RETAIL INDUSTRY LEADERS ASSOCIATION

99 M Street, SE
Suite 700
Washington, DC 20003

www.rila.org

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<u>Via Online Submission</u>
David Johanson
Chair
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436

Re: Economic Impact of Section 232 and 301 Tariffs on U.S. Industries, Investigation No. 332-591

Dear Chairman Johanson,

The Retail Industry Leaders Association (RILA) appreciates the opportunity to submit this prehearing statement and supporting documents to include in the public record of Investigation No. 332-591, *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries*. We are also grateful to the House and Senate Committees on Appropriations for requesting this important investigation and for the Commission commencing it without delay. Below we highlight the economic harm caused by the Section 301 tariffs over the last four years.

RILA is the trade association of the world's largest, most innovative, and 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 two hundred 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. RILA's membership includes some of the largest importers in the U.S.

RILA supports the Administration's efforts to hold our trading partners accountable and using targeted trade remedies against intellectual property theft, illegal dumping or subsidies, and other trade violations consistent with international rules. However, we remain opposed to the broad use of tariffs, more specifically tariffs on consumer products, which have proven to be an ineffective and harmful method to address unfair trade practices.

I. Tariffs Are Taxes on American Businesses, Consumers, and Workers

Tariffs imposed under Section 301 of the Trade Act of 1974 remain in place on upwards of $300 billion in goods and are being paid by American businesses, workers, and consumers. Since the tariffs were first imposed nearly four years ago, U.S. Customs and Border Protection (CBP) has assessed more than $140 billion in tariffs on American companies who import products from China. That amount grows each day the tariffs remain in place.

According to a report by Moody's Analytics, **American companies assumed more than 90 percent of the cost of U.S. tariffs on Chinese goods**.[1] In other words, American companies, not China, are bearing the economic brunt of the tariffs. These tariffs force American companies to pay the federal government billions of dollars[2] that could instead be going towards preserving jobs, paying suppliers and fixed costs, and investing in their businesses to compete globally. Tariffs create uncertainty and make business planning difficult, which translates into further supply chain challenges and less accessibility to the goods that American families rely on. Further, tariffs burden American families by forcing them to pay more for those goods. According to a study by the National Bureau of Economic Research, **one year of a 10-percentage-point increase in tariffs is associated with a 0.44% increase in the price of a good**.

Tariffs harm American businesses, consumers, and workers despite providing no benefit to the U.S. economy. The Peterson Institute for International Economics estimates that China purchased only 57 % of the total U.S. goods and services exports over 2020-2021 that it had committed to buy in the Phase One Deal. While China should be held accountable for not meeting its Phase One commitments, the original stated purpose of the tariffs was "to obtain elimination of China's harmful acts, policies, and practices"[3] as it relates to forced technology transfer and the theft of intellectual property. Despite four years of tariffs on more than $300 billion worth of Chinese imports, these fundamental issues remain unresolved. In other words, the tariffs have failed to deliver meaningful changes in China's unfair trade practices while harming Americans.

II. Tariffs Cost U.S. Jobs

Tariffs also hurt American workers by impacting U.S. jobs. According to a study by Oxford Economics, **the trade war with China has "reduced U.S. economic growth and employment, resulting in an estimated peak loss of 245,000 jobs."** That same study found that a rollback in tariffs could increase economic growth and stimulate employment growth in the United States. If both the U.S. and China "gradually scale back average tariff rates to around 12% (compared with around 19% now), the U.S. economy produces an additional $160 billion in real GDP over the next five years and employs an additional 145,000 people by 2025." In this de-escalation scenario, the income for U.S. households "would be $460 higher per household as result of increased employment and incomes as well as lower prices." In 2019, exports of goods and services to China supported nearly 1 million U.S. jobs according to the U.S.-China Business Council's 2021 State Export Report.

III. Tariffs Contribute to Inflation

Further, tariffs are an unnecessary contributor to inflationary pressures in the U.S. economy. According to a recent Peterson Institute study on the impact of tariffs on inflation,

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[1] Yen Nee Lee, *U.S. companies are bearing the brunt of Trump's China tariffs, says Moody's*, CNBC (May 18, 2021)

[2] In fact, the Section 301 tariffs have become so entrenched that lawmakers are beginning to see the tariffs as a permanent source of revenue to the federal government that can be tapped to fund other legislative priorities. *See*, e.g., *Western Hemisphere Nearshoring Act*, H.R. 7579.

[3] 83 Fed. Reg. 28710 (June 20, 2018).

"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." At a time when inflation is at a 40-year-high and increasing the cost of everyday staples for American families, the Administration should be leveraging every available option to lower inflation.

We agree with Treasury Secretary Janet Yellen's statement that tariffs on Chinese goods "impose more harm on consumers and businesses" and that tariffs "aren't very strategic in the sense of addressing real issues we have with China – whether it concerns supply chain vulnerabilities, national security issues, or other unfair trade practices." For additional insight into the impact of tariffs on inflation, we have included a list of articles compiled by the Americans for Free Trade coalition, of which RILA is a leading member, in our submission.

IV. Conclusion

In conclusion, the Section 301 tariffs on Chinese imports have caused disproportionate economic harm to American businesses, consumers, and workers – and consequently, the U.S. economy. Now more than ever, Americans need efficient access to critical products at an affordable price. Lifting the tariffs is a simple and effective way to make goods more accessible and affordable for American consumers. We appreciate the Commission's willingness to examine the impact of these tariffs on the U.S. economy. We look forward to participating in additional steps of this process and to the Commission's findings.

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

Sincerely,

Blake Harden

Blake Harden
Vice President, International Trade
Retail Industry Leaders Association