RETAIL INDUSTRY LEADERS ASSOCIATION

99 M Street, SE
Suite 700
Washington, DC 20003

www.rila.org

September 28, 2023

**Via Online Submission**

The Honorable Katherine Tai
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20006

**Re: Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy (Docket Number USTR-2023-0004)**

Dear Ambassador Tai,

The Retail Industry Leaders Association (RILA) appreciates the opportunity to provide input in response to the Office of the U.S. Trade Representative's (USTR) "Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy." RILA and our members strongly support the Biden-Harris Administration's efforts to promote an inclusive trade policy that benefits all Americans. We believe a proactive trade agenda that lowers tariff and non-tariff barriers is essential to achieving more inclusive and equitable trade benefits for Americans. More specifically, we believe that the current U.S. tariff regime amounts to a regressive tax on low-income Americans that cost U.S. jobs and contribute to gender inequity – undermining key administration priorities. We therefore urge USTR to consider tariff liberalization as a tool to provide economic relief and deliver more trade benefits to American families.

**Tariffs Are a Regressive Tax on Low-income Americans**: In 2022, the Progressive Policy Institute (PPI) authored a report which found that U.S. Most Favored Nation (MFN) tariffs on consumer goods are discriminatory and regressive because low-income Americans are disproportionately impacted by these tariffs, especially single-parent families and people of color. The report observed that the current U.S. MFN tariff regime is designed to tax everyday staples like clothing and shoes. The PPI study made four key points:

> (1) U.S. MFN tariffs raise revenue principally from home necessities such as clothes, shoes, and a few other consumer goods. These make up only a small share of imports but provide more than half of MFN tariff revenue.
>
> (2) This fact makes the MFN tariff system a regressive form of taxation, since low-income families, single-parent families, and African American and Hispanic families spend more of their family budgets on these products than the U.S. average.
>
> (3) U.S. MFN tariffs on these and several other categories of consumer goods are systematically skewed, taxing cheap goods heavily and luxury goods lightly, making the MFN tariff system discriminatory as well as regressive.

(4) Tariffs on consumer goods appear ineffective as protectors of employment or production.[1]

The notion that the U.S. MFN tariffs are regressive is not a new one. In 2014, the Peterson Institute for International Economics authored a paper highlighting how U.S. tariffs "put much more pressure on lower income households than on higher income households."[2]

In addition to the inherently regressive and discriminatory nature of U.S. MFN tariffs, the Section 301 tariffs on more than $350 billion in goods from China have injected additional inequity into the U.S. tariff system. In the five years since the section 301 tariffs were imposed, American companies have paid more than $191 billion in additional tariffs to the U.S. government. These have included tariffs on consumer products such as glasses, cotton swabs, lightbulbs, air fresheners, luggage, bookcases and lamps – every day items needed and purchased by American households.

According to a Peterson Institute study on how the section 301 tariffs have impacted inflation, "the competitive impact of cutting the China tariffs could eventually lead to about a 1 percentage point reduction in inflation." This translates to approximately "$797 per US household, about half the size of pandemic relief in 2021." The National Bureau of Economic Research found in a study that one year of a 10-percentage-point increase in tariffs is associated with a 0.44% increase in the price of a good. A study by the American Action Forum found that "based on 2021 data, U.S. consumers paid $48 billion in Section 301 tariffs to import goods from China." The higher cost of goods diminishes the purchasing power of American workers' wages.

Further, the section 301 tariffs on consumer products have had no impact on making the U.S. more secure vis-à-vis China or changed China's behavior or practices related to technology transfer, intellectual property, and innovation. Consumer products have no nexus to the underlying USTR 301 investigation into China's unfair trade practices that gave rise to the section 301 tariff actions. These products are not linked to China's Made in 2025 program and do not fall within the strategic or critical sectors that are the focus of USTR's 301 report. In other words, these products are not linked to U.S. national security or strategic competition with China. Because consumer products are not strategically linked to China's high-tech ambitions, tariffs on these products have failed to compel change in China's behavior. The tariffs only serve to undermine the Biden-Harris Administration's priorities by increasing costs for Americans – including the same Americans that USTR seeks to champion as part of its worker-centered trade policy.

In short, the current U.S. tariff system – including MFN tariffs and punitive tariffs like the section 301 tariffs – places disproportionate economic pressure on lower-income Americans. We therefore urge USTR to pursue tariff liberalization as a means to advance an inclusive and worker-

[1] Ed Gresser, "Trade Policy, Equity, and the Working Poor: United States MFN Tariffs Are Regressive Taxes Which Help Few Workers ad Harm Many," Progressive Policy Institute (April 2022).
[2] Tyler Moran, "Tariffs Hit Poor Americans Hardest," Peterson Institute for International Economics (July 2014).

centered trade policy.

**Tariffs Contribute to Gender Inequity:** The U.S. tariff system is not only regressive but also perpetuates gender inequity. A 2018 report by the U.S. International Trade Commission (USITC) found "significant gender differences in tariff burden." The report found that the average U.S. MFN tariff rates on women-specific products are higher than the average tariff rates on imports of men's merchandise. The USITC determined that most of the MFN tariff burden in the U.S. comes from apparel products; consumers spend twice as much money on women's clothing than on men's clothing; and the vast majority of this clothing is imported. According to the report, the "combination of higher tariff rates and greater spending on imported goods means that women carry a significantly higher share of total tariff burden compared to men."[3]

In 2016, Joint Economic Committee Ranking Member Carolyn Maloney's (D-NY) staff developed a report entitled, "The Pink Tax How Gender-Based Pricing Hurts Women's Buying Power." The report concluded that MFN "tariffs on some imported goods vary by whether the product is made for men or women. On average, clothing imports for women are taxed at a higher rate than clothing imports for men—15.1 percent compared to 11.9 percent. The higher costs of importing may be passed on to consumers and contribute to the markup on some goods targeted to women."[4]

The World Bank came to a similar conclusion in its study on women and trade. For example, the study notes that globally, "[w]omen hold a disproportionate number of jobs in the clothing sector and make most clothing purchases as family members. But tariffs on garments remain stubbornly high compared to tariffs on other manufactured goods."[5] This disproportionately hurts "women consumers across the world and keep[s] women workers in developing countries from broader export opportunities and better jobs."[6] The World Bank observed that "[a]lthough no country overtly imposes tariffs according to gender, implicit biases can amount to 'pink tariffs' that put women at an economic disadvantage—as both producers and consumers."[7]

The "pink tax" persists in the U.S. today. Earlier this year, the Progressive Policy Institute highlighted how women's underwear are taxed at a higher rate than men's underwear.[8] "Unfairness on underwear reflects a broader, bizarrely anti-lady pattern in our trade system: With a few exceptions, men's apparel items are more lightly tariffed than women's."[9] This gender inequity in the U.S. trade system perpetuates the very types of discriminatory behavior that this administration aims to remedy.

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[3] Arthur Gailes, Tamara Gurevich, Serge Shikher, and Marinos Tsgigas, "Gender and Income Inequality in United States Tariff Burden," U.S. International Trade Commission (August 2018).
[4] "The Pink Tax: How Gender-Based Pricing Hurts Women's Buying Power," Joint Economic Committee (December 106).
[5] "Women and Trade: The Role of Trade in Promoting Women's Equality," The World Bank (July 30, 2020).
[6] Id.
[7] Id.
[8] Ed Gresser, "U.S. Underwear Tariffs Are Unfair to Women," The Progressive Policy Institute (February 8, 2023).
[9] Catherine Rampell, "What women's underwear tells us about our trade system," The Washington Post (February 9, 2023).

**<u>Conclusion:</u>** RILA and our members strongly support USTR's aim to reduce inequity and advance the interests of American workers through trade policy We believe reexamining the U.S. tariff system – which is regressive and discriminatory -- is essential to achieving these policy goals. We look forward to working with USTR on expanding the benefits of trade to all Americans.

Thank you for the opportunity to provide input on behalf of our membership.

Sincerely,

Blake Harden

Blake Harden
Vice President, International Trade
Retail Industry Leaders Association