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Testimony of Mrs. Blake Harden
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Before the Office of the U.S. Trade Representative
Section 301 Investigation of Vietnam's Acts, Policies, and Practices Related to the Import and Use of Illegal Timber

December 28, 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 the import and use of illegal timber.

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; however, we cannot support non-targeted actions that unfairly tax American businesses and families and have no relationship to the problem of illegal logging. Adding financial strain during an ongoing pandemic and economic recession will slow our recovery.

American businesses and families have been assessed more than $72 billion[1] in additional tariffs on products since the China 301 tariffs were put into place. These tariffs have resulted 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 evidence is clear – tariffs on imports have failed to increase domestic sourcing.

The global economy faces enormous uncertainty right now. According to the OECD, experience shows that companies can best weather this uncertainty by investing in

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[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* 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).

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, especially when they have no relation to alleged violations of the Lacey Act, would create tremendous uncertainty for U.S. retailers and unfairly punish them for moving away from China. It would also leave limited options for sourcing, including possible re-shoring of production back to China.

Vietnam is also a major export market for U.S. job-creating textile, chemical 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.

Further, tariffs on goods from Vietnam will harm the ability of U.S. retailers to compete globally. As this Administration considers whether to impose tariffs, our competitors in countries such as the European Union and Canada have lowered their tariffs and removed trade barriers with Vietnam through free trade agreements and trade preference programs.

Simply put, tariffs are not the answer. Tariffs will not resolve concerns with Vietnam's timber practices. In fact, it would do greater harm to U.S. economic interests and cause serious disruptions to the American economy.

Higher tariffs will mean higher costs to U.S. businesses and, in turn, higher prices for American families, who are already facing a cash crunch because of the ongoing pandemic and economic recession. There is no good time for increased tariffs. Now is certainly not the time to add financial strain on those already struggling.

As USTR considers what, if any, action should be taken in this investigation, we urge it to leverage the Lacey Act to address concerns with timber practices, including those set forth in the Federal Register notice that launched this investigation. Our members make Lacey Act declarations routinely on imports, and it is a proven tool to ensure products

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

made with illegally harvested or traded plant species do not enter the United States. We urge USTR to work with the USDA to consider a long-term action plan to enforce the Lacey Act for violative products from Vietnam – including by building on actions by Vietnamese Customs to deter the transshipments of Chinese goods subject to the existing Section 301 tariffs.

In addition, we urge USTR to engage in bilateral negotiations with Vietnam to address practices, if they exist, that cannot be appropriately remedied through Lacey. Such negotiations could lead to the establishment of a protocol to update the 2007 Trade and Investment Framework Agreement (TIFA) between the United States and Vietnam.

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 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.