

FOOTWEAR TRADE DISTRIBUTION & CUSTOMS



FTDC 2019 CONFERENCE

October 27–29 | The Renaissance | Long Beach

FDRA
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Day 2: Footwear Policy Potpourri

Trade War & the Impact on Footwear

Matt Priest, President & CEO, Footwear Distributors & Retailers of America (FDRA)



“Don't play checkers in a chess world.”

- Ron Vara

“Ride the stock market cycle —
or be run over,”

- Ron Vara

“Only the Chinese can turn a leather sofa into an acid bath, a baby crib into a lethal weapon, and a cellphone battery into heart-piercing shrapnel.”

- Ron Vara

“Only the Chinese can turn a leather sofa into an acid bath, a baby crib into a lethal weapon, and a cellphone battery into heart-piercing shrapnel.”

- Ron Vara

“You’ve got to be nuts to eat
Chinese food.”

- Ron Vara

Ron Vara

Navarro

Peter Navarro



Peter Navarro Invented an Expert for His Books, Based on Himself

President Trump's trade adviser frequently cited Ron Vara, a fictional source who was a critic of China, in his writings.



MARKET ACTION

DOW JONES INDUSTRIALS (.DJIA)

25,534.76 ▼ 745.15 (-2.84%)

S&P 500 (.SPX)

2,844.98 ▼ 81.34 (-2.78%)

NASDAQ COMPOSITE (.NCOMP)

7,780.72 ▼ 235.64 (-2.94%)



-2.88% NYSE -756.10
▼ DJI 25,523.81

LIVE

FOX
BUSINESS

THE CLAMAN
COUNTDOWN

TARIFF SHOCK FOR RETAILERS

5YR YLD 1.499% ▼ 0.087 | 10YR YLD 1.591% ▼ 0.113 | 30YR YLD 2.030% ▼ 0.131
2 ▼ 0.33 | CALLON PETROLEUM (CPE) 1,100@4.22 ▼ 0.35 | GEI

August 28, 2019

The Honorable Donald J. Trump
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the American footwear industry, we urge you to cancel the new, added footwear tariffs set to take effect on September 1st and December 15th of this year.

Although tariffs on some products from China will be delayed until December, the majority of footwear product lines face an added 15 percent tariff on September 1st. This American tax is on top of already-high footwear tariffs that average 11 percent and reach 67 percent on some shoes. The highest tariff rates generally fall on lower value shoes and children's shoes, driving up costs for hardworking American families.

There is no doubt that tariffs act as hidden taxes paid by American individuals and families. When import costs rise and fall on imported footwear – whether based on the price of materials, transportation, labor, or tariffs – those cost increases or savings are almost immediately passed on to consumers. As U.S. Government data in the chart below demonstrates, U.S. import taxes directly impact consumer prices.



As more than 170 footwear companies stated in our May 20th letter to you, the new tariffs impact every type of shoe and every single segment of our society. This added 15 percent tax will cost U.S. footwear consumers an additional \$4 billion every year, according to our industry's trade association, the Footwear Distributors & Retailers of America (FDRA). The September 1st tariffs on footwear will also mean these massive tax increases hit tens of millions of Americans when they purchase shoes during the holiday season.

We understand that delaying some of the tariffs to December was done to avoid the full tax increase on \$300 billion in goods that would hit American consumers during the holidays, and we appreciate your

decision to delay tariffs on certain footwear items. However, imposing tariffs in September on the majority of all footwear products from China — including nearly every type of leather shoe — will make it impossible for hardworking American individuals and families to escape the harm that comes from these tax increases. Moreover, the products that have a more diversified sourcing profile and rely less on China are hit with punitive tariffs first, as a result of the Office of the United States Trade Representative's (USTR) 75 percent import penetration criteria.

Some in the Administration have argued that China ultimately pays the tariffs, instead of U.S. consumers, because China can just devalue its currency to respond to added costs. This is simply not true when it comes to our industry, because import prices are almost always quoted and negotiated in U.S. dollars not RMB. For RMB devaluation alone to offset the 15 percent tariff increase for some shoes, the currency would have to drop by more than 40 percent.

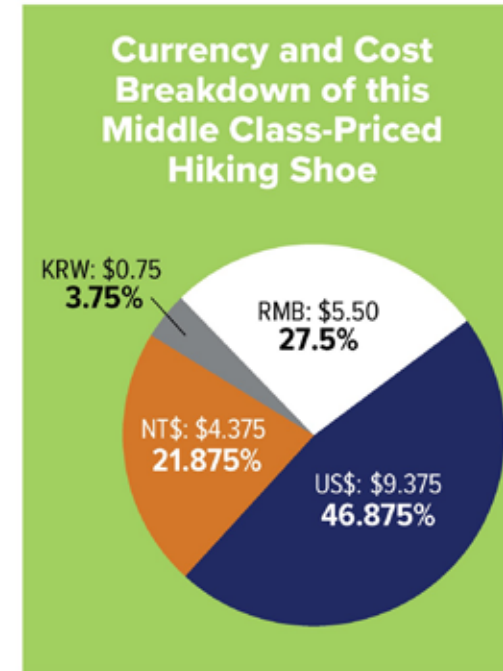
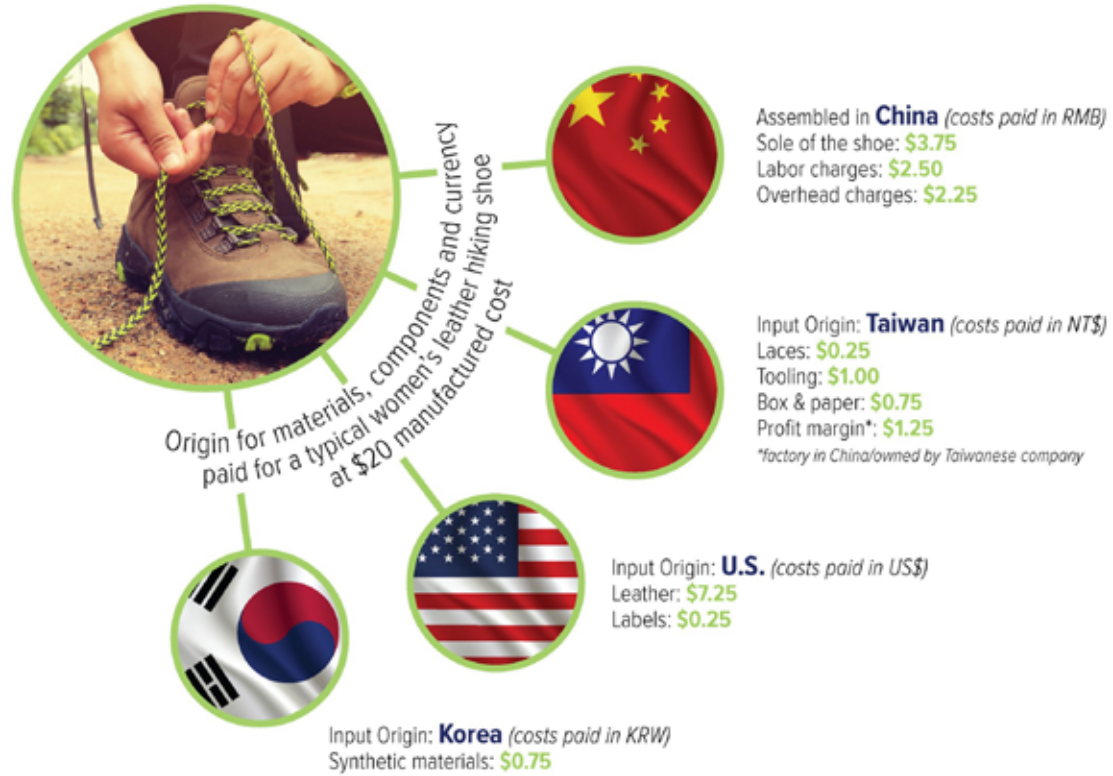
We are very concerned that this tariff action will create further economic uncertainty. An economic downturn will take away disposable income from U.S. consumers, even as they have to pay more for products. When consumers have less money to spend, we sell fewer shoes and this hurts U.S. businesses. The tariff threat on China has the potential to drive up prices in other footwear sourcing countries, as demand has spiked with limited production capacity. As a result, U.S. consumers could face higher prices even before the new tariffs take effect.

This uncertainty the China trade war has brought to our industry is stifling U.S. growth and halting capital investment in jobs, infrastructure, technologies, and more competitive pricing for our customers. On behalf of our hundreds of millions of American footwear consumers and hundreds of thousands of employees, we ask that you immediately terminate the scheduled tariff increases on footwear.

Sincerely,

ACI International
adidas
Alan's Shoes
Aldo USA, Inc.
Allen Edmonds
Altra
AND1
Aravon
Avia
b.o.c.
Badgley Mischka Footwear
Baggallini
BBC International
Benges Shoes
Betsy Johnson
BIGSTON, INC.
Bionica Footwear
Birkenstock USA
Black Diamond Group
Blondo
Blowfish Malibu
BOGS

Bgrn Handcrafted Footwear
Brooklyn Boot Company
Brooks Sports
Bullboxer Shoes
Bzees
Caleres
Calson Investment, Ltd.
Camuto Group
Carolina Footwear
Cat Footwear
CELS Enterprises, Inc
Chaco
Chinese Laundry
CL By Laundry
Clarks
Cobbler's Creations
Cobra PUMA Golf
Columbia Sportswear
Comfortiva
Converse
Corcoran
Cove Shoe Company
Creative International
Crocs Inc.
Dansko
Dearfoams
Deckers Brands
Deer Stags
Designer Brands
Dexter Bowling Footwear
Diba Far East, LLC
Dirty Laundry
Dockers Footwear
Dolce Vita
Double H Boots
Dr Martens AirWair USA LLC
Dr. Scholls
Dunham
Dynasty Footwear
E.S. Originals, Inc
Earth Shoes
ECCO USA
Elan Polo International
Famous Footwear
FaryIrobin
Fashion Footwear Association of New York
Feiyue Footwear
Fila
Fleet Feet Augusta



White House Economic Advisor Navarro is WRONG.

The recent Chinese currency devaluation does NOT cover the cost of the additional 10% tariffs.

Yuan devaluation only provides a \$0.55 benefit on a basic pair of women's hiking shoes.

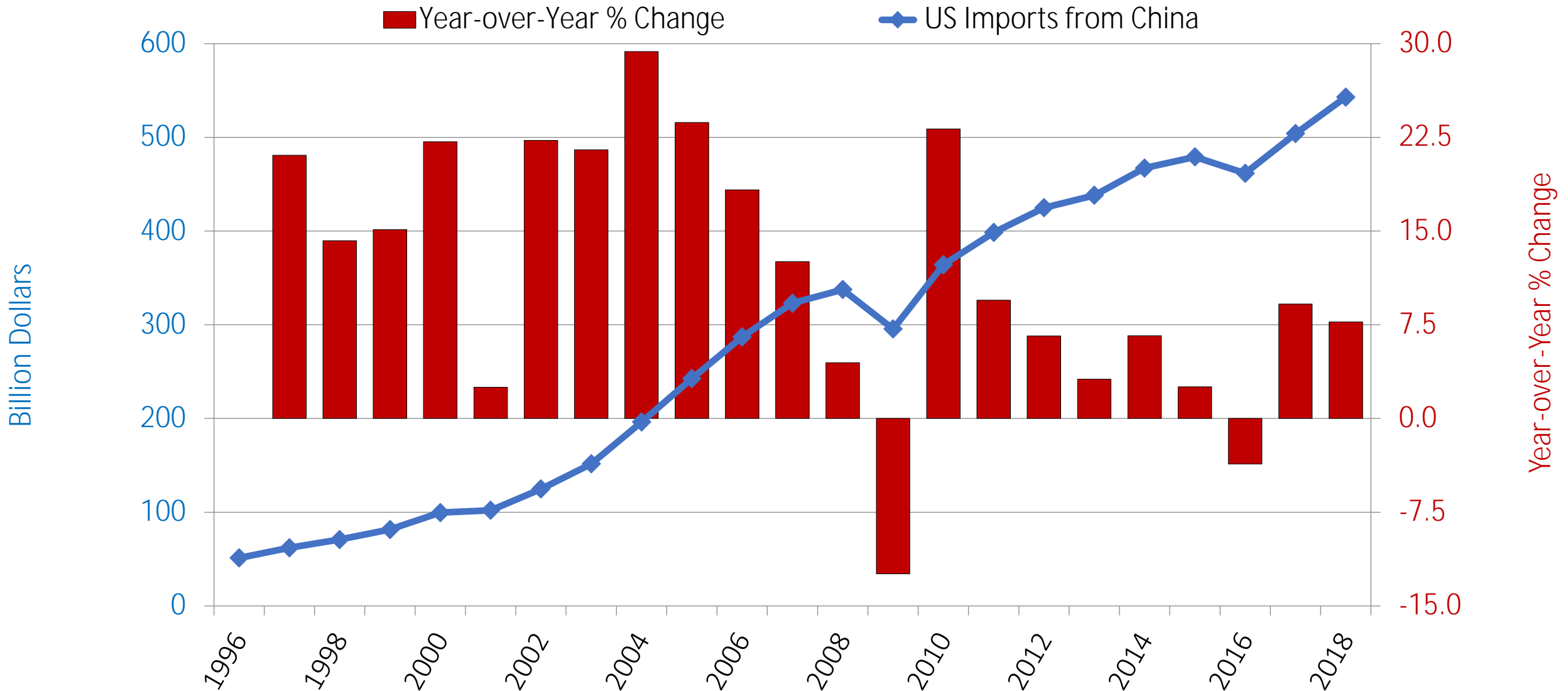
A 10% devaluation of the yuan against the U.S. dollar would reduce the final basic hiking shoe manufacturing cost by only 2.75%, or \$0.55. This is because only 27.5% of the shoe's cost is paid in yuan, while the remaining cost of the shoe is paid in three other currencies.

Even with the devaluation, the 10% additional tariff increases the landed cost of this shoe by \$2.38 and pushes up the retail price by another \$7.00.

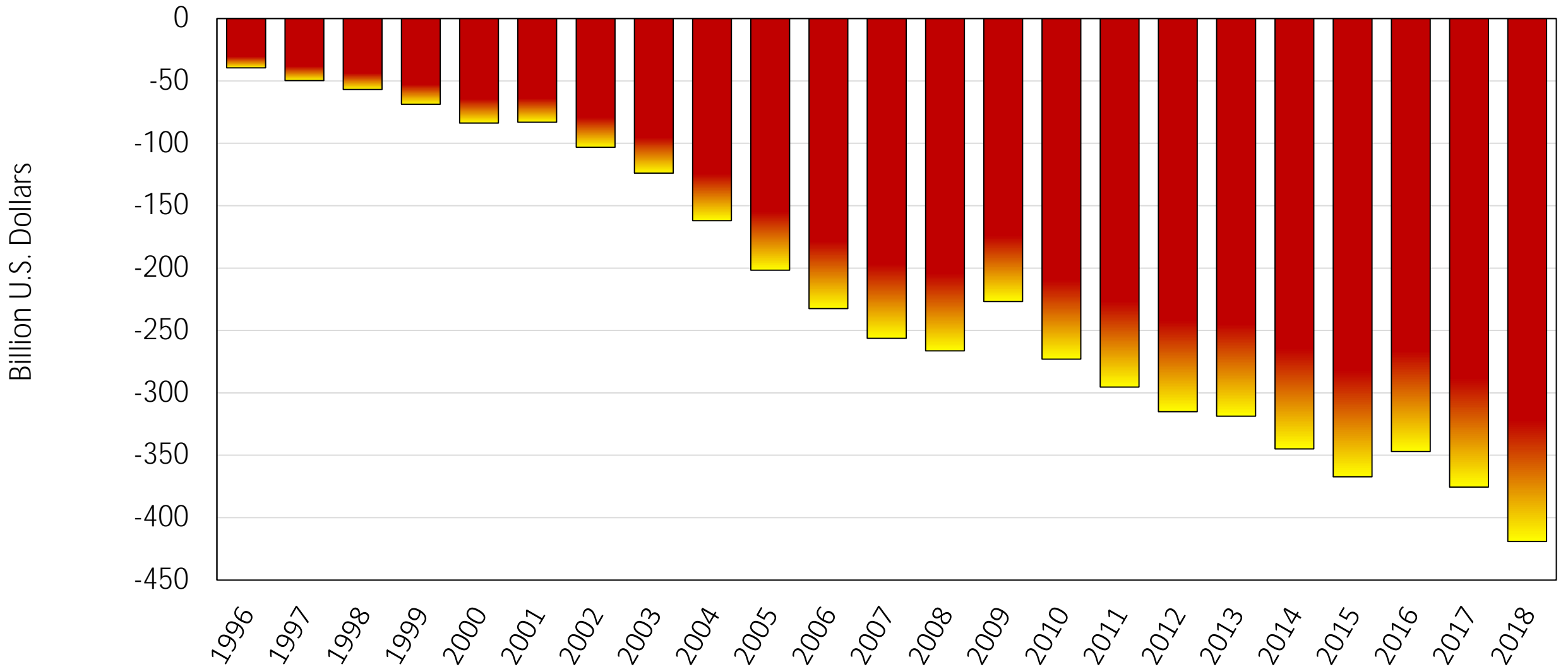
A 10% yuan depreciation takes this basic shoe down to \$19.45 manufactured cost. Add \$1.50 for transportation to the U.S., plus the current 11% duty (\$2.35), and the landed cost of this shoe into the U.S. would be \$23.30. Adding the White House's additional 10% tariff increase, it creates a new cost of \$25.68.

Note: Using the White House's own methodology for their argument, we ignore other marketplace factors like negotiations and contracts, to examine their claim that Yuan devaluation covers the entire cost of the additional 10% shoe duty.

U.S. Imports from China Surge over last 20 Years...

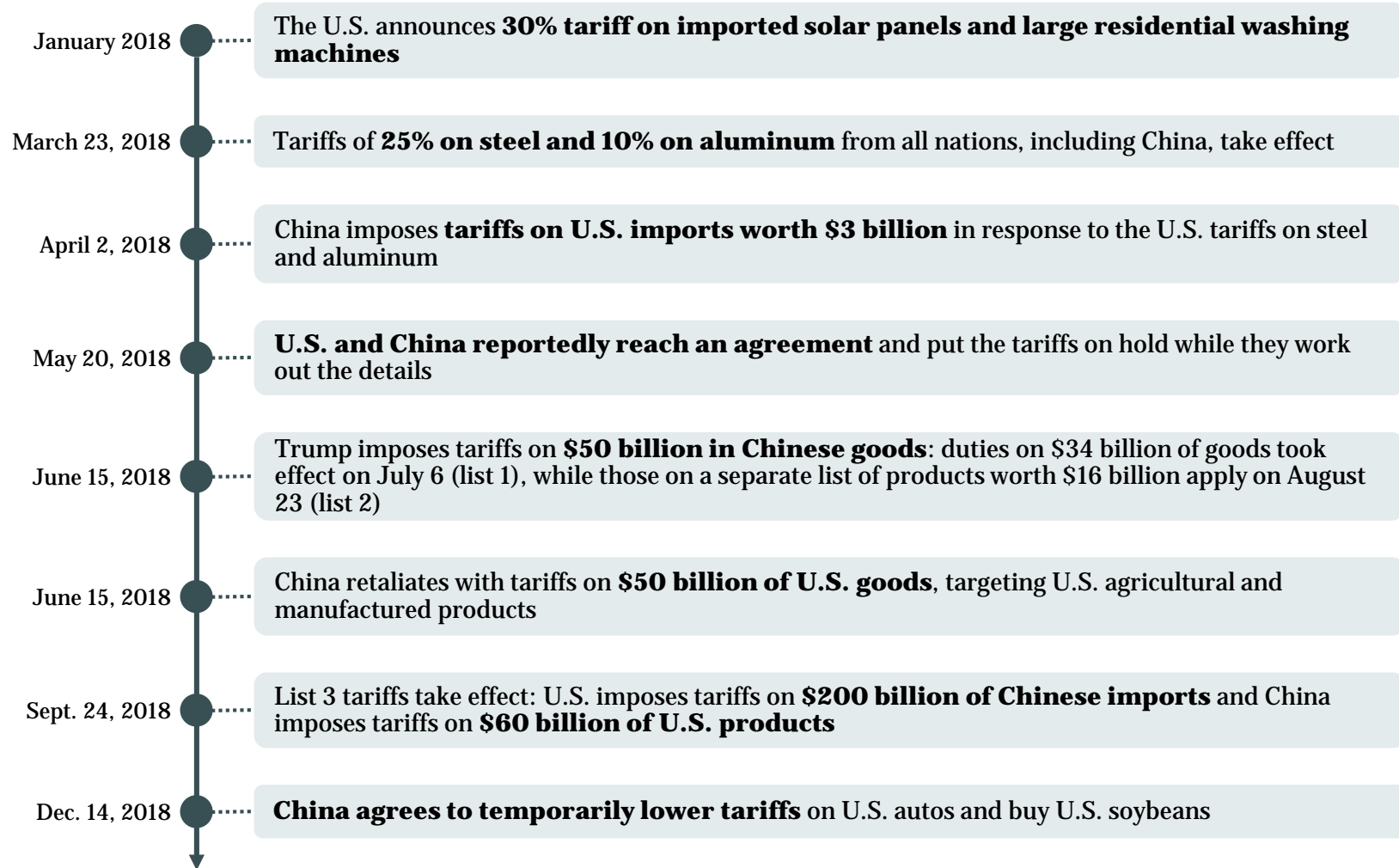


...Widening the U.S. Trade Deficit with China to a Record



Source: USITC

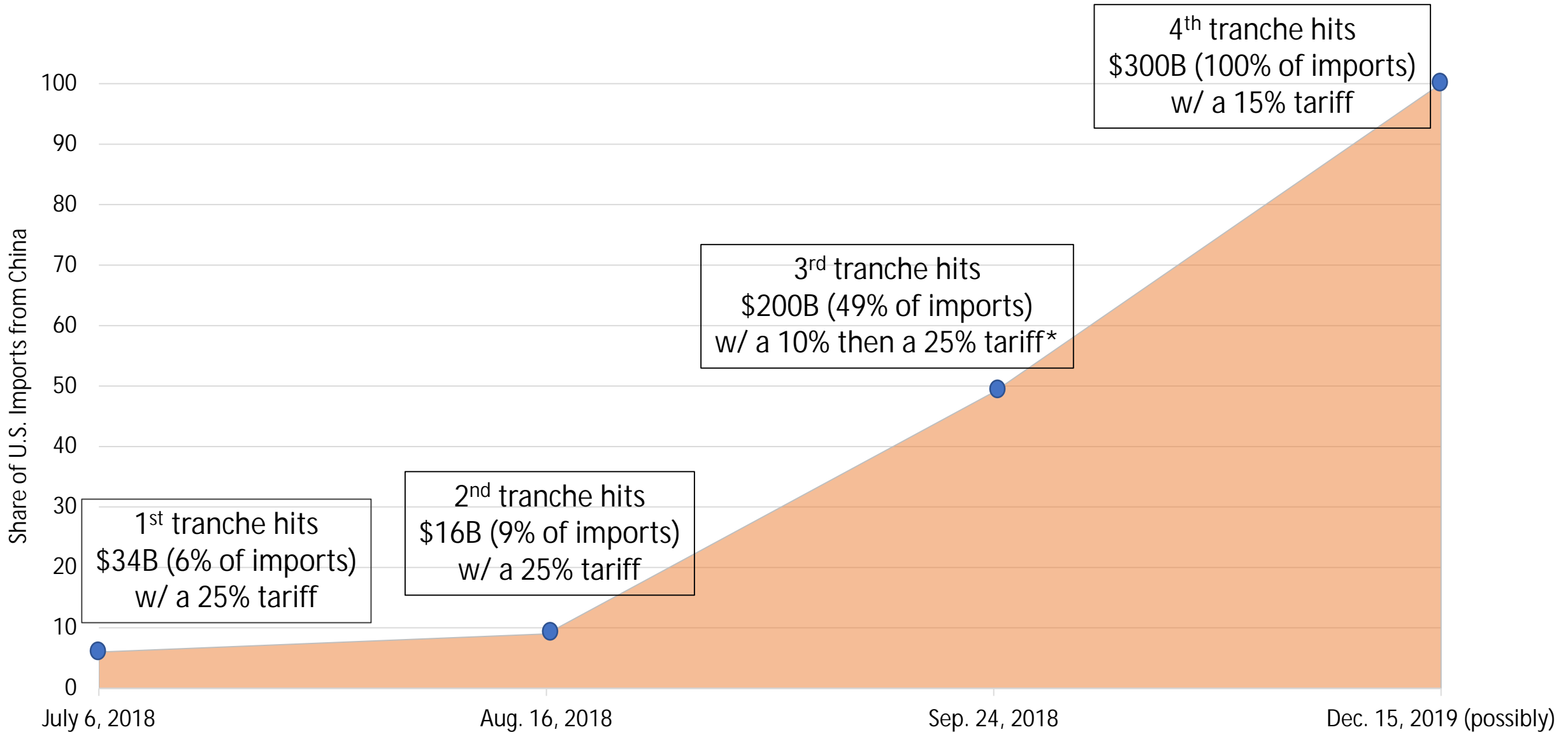
Timeline of U.S.-China trade dispute (1/2)



Timeline of U.S.-China trade dispute (2/2)



Share of U.S. Imports from China Subject to 301 Tariffs




Sources: USTR & Federal Register.

* 3rd tranche tariff increased to 25% on June 15, 2019.

Trump Promises to Hike Tariffs—again—on almost all Goods from China



Donald J. Trump 

@realDonaldTrump

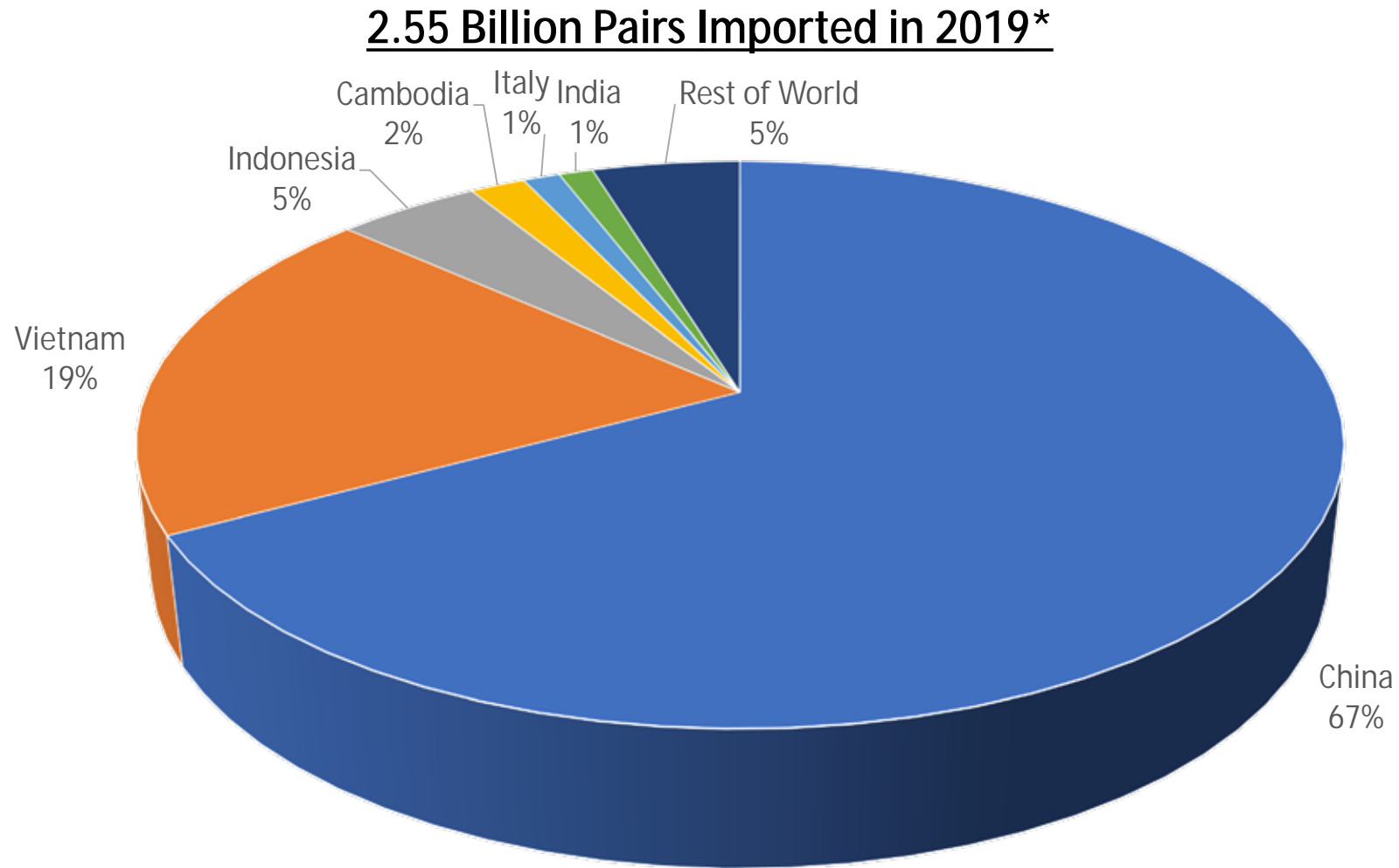
[Follow](#)



...during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25%...

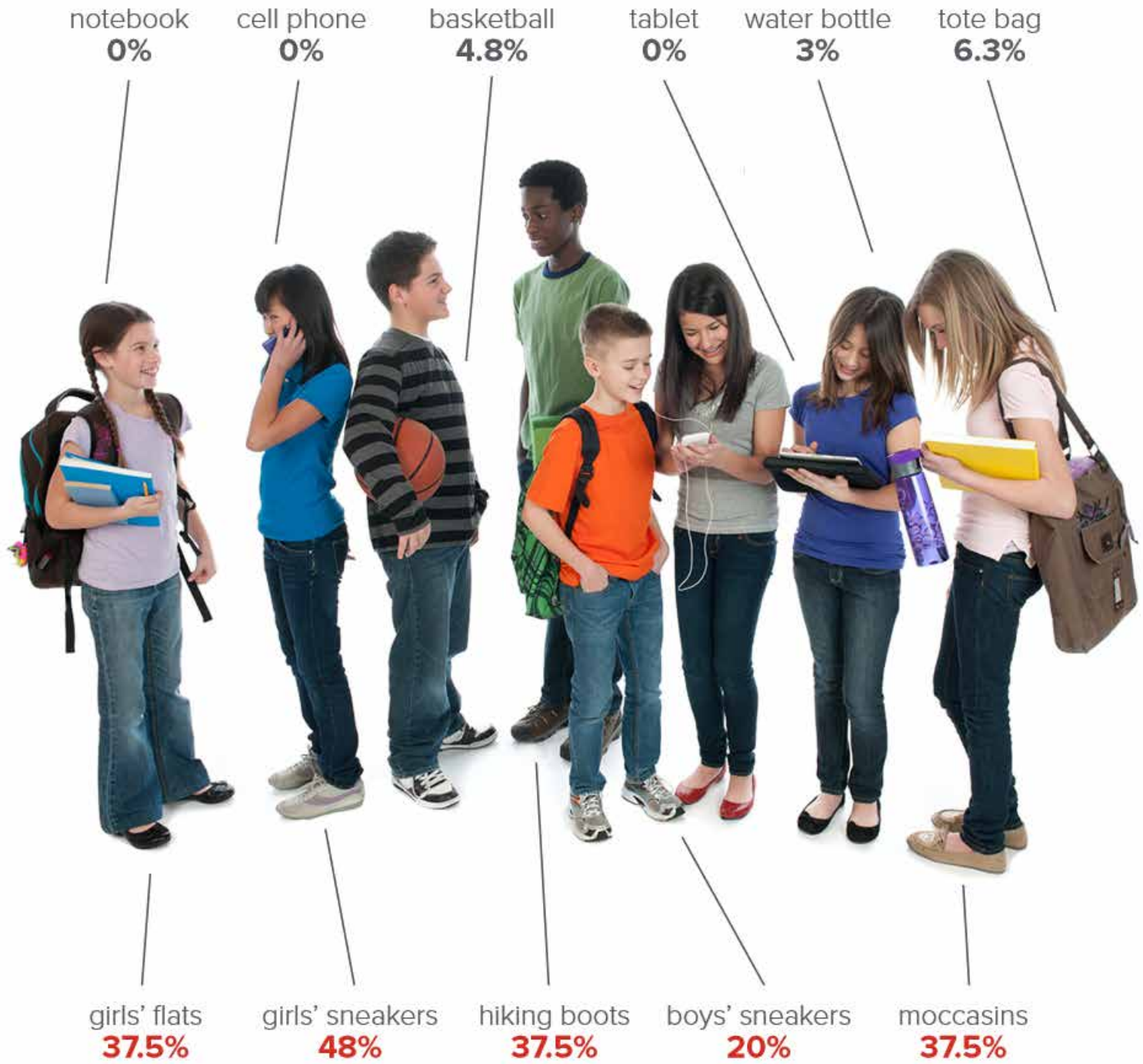
10:26 AM - 1 Aug 2019

China Continues to Dominate U.S. Footwear Imports

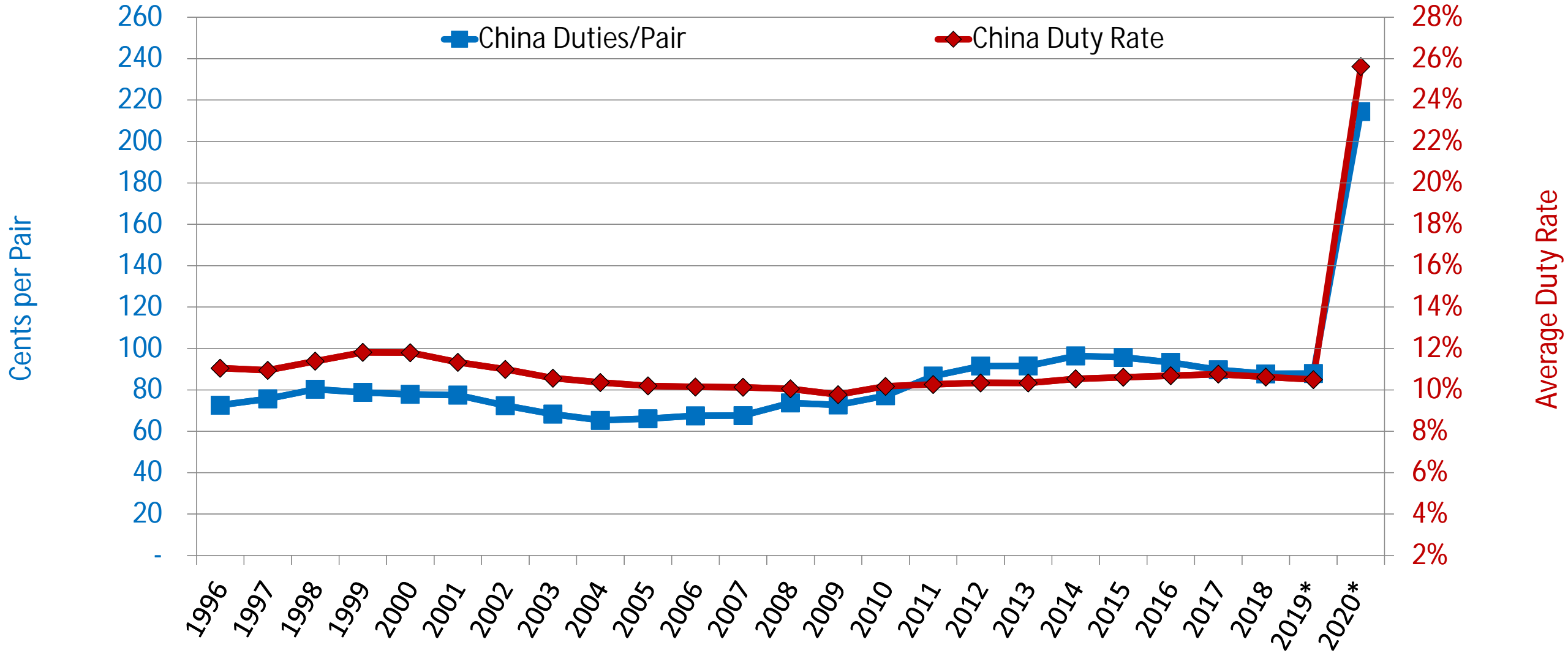


Source: USITC. * FDRA forecast.

Already, Tariffs on Children's Shoes are Disproportionately High

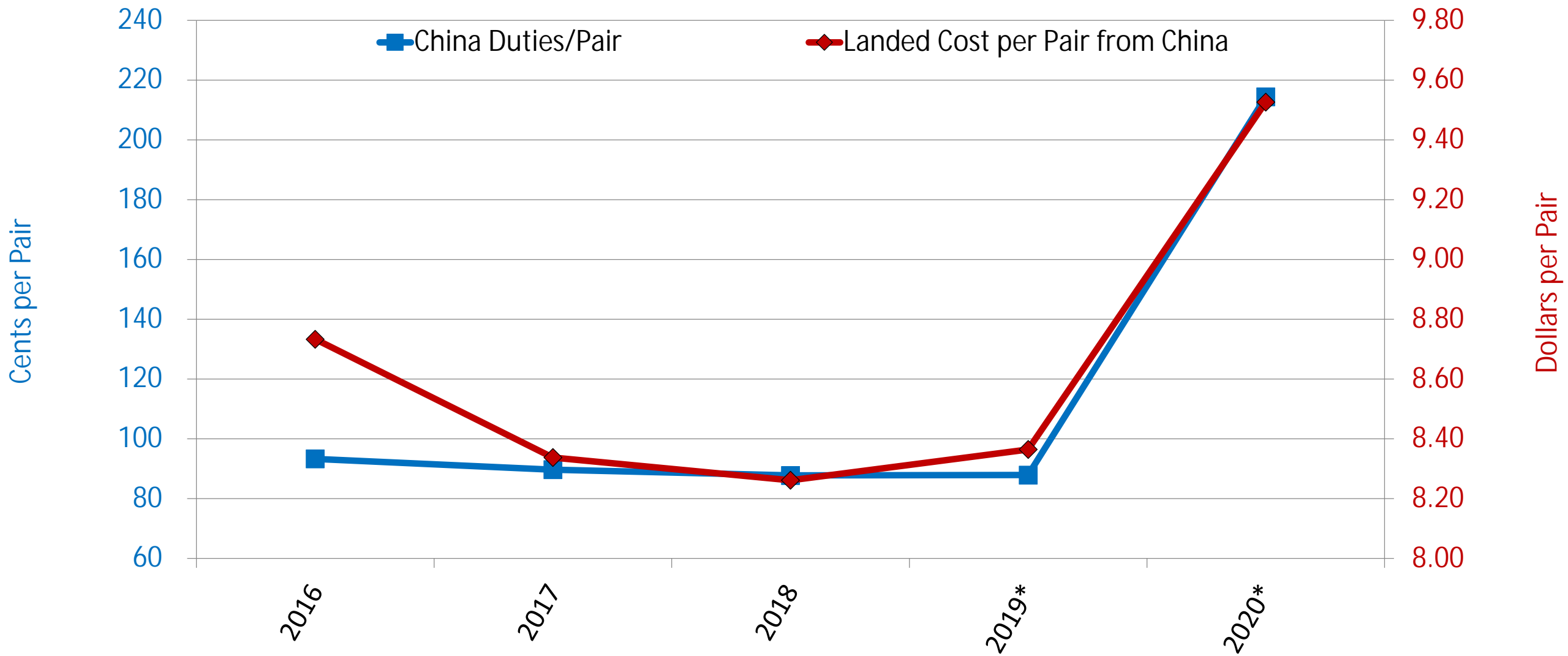


Impact of Higher Tariffs on Footwear from China



Source: USITC. * FDRA forecasts.

Impact of Higher Tariffs on Footwear from China



Source: USITC. * FDRA forecasts.

Hypothetical Example of Impact to Consumers

A popular “skate” canvas sneaker

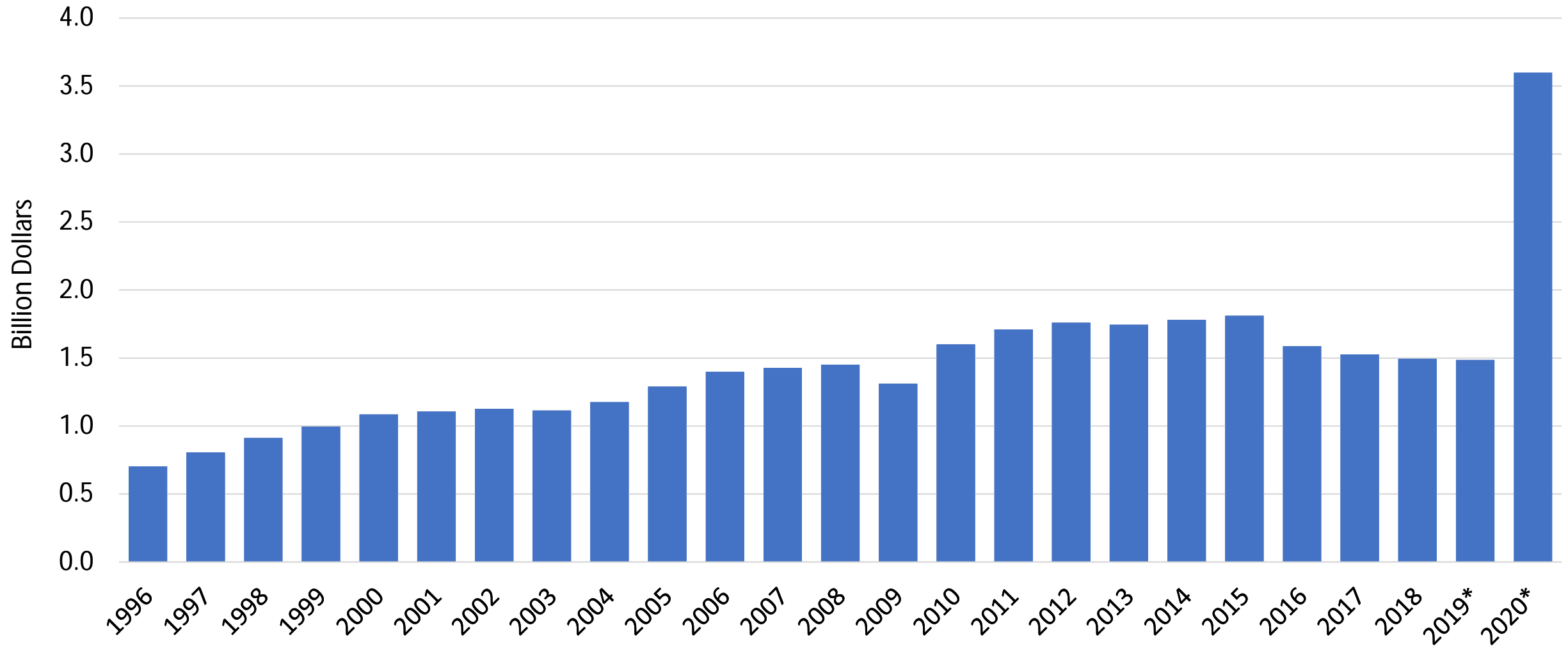


Current retail price at \$49.99.

New 15% Import Tax Retail Price Would be \$60.98.

Estimated Avg. Landed Cost	\$11.47
Current Duty Rate	8.96%
Duty Dollar Amount	\$1.03
Final Estimated Import Cost*	\$12.50
Current Retail Price	\$49.99
Additional Duty by Pres. Trump	15%
New Duty Dollar Amount	\$2.75
New Final Import Cost	\$14.22
New Retail Price**	\$60.98

Duties Paid on Chinese Footwear Imports Poised to Surge with New Duty Hike

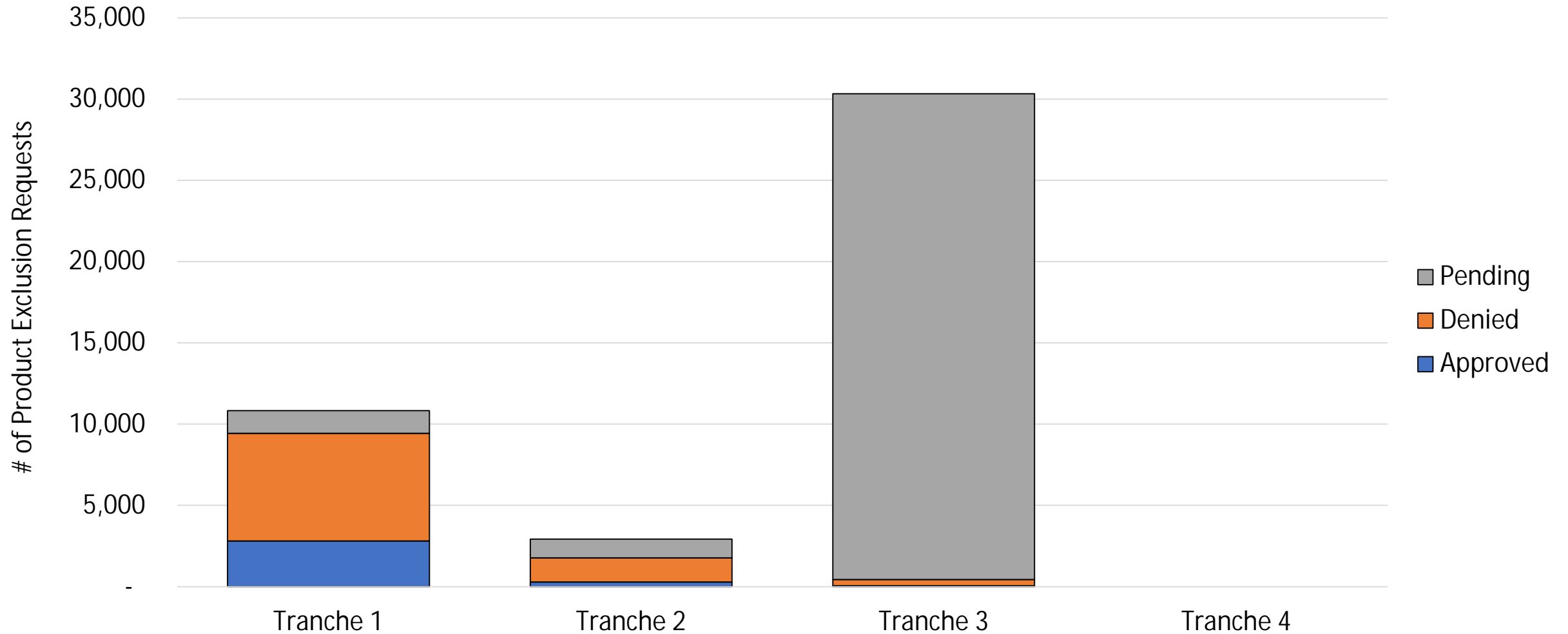


Source: USITC. * FDRA forecasts.

\$2.9 Billion

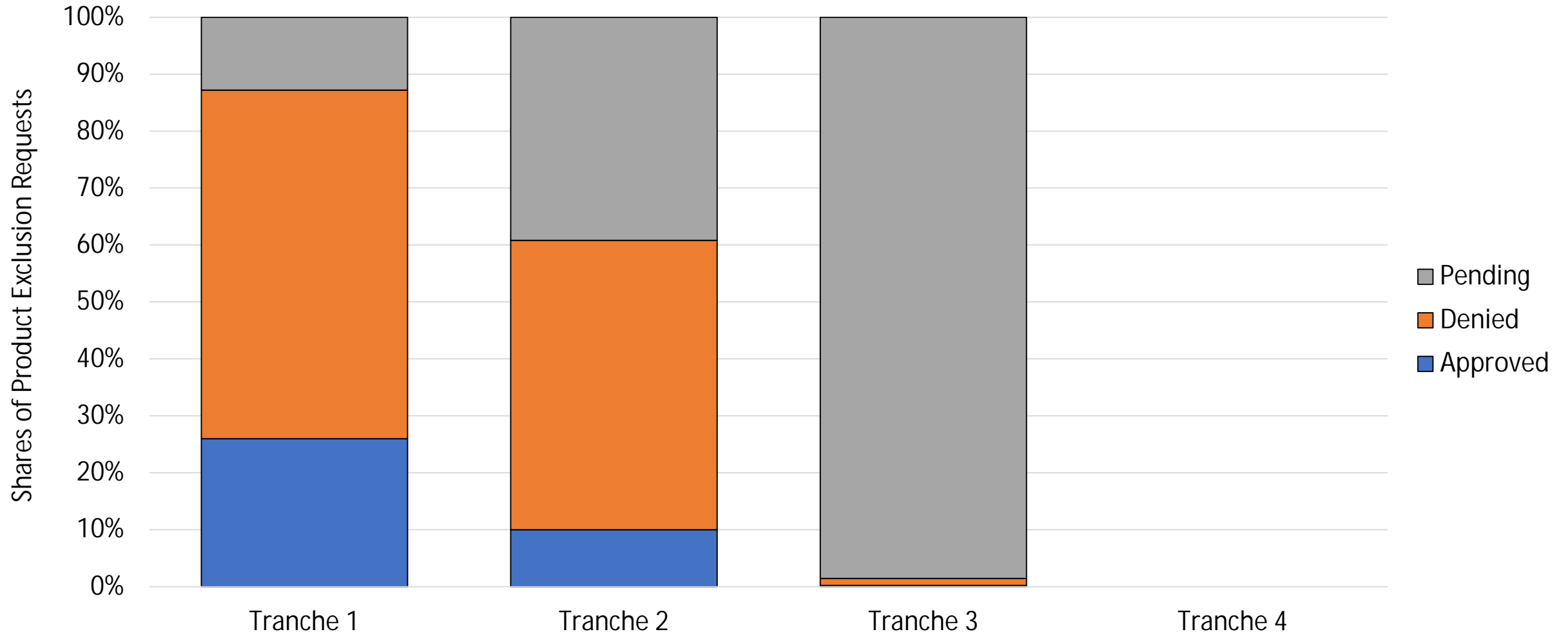
\$5.2 Billion

Section 301 Product Exclusion Requests before the USTR



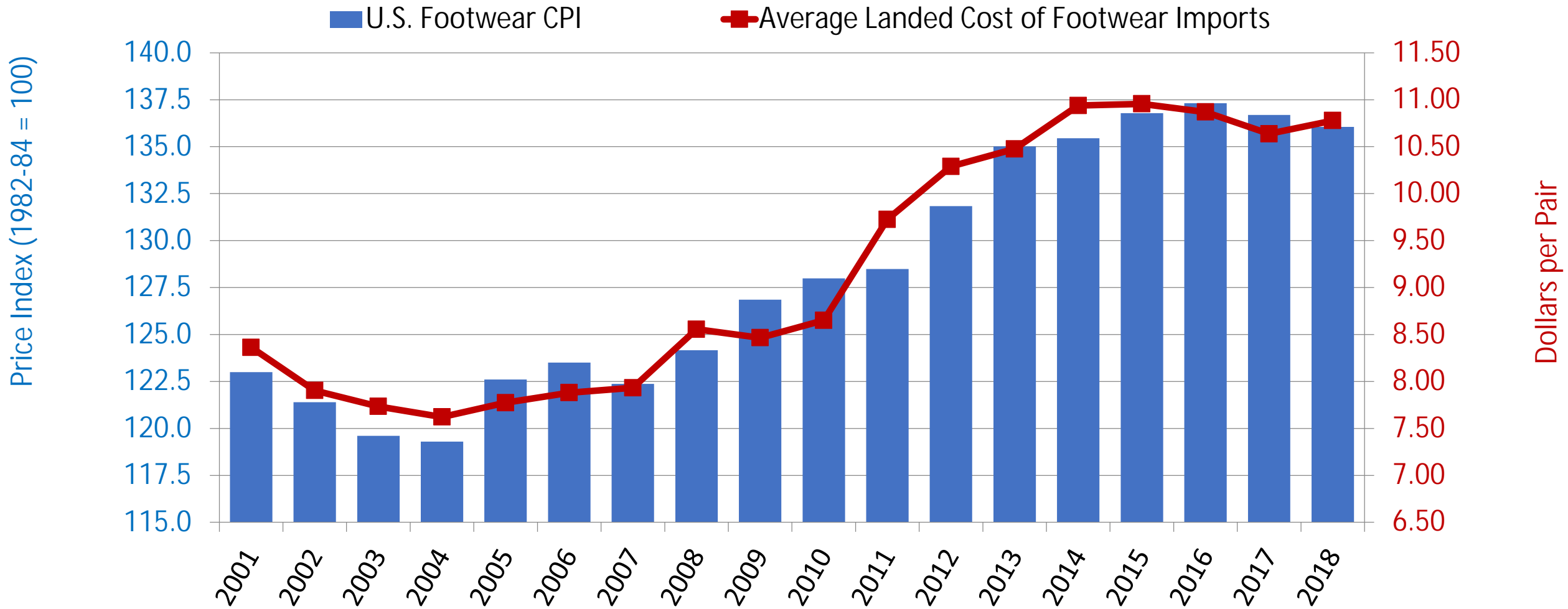
Sources: USTR, Federal Register, & George Mason U.

Section 301 Product Exclusion Requests before the USTR



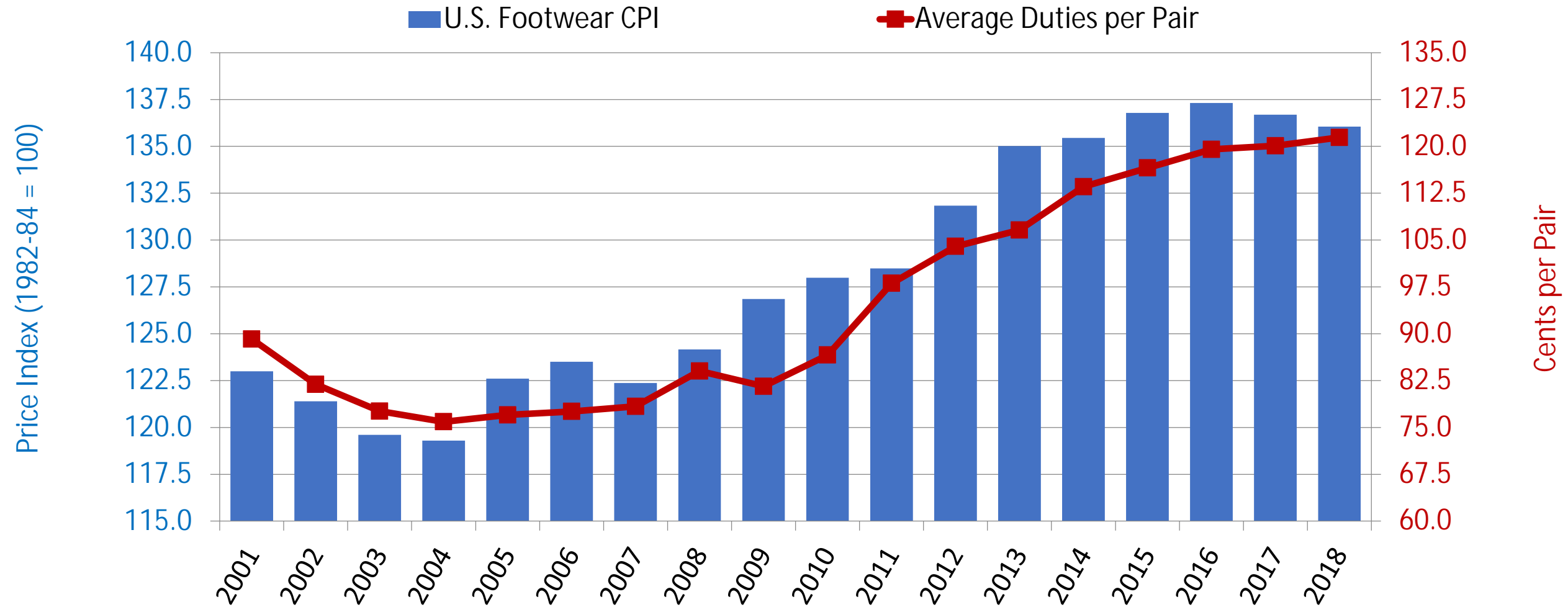
Sources: USTR, Federal Register, & George Mason U.

Retail Footwear Prices Trend with Import Costs



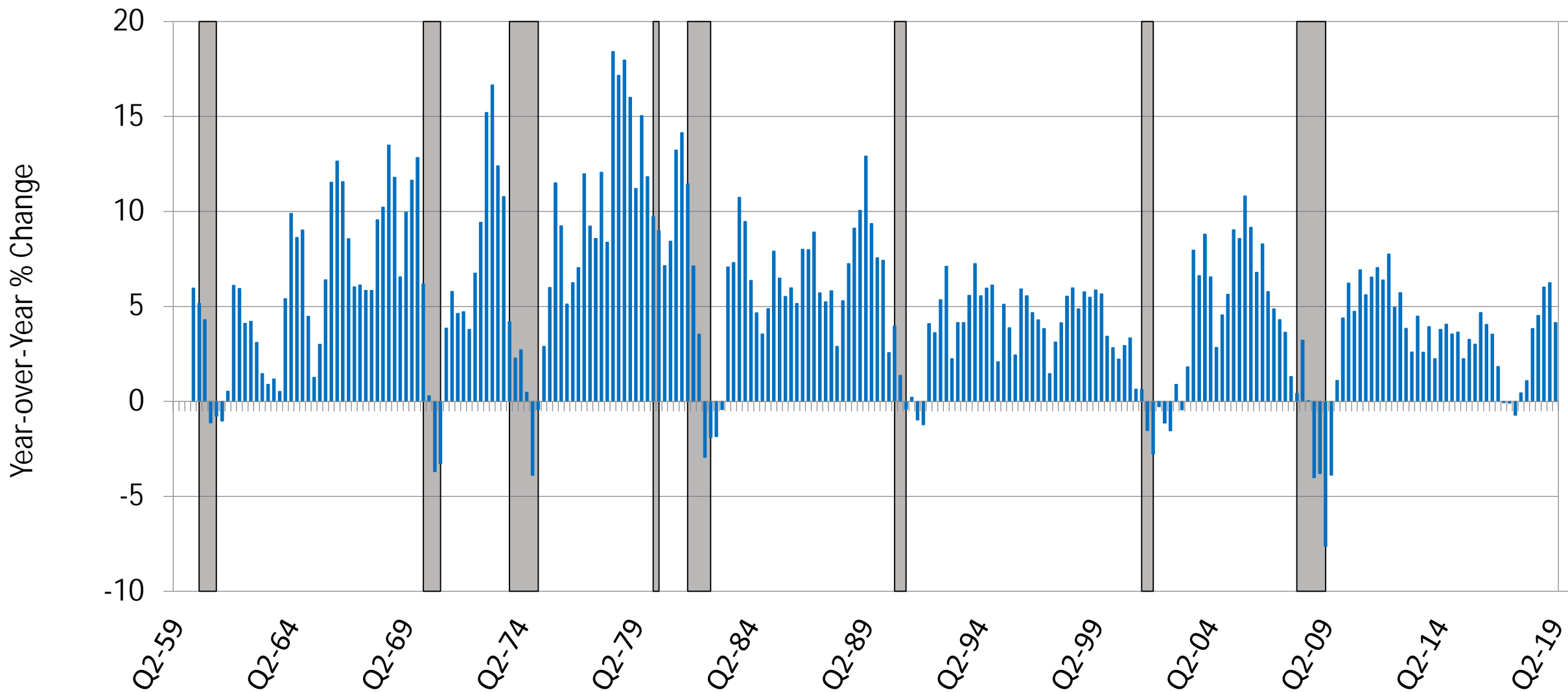
Sources: Bureau of Labor Statistics & FDRA analysis of USITC data.

Retail Footwear Prices Trend with Duty Costs



Sources: Bureau of Labor Statistics & FDRA analysis of USITC data.

Consumer Spending on Footwear Typically Contracts in or Soon After a Recession



Source: BEA & NBER. * Gray bands denote U.S. recessions.



Politics

Impeachment Inquiry

White House

Congress

Polling

The Trailer

Fact Checker

The Fix

Politics

Six in 10 Americans expect a recession and higher prices as Trump's approval rating slips, Washington Post-ABC News poll finds

+ Add to list

By [Toluse Olorunnipa](#) and [Scott Clement](#)

September 10, 2019 at 3:00 a.m. PDT

President Trump is ending a tumultuous summer with his approval rating slipping back from a July high as Americans express widespread concern about the trade war with China and a majority of voters now expect a recession within the next year, according to a new [Washington Post-ABC News poll](#).

The survey highlights how one of Trump's central arguments for reelection — the strong U.S. economy — is beginning to show signs of potential turmoil as voters express fears that the escalating trade dispute with China will end up raising the price

PICK-POCKET PROOF
TRAVELWEAR YOU WANT



Home

Share

5416



Art of the Tease – Will they or won't they?



The Office of the US Trade Representative released a statement after the call saying that the two sides “made headway on specific issues” and “are close to finalizing some sections of the agreement”.



“We are looking probably to be ahead of schedule to sign a very big portion of the China deal, and we’ll call it phase one but it’s a very big portion,” Trump said. “That would take care of the farmers. It would take care of some of the other things. It will also take care of a lot of the banking needs.

“So we’re about, I would say, a little bit ahead of schedule, maybe a lot ahead of schedule,” the president said, adding the deal would “probably” be signed.

A handwritten signature in black ink, appearing to be "Donald Trump", set against a light gray background. The signature is stylized and cursive.

China Economy

Donald Trump, Xi Jinping set for November 17 meeting in Chile to sign interim trade war deal: source

- Chinese President Xi Jinping and US President Donald Trump set to meet on the sidelines of the Apec summit in Chile next month, a source says
- The two state leaders are expected to sign an interim trade deal 'if everything goes smoothly'



Zhou Xin

Published: 8:00pm, 29 Oct, 2019 ▾





**Stay tuned and
stay active!**

We need you!