

June 28, 2024

The Honorable Katherine Tai
United States Trade Representative
600 17th Street Northwest
Washington, D.C. 20508

Re: Request for Comments: Proposed Modifications to Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket Number USTR-2024-0007)

Dear Ambassador Tai:

On behalf of the Footwear Distributors & Retailers of America (FDRA), we write to express our deep concern that President Biden announced the continuation of Section 301 tariffs on footwear.

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 95 percent of the industry. FDRA has served the footwear industry for 80 years. 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.

In the Rose Garden speech announcing the tariff decision, President Biden responded to former-President Trump's proposal for a 10 percent across-the-board tariff by stating, "That would drive up costs for families on an average of \$1,500 per year. He simply doesn't get it." The President acknowledged what we have been saying for years – **tariffs drive up costs for U.S. consumers**. He made this statement as he was announcing his decision to keep in place the Trump-imposed 301 tariffs, and in some cases, drastically increase these tariffs.

Shoe shoppers are currently being hit with record prices at checkout. Retail footwear prices have risen sharply since implementation of 301 tariffs, climbing two of the last three years at the fastest annual rates in 34 years. Reducing these tariffs could have eased the burden of inflation for families at a critical time.

Tariffs raise prices because they operate as hidden taxes paid by American consumers, not China. At the time President Trump imposed the 301 tariffs, President Biden said: "Trump doesn't get the basics. He thinks his tariffs are being paid by China. Any freshman econ student could tell you that the American people are paying his tariffs. The cashiers at Target see what's going on – they know more about economics than Trump." Tariffs are embedded into the first cost of a shoe, and tariffs impacts the price of the shoe each time it is marked up, both at wholesale and subsequently at retail.

MATT PRIEST, President & CEO

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With footwear, the high cost paid by consumers falls disproportionately on working class individuals and families. Chapter 64 of the Tariff Code (HTS), the footwear chapter, operates as a regressive tax since the highest rates often apply to lower priced shoes, many of which are children's shoes. A men's leather dress loafer is taxed at a rate of 8 percent (even without added 301 tariffs) while a typical athletic-looking, textile upper children's shoe will have a rate of at least 20 percent and could face a tariff of 48 percent (even without added 301 tariffs).

For those few children's shoes with relatively lower rates, the 301 tariffs meant drastic rate increases. With the added 301 tariffs, the tariff rate doubled for certain children's casual shoes and slippers. The rate more than tripled for certain plastic sandals, wool slippers, and infant crib shoes. Families must buy multiple pairs of shoes a year for each child as their children's feet grow throughout the year.

In addition, lower income families spend more of their disposable income on footwear, apparel, and other consumer goods.¹ An annual survey from the Bureau of Labor Statistics found minority households and those without college educations spend a greater expenditure of their income on shoes, apparel, and other consumer goods.² A study sponsored in part by FDRA further highlights the negative impact of the 301 tariffs on low-income families.³ President Biden's decision to continue the tariffs imposed by President Trump has the greatest impact on these families, even as they struggle with the burden of high inflation.

For these reasons, we strongly urge President Biden to immediately remove the 301 tariffs on footwear.

Sincerely,



Matt Priest
President & CEO
Footwear Distributors and Retailers of America

¹ See *Trade Policy, Equity, and the Working Poor*, by Ed Gresser, Progressive Policy Institute (April 19, 2022), <https://www.progressivepolicy.org/publication/trade-policy-equity-and-the-working-poor/>

² See *BLS Consumer Expenditures Report* (January 2023), <https://www.bls.gov/opub/reports/consumer-expenditures/2021/home.htm>

³ See *Impacts of Section 301 Tariffs on Imports from China: Case Studies of Apparel, Footwear, Travel Goods and Furniture*, Trade Partnership Worldwide, LLC (January 2023), <https://tradepartnership.com/wp-content/uploads/2023/01/China-301-Tariff-Costs-Joint-Association-Study-FINAL.pdf>