



RETAIL INDUSTRY LEADERS ASSOCIATION

99 M Street, SE
Suite 700
Washington, DC 20003

www.rila.org

March 23, 2021

The Honorable Katherine Tai
United States Trade Representative
Office of the United States Trade Representative
600 17th Street Northwest
Washington, DC 20508

Dear Ambassador Tai,

On behalf of the Retail Industry Leaders Association (RILA) and our membership of America's leading retailers, congratulations on your historic confirmation as U.S. Trade Representative. We are excited to work with you on a trade policy agenda that removes barriers and opens markets to American exports, creates and preserves good-paying American jobs, promotes stable and resilient U.S. supply chains, and reasserts U.S. leadership in setting high-standard trade rules that will help American businesses compete.

RILA is the trade association of the world's largest, most innovative, and most recognizable retail companies and brands. We convene decision-makers, advocate for the industry, and promote operational excellence and innovation. Our aim is to elevate a dynamic industry by transforming the environment in which retailers operate. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs, and more than 100,000 stores, manufacturing facilities, and distribution centers domestically and abroad.

As you begin your new role, we wanted to highlight leading retailers' top trade priorities. We look forward to working with you on these and other key trade issues.

Section 301 Tariffs Against China: RILA members, their millions of employees, and the American families and consumers who rely on retailers for essential items are bearing the financial burden from the section 301 tariffs covering over \$300 billion worth of goods from China. It has been three years since tariffs were first imposed on goods imported from China. Whereas Lists 1 and 2 stemmed from the section 301 investigation into China's unfair trading practices related to technology transfer and intellectual property, Lists 3 and 4A have targeted everyday products. As a result, American businesses and families have been assessed more than \$79 billion¹ in additional tariffs on products. These tariffs have resulted in less money in the pockets of American families², a slowdown in U.S. manufacturing³, and decreased competitiveness for American businesses vis-à-vis their European and Asian counterparts.

¹ CBP Trade Statistics, available at <https://www.cbp.gov/newsroom/stats/trade> (last visited 3/3/2021).

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 Flaaen, Aaron, 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).

The tariffs have also cost American jobs. According to Moody's Analytics, the tariffs resulted in 300,000 fewer jobs being created and reduced U.S. gross domestic product by an estimated 0.3% in 2019.⁴ The evidence is clear: Tariffs on imports have harmed the U.S. economy and American businesses, workers, and families.

At a time when the Biden-Harris Administration is using every tool available to combat the health and economic crisis caused by COVID-19, we urge the Office of the U.S. Trade Representative (USTR) to lift the section 301 tariffs – especially Lists 3 and 4A – to relieve the financial burden on Americans and to help boost the U.S. economy. Removing the tariffs would put money back in the pockets of American consumers and families at a time when they need it most.

However, we understand USTR may need time to assess the current China strategy before taking action to lift the tariffs. As USTR conducts this assessment, we urge it to take the following immediate actions:

- Conduct a prompt and meaningful review of the negative impact the tariffs have had on American businesses, jobs, and consumers and whether the tariffs have met their stated purpose;
- Further extend medical care and COVID-related exclusions through the end of the pandemic to ensure Americans have continued access to critical goods needed to fight the virus and stay safe;
- Reinstate all product exclusions that expired in 2020 to provide additional economic relief and certainty to American businesses, and by extension their workers and customers;
- Launch an improved product exclusion process that is transparent, fair, and expeditious to ensure all American businesses have an opportunity to apply for needed exclusions; and
- Work with U.S. allies on a holistic China strategy that addresses unfair trading practices without doing unnecessary economic damage to American businesses, workers, and families.

Western Hemisphere Competitiveness: As USTR crafts its strategy to address trade challenges with China, we urge it to utilize all available trade tools to incentivize sourcing away from China. All available flexibilities in our existing trade agreements, such as the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), should be used to encourage additional investment and sourcing in the Western Hemisphere. We further urge USTR to consider negotiating new flexibilities in DR-CAFTA and other FTAs to provide further incentives to relocate supply chains into Central and South America. In addition to building supply chain resilience within our own hemisphere and countering China, we believe near-shoring would have significant benefits for American manufacturers, exporters, and workers.

Section 301 Investigations into Vietnam: Given the economic harm caused by the section 301 China tariffs, we were deeply concerned when USTR launched section 301 investigations into

⁴ CBS News (Sept. 12, 2019) "Trump trade war with China has cost 300,000 U.S. jobs, Moody's estimates," available at <https://www.cbsnews.com/news/trumps-trade-war-squashed-an-estimated-300000-jobs-so-far-moodys-estimates/>

Vietnam's currency and timber practices. RILA and our members agree that U.S. trading partners should abide by U.S. and global trade rules, but we were concerned that these investigations could lead to the imposition of additional tariffs on goods from Vietnam.

Vietnam is an important partner of U.S. retailers, who have worked hard to build longer-term supplier relationships out of China where possible. Our members leveraged existing relationships in Vietnam built on the country's intrinsic strengths and source a variety of goods – including apparel, footwear, electronics, home goods, furniture, power tools, decorative and holiday goods, luggage, and toys – from trusted partners in Vietnam who meet our members' rigorous quality and safety standards. Placing a tax on these imports would create tremendous uncertainty for U.S. retailers and unfairly punish them for moving away from China.

We welcomed USTR's announcement in January that it would not take any specific actions pursuant to the findings in its currency report. We noted your comments during the confirmation process that the goal of section 301 investigations is to "provide an incentive to encourage a negotiated solution that addresses the underlying unfair trade practices."⁵ We support bilateral and diplomatic talks with Vietnam to reach a negotiated outcome that addresses unfair trading practices without doing economic damage to American importers and exporters. We urge USTR to support the Treasury Department in these efforts. Similarly, we urge USTR to seek a negotiated outcome to resolve any unfair trading practices that may be identified in its section 301 investigation into Vietnam's timber practices.

Digital Services Taxes: RILA and our members were similarly concerned with the launch of section 301 investigations into digital service taxes (DSTs) being considered or adopted by many of our trading partners. We share the Biden-Harris Administration's concerns with the proliferation of DSTs that unfairly target and discriminate against American companies, and we agree they must be addressed. However, we are also concerned that these investigations could lead to the imposition of additional tariffs on imported goods – punishing American companies who are forced to pay the tariffs and doing additional financial harm to American workers and consumers and to the U.S. economy.

We appreciate the Biden-Harris Administration's demonstrated willingness to resolve the DSTs through multilateral negotiations at the Organization for Economic Cooperation and Development (OECD), as well as your support for that effort. We believe that the OECD is the appropriate forum for achieving a negotiated solution rather than pursuing retaliatory measures in the form of tariffs. The OECD is an important forum to ensure the concerns and priorities of American businesses are voiced to our trading partners and reflected in a universal agreement, and it is essential that the United States be an active participant in the DST negotiations.

Forced Labor: RILA members do not tolerate forced labor in their supply chains. Our members have long-standing and robust programs in place to identify and address forced labor where it occurs. Our members are also constantly innovating to ensure these programs incorporate the

⁵ Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai, of the District of Columbia, to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary, Questions for the Record, p. 32 (February 25, 2021).

latest best practices and tools available. While we work closely and routinely with U.S. Customs and Border Protection and other agencies within the Administration in addressing these issues, we appreciated your comments that as USTR, you will "engage our trading partners in pursuit of a trade agenda that will restore U.S. global leadership on critical matters like combatting forced labor and exploitative labor conditions...."⁶ We believe strong U.S. leadership and a comprehensive strategy that involves all stakeholders, including our allies, is essential to ending forced labor practices – especially in such cases where it is state-sponsored. We look forward to working with you in crafting trade policies that support this goal.

MTB and GSP Renewal: We welcomed your commitment during the confirmation process to work closely with Congress on the renewal of the Miscellaneous Tariff Bill (MTB) and the Generalized System of Preferences (GSP). The MTB lowers the cost of key products – including inputs and intermediate goods used by American manufacturers – that are not readily available in the United States. It helps to boost U.S. competitiveness by putting money back in the hands of American job-creators, allowing them to retain and hire workers and invest here at home. In addition, the GSP program provides incentives to diversify supply chains away from China and boosts U.S. competitiveness by reducing costs for our members while also raising standards in beneficiary countries. According to USTR, GSP supports tens of thousands of American jobs and promotes economic growth in the developing world.⁷

Renewing these programs quickly would create certainty and predictability for leading retailers, their workers, and their supply chains – as well as our members' partners in beneficiary countries. We therefore urge USTR to support quick renewal of MTB and GSP and to work with Congress to renew both programs.

We appreciate your consideration of our priorities and would welcome the opportunity to meet with you to discuss them in greater detail. We hope to serve as a resource to USTR and look forward to working with you on a trade agenda that reasserts American leadership on the global stage, opens markets to American exports, creates and preserves American jobs, and promotes stable and resilient U.S. supply chains.

Sincerely,



Blake Harden
Vice President, International Trade
Retail Industry Leaders Association

⁶ Questions for the Record, p. 89.

⁷ Generalized System of Preferences (GSP) available at <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>

