

BUSINESS CONFIDENTIAL

SANTA COALITION REQUEST

June 17, 2019

Docket ID: USTR-2019-0004

Ambassador Robert E Lighthizer
United States Trade Representative
Winder Building
600 17th Street NW
Washington, DC 20006

RE: Docket USTR-2019-0004 Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Dear Ambassador Lighthizer,

On behalf of the individual small business members of the *ad hoc* Sourcing Alternatives Not Technically Available Coalition ("SANTA Coalition"), we respectfully request that you remove glass Christmas ornaments from List 4, as proposed pursuant to Section 301 of the Trade Act of 1974, as amended. The members of this coalition are small businesses dedicated to making the Holiday Season affordable and brighter for all Americans. Many businesses in this industry, including some of ours, are also family-owned.

Specifically, the Coalition requests that Harmonized Tariff Schedule ("HTS") subheading 9505.10.10, Christmas ornaments, of glass, be removed from the proposed list under consideration for duties up to 25 percent.¹ The MFN rate of duty on these products is zero.

The coalition is comprised of:

Old World Christmas, Spokane, Washington
Rauch Brands, Seattle, Washington and Gastonia, North Carolina
Kurt Adler, New York, New York
Bronner's Christmas Wonderland, Frankenmuth, MI

Please note that this document contains business confidential information. Information denoted by [***] is business confidential; disclosure of this information would endanger Coalition member trade secrets and/or profitability.

Coalition members are all small businesses, employing fewer than 125 employees. Old World Christmas is headquartered in Spokane, Washington with 24 employees. Rauch Brands, based in Seattle, Washington and Gastonia, North Carolina has 75 employees, while Kurt Adler has 75 employees. Bronner's Christmas Wonderland is similarly sized, with 118 employees in Michigan.

¹ *Federal Register*, May 17, 2019, 84 FR 22564

BUSINESS CONFIDENTIAL

There are numerous other small businesses involved in this industry, who simply do not have the time or resources to participate in this effort, especially as they struggle to survive in the midst of uncertainty and substantially higher costs threatened by the proposed tariffs. As you appreciate, it is particularly hard for small companies to participate in processes such as established pursuant to Section 301 of the Trade Act, as amended.

While we are competitors in this market, we have nevertheless gathered together in the spirit of Christmas to ask that you not make it more expensive for American families to celebrate the holidays. Additionally, glass ornaments are often sought to mark important life events including marriages, births of children, new family pets, moving to new homes, graduations, new jobs, or to remember loved ones no longer with us. Glass Christmas ornaments range from simple balls to intricate figurines. Consumers often buy a wide range of price points in a given year. Coalition members report a range of retail price points from \$3.99 to \$30. Many of our customers return each year for specific ornaments to build collections.

A 25 percent tariff will necessarily require us to raise prices. Many of our customers have little discretionary income, yet they want a variety of ornaments to help them celebrate this special time of year. The fact is, a 25% tariff would likely be marked up two or three times by the time it shows up in retail prices, making ornaments in the 2019 and 2020 Holiday Season out of reach for many Americans.

The proposed tariff will also hit us and our employees hard. We are small businesses, and we are unable to absorb such an increase in costs without raising prices. Higher prices will cut our sales, so we anticipate a negative impact on our need to hire seasonal workers.

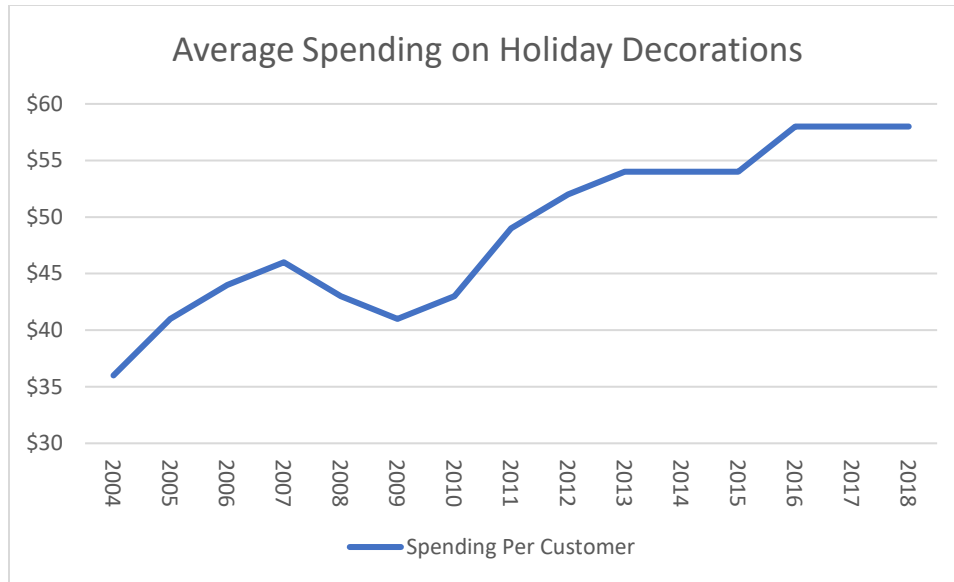
We take great pride in helping our neighbors commemorate these important events and to bring holiday joy into their homes. In particular, the decoration of trees, homes and yards to celebrate the Christmas season is consistently ranked as one of the most popular ways to celebrate among Americans.

ECONOMIC IMPACT OF OUR SECTOR

The SANTA Coalition takes great pride in supplying affordable Christmas decorations to American families. Holiday budgets are always a news story, and 2019 will be no different.

According to the Pew Research Center, nine-in-ten Americans celebrate Christmas, including non-Christians. According to the National Christmas Tree Association, 25-30 million Christmas trees are sold in the United States annually.² The National Retail Federation's annual survey on holiday spending found the average American family spends just under \$60 per family member *just on decorations* annually. While the dollar value has increased from the \$36 average in 2004, the financial crisis did hurt our sector.

² <http://www.realchristmastrees.org/dnn/Education/Quick-Tree-Facts>



Source: National Retail Federation

In addition, seasonal employment in our sector is an important benefit we provide our communities. While we import our product year-round, spending by consumers on our products is understandably seasonal. To that end, our employment for our retail operations increases in the end of the third quarter through the fourth quarter, annually. Additionally, holiday purchases have a profound impact on U.S. seasonal employment. In 2018, major media predicted 700,000 Americans would take seasonal retail jobs, which does not include package delivery companies such as Federal Express and UPS. [***] In order to attract quality employees, these jobs generally pay very well.

RATIONALE OF OUR REQUEST

Simply put, when it comes to glass ornaments, China is Santa's workshop. This product is dominated by production in China, and cannot be easily shifted, and certainly not before the 2021 Holiday Season. China currently accounts for 72 percent of all imports under this HTS by value. Quantities are not tracked for this HTS. But the percentage is much higher for modestly priced ornaments purchased by the majority of Americans, whose incomes average \$31,177 per capita.³

Based on our own sourcing and industry knowledge, we know that other suppliers to the U.S. market by value, particularly in Europe, such as Poland, specialize in higher-cost, lower quantity ornaments that are not made for the same mass-market, but rather target high-income Americans or niche markets. Thus, this additional tariff on imports from China would be the very definition of a regressive tax. While Europe is the second largest supplier of glass Christmas ornaments to the U.S. market, accounting for less than 25% of U.S. imports, producers in these countries generally have no interest in competing with China in the mass and medium range market. More importantly, at this time there is not enough capacity outside of China to meet demand for these products. Five of the remaining top ten sources for these products -- Austria, India, Germany,

³ <https://www.census.gov/quickfacts/fact/table/US/SEX255217>

BUSINESS CONFIDENTIAL

Serbia and Italy -- all saw their import values shrink from 2017 to 2018. Coalition companies also examined other Asian producers without identifying any suitable factories. Consequently, most production will need to remain in China for the foreseeable future.

All of this means that if the tariffs are imposed, we fear we will sell less and therefore need to employ fewer seasonal workers.

Now, the SANTA Coalition understands the importance of protecting U.S. innovation, but we believe that including these products on the retaliation list will do nothing to “seal the deal” with China on the long list of valid issues we hope to address. Christmas ornaments were not included on the core technologies benefiting from the *Made in China 2025* program. It will, however, have a decidedly negative impact on the cost of celebrating Christmas for American families, will disproportionately impact low income consumers in the United States, and erase thousands of much needed holiday jobs. The winter holiday season is a cherished American tradition and decorations are a central part of how Americans celebrate.

In its May 2019 Federal Register notice, the Administration noted that the impact on small business and U.S. consumers would be considered when reviewing product coverage. In our view, there is no doubt the proposed tariffs would harm small businesses and U.S. consumers.

In addition, many Christmas ornaments are sold in small, local stores and boutiques across the country, from major metropolitan areas to tourist locations. A duty of up to 25 percent on these imports would also negatively impact U.S. small- and medium-sized retailers that sell these products.

Please do not hesitate to reach out with any questions regarding my testimony.

Respectfully submitted,



Daniel Neumann
Trade Advisor to the Coalition
Sorini Samet & Associates

BUSINESS CONFIDENTIAL

APPENDIX I: Import Data

Imports by Value of Glass Christmas Ornaments Under Subheading 9505.10.10

Country	Year 2016	Year 2017	Year 2018	2018 Percent	Ytd 2019 (Jan - Mar)
World	\$ 139,845,363	\$ 146,777,381	\$ 140,511,728	100%	\$ 4,726,267
China	\$ 97,831,350	\$ 103,408,149	\$ 101,660,942	72%	\$ 2,638,478
Poland	\$ 13,910,499	\$ 15,594,120	\$ 15,988,979	11%	\$ 1,670,725
Austria	\$ 9,315,836	\$ 8,237,083	\$ 6,590,438	5%	\$ 75,206
India	\$ 4,909,149	\$ 5,903,679	\$ 4,640,869	3%	\$ 6,840
Germany	\$ 3,237,185	\$ 3,661,316	\$ 3,222,597	2%	\$ 63,952
Serbia	\$ 3,827,142	\$ 2,797,326	\$ 1,705,885	1%	\$ 57,267
Italy	\$ 1,362,900	\$ 1,612,702	\$ 1,027,791	1%	\$ 40,981
Hungary	\$ 1,025,924	\$ 919,954	\$ 998,045	1%	\$ 142,165
Slovenia	\$ 92,993	\$ 378,021	\$ 663,141	0.5%	\$ -
Romania	\$ 584,731	\$ 586,581	\$ 625,888	0.4%	\$ -
Czech Republic	\$ 759,623	\$ 547,344	\$ 496,528	0.4%	\$ -
Taiwan	\$ 491,166	\$ 140,050	\$ 456,749	0.3%	\$ -
Egypt	\$ 308,710	\$ 696,776	\$ 415,590	0.3%	\$ -
Mexico	\$ 407,010	\$ 522,287	\$ 410,361	0.3%	\$ -
Ukraine	\$ 218,780	\$ 455,068	\$ 352,364	0.3%	\$ -
Hong Kong	\$ 156,949	\$ 283,134	\$ 300,982	0.2%	\$ 13,094
Slovakia	\$ 288,852	\$ 113,486	\$ 169,577	0.1%	\$ -
France	\$ 249,760	\$ 201,271	\$ 157,124	0.1%	\$ -
Philippines	\$ 86,286	\$ 211,375	\$ 131,800	0.1%	\$ 8,429
Vietnam	\$ 69,364	\$ 149,159	\$ 116,536	0.1%	\$ -

BUSINESS CONFIDENTIAL

APPENDIX II: Relevant Sample Products

