RE: Docket USTR-2018-0026 Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Mr. Chairman and members of the committee:

My name is Rich Harper and I am the Manager of International Trade at Outdoor Industry Association (OIA).

I am honored to be here today to testify on behalf of OIA and our members on the impact of the proposed 10 or 25 percent tariffs on outdoor companies and their specific products presently on the $200 billion Annex related to the Section 301 investigation on China's intellectual property practices.

OIA is the trade association for more than 1,300 companies across the United States, including suppliers, manufacturers and retailers of outdoor products. The outdoor industry generates more than $887 billion in consumer spending and accounts for 7.6 million American jobs in the United States. Our members produce some of the most innovative products that reach all corners of the globe, enriching people's lives by supporting healthy and active lifestyles.

Outdoor companies produce some of the most innovative, highly-technical products designed to enhance the outdoor experience. Despite the fact that there is no commercially significant domestic production of many of the outdoor products listed in the Federal Register notice, they already face significant import tariffs, as high as 17.6 percent for backpacks and 20 percent for sports bags. Additional outdoor products impacted by the proposed tariffs include camp chairs, kayaks, leather ski gloves, bikes, climbing helmets and other headwear.

An additional 10 percent tariff will raise costs for outdoor companies and force them to make some tough decisions. Many of the contracts outdoor companies have signed with their vendors are already cannot be changed. They will be forced to either absorb the costs of the higher tariff or pass it along to the consumer. Regardless, the effect will be to hamper the innovation the industry is known for and outdoor consumers demand. It will mean less money for the design, development and testing of new technologies and products.

Raising the tariff to 25 percent could very well put some small, medium-sized companies out of business.

Ultimately, this means outdoor companies will be unable to create new U.S. jobs and, in some cases, may be forced to eliminate existing jobs. It will force some companies to discontinue popular and profitable products and cease the development of new products that could significantly grow the company and the overall outdoor recreation economy.

And it will put many of these products out of the reach of U.S. consumers who are looking to pursue healthy and active lifestyles in the great outdoors.

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While outdoor companies are actively looking to diversify their sourcing options out of China, in several cases, such as travel goods, China continues to dominate the market, with the infrastructure and skilled workforce outdoor products require. Other countries that are viable sourcing options may already be at capacity and unable to accommodate a massive, immediate shift of supply chains out of China.

It will take additional time, significant investment and training to shift supply chains to other countries. Our companies are prepared to do just that but additional tariffs at this time could negatively impact their ability to remain competitive and make the necessary investments to do so.

In the meantime, additional tariffs on these products sourced out of China could force some outdoor companies to choose between higher costs and lower quality for their products. In the competitive market of the outdoor recreation economy, that is a choice outdoor companies simply do not want to make.

Or they could discontinue those products altogether, depriving outdoor consumers of some of the best, most innovative products on the market.

The proposed tariffs could also negatively impact our Made in the USA members. The latest list includes some inputs, such as wool yarn, used in the manufacture of the final product in the US, such as wool socks. If implemented, the proposed tariffs would raise costs for these companies and cost jobs in domestic manufacturing. These inputs are not available domestically in the quality and amounts required. As costs rise on these inputs, domestic manufacturers will be at a competitive disadvantage to finished products imported from China that will not face an additional tariff.

None of the outdoor products covered by the Harmonized Tariff System 8-digit subheadings in the most recent Federal Register notice are related to or contain technologies at issue in China's "Made in China 2025" industrial policy program. While outdoor companies share the Administration's concern about China's intellectual property (IP) practices and forced technology transfers, additional tariffs on these products will not create leverage in the Administration's ongoing efforts to resolve those issues. These tariffs will instead hurt U.S. outdoor brands, many of which are small- and medium-sized businesses and raise prices for U.S. consumers.

We urge the administration to continue to engage in a dialogue with their Chinese counterparts on these matters and develop a comprehensive solution.

OIA is grateful for the opportunity to appear at this hearing. Thank you for your attention to this important matter and I welcome your questions.