

August 4, 2016

The President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr. President:

On behalf of American brands and retailers, the consumers we serve, and the global producers with whom we work, we respectfully request that you issue an affirmative decision approving duty-free access for all 28 eligible travel goods categories under the Generalized System of Preferences (GSP) program for all GSP-eligible countries. This decision needs to be made as soon as possible but definitely no later than October 1, 2016.

Timely action is needed to enable development benefits to occur before the expiration of the GSP program on December 31, 2017.

This request comes from the broad industry group listed below because there is widespread support and recognition that expanding these GSP benefits will help American families, support jobs in the United States, and offer incentives to economic development in developing countries, all of which aligns with the Administration's goals. We join you in supporting the purpose of the GSP program to drive sustainable development through trade and investment. Deferring a decision to make eligible all GSP countries for travel goods, which include backpacks, purses, suitcases, and laptop cases, creates business uncertainty and delays the investment that will create and support jobs in developing countries as well as jobs here at home.

As you know, Congress enhanced the coverage of the GSP program to include travel goods last year. This created the opportunity to expand business with GSP-eligible countries to help promote development for the world's poorest workers, but also offers the opportunity to lower costs to American consumers. Our industry celebrated this decision as a win-win for the United States and for the developing world. While we welcome your recent decision to extend duty-free access to travel goods products for least developed beneficiary countries (LDBDCs) and to AGOA countries, we ask you to quickly build on that decision by extending duty-free access for travel goods to all other GSP beneficiary countries.

We have previously shared very detailed background about our industry with the Office of the United States Trade Representative (USTR). In summary, the three main arguments in support of our request are:

- 1) Extending eligibility for these travel goods to all GSP countries will enhance development benefits, without undermining the designations you made last month for LDBDCs and AGOA countries;

- 2) Deferring the decision on travel goods eligibility increases business uncertainty and postpones potential new investment and job creation in all GSP-eligible countries, including those covered by the recent announcement; and
- 3) Restricting the decision to LDBDCs and AGOA countries greatly limits the development impact because most of these countries will not have the capacity or capabilities to supply more complicated travel goods products for years.

Our industry stands ready to work with the Administration to provide whatever additional information is necessary to ensure expanded product coverage for all GSP-eligible countries. Attached to this letter is a detailed review of the arguments in support of this action.

Thank you for the opportunity to share the views of the industry. We ask for your support and quick action to help American businesses, U.S. consumers, the development of key economies, and workers in developing countries around the world.

Sincerely,

24-7 International LLC  
 Abercrombie & Fitch  
 The adidas Group  
 Agron Inc, US Licensee of Adidas Accessories  
 Airline International Luggage, Inc.  
 American Eagle Outfitters (AEO)  
 ANN INC.  
 ascena Retail Group, Inc.  
 Augusta Sportswear, Inc.  
 Biaggi USA LLC  
 Black Diamond Equipment Ltd.  
 Briggs & Riley Travelware  
 BSN Sports  
 The Burton Corporation  
 The Children's Place  
 Chipolo  
 Coach, Inc.  
 Coleman Company Inc.  
 Columbia Sportswear  
 Compass Partners International  
 Delsey Luggage, Inc.  
 Design Go Inc.  
 Discount Dance Supply Co., Inc.  
 Eagle Creek  
 Exxel Outdoors, LLC  
 Gap Inc.

Global Brands Group  
 Go Travel  
 Goldbug, Inc.  
 High 5 Sportswear, Inc.  
 Holloway Sportswear, Inc.  
 It Luggage  
 ITOCHU Prominent USA LLC dba Le Sportsac  
 J. C. Penney Corporation, Inc.  
 Jansport  
 Jerry Leigh of California, Inc.  
 Kelty  
 Kate Spade & Company  
 Kipling  
 Knirps  
 Knomo London  
 LifeGear Design, INC.  
 Lipault  
 LiteGear Bags  
 Marmot Mountain LLC  
 McCrary International  
 MICHAEL KORS  
 Mystery Ranch Backpacks  
 NIKE, Inc.  
 OGIO International  
 Olivet International  
 Paradise Baggage Company

Paradise Pen Company  
Perry Ellis International, Inc.  
PVH Corp. (Calvin Klein, Tommy Hilfiger)  
Randa Accessories Leather Goods LLC  
Randa Luggage LLC  
Reebok  
REI  
Ricardo Beverly Hills  
Russell Brands, LLC.  
Simms Fishing Products  
SITKA  
SkyRoll  
Skyway Luggage  
Solo  
Stephanie Johnson  
Stuart Weitzman  
TACH, LLC.  
TellaS Ltd.  
The North Face  
The Outdoor Retail Group.  
Timberland  
Timbuk2 Designs  
Travelpro Products, Inc.  
Tumi Holdings Inc.  
Under Armour  
U.S. Luggage LLC.  
Vans  
Vera Bradley  
VF Corporation  
Victorinox Swiss Army, Inc.  
Williamson-Dickie Manufacturing Company

American Apparel & Footwear Association (AAFA)  
Coalition of New England Companies for Trade (CONNECT)  
Columbia River Customs Brokers and Forwarders Assoc.  
Customs Brokers and Freight Forwarders Association of Northern California (CBFFANC)  
Customs Brokers & International Freight Forwarders of Washington State  
Emergency Committee for American Trade (ECAT)  
Express Association of America (EAA)  
Fashion Accessory Shippers Association (FASA)  
Gemini Shippers Association  
Los Angeles Customs Brokers and Freight Forwarders Association  
National Foreign Trade Council (NFTC)  
National Luggage Dealers Associates, Inc. (NLDA)  
National Retail Federation (NRF)  
Outdoor Industry Association (OIA)  
Pacific Coast Council of Customs Brokers and Freight Forwarders (PCC)  
Promotional Products Association International (PPAI)  
Retail Industry Leaders Association (RILA)  
San Diego Customs Brokers Association  
Sports & Fitness Industry Association (SFIA)  
Toy Industry Association (TIA)  
Travel Goods Association (TGA)  
U.S. Chamber of Commerce  
U.S. Fashion Industry Association (USFIA)

Attachment

## **Making all statutorily eligible travel goods duty-free for all GSP beneficiary countries.**

Drawing upon our extensive on-the-ground experience throughout the developing world, we make this request for four primary reasons:

### **1) Narrow GSP Decision Alone Will Not Drive Development in Newly Eligible Countries:**

The decision to limit duty-free benefits for travel goods to only least-developed beneficiary developing countries (LDBDCs) and African Growth and Opportunity Act (AGOA) countries will have only limited development impact. With the exception of Cambodia, these countries do not yet have the capability and capacity to make on a commercial scale most of the designated products. Based on 2015 trade data, AGOA countries collectively produce a mere 0.01% share of the total U.S. travel goods market. AGOA and least-developed countries combined produce 1.3% of the U.S. market, of which Cambodia, at 1.2% market share, produces the overwhelming bulk of these travel goods.

Moreover, since 2001 AGOA countries have had duty-free access for almost half – 12 of the 28 – of the travel goods lines reviewed in the GSP travel goods process, the so-called leather goods lines, covered by the Administration's decision. Despite 15 years of this duty-free access, AGOA in 2015 supplied only 0.05% of the total U.S. leather goods market. As the companies who sell travel goods in the United States, we know that these fundamental supply chain dynamics for travel goods will not change in the foreseeable future – and the limited grant of GSP eligibility for travel goods to LDBDC's and AGOA countries will not change that dynamic as the tariff benefit will not offset the total cost calculations of producing travel goods in these countries.

With respect to LDBDCs, and AGOA countries in particular, our companies have begun to explore and significantly ramp up orders of apparel and even footwear, which is now possible because of the ten-year extension of AGOA, which the Obama Administration championed. Our companies are working with our AGOA partners to fully realize the development and commercial benefits that can be achieved through the long-term extension. That progress, however, will move in stages, and it will likely take many years before LDBDCs and AGOA countries can transition into the kind of highly engineered travel goods products that are the subject of the recent GSP proclamation.

We are partnering with the Obama Administration and AGOA and LDC countries to spur growth and development through trade, and we are sequencing and staging that growth as modeled off successful establishment of apparel and footwear sectors in other countries around the world. As a general matter, however, commercial travel goods production occurs later in the supply chain development process. Limiting GSP eligibility for travel goods to LDBDCs and AGOA countries will not change the fundamental commercial, supply chain, and sourcing prospects for these countries (except perhaps for Cambodia) or accelerate their development through enhanced travel goods access.

## **2) Deferring GSP Decision for Other GSP Countries Weakens Their Development:**

Deferring a GSP travel goods decision on the more developed GSP beneficiary developing countries (BDCs) – such as the Philippines, Thailand, Indonesia, and India – will likely produce a negative development impact for those countries. These and other BDCs have established an existing – but small – travel goods industry to build upon that could potentially compete with China with additional tariff relief. Factories in these countries have production capabilities and a trained workforce and therefore are poised to take advantage of full GSP travel goods eligibility quickly.

We have been in these countries' factories and begun sourcing from some of them at a smaller scale and see great potential to further diversify our travel goods sourcing in these developing countries with the addition of duty relief. Moreover, our companies – as many testified at the hearings this spring – will direct additional resources and investments to help those countries increase production with the addition of GSP eligibility for travel goods.

Many highlighted throughout this year-long GSP review process the important development benefits extending GSP benefits to travel goods for all GSP countries could bring to important strategic allies. The Ambassador of Sri Lanka, for example, testified at one of the GSP hearings on the importance of the enhanced U.S. GSP program to attracting much needed investment and jobs in that country. This point was driven home further when President Obama met with Prime Minister Nawaz Sharif of Pakistan on October 22, 2015. A White House Fact Sheet<sup>1</sup> on the meeting highlighted GSP and travel goods as one of the key provisions to improve the economic development of Pakistan, stating, "USTR is prepared to assist the Government of Pakistan in identifying and petitioning for additional GSP tariff lines and to obtain eligibility for exports of goods under newly GSP-eligible travel goods tariff lines."

As highlighted above, however, without the duty savings incentive that ranges from 4.5% to 20% for travel goods new development and business opportunities will not materialize for these BDCs. Moreover, indefinitely deferring a final GSP eligibility decision for all GSP countries – given the virtually unanimous stakeholder support for full designation and the bicameral, bipartisan Congressional backing – creates significant business uncertainty and negatively impacts potential investment and orders in other GSP countries, many of which are strategic allies of the United States. Counterproductively, the decision may encourage some companies to shift their production out of those GSP-eligible countries, and back to China.

Deferred action on the remaining GSP countries, many of which are U.S. allies, negates any future development opportunities for GSP countries and undermines the unanimous

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<sup>1</sup> <https://www.whitehouse.gov/the-press-office/2015/10/22/fact-sheet-us-pakistan-augmented-joint-action-plan-trade-and-investment>

stakeholder and bipartisan support for expanding GSP to travel goods to diversity development and sourcing options.

### **3) Extending Travel Goods Eligibility to All GSP Countries Enhances Development Benefits and Improves U.S. Competitiveness:**

Designating all 28 travel goods categories for all GSP countries will not undermine the development benefits of the decision you have already made. Each of these categories contain dozens and dozens of different kinds of articles. They range from simple artisanal bags to more advanced and complicated styles and products. China currently produces 85% of the travel goods market. The sheer diversity of products combined with China's dominance of this industry means that full designation of all 28 categories for all BDCs will not come at the expense of any one GSP beneficiary country. Instead, it will create opportunities for all beneficiary countries. A comprehensive decision extending GSP eligibility for all travel goods for all countries empowers each GSP country to utilize these benefits by manufacturing the articles that are most appropriate to their own circumstances.

Throughout the GSP review process, no entity or person raised any development concerns with granting GSP eligibility to all travel goods products for all countries. To the contrary, the petitions and testimony consistently and uniformly demonstrated that extending GSP eligibility to all travel goods to all GSP countries would optimize the development impact. In addition, no petition or testimony recommended limiting GSP travel good benefits to LDBDC or AGOA countries. Such unanimity around trade and development opportunities is rare, as is the strong bicameral and bipartisan support for granting GSP eligibility for travel goods for all GSP countries.

### **4) Deferring a Decision on Indefinite Timeline with Unclear Process Increases Business Uncertainty:**

As companies operating supply chains and that make sourcing decisions months and years in advance – providing no timeline for a final GSP decision on travel goods for all GSP countries, providing no process to reach a final determination, and the unclear policy basis for the deferment in context of uniform stakeholder and bipartisan support have created significant business uncertainty and will result in lost orders, increased costs, and limited opportunities to diversify our sourcing to a wider range of developing countries. Should the decision drag on, our companies will have to assume that no affirmative determination will be made until the next Administration, which effectively means that no GSP travel benefits decision for all GSP countries would take effect for two years or perhaps longer.