FDRA
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Statement of Matt Priest
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Footwear Distributors & Retailers of America (FDRA)
Section 301 Public Hearing
December 29, 2020

RE: Initiation of Section 301 Investigation: Vietnam's Acts, Policies, and Practices Related to Currency Valuation (Docket No. USTR–2020–0037)

On behalf of the Footwear Distributors & Retailers of America (FDRA), I appreciate the opportunity to testify at this important hearing regarding the Section 301 investigation into Vietnam’s currency valuation.

FDRA is the footwear industry’s trade and business association, representing more than 500 footwear companies and brands across the U.S. This includes the majority of U.S. footwear manufacturers and over 90 percent of the industry. FDRA has served the footwear industry for more than 75 years, and our members include a broad and diverse cross section of the companies that make and sell shoes, from small family-owned businesses to global brands that reach consumers around the world.

As the Administration conducts this investigation, we strongly urge you to remove Section 301 tariffs on Vietnamese-made shoes from consideration. Our member companies and their consumers currently face significant challenges and economic uncertainty from COVID-19. Adding new tariffs on shoes would directly harm U.S. companies and consumers during this difficult time, and the impact would be impossible to mitigate because of the limited sourcing options for footwear.

Our industry already operates under an extremely high tariff burden. While tariff rates assessed on imported consumer goods average just 1.9 percent, footwear tariffs average 12 percent and can reach rates up to 37.5 percent, 48 percent, and 67 percent.

The industry paid a record $3.3 billion in tariffs to the U.S. government in 2019 alone. These tariffs act as a regressive, hidden tax – with the highest rates generally placed on lower-value shoes and children’s shoes – and they hit working class individuals and families the hardest, on a product they have to buy as a necessity.

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In Vietnam, tariff rates on footwear average even higher than those from the rest of the world. Adding more tariffs on top of this heavy-duty burden would be a staggering cost that would be difficult for companies to absorb without impacting consumers.

In addition, U.S. companies have already devoted significant resources to the difficult process of adjusting supply chains in response to the China 301 tariffs. The China 301 process created tremendous uncertainty, challenges, and added costs for American companies. Many companies moved production from China to Vietnam in an effort to avoid the new tariffs. Those same companies that moved production outside of China, as urged by the Administration, now face a threat of potential tariffs in Vietnam.

After speaking with a number of footwear executives regarding potential action under this investigation, the predominant view of the impact of any tariff actions on Vietnamese exports to the United States is that it would yield only one winner—CHINA.

China benefited when the United States withdrew from the Trans-Pacific Partnership (TPP) and recently finalized the Regional Comprehensive Economic Partnership (RCEP). They continue to benefit from the absence of U.S. leadership in the region as it relates to trade agreements and economic engagement, and if this Administration takes action to add costs to American companies and consumers via even more tariffs, companies will look to return to China to reconstitute production. This outcome seems at complete odds with the continued public statements of President Trump, Ambassador Lighthizer, and a plethora of another administration officials over the past four years.

More specific to shoes, footwear is a very capital-intensive industry, and it takes years of planning to build relationships, make sourcing decisions, and ensure that factories have the highest standards possible. Companies cannot move factories in a short timeframe to avoid a new tariff burden.

Today, Vietnam is the second largest supplier of footwear to the U.S. market, providing the U.S. 20.4 percent of footwear by volume and 25.8 percent by value. Excluding China and Vietnam, the rest of the world provides the U.S. only 12.9 precent of footwear by volume and 24.4 percent by value.

There are simply not many other sourcing options for footwear outside of Vietnam and China, because other countries have not yet developed the infrastructure, factories, and workforce needed to manufacture shoes on a scale demanded by U.S. consumers – 2.4 billion pairs of shoes a year, or 7.4 pairs for every person in America. Since there are already added 301 tariffs on the majority of Chinese-made shoes, 301 tariff action on Vietnamese-made shoes would result in an effective hidden tax on millions of American individual and families when they buy shoes and hurt American companies during a time of unprecedented challenges.

For these reasons, we urge the U.S. and Vietnam to work together to resolve this important issue and strongly believe that added tariffs on footwear should never be considered. Thank you for this opportunity to testify.