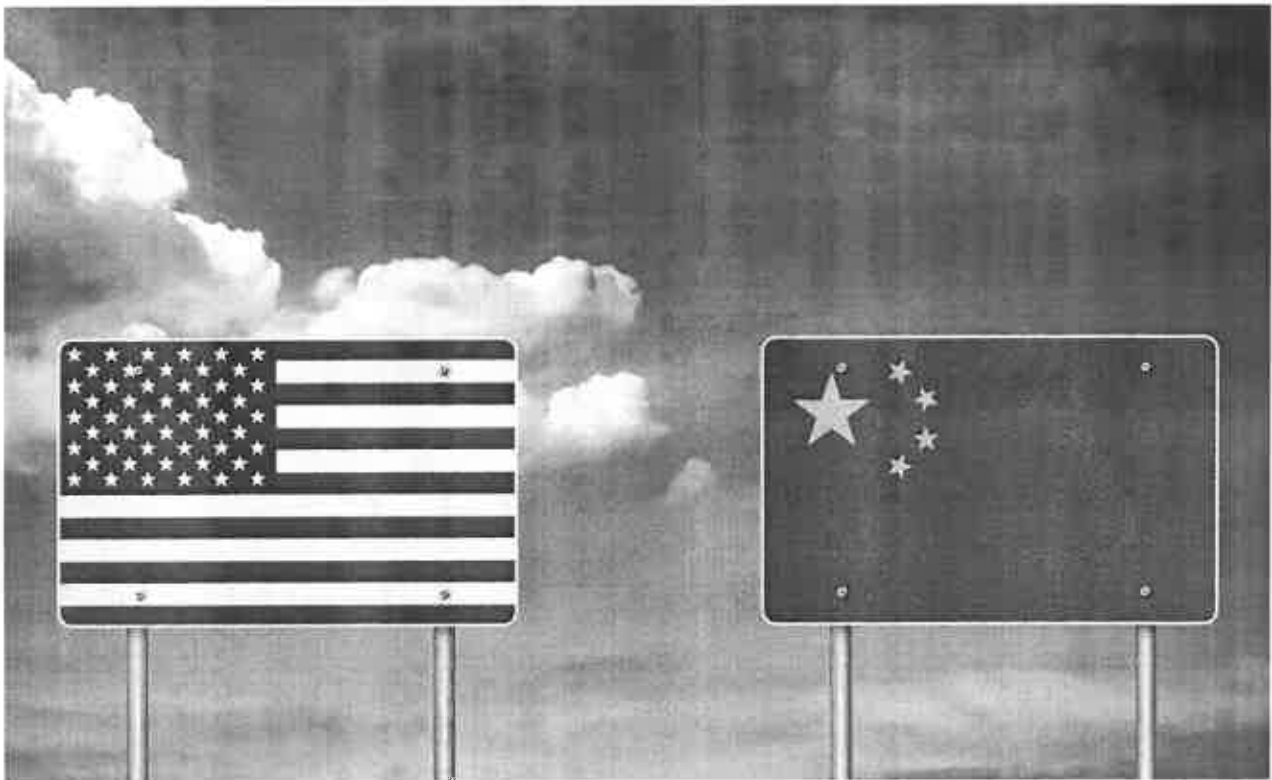


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Apparel Industry Will Take Drastic Hit in Light of New \$200 Billion in Tariffs on China

By Tara Donaldson



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The trade battle between the United States and China will get worse before it gets better. And so will the fate of the apparel industry.

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On Wednesday, the White House said it is assessing a new wave of \$200 billion in tariffs on China, and what's on the list targets an extraordinary amount of what's needed to make clothing and shoes.

The move comes after the U.S. implemented \$34 billion worth of tariffs on Chinese imports Friday, which was the first portion of the promised \$50 billion Trump promised to levy against China over intellectual property concerns.

China responded in short order following the tariff implementation, enforcing \$34 billion of its own on U.S. goods bound for China.

And it's more of the same in the eye for an eye exchange.

Put off by China's clap back, which U.S. Trade Representative Robert Lighthizer said Wednesday was done "without any international legal basis or justification," the U.S. has taken its next step.

"As a result of China's retaliation and failure to change its practices, the president has ordered USTR to begin the process of imposing tariffs of 10 percent on an additional \$200 billion of Chinese imports," Lighthizer said in a statement. "This is an appropriate response under the authority of Section 301 to obtain the elimination of China's harmful industrial practices."

This time, the list—which stretches on for 195 pages of the USTR's report—includes the bulk of what consumers would buy in the supermarket plus much of the raw materials that go into what they would buy to wear.

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Cotton and nearly all things tied to it for textile production (cotton yarn, cotton sewing thread, cotton woven fabric, cotton waste) will face new 10 percent tariffs for companies that want to bring in the goods from China. Nylon yarn, polyester yarn, viscose, jute, hemp and pulps of cellulosic material are also on the list, plus coconut and other vegetable fibers companies are now turning to as sustainable raw material alternatives. Woven fabrics across most raw materials, nonwovens, terry fabrics, lace, tulle and leather are on the target list. Apparel and clothing accessories made of plastic, vulcanized rubber, furskins and cellulose fiber will also face the new tariffs. As far as accessories, handbags, sports bags and travel goods, like suitcases and vanity cases, will face new tariffs. For footwear, there'll be tariffs on shoelaces, hooks and eyelets and polishes for leather shoes.

Beyond that, brands and retailers will pay for finishing and sending off garments too, with garment labels, folding cartons, boxes and packing containers on the list.

And that's just the start of what's quite a long list.

China's response came swiftly thereafter, promising an in-kind response and another lawsuit with the World Trade Organization for the United States' "unilateralist behavior."

"It is totally unacceptable for the U.S. to publish the tax collection list in an accelerated upgrade. We express our solemn protest. The behavior of the U.S. is hurting China, hurting the world, and hurting itself. This irrational behavior is unpopular," China's Ministry of Commerce said in a statement Wednesday. "The Chinese side is shocked by the actions of the U.S. In order to safeguard the core interests of the country and the fundamental interests of the people, the Chinese government will, as always, have to make the necessary countermeasures."

The implications

All tariff lines considered, the ramifications could be substantial for the apparel and footwear industries.

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In a statement Wednesday, American Apparel & Footwear Association president and CEO Rick Helfenbein said, "This will result in inflationary costs throughout the supply chain, ultimately paid for by the American consumer." Adding to that, Helfenbein said, "With more than 84 percent of U.S. travel goods coming from China, this will hurt enormously. The administration backed us into the corner with several months' worth of tariffs—if this continues, it has the potential to severely impact our apparel, accessory and footwear community."

The apparel industry items added in this latest round of tariffs, come after suggestions about what to include during the public comment period. At that time, some organizations had been pushing for apparel and textiles to be added to the China tariff list in hopes that it would bolster the domestic industry.

One such organization, the National Council of Textile Organizations (NCTO) applauded the announcement of additional tariffs, and has called on the Trump administration to include more finished textile and apparel products on any future tariff target lists for China-origin imports—though there are some things on the current list they intend to oppose.

"With the inclusion of virtually all fiber, yarn and fabric tariff lines, NCTO's response will be on a line-by-line bases, with support or opposition to individual lines dependent on how the competitiveness of the U.S. textile industry is impacted," NCTO president and CEO Auggie Tantillo said in a statement Wednesday.

Further up the supply chain, retailers aren't applauding Trump's latest tariff move.

"The administration has been pursuing tariffs now for months and we still don't know what the endgame is," said David French, the National Retail Federation's senior vice president for government relations. "The latest \$200 billion of products to be subject to tariffs against China doubles down on a reckless strategy that will boomerang back to harm U.S. families and workers.

Now, French continued, it's more a question of how badly the U.S. economy will be impacted rather than whether it will.

“Tariffs on such a broad scope of products make it inconceivable that American consumers will dodge this tax increase as prices of everyday products will be forced to rise,” French said. “And the retaliation that will follow will destroy thousands of U.S. jobs and hurt farmers, local businesses and entire communities.”

Further addressing the fate for the U.S. economy in light of this tariff trade war, John Divine, senior investing reporter at U.S. News & World Report, said, “Pandora is out of the box. We live in a global economy, and fair trade between nations is in the best interest of all parties. Markets in Asia, Europe, and the U.S. are falling for good reason: every country for itself is not an efficient way to allocate capital, goods and services, and will stunt economic growth.”

What's next

China has not yet outlined exactly what its response will be and what new U.S. products it will lasso with retaliatory tariffs, but the USTR has said if China refuses to change its practices and continues to push forth with its own tariffs, the new \$200 billion in tariffs will go into effect once the legal process is complete. That legal process will involve a public comment period as previous tariffs have, and all comments and rebuttals will have been closed off by the end of August, shortly after which a decision would be made.

At that time—and just as Friday's tariffs saw new duties being immediately implemented at the borders, USTR said, “Any merchandise subject to the increased tariffs admitted into a U.S. foreign trade zone on or after the effective date of the increased tariffs...would be subject upon entry for consumption to the additional duty.”

The hope among most is that the U.S. and China can settle their differences before the damage gets worse.

“The way things are shaping up, it may be too late, but we hope the administration changes course before we lose the momentum from tax and regulatory reform and return to an era of high prices, job loss and negative growth in our economy,” French said.

Regardless, it may be Congress that steps in to change the administration's course.

The Senate approved a “motion to instruct,” the result of which is a formal vote to tell members of Congress how to resolve an issue. The aim of the motion, according to a tweet from Sen. Jeff Flake (R-Ariz), who has been backing the effort, is to “reassert Congress’s constitutional role on tariffs.”

Applauding the motion, French said, “There is clearly growing bipartisan concern over the administration’s reckless trade agenda as the real-world consequences of tariffs spread in communities across the country. Congress has an important role to play in protecting hardworking Americans from a trade war, and this vote is an important first step.”

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