FDRA Testimony in Hearing on Proposed Actions Regarding Digital Service Taxes: Multi-Jurisdictional Issues (Docket No. USTR–2021-0008)

On behalf of the Footwear Distributors & Retailers of America (FDRA), thank you for the opportunity to testify at this multi-jurisdictional 301 hearing on digital services taxes.

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.

We strongly urge the Administration to remove footwear from the list of products that may be subject to 301 tariffs under this investigation, as currently proposed on footwear from Italy, Spain, and the UK:

- **Italy**: leather boots classified in 6403.59.60, 6403.91.60, and 6403.91.90 and textile upper shoes in 6404.20.40

- **Spain**: certain rubber/plastic footwear (6402.99.31), leather upper footwear (6403.51.30, 6403.51.60, 6403.51.90, 6403.59.15, 6403.59.30, 6403.59.60, 6403.59.90, 6403.91.90, 6403.99.60, 6403.99.90), textile upper shoes (6404.19.39, 6404.20.40, 6404.20.60), and other footwear classified in 6405.90.90

- **UK**: leather upper footwear (6403.59.30, 6403.59.90, 6403.91.30, 6403.99.60) and textile upper shoes (6404.20.40)

New, added tariffs would result in immediate and lasting harm for U.S. footwear companies, their workers, and their consumers. Given the type of footwear produced in these countries and the inability to easily shift supply chains, this harm would be difficult to avoid.

Added tariffs hit the U.S. footwear industry particularly hard, because our companies already operate under an extremely heavy tariff burden. While most consumer goods are taxed at a rate of 1.9 percent, current footwear tariffs average 12.3 percent and can reach rates up to 67 percent. 301 tariffs imposed by the Trump Administration significantly increased costs, disrupted global supply chains, and created tremendous uncertainty for many U.S. footwear companies.

In addition, the COVID-19 pandemic has resulted in unprecedented challenges during an already difficult time for the retail sector. Supply chain costs have increased dramatically as American demand bolstered by economic stimulus have contributed to an influx of consumer goods, straining capacity. As inflationary pressures continue to mount, added costs in the form of increased duties on American importers would exacerbate an already challenging economic environment.

Specifically, the proposed tariff action under consideration could drastically increase costs for U.S. companies that import or sell footwear sourced from Italy, Spain, and the UK. A tariff of up to 25 percent could mean tariff rate increases of between 250 and 1000 percent for leather upper footwear from Spain. This could mean rate increases as high as 294 percent for Italian-made footwear and 500 percent for UK-made footwear. These are staggering costs that would be difficult for our companies to absorb without impacting U.S. consumers or U.S. workers. We are hearing from our partners in these countries that the threat of these tariffs has already impacted production in local factories, even as these countries struggle with the difficulties of the COVID-19 pandemic in Europe.

Our members have chosen these specific countries, because Italy, Spain, and the UK have factory partners with the intricate skill and ability to produce specific types of footwear at the high quality demanded by U.S. consumers. Footwear is a very capital-intensive industry, and it takes years of planning to build relationships, establish factory partners, and ensure that our factories have the highest standards possible. Factories cannot be moved in a short timeframe to avoid a new tariff burden. Should these tariffs go into effect, the immediate harm to U.S. companies, consumers, and workers in therefore unavoidable.

For these reasons, we strongly urge you to remove from consideration any Section 301 tariffs on footwear. In our view, the U.S. should pursue opportunities that strengthen diplomatic ties with our allies in Europe, and we encourage the Administration to work to come to an agreement on digital services taxes with these key trading partners as soon as possible.

Respectfully submitted,

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