



January 7, 2021

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

RE: Post-Hearing Comments – Section 301 Investigation: Vietnam’s Acts, Policies and Practices Related to Currency Valuation (USTR-2020-0037)

Dear Ambassador Lighthizer,

Thank you for the opportunity to testify at the public hearing on December 29 regarding the Section 301 Investigation: Vietnam’s Acts, Policies and Practices Related to Currency Valuation (USTR-2020-0037). The following are our post-hearing comments based upon the questions during my testimony.

NRF, the world’s largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. 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.

I would like to again reiterate NRF’s support for ensuring that our trading partners live up to their international trade commitments. However, we agree with the majority of the hearing witnesses and public comments that tariffs should not be applied to Vietnam as a result of this investigation. The administration should follow traditional mechanisms as expressly authorized by Congress under the Omnibus Trade and Competitiveness Act of 1988 and the Trade and Enforcement Act of 2015 for Treasury to lead on efforts regarding currency manipulation. The administration should use these tools as designed and work collectively with Treasury to lead consultations and negotiations with Vietnam. Tariffs should not be a consideration for enforcement in this matter.

As many other witnesses testified, currency has not been an issue that NRF members have raised as a concern with regards to Vietnam. Overwhelmingly they have told us currency does not play a role in the decision to source products from Vietnam. There are many other

factors that go into those sourcing decisions. In addition, the companies highlighted that their contracts are conducted in USD.

During the hearing, I was asked to elaborate on the following questions from the Section 301 Committee:

- What role does currency play in your decision to source from Vietnam?
- What other factors do you consider when you make your sourcing decisions?
- Can you discuss the impact of currency invoicing on exchange rate pass-through? Is the impact of depreciation muted if exports are priced in dollars rather than the producer's currency? What are your members' currency invoicing practices in Vietnam?

We received the following examples from several of our retail members to further discuss the role, or lack thereof, that currency plays in their sourcing decisions.

Retailer One – Currency does not play a role in our sourcing decisions. Our sourcing principles include the following - quality, efficiency, volume, infrastructure capabilities, cost, CBP compliance and ease of doing business (regulatory and export requirements). Where we are the Importer of Record under FOB Incoterms, invoices are paid in USD. For all other shipments, invoices are payable upon goods receipt to the U.S. Vendor locally. Exchange rate pass throughs are typically handled by the U.S. vendor to maintain costs. Conversations and negotiations around price increases happen when there is a material increase in costs of manufacturing, shipping and raw materials, not just an appreciation in exchange rates.

Retailer Two – Currency issues did not play a role in our decisions to source from Vietnam. We make our sourcing decisions based on capabilities of a factory to produce the quantity our business requires, the quality of the finished goods our customers demand and the factory's ability to provide innovation. Our products are costed in USD. The direct impact of currency fluctuation among the basket of variables included in the cost of the product, e.g., labor, imported raw materials, local raw materials, transportation costs, etc., is muted. We buy product in USD, based on a cost agreed upon during the development stage of said products. Therefore, we do not follow a practice of currency invoicing.

Retailer Three – Currency issues played a very minor role in our decision to source from Vietnam. We look for stable currency as we pay in U.S. dollars and don't want to deal with currency fluctuations besides the pressure of compliance, raw material supply and costing challenges.

When we look at a country of origin, we look at the availability of compliant grade A factories that share the same principles and then we review the following basics:

- Overall labor costs and the size of the labor force
- Availability of trade advantages such as GSP, AGOA (decreasing duty)
- Logistics infrastructure inbound and outbound
- Overall trade relationship with the U.S.
- Lead time

The impact of depreciation is definitely muted as our invoices are priced in dollars; however, we do monitor currency and if there is significant movement we ask for adjustments in

prices. Any movement the other way results in the suppliers requesting increases. We negotiate and pay for product in U.S. Dollars. Any major evaluation or devaluation is handled as a big picture negotiation directly with the suppliers.

Retailer Four – Our cost structure with Vietnam vendors is agreed to in HK\$, which is pegged to the US\$, so local currency does not play a significant role in our sourcing decisions. Our sourcing decisions are based on capability, capacity, cost competitiveness and past performance in the case of known vendors.

Retailer Five – We stay up to speed on the cost of raw materials globally, but currency does not play a factor in decision making. Our sourcing decisions are based upon the following factors: Pre-determined, seasonal allocation percentages by factory; factory technical capabilities; tooling location; and balancing out seasonal complexity and level loading factories. Our approach is to negotiate the best price that we can, in addition to the other sourcing considerations above. All of our invoices are billed in USD.

The examples provided above are just a small sampling of the role of currency in sourcing decisions of NRF members. As discussed, currency does not play a role in the ultimate decision on where retailers source their products. We again call upon the administration to not rely on tariffs as a tool in this investigation and continue to negotiate with Vietnam to address issues that may exist.

Thank you for the opportunity to provide additional comments for the record.

Sincerely,



David French
Senior Vice President
Government Relations