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RETAIL INDUSTRY LEADERS ASSOCIATION

Testimony of Mrs. Blake Harden
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Before the 301 Committee
Section 301 Hearing on Proposed Actions Regarding Digital Services Taxes – Multi-jurisdictional Issues

May 3, 2021

On behalf of the Retail Industry Leaders Association ("RILA"), thank you for the opportunity to provide the retail industry's perspective on the Administration's proposed actions regarding the Section 301 investigations into Austria, India, Italy, Spain, Turkey, and the United Kingdom's Digital Services Taxes.

My name is Blake Harden. I serve as vice president for international trade at RILA. RILA represents the world's largest and most innovative retail companies, accounting for more than $1.5 trillion in annual sales and millions of American jobs.

RILA shares the Administration's concerns with the proliferation of digital services taxes that unfairly target and discriminate against American companies, and we agree they must be addressed. However, we are concerned that the imposition of additional tariffs on imported goods will punish American companies, consumers, and workers who are forced to pay the tariffs and will bear the downstream impact of the tariffs without effectively addressing or assisting in the elimination of the digital services taxes. We have recent examples of this.

For instance, American businesses and families have been assessed more than $85 billion[1] in additional tariffs on products since the China 301 tariffs were put into place. There is widespread impact of these tariffs, resulting in less money in the pockets of American families[2], a slowdown in U.S. manufacturing[3], and decreased competitiveness for American businesses vis-à-vis their European and Asian counterparts. The use of tariffs in the China Section 301 investigation has also failed to stop China's unfair trading practices.

The global economy faces enormous uncertainty right now. According to the OECD, experience shows that companies can best weather this uncertainty by investing in fewer, longer-term relationships. U.S. retailers have built many such relationships out of China where possible, including in Austria, India, Italy, Spain, Turkey, and the United

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[1] CBP Trade Statistics, https://www.cbp.gov/newsroom/stats/trade (last visited April 21, 2021).
[2] *See* The Budget and Economic Outlook: 2020 to 2030, Congressional Budget Office, p. 33 ("As a result, tariffs are also projected to reduce average real household income by $1,277 (in 2019 dollars) in 2020.").
[3] *See* Aaron Flaaen and Justin Pierce, "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector," Federal Reserve Board (Dec. 23, 2019).

Kingdom. Our members leveraged existing relationships in these countries built on their intrinsic strengths, skilled labor necessary for products subject of the tariff lists, and efficient supply chains due to the proximity and availability of raw materials.

Placing a tax on imports from these countries now would create tremendous uncertainty for U.S. retailers and give them fewer sourcing options as they continue to look to diversify supply chains away from China.

Further, imposing tariffs on consumer products from the UK, Turkey, Spain, Italy, India, and Austria would disproportionately harm U.S. economic interests and jeopardize the gains made by the Administration's laudable efforts to put money back in the pockets of American families and to fuel a robust U.S. economic recovery as we emerge from the COVID-19 pandemic.

Simply put: adding additional financial strain during an ongoing pandemic and economic recession will slow our recovery, harm American businesses' ability to compete, limit American consumers' access to key products, and put Americans out of work.

This does not mean leading retailers do not support the Administration's goal of addressing digital services taxes that unfairly target or discriminate against U.S. companies. Or that the United States has no recourse to address such discriminatory measures. Our point is this: tariffs on the proposed products will not be effective in obtaining the elimination of our trading partners' discriminatory tax policies or prevent the proliferation of additional digital services taxes around the globe.

From USTR's proposed product lists, our members import goods such as cosmetics, perfumes, and shampoos from the United Kingdom; carpets, bed linens, curtains, tiles, kitchen fixtures and bathroom ceramics from Turkey; glassware, footwear, and seafood from Spain; and jewelry, seafood, basmati rice, and furniture from India. We fail to see how the imposition of an additional import tax on these products – which will be paid by Americans – will convince our trading partners to withdraw or reform their digital services taxes. At the same time, imposing these tariffs will severely harm the ability of U.S. retailers to compete globally.

RILA believes the proliferation of digital services taxes requires a multilateral tax solution, not a unilateral tariff response. To that end, we appreciate the Administration's demonstrated willingness to address the digital services taxes through multilateral negotiations at the OECD. We believe the OECD is the appropriate forum for achieving a negotiated solution and strongly support the Administration in these efforts.

We also appreciate that in her first month on the job, Ambassador Tai has spoken with her counterparts in the UK, Turkey, Spain, Italy, and India and that these discussions included digital services tax issues. We applaud this Administration's desire to engage our trading partners in productive and positive dialogues to resolve trade irritants without causing economic harm to American businesses, consumers, and workers.

But if USTR goes forward with imposing tariffs, we urge it to remove from the proposed product lists the specific HTS lines we identified in our more detailed written comments. We further urge USTR to consider removing from the proposed lists all consumer goods, which have no relationship to a tax on digital services.

Finally, if USTR moves forward with imposing tariffs on goods from the UK, Turkey, Spain, Italy, India, and Austria, we urge it to provide at least 30 days-notice before the tariffs take effect. This will help account for goods that may already be on the water, as well as provide importers with some advance notice to prepare for the tariffs.

Thank you for your consideration of our views. I am happy to answer any questions.