NMMA National Marine Manufacturers Association

May 22, 2018

VIA ELECTRONIC FILING

The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street Northwest
Washington, D.C. 20508

RE: Docket Number USTR-2018-0005, Post-Hearing Rebuttal Comments

Dear Ambassador Lighthizer:

The National Marine Manufacturers Association (NMMA) is pleased to provide the United States Trade Representative (USTR) with the following post-hearing rebuttal comments regarding a proposed twenty-five percent tariff in response to the acts, policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation covered in the Section 301 investigation (USTR-2018-0005).

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 $37 billion in annual sales, supporting 650,000 jobs and 35,000 marine businesses.

Our industry is a uniquely American-made product: ninety-five percent of boats sold in the U.S. are made in the U.S. American manufacturers like ours rely on an efficient and economical global supply chain to produce the world's best marine products. These established global supply chains are thoughtfully designed around factors such as cost, quality control, and production timelines to maximize customer value and gain a competitive advantage. Inputs in our members supply chains are sourced both domestically and globally. The global value chain of U.S. marine manufacturers allows American businesses to achieve economies of scale and deliver affordable products to the 62% of boat owners with a household income of less than $100,000. Implications by the 301 committee that businesses can simply redirect their supply chain to avoid this action are not practical. Suddenly transforming one's supply chain risks increased costs, supply disruptions and quality inferiority that marine manufacturers wish to avoid. Moreover, not all products have readily available substitutes.

Some in the marine industry have multinational interests, strategically coordinated to meet worldwide demand and reduce production costs. Products may be designed, developed and machined in the U.S. then shipped to China for assembly at the U.S. company's facility before being sent back to the U.S. Other's may have essential component parts produced in China, and then shipped to the U.S. for full assembly and installation in a recreational vessel. As discussed during the 301 hearing, we urge the committee to consider an exclusion for U.S. based companies with wholly owned subsidiaries in China. If the purpose of this 301 investigation is to protect U.S. companies from IP infringement, there is no value in penalizing U.S. companies who own and operate facilities in China as there is no concern for technology transfer. American businesses should not be subjected to steep tariffs for operating their own facilities abroad, which support job creation and economic growth here in America.

While the focus of the 301 investigation is on IP infringement and technology transfer, we believe many of the products contained in the proposed list are not at risk for such action. Everyday machinery like ball bearings and decades old technology like antennas are not at risk for technology transfer. These technologies are widely known, have not been adversely affected by Chinese practices, and are not considered a high technology target for the Made in China 2025 program. We encourage USTR and the committee to narrow the scope of this investigation to those products at most risk for technology transfer.

It is imperative USTR consider the negative downstream impact of the proposed tariffs on the marine manufacturing industry, especially the consequences such action would have on consumers. Boats are comprised of thousands of parts from a variety of suppliers. With over 160 components of boats on this list, the cost of bringing the final product to market is sure to significantly increase. While different original equipment manufacturers (OEM) may experience varying degrees of cost increases, a tax across such a large number of harmonized tariff schedule (HTS) codes, particularly higher priced components like marine engines, would cause a massive cost shift to consumers, in some instances upwards of $2,000. Our products are highly elastic and demand is sensitive to changes in the sales price and consumer income changes. The threat of a twenty-five percent tax on $50 billion or more worth of goods from China, and the risk of retaliation from China, jeopardizes the strong economic growth our industry and the nation's economy are experiencing. Economic stability is vital as our members seek to grow their businesses and hire more workers to meet the consumer demand for quality, affordable boats.

As NMMA and our members continue to participate in providing feedback to USTR and the Section 301 Committee we respectfully request you provide greater transparency and quickly make available details of the process that is being used to consider adding and removing products on the list. The public comment and hearing process has many asking for products to be removed from the proposed 301 list but others are asking for additional products to be added, risking additional impact on the marine industry. It is important you make clear how the final list will be developed and that stakeholders are able to comment before a list of products are subject to a final tariff.

NMMA is particularly concerned regarding a request by Americana Development for steel trailer wheels, used for on-the-road trailering of boats, to be added to a finalized tariff list (HTS 8716.90.5035 through 8716.90.5059, the principal classification for trailer wheels, along with wheels 8708.70.2500, 8708.70.4530 through 8708.70.4560 as well as 8708.70.6030). Ninety-five percent of boats in the U.S. are under 26 feet and towed on a trailer. In 2017, approximately 205,000 boat trailer units were sold, with estimated sales of $351 million. Increasing the cost of trailers, through an unnecessary tariff would significantly raise costs for a critical marine accessory and transportation mechanism. As stated previously, raising the cost of a boat or any of the accessory parts will unnecessarily make boating a prohibitive recreational activity, impacting sales and the manufacturing jobs supporting this industry. There is no risk of technology transfer for steel trailer wheels, a relatively "low tech" manufactured product, and therefore what we believe should be outside the scope of this action. Taxing steel trailer wheels would increase costs on middle-class Americans that enjoy the outdoors by trailering their boat to the water.

NMMA is encouraged by recent news from the Administration to negotiate with China through a cooperative bilateral agreement. We believe a targeted and coordinated trade agreement will better serve American interests—addressing technology transfers and the trade imbalance—while ensuring American manufacturing and consumers are not unnecessarily penalized through a broad brushed tariff system.

NMMA appreciates the opportunity to submit post hearing rebuttal comments, and on behalf our 1,300 members we thank you for considering our comments. If you have any questions about our priorities or would like more information, please do not hesitate to contact me at nvasilaros@nmma.org.

Sincerely,

T. Nicole Vasilaros

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