, tariffs that are unlikely to impact China's acts, policies and practices of concern – in the event the Administration chooses to press on with this effort:

1) Exclude from tariffs those products for which China is the sole source of U.S. imports and no alternate sources of supply exist;

2) Exclude from tariffs those products for which China is the primary source of U.S. imports. By "primary," we suggest those for which China accounts for 50 percent or more of total U.S. imports of that product and it would also be extremely difficult if not impossible for retailers to source from other cost-competitive suppliers quickly, at the required quality, quantities or at comparable price points; and

3) Exclude from tariffs those products for which the tariffs would nevertheless have a significant negative impact on consumers, based on our hands-on knowledge of the market dynamics unique to each.

We have included in our written submission lists of HTS items that fall into each of these three categories. Our members continue to ask us to add still more HTS codes to those lists, and we will include them in our final comments for the docket. We have already identified over 450 specific HTS codes of concern. We will also be including the research I just noted on the impact of the proposed tariffs specific to furniture and travel goods.

We also want the Committee to be aware of broader impacts of the proposed tariffs on sourcing and consumers. The threat that these tariffs could be imposed, and even expanded to include all consumer goods imported from China, has already started a scramble among importers to find alternative sources of supply, including in the United States. While you may think this is a positive development, the administration needs to know that the scramble is already bidding up prices for consumer products from all possible alternative manufacturers. Therefore, even if the administration decides not to impose the tariffs, higher prices are already on the horizon for American families.

Supply chains are complicated. It is not easy to quickly change sourcing strategies to meet the overwhelming consumer needs and expectations. Retailers are making their purchasing decisions anywhere from six to 12 months in advance. Holiday orders have already been placed. Orders for next Spring are currently in the process. of being made. If implemented, the tariffs will have to be added to the cost of the product. Retailers will not be able to absorb the costs, especially at a 25% rate. In a recent NRF survey, nearly half (46%) of small business owners anticipate a negative impact on their businesses due to proposed or implemented tariffs.

NRF respectfully requests that the Administration reconsider the use of tariffs to incentivize China to modify its acts, policies and practices as identified in the Section 301 report.

The collateral damage to wide swaths of the U.S. economy will be significant, as you have already heard from many witnesses so far. The U.S. tariffs, which are taxes on U.S. businesses and consumers, in addition to the retaliation from China, are already having a negative impact on the economy. This will only get worse as the additional tariffs take effect and retaliation escalates.

We thank the Administration for the opportunity to testify on this important issue. We look forward to continuing the discussion on how best to address China's unfair trade practices in a manner that focuses on the specific issues without harming U.S. businesses, workers or consumers.