



## **Testimony of Richard Harper, Outdoor Industry Association**

*For delivery on July 22, 2022*

RE: No. 332-59, Economic Impact of Section 232 and 301 Tariffs on U.S. Industries.

### **[ CHECK AGAINST DELIVERY ]**

Thank you for the opportunity to appear before you today to detail the impact of the Section 301 China tariffs on Outdoor Industry Association (OIA) members, and more broadly, America's outdoor consumers. My name is Richard Harper and I'm Director of Government Affairs for OIA, based in Washington, D.C.

OIA is the national trade association of outdoor manufacturers, retailers, and suppliers across the country, representing the \$689 billion outdoor recreation economy, supporting 4.3 million American jobs. We represent a wide range of companies, from global brands to small and medium sized businesses and specialty retailers.

OIA member companies produce innovative, high-tech products to enhance the outdoor experience both domestically and by utilizing global value chains. Our trade program is based on what we call a "balanced trade policy," meaning we support the elimination of tariffs on outdoor products where there is no viable domestic production and support policies to help our Made in USA members compete in global economy. Our goal for all of members is to create a stable and predictable trade policy that lowers costs, creates U.S. jobs, fuels innovation, and helps more Americans enjoy the great outdoors.

OIA supports the administration's continued commitment to advance efforts aimed to correct long-standing issues with China's intellectual property practices and forced technology practices. We call on the administration to negotiate an agreement to address all outstanding issues, yet we oppose retaining Section 301 tariffs on outdoor products to advance these objectives.

The scope of outdoor products impacted by Section 301 tariffs spans from raw inputs to finished goods and thus affects the entirety of our industry. Inputs include components for domestically manufactured sleeping bags, children's bicycle helmets, and belts made from recycled water bottles. Finished goods impacted by these tariffs include, but is not limited to:

- outdoor apparel and footwear;
- hats and gloves;
- waterproof duffle bags;

- snow, skate and bicycle helmets;
- standup paddle boards;
- camping chairs;
- snowboards;
- outdoor cooking equipment;
- fishing reels;
- and tents.

Outdoor products were primarily impacted by the List 3 and List 4a actions. Aside from the economic impact, which I'll discuss later, a predominate, yet overlooked consequence of these actions is the hardship imposed on compliance, trade, and sourcing personnel. The unprecedented actions demanded intensive time and resources from these professionals.

With a limited number of experts in this area, the bulk of the burden of managing the application of these tariffs and mitigating their impact rested solely on the shoulders of these employees. In addition to assessing and communicating the impact of these tariffs, they had to update internal databases, prepare exclusion requests, and identify alternative sourcing locations, all the while operating under deadlines and internal pressure.

Simply put, these companies and their employees had to devote significant time and resources to manage the impact of these tariffs rather than doing what they do best: designing and developing new outdoor products to help get more people outdoors and grow their business.

And there is no quick fix for companies who source from China and have long-standing relationships with some vendors going back decades. Moving production from China to another country is an arduous and lengthy task, and in many cases, may not be possible.

Some challenges include: patent limitations, inability to produce small volumes of unique styles, no third party testing facilities, production capacity restraints, insufficient infrastructure to safely store finished products before shipping, lack of a technically skilled labor force that can produce high-quality product on a consistent basis, and lack of availability of third-county raw materials which often prevents conferring country of origin to the alternative country.

I should point out that where we have seen success in members shifting their supply chains out of China is where there is a duty-free incentive to do so, such as with travel goods when they were added to the Generalized System of Preferences (GSP).



Since travel goods were added to GSP in 2017, we've seen a \$5 billion shift out of China to GSP beneficiary countries. Unfortunately, with that fact that GSP expired at the end of 2020 and renewal still remains in doubt in July of 2022, we are aware of some companies moving back to China for travel goods.

The impact of these tariffs was much more significant on the outdoor industry than other consumer good categories, as normal duties on outdoor products are some of the highest. They average around 14 percent and can be as high as 37.5 percent for hiking boots, 32 percent for a polar fleece jacket, 27.7 percent for ski jackets, 20 percent for sports bags and 17.6 percent for backpacks.

Adding an additional 25 percent tariff or even a 7.5 percent tariff on top of these already high taxes can significantly raise the cost of these products and put them out of reach for many consumers.

Overall, outdoor companies already pay approximately \$750 million in import tariffs annually, not counting the additional Section 301 China tariffs, which were costly. For example, in 2021, U.S. importers paid \$170.6 million in Section 301 tariffs on foldable metal camping chairs, for which if Section 301 tariffs did not exist, importers would have paid ZERO duties. Further, China has maintained 95% market share by volume and 91% by value of U.S. imports since 2016.

The lack of alternative sourcing locations coupled with the tariffs' economic impact forced outdoor companies to make cuts elsewhere. For example, smaller companies were unable to hire additional employees. Others had to forgo the research and development of new products or focus their efforts on removing technical features on existing styles to mitigate extra tariff costs by decreasing the value of the product – this was particularly hard for outdoor companies, as they pride themselves on the various innovative technical features contained in each product. Others had to lay off non-essential personnel and discontinue marketing campaigns for product launches that were scheduled long before the tariffs took effect.

The COVID-19 pandemic spurred increased participation in outdoor recreation. Some Americans, for the first time, have experienced the physical and mental health benefits of getting outdoors. This new group of outdoor participants is more female and is represented by more people of color. However, Section 301 tariffs on outdoor products have and continue to directly inhibit the ability of Americans to enhance their outdoor experience by raising costs on outdoor apparel, footwear and equipment.

Additionally, the COVID-related factory shutdowns and port closures essentially reversed the progress made towards moving production away from China.



Companies, in some cases, were left with no choice other than to return to China or risk not having any product.

Maintaining tariffs on these products will only continue to force companies to make hard choices that impact their domestic employment and consumer product offerings that promotes healthy and safe activities in the great outdoors. We urge the administration to lift these punitive tariffs on outdoor products. At the very least, there should be a new exclusion process to give stakeholders the opportunity to make the case that certain products should be excluded from these tariffs.

Thank you for the opportunity to provide our input, and I look forward to your questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard W. Harper, Jr.".

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