



Statement by David French

**Before the
Section 301 Committee**

**Regarding
Section 301 Investigation: Vietnam's Acts, Policies and Practices Related to the
Import and Use of Illegal Timber (USTR-2020-0036)**

Good morning/afternoon Mr. Chairman and members of the committee. My name is David French, and I am senior vice president, government relations for the National Retail Federation.

NRF is the world's largest retail trade association, representing all retail sectors. Retail is the nation's largest private-sector employer, contributing \$3.9 trillion to annual GDP and supporting one in four U.S. jobs — 52 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies.

On behalf of the retail industry, thank you for the opportunity to testify today regarding practices related to the import and use of illegal timber in Vietnam. We applaud the administration for continuing to look at the issue of trade in illegal timber to ensure that our trading partners are living up to their international commitments. However, we do not believe action against Vietnam or other trading partners regarding the use of illegal timber should be taken by USTR under a Section 301 investigation. Most importantly, we do not think USTR should consider using tariffs as the tool to address this investigation.

NRF's members have long engaged in efforts to ensure responsible sourcing and environmental management within their supply chains. Part of these efforts includes implementation of the 2008 amendments to the Lacey Act to prohibit trade in products containing illegally harvested wood. We worked collectively with other industry groups, NGOs and key government agencies to develop a robust implementation plan for the Lacey Act and enforcement and continue to work on implementation issues today.

It is important to highlight for the committee the steps that retailers take to ensure responsible sourcing within their supply chains, as well as compliance with the Lacey Act.

The steps include some of the following examples as provided by our members –

- One member noted that they have a Standard Operating Procedure (“SOP”) that outlines how they manage the process related to semi-annual wood risk

assessments. It is a key component of their Lacey Act compliance program. Twice a year, they pull all SKUs and review the genus, species, and country of harvest. Any products that are identified as potential “High Risk” are flagged in the review and corrective actions are put in place. By pulling this data, for example, they were able to confirm that their vendors in Vietnam are not using wood from Cambodia or other unauthorized locations.

- Another member noted that their suppliers are required to complete their Lacey Act questions. The information provided by the supplier is used to populate the Lacey Act form. The declaration must contain the scientific name of the plant, value of the importation, quantity of the plant, and name of the country from which the plant was harvested. In certain circumstances they will gather additional supporting documentation including supplier certifications. In addition, all suppliers must submit the Supplier Certification of Lacey Act Compliance at the time of production or annual testing.
- Another member noted that the Lacey Act is in place to protect against illegal importation of endangered species. During product development they identify the species of wood to be used. Through their sourcing system in conjunction with their import broker, vendors must identify the items covered under the program, document the information on the species of wood, origin of the lumber, and quantities used in each item. It becomes a part of the compliance documentation and paperwork for the purchase and import into the United States.

U.S. trade with Vietnam has grown significantly over the past several years as a direct consequence of the ongoing trade dispute with China. Companies have shifted their supply chains out of China to Vietnam and other countries because of the administration’s application of Section 301 tariffs. In fact, the administration publicly encouraged companies to shift sourcing out of China and many retailers responded by moving production as a result.

NRF members are extremely concerned about the potential for tariffs to be now placed on Vietnam as a result of this investigation. Tariffs are taxes that are paid by U.S. businesses. As companies continue to recover from the ongoing economic damage from the coronavirus pandemic, new tariffs on imports from Vietnam will further harm these U.S. companies and will result in higher costs for their consumers, many of whom themselves are recovering as well.

NRF commissioned a study to estimate the potential impacts on the U.S. economy of four potential tariff options applied to all goods imported into the United States from Vietnam. The study also took a closer look at the potential impacts of these tariffs on apparel/footwear trade, given Vietnam’s importance as a supplier to the United States of those products. The analysis considers the potential shifts that would occur from Vietnam

to other sources of supply (including the United States and China) were the United States to impose tariffs on imports from Vietnam.

In summary, we find that the proposed tariffs would increase costs to consumers at a particularly challenging time — even after retailers attempt to adjust by changing sourcing, yet again. Consumers would pay as much as \$11 billion more for goods imported from Vietnam. Apparel and footwear would be especially hit, as tariffs on these items from Vietnam would add to the high duties American consumers already pay for these goods. Notably, the tariffs on imports from Vietnam would shift some trade back to China, even with tariffs of equal size imposed on imports from that source.

We are also concerned that Vietnam may retaliate against U.S. exports, especially U.S. hardwood which would surely be targeted. The industry is already suffering because of the retaliation from the China tariffs. Retaliatory tariffs by Vietnam would surely cripple the industry.

If the Section 301 Committee decides that action is warranted under this investigation, we believe that there are more appropriate tools to address the issue of illegal logging as opposed to a Section 301 investigation, especially the potential use of tariffs.

Many of these tools have been identified in comments that have already been discussed and submitted to USTR by both businesses and NGO's. These tools include U.S. government enforcement under the Lacey Act or enforcement under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The U.S.-Vietnam Trade and Investment Framework Agreement is another avenue for USTR to evaluate addressing trade in illegal logging among the countries.

Vietnam has become an ever-increasing important ally and partner to the United States, for both political and economic reasons, to counter the influence of China in the region. It is important that this relationship not only continue but expand as the global economy continues to recover from the coronavirus pandemic. We encourage the committee to evaluate targeted and meaningful non-tariff options to address the use of illegal timber with Vietnam. Tariffs should not be a consideration for enforcement in this matter.

Thank you again for the opportunity to testify today.