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Oral Statement as Prepared for Delivery
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American Apparel & Footwear Association

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Thank you for providing us the opportunity to testify this morning on an issue that is extremely important to our industry and to the economic health and prosperity of our nation.

I am appearing on behalf of the American Apparel & Footwear Association (AAFA) – the national trade association of the apparel and footwear industry, its suppliers and our consumer partners. AAFA represents more than 300 companies and 1,000 world famous name brands. Our industry employs nearly four million U.S. workers, and contributes more than $384 billion in annual U.S. retail sales.

My goal is to convey three key points this morning, and we also intend to follow up with a longer statement for the record.

Point #1 – To be clear, we strongly support your combined efforts to seek swift and meaningful resolution of the underlying disputes with China. Forced technology transfer and intellectual property theft undermine the ability of U.S. companies to create and advance American employment. AAFA members have a long and well documented history of working towards the improvement of Chinese IPR enforcement – especially in the domains of trademark, copyrights, patent, and trade secrets. While we have seen some progress in recent years, these gains are (at best) spotty, and insufficient to overcome systemic problems that hurt our members, their employees, and their shareholders. Thus, we absolutely cheer targeted efforts to ensure a sustained, long-term solution to this persistent problem. However, one note of caution: we need to be absolutely certain that the attempt to fix the problem does not endanger our overall trading partnerships and remains targeted to where the real issues lie.

Point #2 – We were pleased the Administration did not include any textiles, apparel, footwear, or travel goods on the initial list that was presented for tariff application. However, we do remain concerned that there could be an attempt or even a suggestion to include these products in the current or future list. We strongly oppose any such move. Please consider the following:

- The United States already imposes a significant border tax on our products. As an industry, we pay 51 percent of all America's tariff receipts, even though we account for only 6 percent of all items that are imported. We are heavily taxed and we cannot afford further costs that would be arbitrarily imposed on our industry and on the American consumer.
- It is a fact that tariffs are a hidden tax on U.S. consumers. Americans who buy our products are already over-tariffed (with the average rate being 12.5% for apparel and 11.3% for footwear). The imposition of an additional 25 percent tariff on top of this existing burden will have an immediate and inflationary impact in the United States. We estimate that a family of four will end up paying (annually) at least $500 more to buy our consumer products, and this does not account for any price increases that non-China suppliers will surely charge as they respond to the cost increases from China.

Point #3 – We are disturbed that the new tariff list included several categories of imported equipment and machinery that our members need to make product in the USA. The list includes items such as: circular knitting machines for hosiery and other products, loom weaving machines, embroidery machines, warp knitting machines, textile winding machines, sewing machine equipment, automatic footwear sewing equipment, and textile spinning machines – ALL used to make textiles, apparel, and footwear in the USA. After finally seeing some growth in our "Made in USA" business component; subjecting these items to an additional 25 percent tariff is (we believe) unconscionable. In many of these categories, China is a top equipment supplier to the United States. Adding a tax to the basic tools that we use to enhance "Made in USA" will add cost to the U.S manufacturing base, which will raise prices throughout the supply chain, hurt U.S. consumers, and hurt the growth of U.S. manufacturing. We are adamantly opposed to these items being included on the list.

In summary, we are truly pleased to see that the Administration has started a dialogue with China. There are many items in our relationship to fix, and it remains critically important to move us past the current state of unpredictability in our trade relationship. We remain hopeful you can achieve decisive action and lasting progress in this area, so that the potential of projected tariffs on the U.S. consumer and the possibility of counter tariffs from China on items like U.S. cotton, can be eliminated. More tariffs are not a cure to what ails us. It is our hope that a negotiated solution to the real problems will be the ultimate result.

Thank you for consideration of these views, and I'd be happy to take any questions.