

FDRA Trade and Politics 2024 Outlook

January 18, 2024

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Agenda:

- Part One: Election Preview – Who will call the shots on footwear trade?
- Q&A with Farrow: Key events shaping footwear trade from Farrow's perspective
- Part Two: The Administration – What is at stake for the industry in 2024?
- Q&A with KPMG: How can companies save money in a difficult trade environment?
- Part Three: What can we expect from Congress this year?



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Part One: Election Preview – Who will call the shots on footwear trade?



Presidential election 2024: Iowa Caucus

Trump sets the record for margin of victory in GOP Iowa Caucus

Candidate	Votes	Pct.	Delegates
 Donald J. Trump ✓	56,260	51.0% 	20
 Ron DeSantis	23,420	21.2 	9
 Nikki Haley	21,085	19.1 	8

DeSantis secures second place over Haley by 2 points

Despite trailing Haley in pre-caucus polling, DeSantis' extended campaign time in Iowa yielded his campaign second place in Iowa

AP News called the race in 30 minutes

Early calls earned media outlets criticism from DeSantis's campaign who claimed it was "election interference"

Trump secured 51% of the vote

His nearly 30-point margin of victory broke the previous 12.8-point record in a contested Iowa GOP caucus

Upcoming Primary Dates (Delegates at stake)

- **January 23:** New Hampshire (22)
- **February 8:** Nevada (26), Virgin Island (5)
- **Feb 24:** South Carolina (50)
- **February 27:** Michigan (55)
- **March 2:** Idaho (32)
- **March 3:** District of Columbia (19)
- **March 4:** North Dakota (29)
- **March 5, Super Tuesday:** Alabama (50), Alaska (29), California (169), Colorado (37), Maine (20), Massachusetts (40), Minnesota (39), North Carolina (74), Oklahoma (43), Tennessee (58), Texas (161), Utah (40), Vermont (17), Virginia (48), American Samoa (9)







President Biden emphasized that the United States and China are in competition, noting that the United States would continue to invest in the sources of American strength at home and align with allies and partners around the world. He stressed that the United States would always stand up for its interests, its values, and its allies and partners. He reiterated that the world expects the United States and China to manage competition responsibly to prevent it from veering into conflict, confrontation, or a new Cold War.

- White House Readout of President Joe Biden's Meeting with President Xi Jinping, November 2023



Trump will impose tariffs on FOREIGN producers through a system of **universal baseline tariffs on most imported goods ...**

As tariffs on foreign countries go up, taxes on American workers, families, and businesses can come down ...

In addition to universal baseline tariffs on most foreign goods, President Trump's plan will reclaim our economic independence from China. **President Trump will revoke China's Most Favored Nation trade status** and adopt a 4-year plan to phase out all Chinese imports of essential goods—everything from electronics to steel to pharmaceuticals.

- Trump trade plan, February 2023



**Ron DeSantis “We Win, They Lose”
foreign policy plan:**

***“Deter CCP Aggression. Unleash
Economic Potential. Defend the
Homeland.”***

***Revamping National Economic
Security to Beat China's Economic
Coercion:***

***... End China's most favored nation
status and crackdown on China's
abuse of U.S. de minimis rules”***

- Ron DeSantis campaign 2023



“As president, I will push Congress to revoke permanent normal trade relations until the flow of fentanyl ends. If China wants to start normal trade again, it has to stop killing Americans.”

-Nikki Haley, speech to American Enterprise Institute, June 2023

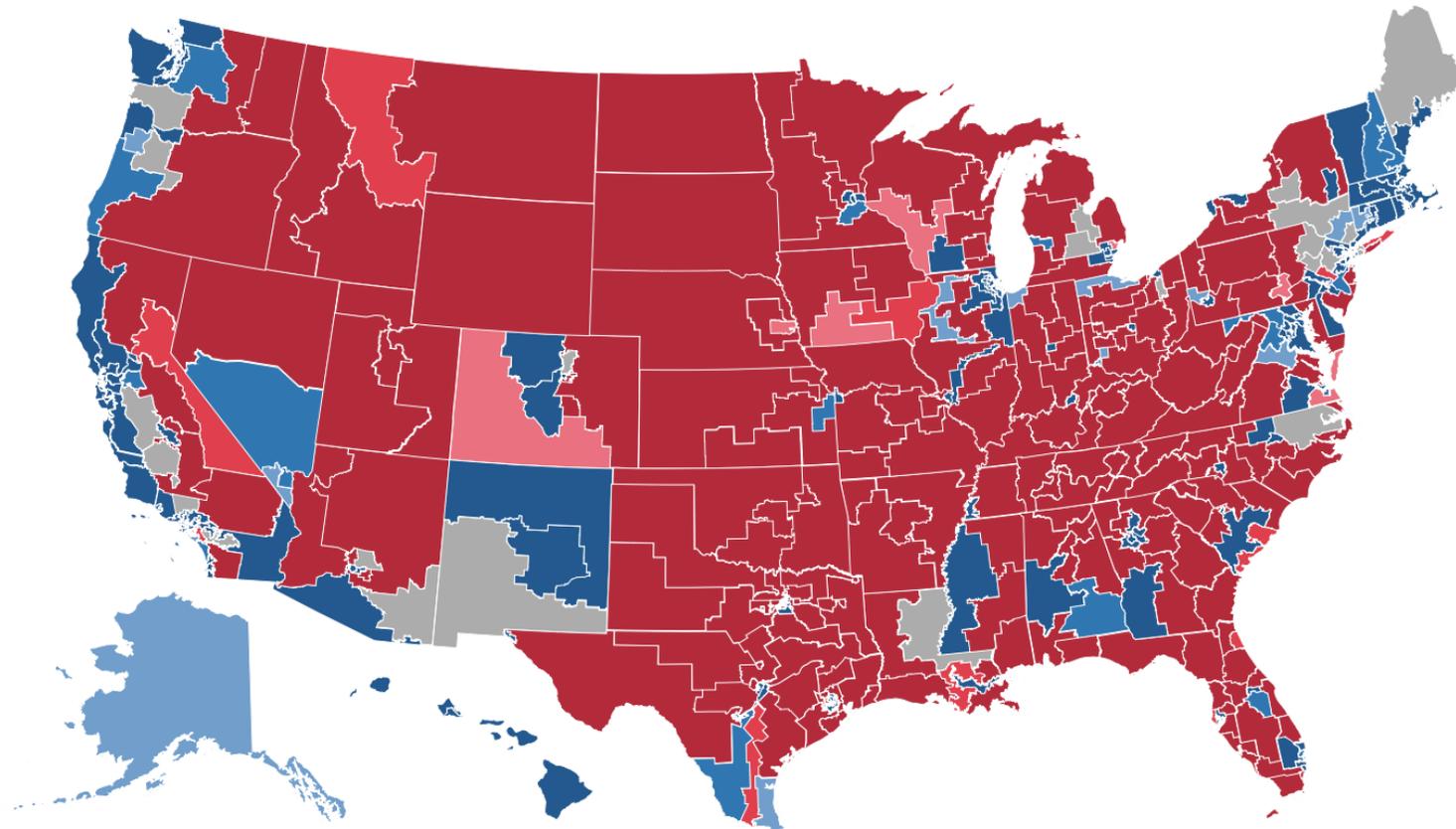
“I think China’s an enemy. I think we have to take them incredibly seriously. And the problem is, you can look at dollars and cents or you can look at a threat to America ... every company needs to have a Plan B [if China decides to] pull the rug out from under us.”

– Nikki Haley, CNBC’s Squawk Box, July 2023

24 seats are considered Toss Up districts for the 2024 election

Cook Political Report: 2024 House Race Ratings

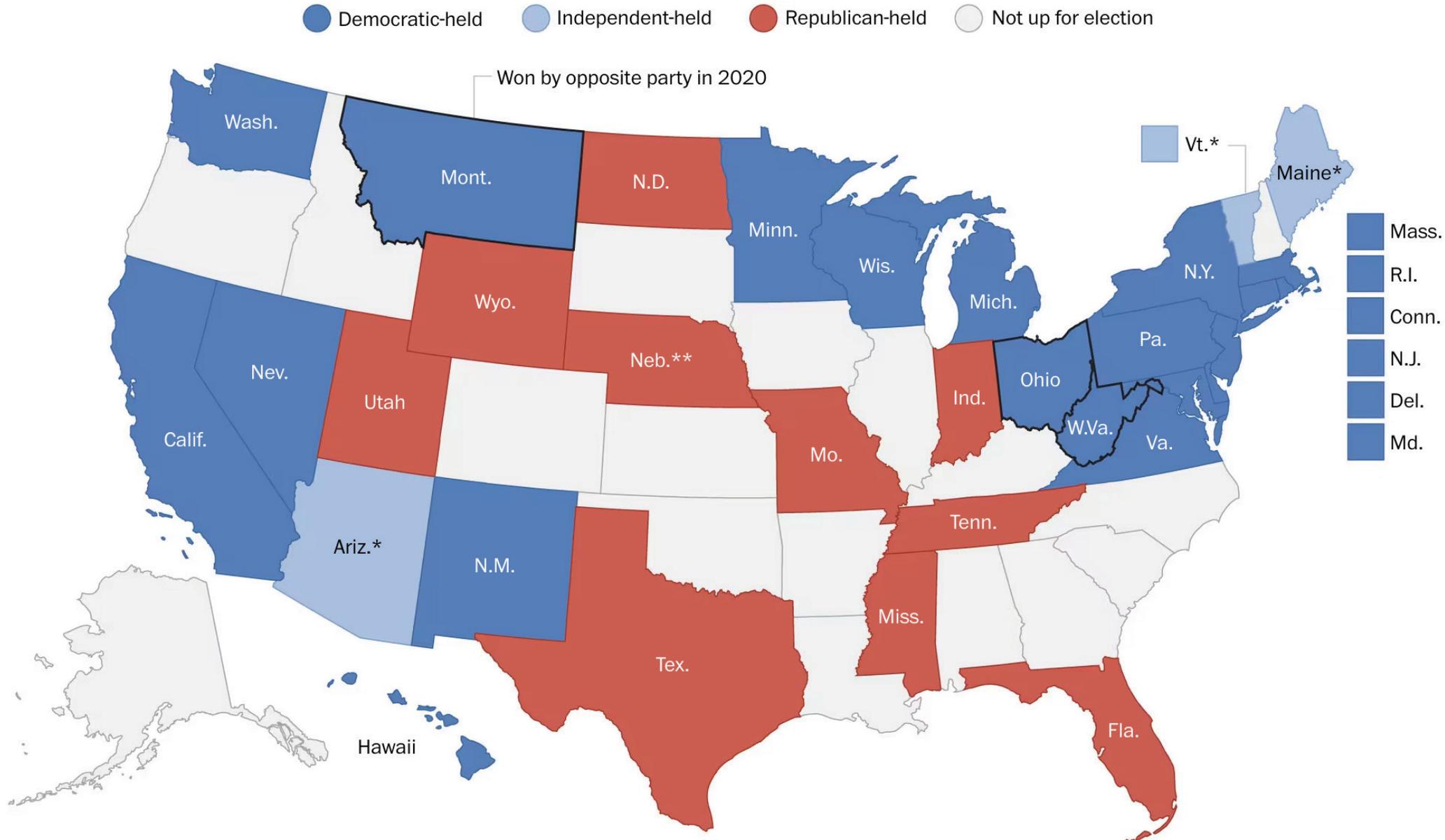
■ Solid D ■ Likely D ■ Lean D ■ Toss Up ■ Lean R ■ Likely R ■ Solid R



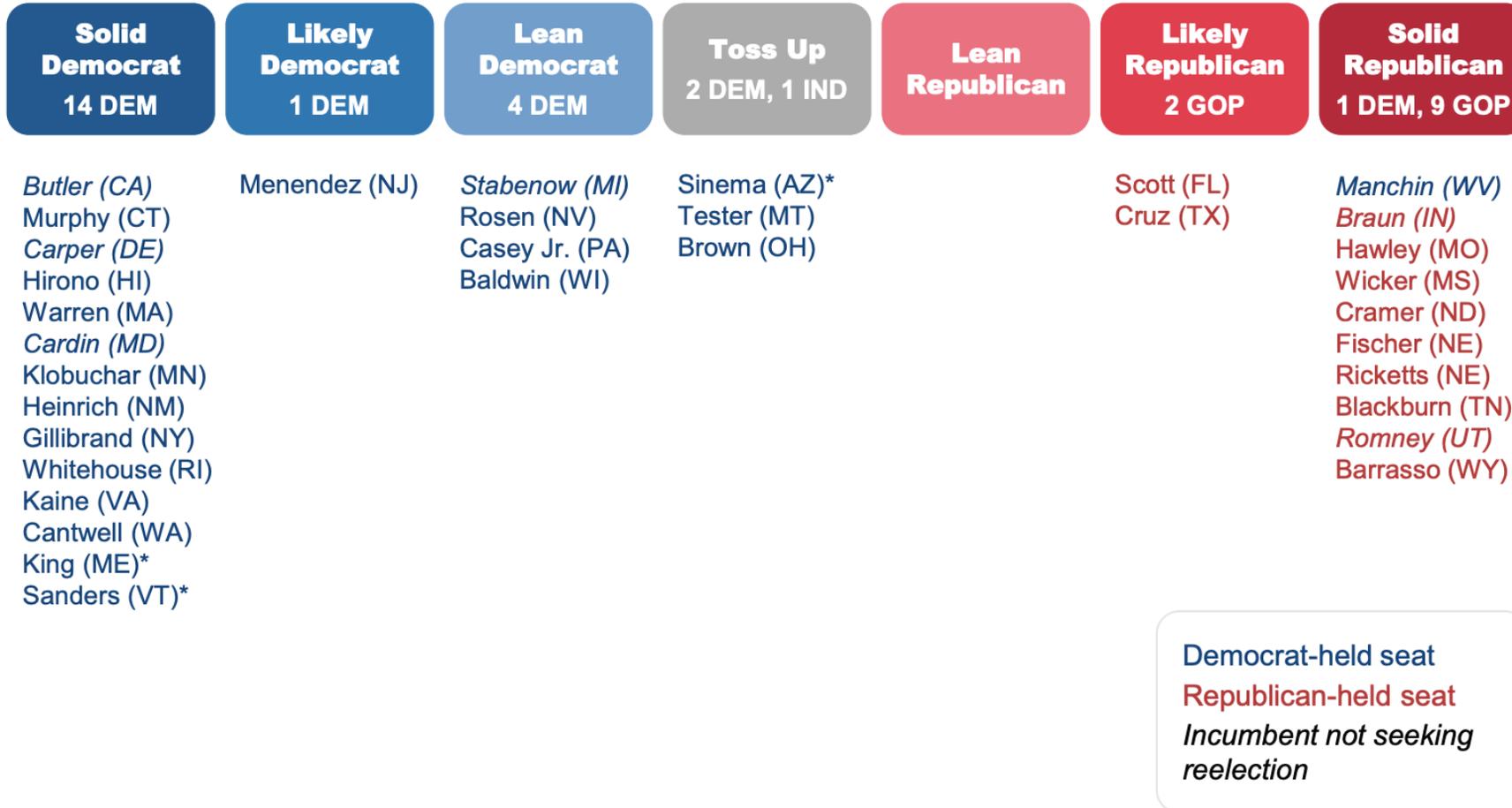
Cook Political Report Race Ratings of competitive 2024 House seats



Election 2024: Senate



Cook Political Report Race Ratings of 2024 Senate seats



*The seats of Sens. Sinema (AZ), King (ME), and Sanders (VT) are considered "Democrat"

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Q&A with David Bennett, Farrow

*Key events shaping footwear trade from
Farrow's perspective*



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Part Two: The Administration – What is at stake for the industry in 2024?



301 tariff review: will there be tariff adjustments?

Nov 2023 FDRA Letter to the Biden Administration on 301 tariffs. We asked the Administration to take a more targeted approach to the tariffs. Read the [letter](#).

January 2023 FDRA Written Comments to the Biden Administration on its 4-year review of the 301 tariffs. We explained the harm to the footwear industry – massive cost increases for consumers/companies, disproportionate impact on working class families, harm to U.S. manufacturers, new administrative costs for companies, etc. Read the [letter](#).



301 tariff review: additional FDRA action on 301 tariffs

October 19, 2021: Letter to President Biden on tariff relief and inflation -- "Kids' shoe prices have now reached the highest in over 70 years"

November 17, 2021: Letter to President Biden on Treasury Secretary Yellen's comments that removing tariffs would make a difference on inflation.

February 17, 2022: Letter to White House Economic Adviser Jared Bernstein on the need to eliminate 301 tariffs on basic consumer goods to address inflation.

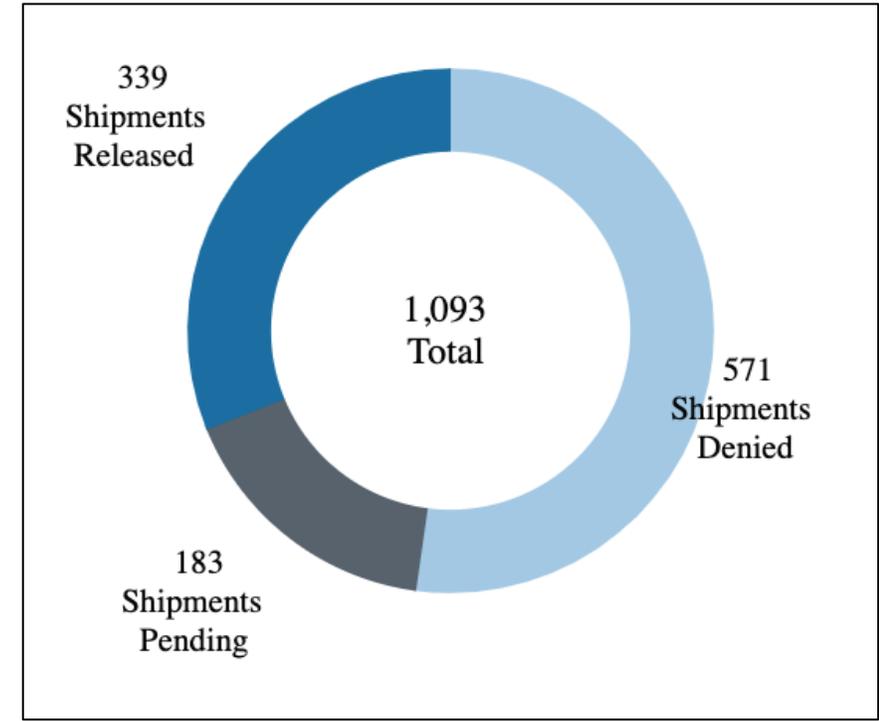
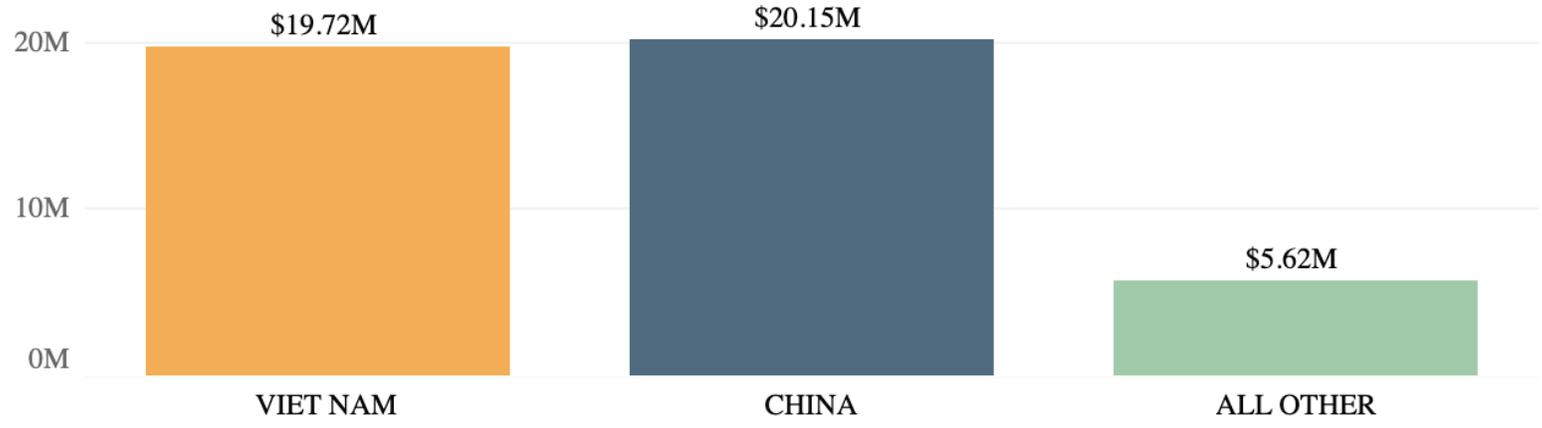
March 1, 2022: Letter to President Biden urging him to eliminate tariffs on shoes through Labor Day to combat inflation.

May 12, 2022: Letter to President Biden -- "Eliminating 301 tariffs is the clear solution for directly lowering price spikes on kids' shoes that are hitting American families right now."



Uyghur Forced Labor Prevention Act (UFLPA)

Shipment Value (USD) by Country of Origin



Source: UFLPA Dashboard, view the Dashboard [here](#)

Special 301 Review: Global IP Review



Special 301 Committee led by Office of U.S. Trade Representative



March 2019: Last In-Person Hearing

Vietnam: US considers changes to non-market economy status





[FDRA Comments to SEC \(June 2022\)](#)

Other federal regulations on the horizon impacting footwear

1. FTC noncompete clause ban: The Federal Trade Commission (FTC) is writing a new rule that would **ban employers from requiring their employees to sign noncompete clauses**. The new rule would impact 1 in 5 workers. In his 2023 State of the Union, President Biden said: “30 million workers had to sign non-compete agreements when they took a job. So a cashier at a burger place can’t cross the street to take the same job at another burger place to make a couple bucks more. Not anymore. We’re banning those agreements so companies have to compete for workers and pay them what they’re worth.”

2. DOL Overtime Changes: The Department of Labor is proposing to **raise the salary threshold for employees who qualify for overtime pay** — impacting 3.6 million workers. The current threshold, set by the Trump Administration, applies to employees making less than \$36,000. The new threshold would apply to those making less than \$55,000.

3. New Rules on AI: In October, President Biden issued a sweeping executive order for the U.S. to **regulate artificial intelligence (AI)**. The rule empowers dozens of federal agencies to address issues ranging from national security threats and AI-enabled fraud to job displacement and consumer privacy. The full executive order totals 111 pages.

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Q&A with Nicole Porpiglia, KPMG

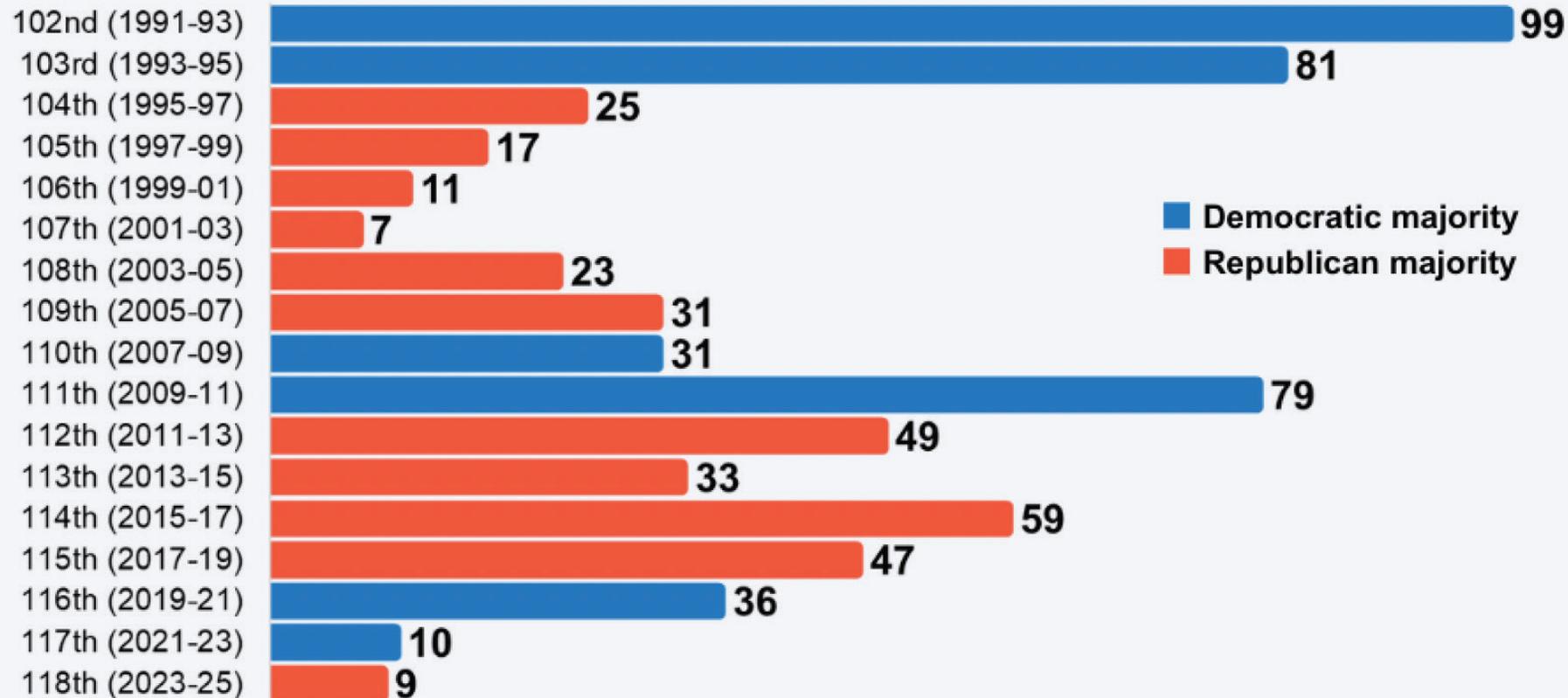
How can companies save money in a difficult trade environment?



House Republicans in the 118th Congress hold the second-smallest majority in recent history



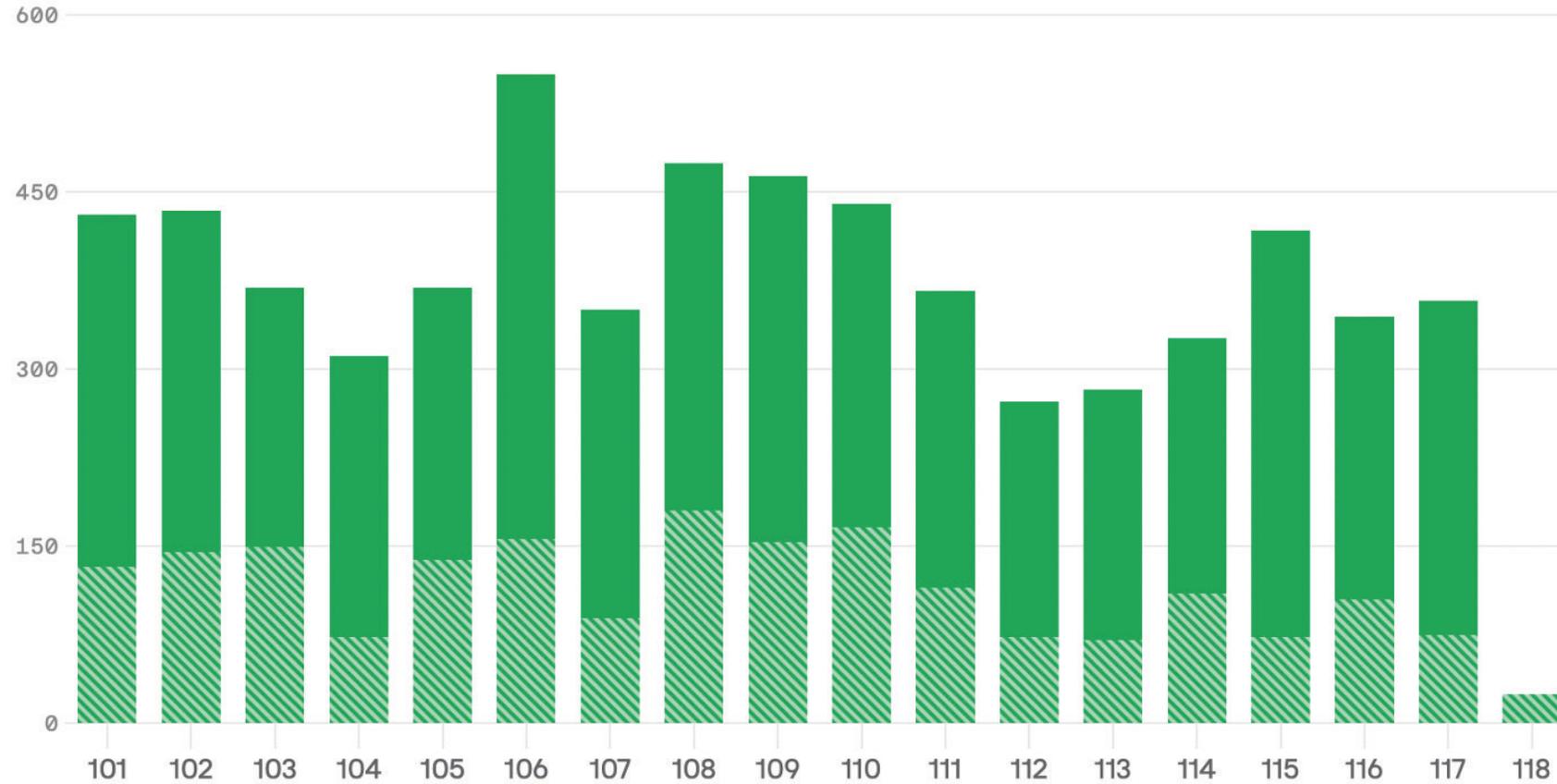
House congressional majorities by Congress



Bills enacted, by congressional session

101st Congress (1989) to 118th Congress (2023); As of Dec. 18, 2023

Enacted in first year of two-year session



Data: Quorum; Chart: Simran Parwani/Axios

Source: "Capitol Hill stunner: 2023 led to fewest laws in decades", **Axios**, December 18, 2023

Government funding deadlines: Will the House remove another Speaker?



Former Speaker Kevin McCarthy (R-CA)



Current Speaker Mike Johnson (R-LA)

Congressional Sneaker Caucus



- **Importance for industry:** building key relationships, putting industry in strong position for future
- **Congress:** not policy focused, chance to foster bipartisanship, education on industry
- **Shoe In:** Podcast with Congressional Sneaker Caucus founder next week: [LISTEN](#)

Congressional Sneaker Caucus



Farm to Footwear Act

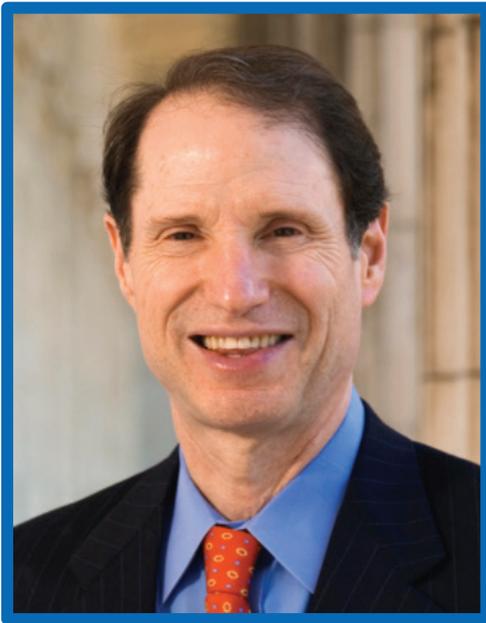
- The Farm to Footwear Act would create a duty-free breakout in Chapter 98 of the U.S. Harmonized Tariff Schedule (HTS) (special classification provisions) for certain footwear with bio-based materials. Chapter 98 has similar duty-free provisions for orthopedic footwear, product samples, and goods that are returned to the U.S. after they are exported.
- To qualify for the new bio-based provision, the footwear must be certified as BioPreferred under the USDA BioPreferred Program — containing a minimum of **25 percent bio-based content** for footwear.
- The new provision would apply only to rubber and plastic upper footwear (6402 HTS). It would provide a key incentive for reducing plastic and synthetic rubber in shoes.
- **ACTION NEEDED:** Let us know if your company will sign a letter of support on this.



Breakdown of Current Congress

Key Players on Trade Policy (and Tax, Health Care, Social Security)

The “Big Four” Committee Chairman



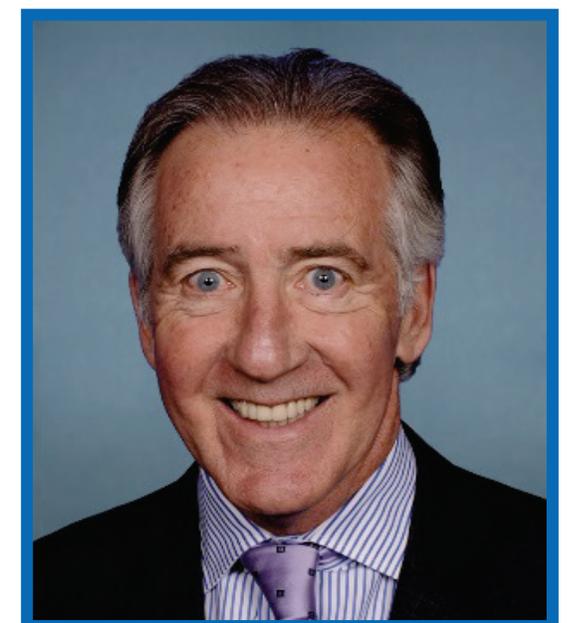
Ron Wyden (D-OR)
Chair
Senate Finance



Mike Crapo (R-ID)
Ranking Member
Senate Finance



Jason Smith (R-MO)
Chair
House Ways & Means



Richard Neal (D-MA)
Ranking Member
House Ways & Means

What about trade bills in Congress?

Key trade programs/bills that require congressional action:

- **Miscellaneous Tariff Bill (MTB):** FDRA-signed Coalition letter, November 2023 [Read the letter](#)
- **Generalized System of Preferences (GSP)**
- **African Growth & Opportunity Act (AGOA)**
- **Trade Adjustment Assistance (TAA)**



Members of Congress want more UFLPA Enforcement

Members of Congress are now asking the Biden Administration to focus UFLPA enforcement on specific industries:

- In a September [letter](#), the China Select Committee asked the Biden Administration why 25 Chinese companies – including Fujian Sunshine Footwear, Fulgent Sun Footwear, and several apparel manufacturers – are not listed on the UFLPA Entity List.
- Senator Ron Wyden (D-OR) is concerned about forced labor with [auto parts](#).
- Rep. Carol Miller (R-WV) and 8 Members of Congress want more UFLPA enforcement on [solar panels](#).
- Senator Thom Tillis (R-NC) led a group of Senators from textile-heavy states in a letter to President Biden last fall demanding action on [textiles and apparel](#).



INFORM Consumers – now law!

- Online platforms must now **verify** high-volume third-party sellers (with government ID, tax ID, bank account info, contact info). Online platforms must also ensure high-volume third-party sellers **disclose** to consumers basic identity and contact info.
- **One more thing:** High-volume third-party sellers are defined as vendors who have made 200 or more discrete sales in a 12-month period amounting to \$5,000 or more.

SHOP SAFE – building on INFORM with platform accountability

- The bill would make platforms liable for counterfeits sold by third parties on their sites ... unless the platforms adopt the **best practices** outlined in the bill.
- **One more thing:** The bill only covers goods that have a health and safety impact. FDRA sent a letter of support that highlighted why this should include all footwear. [Read FDRA's letter.](#)





FDRA 2024

SHOE EXECUTIVE

STRATEGY SUMMIT

SUCCEEDING IN THE ARTIFICIAL AGE

APRIL 17-18 | WASHINGTON, DC

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Questions?

