



October 2, 2016

Erland Herfindahl
Deputy Assistant U.S. Trade Representative for the Generalized System of
Preferences (GSP)
Office of the United States Trade Representative
600 17th Street NW.
Washington, D.C. 20508

Docket Number: USTR-2015-0013

Dear Mr. Herfindahl:

On behalf of the American Apparel & Footwear Association (AAFA), I am requesting the opportunity for Rick Helfenbein, President and CEO of the American Apparel & Footwear Association, to testify at the October 18 Travel Goods GSP eligibility hearing.

AAFA is the national trade association representing apparel, footwear, travel goods, and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, our membership includes 340 companies, drawn from throughout the supply chain. AAFA is the trusted public policy and political voice of the apparel, footwear, and travel goods industry, its management and shareholders, its four million U.S. workers, and its contribution of \$361 billion in annual U.S. retail sales.

AAFA represents many U.S. companies that make, market, and sell travel goods for the \$36.5 billion U.S. travel goods market. Many of our members submitted petitions, either individually or collectively, to add travel goods to the Generalized System of Preferences (GSP) program. These organizations strongly support adding **all** travel goods – items like luggage, backpacks, purses, and wallets – to the list of products eligible to be imported duty-free from **all** GSP beneficiary countries.

Mr. Helfenbein's testimony will touch on each of the statutory criteria around which you will be evaluating this issue.

(1) The effect such action will have on furthering the economic development of the developing countries through the expansion of their exports.

Providing duty free access to the U.S. market will unlock opportunities in all GSP countries to export more products to the United States, resulting in more employment.

GSP countries currently employ tens of thousands of workers in the production of these categories of travel goods. While commercial production of these goods, and consequently significant employment and development opportunities, are concentrated in just a handful of GSP beneficiary countries, there is artisanal production of these articles in dozens of developing countries.

Opportunities to significantly expand exports and create employment in these countries is stifled due to the sheer dominance of China in this industry. More than eight out of every ten bags imported into the United States are currently made in China. GSP countries account for less than five percent of the U.S. market. Duty free access will enable these countries to expand their market share, thus supporting employment across the developing world. Moreover, providing GSP travel goods eligibility to all GSP countries will facilitate the development of a more diversified travel goods supply chain that, over time, will provide new opportunities for even more GSP countries.

(2) The extent to which other major developed countries are undertaking a comparable effort to assist developing countries by granting generalized preferences with respect to imports of products of such countries.

Duty free access for these categories of travel goods features prominently in all major developed country programs. While the mix of products and countries is different in each program, there is a universal recognition that duty free access for travel goods is an important development tool for developing countries, including those that have higher incomes.

Our members report that the provision of duty free access by other countries, but not the United States, puts them at a disadvantage when bidding for factory capacity. Because our members are primarily focused on the U.S. market, which faces higher duties, their average cost structure is higher. Granting duty free access for these products into the U.S. market will level the playing field.

(3) The anticipated impact of such action on U.S producers of like or directly competitive products.

These products are not considered import-sensitive. With import penetration at 98 percent, very few travel goods are currently made in the United States. In fact, other trade agreements, including the forthcoming Trans Pacific Partnership (TPP) agreement, recognize this by providing immediate duty-free access to the U.S. market with flexible rules of origin for these same products.

Products that are, or could potentially be, made in the United States are for Berry Amendment or niche markets that do not face import competition. Therefore, making these goods GSP-eligible does not adversely affect domestic production of these articles.

(4) The extent of the beneficiary developing countries' competitiveness with respect to eligible articles.

China's continued dominance of the travel goods market makes it hard for GSP beneficiary countries to compete as evidenced by China's dominant position exporting travel goods to the U.S. market. In addition to economies of scale and average cost structures, China has access to transportation links and fully integrated supply chains (specifically for travel goods) that other developing countries do not.

This adverse competitive dynamic will become more challenging for GSP countries as Vietnam gains duty free access to the U.S. market under the TPP. Vietnam is the second largest source of travel goods into the United States. Duty free access under the TPP will no doubt put pressure on China, but it will also put pressure on GSP countries.

Today, only a few GSP eligible countries have the capacity and capabilities to produce travel goods, particularly complex travel goods, for the U.S. market. Extending GSP eligibility for travel goods from all GSP countries will maximize the opportunities for these countries to compete with China. AGOA countries and LDCs lack the capacity and capabilities in the near term to compete with China for many of these products, and limiting the tariff benefit to these countries is insufficient to overcome these competitive constraints. Accordingly, should more advanced GSP countries begin producing travel goods and competing with China due to a GSP tariff benefit, such an increase in production would come at the expense of China and not be at the expense of AGOA or LDC countries that lack the manufacturing and supply chain requirements to meet demand.

Duty free access spread across a wide range of GSP beneficiary countries at different levels of development will afford these countries the ability to compete in all these areas.

Please contact me if you have any additional questions at slamar@aafaglobal.org or via phone at 202.853.9347.

Sincerely,



Stephen Lamar
Executive Vice President