

ORAL TESTIMONY OF STEPHEN J. KNERLY, JR.
ON BEHALF OF THE ASSOCIATION OF ART MUSEUM DIRECTORS
(JUNE 17, 2019)

Mr. Chairman and members of the 301 Committee, my name is Stephen Knerly and I am a partner in the law firm of Hahn Loeser & Parks. Thank you for the opportunity to speak to you today on behalf of the Association of Art Museum Directors, an organization whose members include 220 of the directors of major art museums in the United States. Before beginning, I would like to take a moment to thank the staff of the Committee. I have had a number of occasions last week to call them and they have been unfailingly helpful, responsive and patient.

The AAMD opposes the proposed imposition of a 25% tariff on works of art of Chinese origin including paintings, drawings, collections and antiques.

The AAMD was surprised to see Chinese origin artworks listed in the proposed tariff as they were excluded from the prior 10% tariff. And in the notice for this hearing the statement was made that product exclusions granted by the Trade Representative on prior tranches would not be affected. The AAMD hopes that the inclusion of the art categories is simply a mistake, a mistake that will be rectified before tariffs are imposed.

There are many reasons not to include art works in the proposed tariff categories that are spelled out in the letter from the AAMD provided to this Committee, but allow me to summarize just a few:

Works of art of Chinese origin have been traded and used in countries around the world for hundreds of years. As early as the 15th century, Chinese porcelain was exported to Europe. Because China has been an exporter of works of art for centuries, works of art made in China, but long out of China, are bought and sold on the world's markets every year and then can freely be brought into the United States. These works are unlikely to be recent exports from China because China prohibits the export of much of its artwork and antiquities. As a result, the proposed tariff on the importation of Chinese origin artworks is unlikely to help accomplish the announced purpose of the proposed tariff – to deter China from activities that “burden or restrict US commerce”. There are those in China who may actually be happy to see Americans pay more for Chinese artworks because the Chinese are avid collectors of Chinese art around the world and they will now enjoy a competitive advantage over Americans in those market places.

Yet another reason not to impose tariffs will be the effect on the US art market – the largest in the world. Auction houses, dealers and galleries are unlikely to want to import Chinese origin works to sell in the United States because of the tariff and the increased cost. That business may well shift to the other art markets of the world – including the number two auction art market – China.

Therefore, the likely result of the tariff on Chinese origin works of art will be:

- A reduction in the US art market;

- A significant penalty to American art museums and collectors;
- A competitive advantage for buyers from other countries, including the Chinese; and
- A potential increase for other art markets – including the Chinese art market.

But for American art museums this is not just about commerce – but rather the effect that a tariff can have on the ability of American museums to educate the American public about the great cultures of the world. They do this through great works of art – that can educate and inspire us. They are able to do this through acquiring, exhibiting and studying works of art from around the world – including China. And they acquire works essentially in two ways – they buy them or they receive them as gifts or bequests. If the tariff is imposed, as buyers on the international market, American museums will pay a higher price to acquire and bring home to America works of art of Chinese origin.

The vast majority of works that come to American museums come as gifts or bequests from private donors – and those individuals will now be at a competitive disadvantage in trying to buy Chinese origin works of art outside the United States for importation into the United States. The end result – American museums lose donations and the American public loses the opportunity to see, study, be educated and inspired by great art from China.

For all of these reasons, the AAMD requests that this committee remove the art categories from the proposed tariff and follow decades of precedent in not imposing tariffs on art – art and the free exchange of ideas that art represents.

Thank you for your time this afternoon and I am happy to answer questions.