OUTDOOR INDUSTRY ASSOCIATION

"U.S.-China Trade and Competition"
House Ways and Means Committee Hearing
Februry 26, 2020

On behalf of Outdoor Industry Association, I am pleased to provide comments for the record for the House Ways and Means Committee hearing "U.S.-China Trade and Competition" that took place on February 26, 2020.

OIA is the trade association for 1,300 companies across the United States, including suppliers, manufacturers and retailers of outdoor products. The outdoor recreation economy 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.

The goal of our trade program is to promote a stable and predictable federal trade policy that helps our members lower their costs, create jobs and fuel innovation. The U.S.-China trade war and the resulting punitive tariffs on outdoor products sourced from China have had the opposite effect. Costs are rising and employment is stifled due to the tariffs and continued uncertainty, which undermines the ability of outdoor companies to explore new business opportunities, create new jobs and develop new products.

Many outdoor companies were first hit by punitive tariffs – first 10 percent, then 25 percent – on List 3 products, including backpacks, sports bags, kayaks, bikes, camp chairs, camp stoves, leather ski gloves and headwear. Our industry is working mightily to move production out of China and have been successful in certain areas such as backpacks due to the extension of Generalized System of Preferenes (GSP) to those products. However, given the technical nature of our products, and the need often to certify factories, moving production can easily take three years or more.

List 4a tariffs hit a broader range of outdoor goods, including outdoor apparel, footwear, tents, skis, snowboards and other equipment, dealing a massive blow to the outdoor recreation economy.

Despite the fact that there is no commercially significant domestic production of many of the outdoor products targeted by the China 301 tariffs, they already face significant import tariffs, as high as 32 percent for polar fleece jackets and 37.5 percent for hiking boots.

Additional tariffs of up to 25 percent on top of what some members are paying have raised costs for outdoor companies, cut already thin profit margins, hampered innovation and new product development and depressed U.S. job growth.
We remain deeply concerned that some small and medium-sized businesses will have to shut their doors, resulting in significant job losses. And while outdoor companies have done everything in their power to absorb these higher costs, it is inevitable that they will eventually be passed on to the consumer, putting many of these products out of the reach of Americans who want to enjoy the great outdoors.

We are also surprised and disappointed to note that some products removed from previously proposed Section 301 lists following public comments and a hearing, such as bicycle and snow helmets, have re-appeared on List 4. The administration has already thoroughly vetted these products and have determined that they should be excluded from any additional tariffs. Yet, we must now make the same case we did less than year ago as to why these products should not face punitive tariffs as a part of the China 301 investigation. Having to re-visit this debate creates even more uncertainty for outdoor companies as they make critical decisions relating to sourcing options, margins, retail prices and new job hires.

While outdoor companies are, as I mentioned, actively looking to diversify their sourcing options, in several cases, China continues to dominate the market, with the infrastructure and skilled workforce outdoor products require. Further, the coronavirus adds an additional complexity to moving supply-chains out of China, with virtually all of our members halting travel to China and other places. We are also finding that other viable sources of supply have capacity constraints and thus unable to accommodate a massive, immediate shift of supply-chains out of China. It will take additional time, significant investment and training to shift sourcing to other countries. Our members are prepared to do 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, human and capital resources that should be used to hire new employees, create exciting new innovative outdoor gear and identify new sales and business opportunities, will be devoted to supply-chain management and tariff mitigation strategies. In essence, outdoor companies are being asked to put growing their businesses on hold. In some cases, they will be forced to make the decision to lay people off or stop operations altogether.

And it is not just impacting members who source finished products from China.

We appreciate and support the administration's commitment to domestic manufacturing. Yet, these tariffs will also negatively impact Made in the USA goods.

Overlooked in this debate is the fact that domestic manufacturers also utilize global value chains. These tariffs also target vital inputs used in domestic manufacturing of essential outdoor gear like footwear. They will incentivize companies to shift production overseas to remain competitive.

In this era of uncertainty and punitive tariffs, there has been some good news. We welcome the Phase One deal signed in January, including the rollback of the List 4a tariffs from 15 percent to 7.5 percent and the indefinite suspension of the List 4b tariffs that were scheduled to go into effect last December. Nevertheless, we remain concerned that a 7.5 percent punitive tariff remains on outdoor apparel, footwear and equipment and a 25 percent punitive tariff remains on essential outdoor gear like backpacks, camp chairs, camp stoves, leather ski gloves, bikes and hats. We strongly believe that more is needed to give America's outdoor businesses a stable economic environment.

The fact remains that outdoor businesses have been paying millions in punitive tariffs for many months. From January to November of 2019, outdoor companies paid \$7.7 billion in tariffs on affected products, compared to \$5.2 billion in 2018 and \$4.6 billion in 2017. In November alone, outdoor companies paid \$800 million in tariffs with an estimated \$480 million directly from China 301 tariffs.

These higher costs and the uncertainty of when a final deal may be reached with China is significantly impacting the ability of outdoor companies to explore new business opportunities, develop new products and create U.S. jobs.

We urge Congress to join us in calling on the administration to conclude a Phase Two deal with China to protect U.S. intellectual property and lift all punitive tariffs now so outdoor companies can stop paying billions in new taxes and get back to doing what they do best: developing new innovative outdoor gear to enhance the outdoor experience.

I greatly appreciate your consideration of these comments.

Richard W. Harper, Jr.
Manager of International Trade
Outdoor Industry Association
419 7th Street, NW Suite 401

OUTDOOR INDUSTRY ASSOCIATION

Washington, D.C. 20004
202-817-2033