



RETAIL INDUSTRY LEADERS ASSOCIATION

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**Testimony of Mrs. Blake Harden
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**Before the 301 Committee
*Section 301 Investigation of Vietnam's Acts, Policies, and Practices Related to
Currency Valuation***

December 29, 2020

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 section 301 investigation into Vietnam’s acts, policies, and practices related to currency valuation.

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 agrees that U.S. trading partners should abide by U.S. and global trade rules. We support using targeted trade tools to remedy unfair or discriminatory practices that create an unlevel playing field for American businesses and workers.

We want to partner with the Administration to hold U.S. trading partners accountable for unfair trading practices; however, we cannot support non-targeted actions that unfairly tax American businesses and families and have no relationship to the problem of currency manipulation. Simply put: adding additional financial strain during an ongoing pandemic and economic recession will slow our recovery and put Americans out of work.

American businesses and families have been assessed more than \$72 billion¹ 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 families², a slowdown in U.S. manufacturing³, and decreased competitiveness for American businesses vis-à-vis their European and Asian counterparts. The use of tariffs has failed to increase domestic sourcing.

¹ CBP Trade Statistics, available at <https://www.cbp.gov/newsroom/stats/trade> (last visited 12/19/2020).

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 Flaen, 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 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 Vietnam. Our members leveraged existing relationships in Vietnam built on the country's intrinsic strengths.

Vietnam is unique. It has the production capacity, a stable, abundant, and skilled labor force, logistics capabilities, and the good infrastructure needed to meet the high standards of our members. Our members source a variety of goods – including apparel, footwear, electronics, home goods, furniture, power tools, decorative and holiday, luggage, and toys – from trusted partners in Vietnam who meet our members' rigorous quality and safety standards.

Placing a tax on these imports now would create tremendous uncertainty for U.S. retailers and unfairly punish them for moving away from China. Vietnam is also a major export market for U.S. job-creating textile, chemical, hardwood and agricultural products. And imports of raw materials from Vietnam are critical inputs used by U.S. manufacturers of finished goods. According to the USITC, U.S. textile and apparel exports to Vietnam increased by \$97 million from 2015 to 2019. And during that same time, U.S. footwear exports to Vietnam increased by \$170 million.⁴

These American exports, along with key U.S. agricultural exports, will surely be subject to retaliatory tariffs if the Administration imposes tariffs on Vietnamese products.

This does not mean leading retailers do not support the Administration's goal of leveling the playing field. Or that if USTR determines Vietnam is discriminating against U.S. companies the United States has no recourse. Our point is this: tariffs will not resolve concerns with Vietnam's currency practices. The Administration should seek to address any discrimination through other, more effective means.

Tariffs will harm the ability of U.S. retailers to compete globally. Our competitors in countries such as Canada and the European Union have lowered their tariffs and removed trade barriers with Vietnam through free trade agreements and trade preference programs.

Tariffs will harm U.S. economic interests and cause serious disruptions to the American economy at a time when our workers and families are desperately trying to get back on their feet.

As USTR considers what, if any, action should be taken in this investigation, we urge it to pursue a negotiated outcome to remedy any concerning behavior. We believe the Treasury Department's plan to "commence enhanced bilateral engagement with

⁴ USITC's Vietnam Trade Shifts Index, *available at* https://www.usitc.gov/research_and_analysis/trade_shifts_2019/vietnam.htm



Vietnam”⁵ as outlined in its December 2020 currency report is exactly the right approach, and we urge USTR to work with the Treasury Department through this channel to address concerns with Vietnam’s currency practices.

Lastly, a word about process. It is imperative that USTR conduct this investigation in a fair, thorough, and transparent manner that carefully considers the novel issue before it and all potential implications of any actions taken – including the collateral damage that could be caused to U.S. retailers and American families if tariffs are imposed. This process must not be rushed – to do so risks the credibility of the investigation and its findings and more broadly USTR’s Section 301 authority.

Further, if the Administration moves to impose tariffs on goods from Vietnam because of this investigation, it should provide a public comment period and a hearing on any proposed tariff list before it takes effect. This would improve transparency and prevent unintended consequences on U.S. families, businesses, and our overall economy.

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

⁵ U.S. Department of the Treasury, Office of International Affairs, “Report to Congress: Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States,” p.3 (December 2020).

