



July 5, 2016

Dear Ambassador Froman,

We are writing to express our deep disappointment in the Administration's June 30 announcement that duty elimination for all 28 travel goods¹ items made eligible for Generalized System of Preferences (GSP) through the enactment of the Trade Preferences Extension Act of 2015 initially will be limited to African Growth and Opportunity Act (AGOA) and GSP Least Developed Beneficiary Developing Countries (LDBDC). We are, in fact, stunned that the intent of Congress as well as our stakeholder views as expressed at both the International Trade Commission (ITC) and Trade Policy Staff Committee hearings, and in numerous other communications with your office, were disregarded, despite virtually unanimous stakeholder and strong bipartisan support for the product expansion. Moreover, deferring the decision for other GSP-eligible countries, which is not a decision, without any indication of the timeline for a final decision, further harms U.S. businesses and the development of other GSP beneficiary countries by creating confusion and uncertainty.

The complex backpacks and sports bags made for such U.S. brands as Mountain Hardwear, Columbia Sportswear, the North Face, Mystery Ranch, Black Diamond, and Under Armour, golf bags for Ogio International, Callaway, and Nike Golf, or sophisticated high-fashion leather bags for Coach or Kate Spade will not be made in AGOA or LDBDC countries in the near future as they continue to develop production, capabilities, and capacity. The Administration's initial GSP decision will not alter that commercial and supply chain reality. More importantly, refusal to decide on the eligibility for other GSP beneficiary countries will negate any significant development gains that could have been achieved through the expansion of GSP eligibility to a new set of products.

The trade data demonstrates the tremendous lost opportunity due to the Administration's decision. In 2015 the U.S. imported 2.1 billion items under the 28 HTS ten-digit subheadings in question; of that amount 85% were from China, 0.01% (one-hundredth of one percent) from AGOA countries, and 1.3% from all least developed countries, including AGOA. The failure to make a decision regarding other GSP-eligible countries that also face significant development and political challenges, and many of whom are U.S. allies, leaves companies with few options but to source from the super-competitive China.

We worked closely with Congress in developing the important legislation to make the 28 travel goods items eligible for GSP. We expected that universal support by stakeholders and the record of prior GSP determinations would produce a fair and commercially and developmentally meaningful result for GSP beneficiary countries and our Member companies. We made absolutely clear to Congress and to the Administration that if our members are to diversify in a significant way beyond China, countries such as the Philippines, Thailand, Pakistan, Indonesia, and Sri Lanka must have access to the duty free benefits of GSP. The development rationale articulated by the Administration to justify its decision runs counter to decades of GSP policy and practice, will generate little to no new economic opportunities for countries who lack capacity or at are too early a stage of development to utilize the narrow grant of duty free access for travel goods, and disrupts and distorts the congressional and policy intent underlying the GSP program – thus harming the commercial interests of U.S. companies while simultaneously nullifying the development opportunities for many GSP-eligible countries.

We urge you in the strongest possible terms to make all 28 travel good items eligible for the benefits of GSP for all beneficiary countries as soon as possible to resolve the significant commercial uncertainty and policy incoherence that the Administration's partial decision has created. We also request a meeting with you as soon as possible to discuss this critically important matter to our member companies.

Sincerely,

American Apparel & Footwear Association (AAFA)
Outdoor Industry Association (OIA)
Sports & Fitness Industry Association (SFIA)
Travel Goods Association (TGA)

¹ There are 28 items at the ten-digit subheading level, 20 at the eight-digit subheading level.