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Apparel, Sneakers Poised for Tariff Pain They Dodged Earlier

By Bloomberg



So much for U.S. consumers being left out of the trade war.

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American retailers like Target Corp. and Walmart Inc. and giant brands such as Nike Inc. and Apple Inc. so far haven't been hit that hard by President Donald Trump's tariffs. But that could be about to change, just as they are preparing for the all-important holiday shopping season.

The president on Friday said he's ready to boost tariffs on Chinese goods to include about \$500 billion worth of products – or just about every single item coming from the nation. The U.S. imported \$505 billion of Chinese products in 2017, Census Bureau figures show, so that means phones, sneakers, televisions and all the finished goods that consumers depend on will inevitably make the list.

Trump announced his possible move to impose tariffs on an additional \$267 billion in Chinese goods just as the U.S. finalizes a third round of duties on about \$200 billion—what critics had already likened to a tax on the American public.

“In one word—disaster,” said Matt Priest, chief executive officer of the Footwear Distributors and Retailers of America, an industry trade group. “Punishing my children for the crimes of my neighbors seems like a ridiculous thing for all of us to think it would be effective. But this administration thinks it's a tool that will accomplish its goals.”

On top of the duties that U.S. importers would pay, there's also the risk of further retaliation in China – perhaps in the form of state-run media drumming up anti-American sentiment against U.S. brands with major operations there. They've done it before, including last year against South Korea when it shuttered stores and factories.

Parts of Corporate America have been critical of Trump's trade agenda, but not with the same fervor that it attacked and defeated border adjustment—a proposal in last year's tax overhaul that it equated to a levy on imports.

However, over the past few weeks, companies appeared to become more aggressive in pushing back against the third round of duties on \$200 billion worth of Chinese goods. Crafting retailer Joann asked customers to sign a petition or contact their representatives. Purse-maker Vera Bradley Inc. said that it would be “detrimental” to its turnaround and eliminate jobs. Target weighed in, saying families would take a hit.

“Tariffs are taxes, and taxes raise prices for consumers,” Target said in a letter submitted to the U.S. Trade Representative. “The current proposal to impose up to a 25 percent tariff on an additional \$200 billion in Chinese imports will further hurt American consumers.”

In a letter earlier this week, Apple said the tariffs would impact a wide range of the company’s products and goods used in the company’s U.S. operations.

David French, senior vice president at the National Retail Federation, said the additional tariffs Trump floated on Friday would equate to “a \$70 billion tax increase on American families just in time for the holiday shopping season.”

“It will virtually affect everything that Americans purchase everyday. We’re talking toys, we’re talking apparel, we’re talking footwear, in addition to the furniture and travel goods and outdoor gear that has already been subject to tariffs,” he said. “It’s going to impact American manufacturing, it’s going to impact American retailers; ultimately it’s going to impact jobs and American families.”

–With assistance from Hema Parmar.

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