



June 17, 2019

Via www.regulations.gov
The Honorable Robert E. Lighthizer
Office of the United States Trade Representative
Executive Office of the President
600 17th Street NW
Washington, DC 20006

Re: Docket No. USTR-2019-004, Comments regarding China's Acts, Policies and Practices Related to Technology Transfer, Intellectual Property and Innovation

Dear Ambassador Lighthizer:

On behalf of the National Marine Manufacturers Association (NMMA), I write in opposition to the latest proposal to impose a twenty five percent tariff on an additional \$300 billion in Chinese imports. Several products included on this list would negatively impact the recreational marine manufacturing industry and its customers.

By way of background, NMMA is the largest recreational marine industry trade association in the world. Our 1,300 North American members represent boat, engine, accessory, and trailer manufacturers and make up nearly eighty-five percent of the marine products sold in the United States. Boating significantly contributes to the United States economy with \$170 billion in economic impact, supporting nearly 700,000 jobs and 35,000 marine businesses. While some may see the marine industry or fishing industry, for the matter, purely for its enjoyment value—both of our sectors have a significant impact on our overall economy. According to the Bureau of Economic analysis, outdoor recreation accounts for 2.2 percent of gross national product and employs 4.5 million people. To put that into perspective, mining accounts for 1 percent. Boating and fishing are the largest components of the outdoor economy with \$38.2 billion in economic value and growing at a faster rate than the overall economy.

Why then would this commission target two industries with such significant economic benefit to the U.S. economy and U.S workforce? Marine related products have been targeted on every list proposed by this committee. From navigation equipment to steering to fabrication to entry level vessels. This fourth proposed list takes it one step further—targeting lifesaving equipment, critical infrastructure materials, water sports equipment and fishing gear.

Our industry is a uniquely American-made product: ninety-five percent of boats sold in the U.S. are made in the U.S. Additionally, 50% of the global marine market is based in the U.S. American manufacturers rely on a competitive global market, fair pricing, and economic stability

to grow their businesses and hire more workers. This latest proposal to tax \$300 billion in imports will cost U.S businesses and ultimately U.S consumers.

While, NMMA appreciates the Administration's actions to target unfair trade practices and increase American competitiveness, we believe the sweeping imposition of high and compounding tariffs will have a detrimental impact on U.S. marine manufacturers and consumer products. These issues would be far better addressed in a negotiated, bi-lateral trade agreement with China. Taxing U.S businesses that import product is not a tax on a China, and as the past year has shown, does little to change Chinese practices.

In particular, several products included on this proposed list are essential to maritime safety, and we implore the committee to remove those items. Life jackets are critical life saving devices on the waterways. NMMA supports mandatory wear of life jackets for children under the age of 12 and in certain vessel operations, including personal watercraft. The United States Coast Guard estimates that 75 percent of accidents in 2017 involved drowning. Overall, life jacket wear rates remain low in the U.S., and the industry encourages continued regulatory updates to improve overall design and wearability. While the Coast Guard, industry and manufacturers seek changes to promote life jacket wear, a tax such as the one proposed here, will only make it more expensive for consumers to purchase critical safety equipment. Life jackets cost anywhere from \$10 to \$160 and a 25% tax on a family of 4 would result in a significantly greater financial burden. The Coast Guard requires all vessels to carry life saving devices for each passenger onboard. Again, this tax would make it far more expensive to comply with Coast Guard regulations and will negatively impact safety on the water. Consumers may opt for cheaper options that are less wearable due to the tax, an unintended consequence I am sure the committee would seek to avoid.

This proposed list also targets an array of HTS codes tied to the sportfishing industry. 70 percent of all boat trips involve fishing. The boating and fishing industry are proud of our conservation record, coming together over 70 years ago to tax ourselves for the benefit of aquatic resource protection, habitat restoration, and education. Known as the Sport Fish Restoration and Boating Trust Fund, nearly \$650 million is collected annually through motorboat fuel and excises taxes on fishing equipment such as rods, reels and lures. This proposed list would impose an additional 25% on top of the 10% tax already paid by sportfishing importers. With small margins and a price elastic product, such an increase will not only negatively impact the sportfishing industry, but their contribution to conservation efforts.

Lastly, inclusion of outdoor related equipment from apparel to wake surfing gear only compounds the tariff impact on consumers. Wake surfing too is a popular boating activity, with this retail segment experiencing a recent 8% growth. Wake surfing is attracting new and younger consumers to the sport and is an important economic driver of the boating economy. Additionally, wake surfing is a strong physical activity with important health benefits. Subjecting wake surfing gear and other related outdoor items to a twenty-five percent tariff will not penalize

Chinese companies but rather American businesses that import these essential components and American consumers who will pay more for final products.

The high and sweeping 301 tariffs are already increasing the cost of doing business to our 35,000 marine businesses and making boating less affordable for the 142 million Americans that take to the water each year. Manufacturers do not have the luxury of finding alternative suppliers for many of the critical parts targeted on this exhaustive USTR list. It could take years and even decades for competitive suppliers to come online, if at all. Quality and safety concerns, particularly for life saving devices requires thorough supplier review and cannot be quickly transferred. Higher prices and longer lead times threaten our manufacturers' ability to attract new business. U.S. marine companies will be stuck footing the bill which will impact profitability, increase costs to the end user, decrease sales, eliminate jobs, reduce investments in plant and equipment, and reduce U.S global competitiveness.

The approach of the 301 investigation and subsequent list of products targeted for the twenty-five percent tariff does not appear to take into consideration the role of U.S. manufacturer's global supply chains in the production and assembly of their products. American businesses should not be subjected to steep tariffs in an effort to deter China from its unfair practices of intellectual property violations, forced technology transfers, and state interventions. The proposed tariff action would tax U.S. manufacturers without guaranteeing the objectives outlined by USTR in its Section 301 report, and significantly increases the risk of Chinese retaliation on U.S. products.

NMMA requests the following products be excluded from a final tariff determination:

- 6307.20.00 Lifejackets and lifebelts of textile materials
- 8905.90.10 Floating docks
- 8907.90.00 Floating structures nesoi (for example, rafts, other than inflatable rafts, tanks, cofferdams, landing stages, buoys and beacons)
- 9506.21.40 Sailboards
- 9506.21.80 Parts and accessories for sailboards
- 9506.29.00 Water-skis, surf boards, and other water sport equipment (o/than sailboards) and parts & accessories thereof nesoi
- 9507.10.00 Fishing rods and parts & accessories thereof
- 9507.20.40 Fish hooks, snelled
- 9507.20.80 Fish hooks, not snelled
- 9507.30.20 Fishing reels, valued not over \$2.70 each
- 9507.30.40 Fishing reels, valued over \$2.70 but not over \$8.45 each
- 9507.30.60 Fishing reels, valued over \$8.45 each
- 9507.30.80 Parts and accessories for fishing reels
- 9507.90.20 Fishing line, put up and packaged for retail sale
- 9507.90.40 Fishing casts or leaders
- 9507.90.60 Fish landing nets, butterfly nets and similar nets
- 9507.90.70 Artificial baits and flies

On behalf of NMMA, we appreciate USTR and the 301 committee's consideration of these comments. If you have any questions regarding this submission, please do not hesitate to contact me at nvasilaros@nmma.org or 202-737-9763.

Sincerely,

A handwritten signature in blue ink that reads "T. Nicole Vasilaros". The signature is written in a cursive, flowing style.

T. Nicole Vasilaros, Esq.
Senior Vice President, Government and Legal Affairs
National Marine Manufacturers Association