

# Lower Barriers to Trade for Washington's Retail Companies

## POLICY FACTSHEET

### Why it matters to WASHINGTON

The apparel and fashion retail industry in Washington supports 51,700 local jobs and \$16.4 billion in revenue in Washington state.<sup>1</sup> In 2015, Washington imported more than \$2 billion in apparel and \$700 million in footwear.<sup>2</sup> Low-priced footwear and outdoor apparel tariffs can reach as high as 67% and 28% respectively.<sup>3</sup> Retail companies such as REI, Nordstrom, Eddie Bauer and Costco spend billions in import taxes which are passed on to consumers. If the Affordable Footwear Act and U.S. OUTDOOR Act were in place, consumers will be better able afford footwear and outdoor apparel, promoting Washington's active lifestyle while generating increased sales for Washington retailers and jobs for Washington residents.



An REI employee tries on shoes at the Seattle flagship store. Companies like REI would benefit from the AFA and U.S. OUTDOOR Act

### Affordable Footwear Act

The Affordable Footwear Act (AFA) would eliminate costs from import tariffs on many lower to moderately-priced and children's shoes. Now that 99% of shoes are imported to the U.S., these tariffs – originally put in place to protect the domestic shoe manufacturing industry – only serve to create higher costs for retailers and consumers. Low-priced shoes face tariffs as high as 37.5 to 67.5%, higher than any other product category. This tax disproportionately harms low and middle-income families, as tariffs on more expensive, luxury footwear purchased by upper-income individuals are much lower.<sup>3</sup> The AFA was co-sponsored by both Senator Patty Murray and Senator Maria Cantwell.

### U.S. OUTDOOR Act

The United States Optimal Use of Trade to Develop Outerwear and Outdoor Recreation (U.S. OUTDOOR) Act would create a separate classification for "recreational performance outerwear," dividing these specialty products from mass produced garments that have high tariffs. The bill would reduce tariffs on these items, making them more affordable for consumers. The Senate version of the bill would set up a Sustainable Textile and Apparel Research (STAR) Fund to support research and trainings in sustainable manufacturing and supply chain practices at U.S. companies. The U.S. OUTDOOR Act was introduced by Representative Dave Reichert in the House and Senator Maria Cantwell in the Senate.

## POLICY FAQs

### 1. Will eliminating the import tariffs harm domestic producers?

No, because almost 99% of shoes<sup>4</sup> and the majority of outerwear purchased in the U.S. are manufactured overseas and imported. Since the U.S. does not have a large apparel and footwear manufacturing industry, tariffs only inflate costs for consumers. In addition, apparel and footwear face unreasonably high tariffs, well above the average import duty of 1.4%.<sup>5</sup>

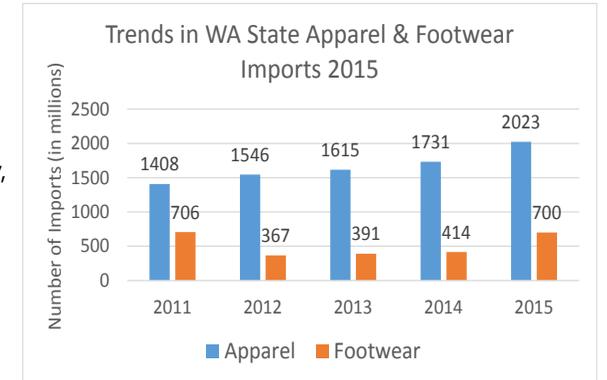
### 2. How will the remaining domestic apparel manufacturers be affected?

The AFA does recognize there is a small, yet important, domestic footwear manufacturing market.

According to the American Apparel and Footwear Association, domestic producers support the AFA.<sup>6</sup> The U.S. OUTDOOR Act will support domestic manufacturers with the STAR Fund.

### 3. Why import retail products?

The current U.S. apparel manufacturing infrastructure is not large enough to meet the demands of the industry, and U.S. retailers could not remain globally competitive without an efficient and cost-effective supply chain. The savings from global supply chains decrease the price of consumer goods, increasing sales and reducing costs for consumers. Additional sales spur Washington-based retailers to create local jobs in product development, marketing, finance and other long-term career positions.



1 Economic Development Council 2015 | 2 WISER Trade. 2016 \*Imports through WA ports only, apparel total is knit and non-knit | 3 Outdoor Industry Association. Outdoor Recreation Economy 2014 | 4 National Retail Federation, Press Release, March 31, 2009 | 5 U.S. Outdoor Industry Association, Press Release, April 5, 2011 | 6 AAFA, Press Release, July 29, 2011 | 7 Port of Tacoma, Facts & Stats, 2015

## FAST FACTS

- 1,540 apparel companies and 3,100 self-employed fashion designers provide 34,500 jobs in Washington state<sup>1</sup>
- The apparel and footwear industry in WA brought in \$16.4 billion in revenue in 2015<sup>1</sup>
- Low-priced footwear faces a tariff of 37.5% to 67.5%, while luxury footwear’s tariff rate is only 20%<sup>3</sup>
- Largest sources of WA apparel imports: China, Vietnam, Indonesia, Cambodia, Bangladesh<sup>2</sup>
- Largest sources of WA footwear imports: China, Vietnam, Italy, Cambodia, South Korea<sup>2</sup>
- The NW Seaport Alliance imported \$1.1 B worth of footwear and \$1 B worth of knit apparel in 2015<sup>7</sup>

### SAMPLE WA BASED RETAIL COMPANIES

Amazon.com	High 5 Sportswear
Beyond Clothing	Mountain Hardwear
Brocks Sports	Nordstrom
Cascade Designs	Outdoor Research
Columbia Sportswear	REI
Costco	SanMar
Cutter and Buck	The North Face
Eddie Bauer	Tommy Bahama
ExOfficio	Union Bay
Filson	Zumiez

## LOWER BARRIERS TO TRADE FOR WASHINGTON'S RETAIL COMPANIES



## POLICY FACTSHEET

### Background

Washington’s trade economy is based on our ability to competitively export products while leveraging global supply chains to create affordable goods that are sold across the country and world. Washington is home to the headquarters of a number of retailers that import apparel, such as REI, Amazon, Nordstrom, Brooks and Eddie Bauer. Legislation to reduce tariffs on apparel like footwear and performance outerwear, such as the Affordable Footwear Act and the U.S. OUTDOOR Act, would lower costs for consumers while improving profits for our retailers and apparel companies that do their manufacturing overseas. More sales for these companies means more high-skill jobs – like research, design and merchandising – for our state’s residents.

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