

## Section 301 Tariffs Gamble with America's Economy

### ISSUE

The United States and China are engaged in a trade dispute that has resulted in tariffs and retaliation on billions of dollars' worth of trade. There is broad support of the conclusion by USTR through the Section 301 investigation that China engages in trade practices that harm the competitiveness of U.S. companies, including forced technology transfer and a lack of protection for intellectual property rights.

We believe tariffs are the wrong approach in order to effectively incentivize China to change its practices. Tariffs are taxes that will be paid by the U.S. importer and passed directly along to American consumers.

### IMPACT ON RETAILERS

To compete in the global economy, American businesses need access to the 95 percent of the world's consumers who live outside U.S. borders. Barriers to international trade, including tariffs, will undermine economic growth. Retailers rely heavily on imported merchandise to provide American families with the products they need at prices they can afford. The retail sector supports 42 million American jobs. These U.S. jobs include sales, research and design, marketing, logistics, compliance, and other high-wage activities, the value of which is embedded into the final retail price of the goods sold in our stores.

Tariffs have been implemented or proposed on a wide array of consumer goods sold in retail stores. These taxes will be passed along to the U.S. consumer. While the administration had sought to bring maximum pain on China and minimal pain on U.S. consumers, the escalation of tariffs is resulting in just the opposite.

Retailers are making their purchasing decisions anywhere from six to 12 months in advance. Making changes today to reflect the imposition of new tariffs would not be possible to affect those deliveries. Those goods, already ordered, will have to bear the added costs of the tariffs. Despite the administration's assertion, it is extremely difficult for retailers or other businesses to quickly change supply chains and find new vendors, especially smaller retailers. To find new

vendors outside of China, it could take years to establish new supply chains with vendors who meet all of the required criteria for retailers.

### **HOW CONGRESS CAN HELP**

The administration needs a clear strategy with concrete objectives and binding requirements for China to address the underlying trade barriers and distortions. The lack of clarity surrounding the administration's plans is creating significant uncertainty for businesses, delaying growth and investment and disrupting supply chains that took years to develop.

Congress must engage with the Administration to ensure the escalation of the trade dispute with China does not further harm retailers, their workers or American consumers. The Administration should seek to work with our trading partners to seek real change in China's trade policies.