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VIDEO: Flake Urges Caution on Border Adjustment Tax

Speaks in support of free market principles, pro-growth tax reform

Washington, D.C. – U.S. Sen. Jeff Flake (R-Ariz.) today spoke on the Senate floor about the proposed Border Adjustment Tax (BAT). He urged caution on efforts to implement the tax, citing potential negative consequences for middle class families, global supply chains, and international trade relationships.

"Tax reform and pro-growth trade policies have been at the top of my list of priorities throughout my tenure in Congress," said Flake. "**I look forward to working with my colleagues to lower corporate and individual rates, eliminate costly tax earmarks, and make our tax code flatter, simpler, and more conducive to growth. There will always be winners and losers in a robust debate on reforming the tax code. We ought to make sure the middle class isn't in the losing column."**

Video of Flake's remarks can be viewed here.
A transcript of the prepared remarks can be viewed below.

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I take to the floor today to express my concerns with the Border Adjustment Tax.

The Border Adjustment Tax is quickly becoming the centerpiece of a planned overhaul of our tax and trade policies.
I am certain that I am not the only one hearing that this approach could make everyday consumer products more expensive at the very places middle-class families shop the most.

From the aisles at big box stores to the check-out lines in grocery stores, household staples could be pushed out of reach for those who can least afford it.

In addition, there are concerns that this new policy could disrupt global supply chains and make it harder for our country's largest private sector employers to grow and do business.

There are those who suggest that the known downsides to the new tax will be a wash because the U.S. dollar will be stronger.

However, others are not so comfortable gambling the purchasing power of average consumers on the unpredictability of international currency markets.

At first glance, the plan seems simple enough.

Tax companies here in the United States less, and tax goods made overseas more.

According to supporters, this would boost our exports, incentivize companies to locate operations here in the United States, and reduce our trade deficit.

Unfortunately, it turns out it's not that easy.

Looking inward, we simply do not produce everything we need here in the United States. That's why we trade with other countries in the first place.

And for the things that we do make here, those products often require inputs from all over the world.

In fact, whether it's raw material or specialty parts, roughly 50 percent of our nation's imports consist of inputs for U.S. production and manufacturing.

Because of our trade deals with other nations, these inputs are cheaper than they would be otherwise.

Cheaper inputs mean lower production costs for U.S.-based businesses which in turn allows those companies to expand production and reduce prices.

What will happen if we placed a new 20 percent tax on all imports?

Looking beyond our borders, we should also consider the reaction such a tax is sure to trigger amongst our trading partners.

If the protectionist trade policies of the past have taught us anything, it's that countries tend to retaliate when they believe trade obligations have been violated.

When we increase barriers to trade, nobody wins.

Do I agree that we should work to make U.S. businesses more competitive?

Absolutely.

Do I agree that we need to reform our tax code?

You bet.

Tax reform and pro-growth trade policies have been at the top of my list of priorities throughout my tenure in Congress.

I look forward to working with my colleagues to lower corporate and individual rates, eliminate costly tax earmarks, and make our tax code flatter, simpler, and more conducive to growth.

There will always be winners and losers in a robust debate on reforming the tax code.

We ought to make sure the middle class isn't in the losing column.

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