**Statement by David French**

**Before the**
**Section 301 Committee**

**Regarding**
**Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation**

Good morning/afternoon. My name is David French, and I am vice president, government relations for the National Retail Federation. NRF is the world's largest retail trade association, representing all retail sectors. Retail is the nation's largest private sector employer, supporting one in four U.S. jobs – 42 million working Americans. Contributing $2.6 trillion to annual GDP, retail is a daily barometer for the nation's economy.

On behalf of the retail industry, thank you for the opportunity to testify today regarding proposed tariffs on roughly $300 billion in Chinese goods, around 60 percent of which are consumer products.

The retail industry agrees with the need to address China's unfair trade practices and deliver a fair and balanced trade agreement that levels the playing field for U.S. businesses and workers. However, we believe tariffs are the wrong approach.

Tariffs are taxes paid by American businesses and consumers, not foreign governments. We have heard from countless retailers that are already feeling the impact of tariffs currently in place and are alarmed about the possibility of expanding tariffs to cover nearly everything the U.S. imports from China.

Tariffs of this scope would lead to higher costs for American consumers and fewer jobs for American workers. In fact, according to Trade Partnership Worldwide, the additional tariffs combined with those already implemented and retaliation would jeopardize more than two million U.S. jobs and raise costs for the average U.S. family of four by more than $2,000 each year.

The proposed tariffs cover a far greater range of consumer products than the previous lists, including apparel, footwear, cell phones, computers, televisions, toys, household appliances and cookware. We also note with alarm the large number of children's products, including diapers, strollers, car seats, highchairs, play pens and swings. Forcing American families to pay more for everyday products isn't the answer to holding China accountable.

NRF commissioned research on the consumer impact of the proposed tariffs. The study found that American consumers would pay $4.4 billion more each year for apparel, $2.5 billion more for footwear, $3.7 billion more for toys and $1.6 billion more for household appliances because of the tariffs. A TV made in China that costs $250 today would cost $308 after the tariffs are applied.

These higher costs will be paid by households at *all* income levels, but tariffs are a regressive tax that hits families living paycheck to paycheck the hardest. These are consumers who can least afford to pay more for everyday staples.

For most of the consumer products on this list, there are very few alternative sources of supply. Where alternatives exist, it could take years to make the shift, which will most likely be to countries other than the U.S.

Global supply chains are very complex. Retailers engage in a lengthy process to verify that potential suppliers can produce the volume of products that are needed at the highest quality and at a competitive price. These verifications include audits to ensure business partners meet various corporate social responsibility, labor, environmental, security and regulatory requirements.

The difficulty of moving sourcing out of China is particularly relevant to apparel and footwear. For example, sweater production requires higher capital investment for linking and looping equipment than for a garment that just requires stitching. More importantly, sweater production requires workers skilled in the “linking” production process. These capital and labor requirements make it more difficult to shift production outside of China.

It would be impossible for all market participants in our industry to simultaneously move sourcing to other countries. The capacity does not exist. Those that have the maturity to produce these goods are already doing so. In the short term, retailers would be forced to continue to use Chinese suppliers and pass on higher costs to their customers – just in time for the holiday shopping season.

Finally, the proposed tariffs will have a disproportionate impact on small retailers. 98 percent of retail companies are small businesses, and many rely on trade to stay competitive in a rapidly changing retail environment while serving their local communities. Small retailers, which are not direct importers, cannot easily move their supply chains and lack the market power to negotiate with their suppliers.

NRF respectfully requests that the consumer products noted in our submitted comments are removed from the proposed tariff list. We support efforts to achieve better trade deals, but American consumers shouldn’t be caught in the crosshairs. It’s time to reevaluate a strategy based solely on tariffs and work with our allies to put international pressure on China. Thank you for the opportunity to testify, and we look forward to continuing this important discussion.