RETAIL INDUSTRY LEADERS ASSOCIATION

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January 10, 2020

Via Online Submission

The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20006

Re: Review of Action: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (Docket No. USTR-2019-0003)

Dear Ambassador Lighthizer,

The Retail Industry Leaders Association (RILA) appreciates the opportunity to comment on the Review of Action: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (Docket No. USTR-2019-0003) issued by the Office of the United States Trade Representative (USTR) on December 12, 2019. Below we detail the impact of the proposed tariffs on the country's largest retailers.

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 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. RILA's membership includes some of the largest importers in the U.S.

RILA, and our members, appreciate the USTR's goal of holding our trading partners accountable, especially when trading practices are found to be in violation of the World Trade Organization's rules. RILA advocates strongly for a rules-based globalized economy where markets are open, trade rules and obligations are met, and governance is fair and transparent. However, we are concerned that the retaliatory actions against European goods proposed in the Review of Action will ultimately harm both the U.S. economy and consumers.

Predictable and cost-efficient supply chains are vital to the overall growth of the U.S. economy and allow our members to ensure that Americans have access to the goods and services they rely on at the best possible price. An increase in the costs of goods will cause supply chain uncertainty as retailers seek new trading partners to circumvent the high tariffs. Supply chain uncertainty prevents retailers from being able to plan for the future, create jobs, and provide their customers with the widest possible selection of affordable and quality products.

Trustworthy suppliers are also critical to maintaining a dependable supply chain that not only meets our members' business needs, but also their business values. Our members have long-lasting and successful relationships with European manufacturers that would be sent into flux if the proposed tariffs are implemented. Additionally, rapidly changing trade partnerships will increase risk, because retailers will face the predicament of opting for lower quality products for lower costs. Despite retailers' best efforts, an increased tariff on European goods will ultimately drive up costs throughout the supply chain resulting in higher costs to consumers.

Consistent with our Post-Hearing Rebuttal Comments submitted on May 28, 2019, RILA respectfully requests that the Administration not impose additional duties to the attached list of products that fall under Annex I and refrain from imposing tariffs on any of the attached products that fall under Annex II. Imposing any tariff, particularly at the magnitude that the Administration proposes, on these products would hurt U.S. businesses and consumers we serve every day. European products are a staple in the average American's daily life, from food to furniture to fashion. We find that a 100 percent tariff on European goods would be unreasonably onerous and would make the products that U.S. businesses and American consumers have come to rely on prohibitive and inaccessible due to increased cost. We also question why the Administration would choose to subject consumer products to increased duties, as opposed to airplanes and parts which have a stronger nexus to the dispute in question.

We are especially concerned about the inclusion of household staples, such as olive oil [HTS 1509.10.20, 1509.10.40, 1509.90.20, 1509.90.40]; olive oil is on nearly every American family's grocery list, but the category is significantly impacted by the substantial additional duty on packaged olive oil from Spain, the world's largest producer. The U.S. consumes approximately 300,000 metric tons of olive oil, which is 30 times more than the U.S. can produce on its own. The alternatives for sourcing olive oil from other countries are limited in quality and volume, while the alternative substitutes do not provide the same health benefits.

Additionally, we want to highlight many other U.S. household staples included on the proposed tariff list: salmon [HTS 0304.41.0], herring [HTS 1604.12.60], cookies [HTS 1905.31.00] and jams [HTS 2007.99.15, 2007.99.20, 2007.99.25, 2007.99.30, 2007.99.35, 2007.99.40, 2007.99.45, 2007.99.48, 2007.99.70]. We also want to emphasize the removal request of ceramic table and kitchenware, as well as mugs [HTS 6912.00.35, 6912.00.39, 6912.00.41, 6912.00.44, 6912.00.45, 6912.00.48, 6913.90.30], from the proposed tariffs. Additionally, we request certain ceramic tile

[HTS 6907.21.30] be removed from the proposed list as well. These tiles do not have domestic competition that meets the same level of quality and quantity, nor artisan design.

Should the USTR determine at the end of this review to increase tariffs on any European good, whether on products our industry imports or any other, we ask that the USTR provides a grace period for goods that are in transit, or "on the water," on the date it publishes in the Federal Register a notice of determination and action.

Nearly every product on the proposed product list transits to the U.S. from Europe by sea. Vessels transit from Rotterdam to New York in about 13 days, but that same ship will not arrive in Houston until about 12 days later. Companies in the Western U.S. have longer supply lines to Europe and thus, should USTR increase tariffs, are more likely to have more goods still in transit compared to companies in the Eastern U.S. For perspective, transit by sea from Europe takes about 30 days to Los Angeles and 40 days to Seattle.

We recognize that the USTR may seek to increase duties before many goods in transit at the time of publication arrive in port. Thus, we ask for a grace period for goods "on the water."

Thank you for the consideration of our views and the impact of USTR's proposal on the retail industry. Please feel free to contact me at blake.harden@rila.org if you have any questions.

Sincerely,

Blake Harden

Blake Harden
Vice President, International Trade
Retail Industry Leaders Association