July 18, 2018

URGENT: China Tariffs Hit Sporting Goods Industry

Featured Speaker:
David Cohen
Operating Committee Member
Sandler, Travis & Rosenberg, P.A.

Guest Speaker:
Bill Sells
Senior Vice President of Government & Public Affairs
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Webinar Host:
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Coordinator, Communications & Marketing
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INDUSTRY LEADERS SUMMIT
CHANGE | CHALLENGE | OPPORTUNITY
September 26-27, 2018 ∙ Brown Palace Hotel & Spa ∙ Denver, CO

Join 250+ of the most accomplished, respected, and influential executives in the sports and fitness industry this September at SFIA’s Annual Industry Leaders Summit.

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- 250+ C-Level Executives
- 175+ Brands/Companies
- 15+ Speakers
- 48 Hours of Networking
- 1000+ Cups of Coffee
- $100 MM+ Raised by Start-Up Challengers

“I was really impressed with the conference, I learned a ton. The diversity of the speakers was really impressive, and it was great to be part of. My jaw is still in ‘drop-mode’ after learning about the participation rates over the past ten years, and I look forward to being part of the solution to that.”

- Eric O’Toole, GM & Officer, Sporting Goods, Jet.com

Jet

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Partnering with WFSGI in Launch of Product Labeling Database

SFIA & WFSGI are preparing to launch a product labeling database within the next month. The system, created by Compliance & Risks, provides subscribers with a fully-encompassing database of all sports & fitness product and package labeling requirements for 49 different countries. The database will include 6 product categories: Apparel & Textile, Footwear, Electronics (Wearables), Personal Protective Equipment, Sporting Equipment, and Bicycles.

Stay tuned for more information...
INDUSTRY EXPOSURE

TARIFF TIMELINE

APRIL 2018

1,333 tariff lines identified for 25% tariff to meet President’s request for $50 billion in new tariffs on Chinese-made products.

JULY 2018

660 tariff Lines hit with 25% tariff - no SFIA member products included

JULY 11, 2018

6,031 Tariff lines identified for 10% tariff to meet President’s request for $200 billion in new tariffs on Chinese-made products

- Gloves – Baseball, Softball, Batting, Hockey and glove specifically for “Sports Use”
- Hats – 28 tariff lines
- Sports Bags – 8 tariff lines
- Helmet Chinstraps & Visors
- Golf Bags of leather or composite leather
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What is Section 301?

• Section 301 of the Trade Act of 1974

• Gives President authority to impose trade sanctions on foreign countries that violate trade agreements or engage in unfair trade practices

• In August 2017, the USTR initiated an investigation under Section 301 into the government of China’s policies related to IPR related issues

• Economic harm determined & President initiated the process to assess Section 301 tariffs
Section 301 Investigation

• The investigation determined that China’s acts, policies, and practices related to technology transfer, intellectual property, and innovation are unreasonable and discriminatory.

• The findings estimate that China’s policies result in harm to the U.S. economy of at least $50 billion per year.
Section 301 Timeline

• April 6 -- List 1 - $50 billion of China imports targeted with a 25% duty
• June 15 -- List 2 - the administration released another list with an annual trade value of $16 billion
• June 16 -- China retaliated by imposing an additional 25 percent tariff on U.S. goods with a value of $50 billion
• July 6 – 25% tariffs went into effect on List 1 goods
• July 10 – List 3 - in retaliation, the administration proposed a 10% duty and an annual trade value of $200 billion
  This list includes sports bags, hats, helmet accessories, baseball/softball/hockey/ski gloves, specific apparel items
Section 301 Deadlines for List 3 Items

• **July 27**: deadline for filing requests to appear at the hearing
  • Must include summary of testimony, no longer than 5 minutes
  • Must include a pre-hearing submission, if any
• **August 17**: deadline for submission of written comments
• **August 20-23**: hearing on List 3 products
• **August 30**: post-hearing rebuttal comments due
• **TBD**: 10% duty effective date (@October)
Comments on the 301 Action

• Deadline: August 17th, 2018
• Comments must include:
  • The specific tariff subheadings subject to increased duties
  • The level of increase, if any, in the rate of duty
  • The appropriate aggregate level of trade to be covered by additional duties
  • Whether imposing increased duties on a particular product would be practicable or effective to obtain the elimination of China’s acts, policies, and practices
  • Whether maintaining or imposing additional duties would cause disproportionate economic harm to U.S. interests, including small/medium-size business and consumers
SFIA Initiative

• Interested member companies band together under the banner of the SFIA for stronger impact and cost efficiencies.

• ST&R hired to represent the SFIA and interests of member companies

• Continued advocacy/lobbying post-comment filing to push for exclusions from 301 tariffs
Possible Strategies to Avoid or Reduce New Duties

- Exclusion Requests – if granted, no tariffs apply (for List 1 - granted exclusions apply retroactively to July 6th)
- Reclassification – review accuracy of current classification
- Tariff / Origin Engineering – alter product to alter tariff or change production processing
- First Sale Valuation – lawfully reduces entered value and duty liability
- Duty Drawback - refund of duties for exported products
- Bonded Warehouses – defers duty until entered for consumption, or avoided upon export
- Foreign Trade Zones – defers duty or avoided upon export
- De Minimis (Section 321) shipments - $800 or less – applicable for e-commerce.
Thank you!

David Cohen
Operating Committee Member,
Sandler, Travis & Rosenberg, P.A.

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If you’re interested in signing up for a petition, please contact Chandler Hoffman, at choffman@sfiia.org or 301-495-6321
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Have any questions?
Additional questions or contact information can be submitted to webinars@sfia.org

Thank you to all of our participants!
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