March 20, 2018

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President,

We are writing to express our very strong opposition to any tariff increases on U.S. imports of consumer products, such as clothing, shoes, home goods, fashion accessories, or travel goods from China. Such tariff increases would hurt U.S. consumers, U.S. workers, and U.S. companies, and would not address the underlying concerns regarding illegal technology transfer and intellectual property rights theft in China.

Please consider the following:

The United States already imposes a significant border tax on these products. Average tariff rates on most of these products range from 10.8% to 14.2%, even though the average rate the U.S. imposes on all products is less than 1.4%. Some tariffs are extraordinarily high. For example, ski jackets, baby garments, and tennis shoes face U.S. duties as high as 27.7%, 32%, and 67.5%, respectively. We impose these tariff rates – originally set during the early days of the Great Depression – even though there is very little or no commercial production of these items in the United States.

<u>China is the top supplier of these items to the United States – by far</u>. In 2017, China accounted for about 41% of all apparel, 72% of all footwear, and 84% of all travel goods imported into the United States. Because duty rates in these product categories are so high and because China is such a dominant supplier, U.S. imports from China already account for most of duties collected by the U.S. Government. In fact, duties on U.S. imports of these consumer products from China already represent more than 22% of all tariffs the U.S. collects from all countries on all products. And to be clear, such duties are paid by U.S. workers, U.S. consumers, and U.S. companies – not China.

<u>Imposing additional tariffs on U.S. imports from China will raise the price of these articles in the United States</u>. China's dominance, plus the fact that every American buys these consumer goods, means that every American will feel the adverse effect of this action. At a 25% additional duty rate, we estimate that a family of four will end up paying about $500 more to buy these basic consumer products every year, and this doesn't account for any price increases that other suppliers will surely charge as they respond to the cost increases. Of course, Americans may balk at those price increases and purchase less, especially lower income Americans who would bear the brunt of this regressive tax. But fewer purchases would only shift the harm to another part of the economy – the jobs of the more than four million Americans currently employed in the U.S. apparel, footwear, travel goods, and home goods industries.

Mr. President, last year you signed into law a sweeping tax cut that will reduce the taxes paid by many Americans and position our country for unparalleled economic growth. We are concerned that many of those gains could be eliminated through the inflationary and job-destroying effects of these new tariffs, undermining your pro-growth agenda that benefits American workers and their families.

While we share many of your concerns on the underlying problems in China, we urge you to find and implement remedies that address those problems rather than cause economic damage to U.S. citizens.

Sincerely,

American Apparel & Footwear Association (AAFA)
American Import Shippers Association (AISA)
California Fashion Association (CFA)
Council of Fashion Designers of America (CFDA)
Fashion Accessories Shippers Association (FASA)
Footwear Distributors & Retailers of America (FDRA)
Gemini Shippers Association
Halloween Industry Association (HIA)
Juvenile Products Manufacturers Association (JPMA)
North American Association of Uniform Manufacturers and Distributors (NAUMD)
National Retail Federation (NRF)
Outdoor Industry Association (OIA)
Promotion Products Association International (PPAI)
Retail Industry Leaders Association (RILA)
Sports and Fitness Industry Association (SFIA)
Travel Goods Association (TGA)
U.S. Fashion Industry Association (USFIA)

President Donald Trump
The White House
Washington, DC 20500

March 18, 2018

Dear President Trump,

As representatives of the U.S. business community, we continue to have serious concerns regarding China's trade policies and practices, including market access barriers and state-directed investment policies, technology transfer and data localization mandates, policies and practices that prevent setting market-based terms in licensing and technology-related negotiations, and theft of trade secrets and other intellectual property. These persistent problems jeopardize U.S. global competitiveness, innovation, productivity, and cybersecurity. We recognize the U.S. Government's examination of these issues through the 301 process, and support an effort to address China's discriminatory practices.

However, we urge the Administration to take measured, commercially meaningful actions consistent with international obligations that benefit U.S. exporters, importers, and investors, rather than penalize the American consumer and jeopardize recent gains in American competitiveness.

The imposition of sweeping tariffs would trigger a chain reaction of negative consequences for the U.S. economy, provoking retaliation; stifling U.S. agriculture, goods, and services exports; and raising costs for businesses and consumers. The Administration should not respond to unfair Chinese practices and policies by imposing tariffs or other measures that will harm U.S. companies, workers, farmers, ranchers, consumers, and investors.

Tariffs would be particularly harmful.

- Tariffs on electronics, apparel, and other consumer products would **increase prices for U.S. consumers and businesses**, while doing little to address the fundamental challenges posed by unfair and discriminatory Chinese trade practices. These increased costs would effectively levy a tax on U.S. consumers and businesses, **negating gains for American workers from U.S. tax reform**.

- Tariffs would not only affect Chinese shippers but also **harm U.S. companies that sell component pieces of final products exported from China**.

- Tariffs would **harm community service providers—including American health care, education, and emergency responders.** These essential services rely heavily on consumer electronics and other imported goods, and would be negatively affected by increased costs.

- Tariffs on product components would hurt U.S. manufacturing exports by making it more expensive to obtain key inputs and **disrupting existing supply chains**. This would have a **negative impact on American jobs**. In 2017, manufactured goods made up more than 85 percent of U.S. exported goods, totaling $1.3 trillion.

- Tariffs that result in reduced consumption of products would also **depress financial markets**—a decline in ICT product purchases alone could result in a **potential decrease of GDP by $11 billion** for every percentage of stock value lost.

There are alternatives to address China's policies and practices that would not have the same adverse impacts on U.S. consumers, businesses, and local communities or undermine the benefits of the tax reform. In particular, it is critically important that the Administration work with like-minded partners to address common concerns with China's trade and investment policies. Imposition of unilateral tariffs by the Administration would only serve to split the United States from its allies, hinder joint action to effectively address shared challenges, and ensure that foreign companies take the place of markets that American companies, farmers and ranchers must vacate when China retaliates against U.S. tariffs.

We urge the Administration not to impose tariffs and to work with the business community to find an effective, but measured, solution to China's protectionist trade policies and practices that protects American jobs and competitiveness. Consistent with Section 304 of the Trade Act of 1974, we request that the Administration allow industry experts the opportunity to comment on these issues, including the economic impact of any potential actions.

Sincerely,

Agriculture Transportation Coalition
Airforwarders Association
Allied for Startups
American Apparel & Footwear Association
AutoCare Association
CAWA Auto Parts
Coalition of New England Companies for Trade
Columbia River Customs & Forwarders
CompTIA
Computer and Communications Industry Association
Consumer Technology Association (CTA)
Customs Brokers and Forwarders Association of Northern California
Developers Alliance
Fashion Accessory Shippers (FASA)
Gemini Shippers Association
Grocery Manufacturers Association
Home Furnishings Association
Information Technology Industry Council (ITI)

International Wood Products Association
Internet Association
Los Angeles Customs Brokers
National Customs Brokers and Forwarders Association of America
National Foreign Trade Council
National Retail Federation
NY/NJ Forwarders and Brokers Association
North American Meat Institute
Outdoor Industry Association
Pacific Northwest Asia Shippers Association
Promotional Products Association International
Retail Industry Leaders Association (RILA)
Snowsports Industries America
Specialty Crop Trade Council
Sports and Fitness Industry
Tea Association of the U.S.A., Inc.
TechNet
Telecommunications Industry Association (TIA)
The APP Association (ACT)
The Pacific Coast Council of Customs Brokers and Freight Forwarders
The Toy Association
Travel Goods Association (TGA)
U.S. Chamber of Commerce
U.S. Council for International Business
U.S. Fashion Industry Association
U.S. Hide, Skin, and Leather Association
Wine and Spirits Shippers Association

CC: U.S. Trade Representative Robert Lighthizer
Secretary of Commerce Wilbur Ross
Secretary of Treasury Steve Mnuchin
National Economic Council Director Larry Kudlow