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Statement of Rich Harper
Manager of International Trade, Outdoor Industry Association

Chairman Broadbent, Vice-Chairman Pinkert, and Commissioners, thank you for the opportunity to testify today on an issue of great importance to Outdoor Industry Association (OIA). Travel goods, including backpacks, sports and travel bags are an integral part of activities our members and customers enjoy.

I am here today strongly in support of granting all eligible travel goods tariff subheadings duty-free treatment under the Generalized System of Preferences (GSP) program to all GSP Beneficiary Developing Countries (BDCs). OIA is a petitioner in four such petitions, which cover all subheadings recently made eligible for review.

OIA is the trade association for more than 1,400 companies across the United States, including suppliers, manufacturers and retailers of outdoor products. The outdoor industry generates more than $646 billion in consumer spending and accounts for 6.1 million American jobs in the United States. Our members produce some of the most innovative products that reach all corners of the globe, enriching people's lives by supporting healthy and active lifestyles.

From small, family-owned businesses to some of the largest companies in the world, including many of America's most iconic brands, we work to ensure that U.S. federal trade policy fosters and promotes a stable and predictable environment for all outdoor industry businesses. Moreover, we also seek to lower costs by reducing and eliminating trade barriers through legislation, bi-lateral and multilateral trade agreements or preference programs. This work supports industry innovation, new product development, employment expansion in the U.S. and bringing the best possible value to our customers.

International trade benefits U.S. importers and domestic manufactures alike by opening new markets to U.S. exports, creating new jobs and at the same time lowering consumer prices. A core OIA policy principal is "balanced trade." There are three main components to our balanced trade policy:

1. We only seek U.S. tariff elimination on outdoor products that lack commercially viable domestic production.
2. In trade negotiations such as TPP, we seek the longest possible transition to U.S. duty elimination and appropriate rules of origin for goods manufactured in the U.S.
3. We promote federal policies that support U.S. manufacturing.

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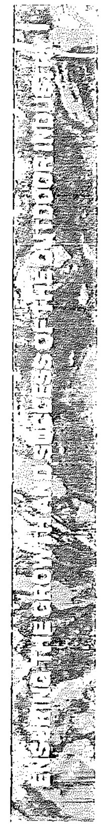
4909 PEARL EAST CIRCLE, SUITE 300, BOULDER, CO 80301
P 303.444.3353 F 303.444.3284



The petitions filed by the Backpack, Sport & Travel Bag Coalition, the Handbag Coalition, the Luggage Coalition, and the Pocket Goods Coalitions cover 28 subheadings recently made eligible for consideration for duty-free benefits under the Trade Preferences Extension Act of 2015. These petitions are a critical part of OIA's trade program and our balanced trade agenda.

Travel goods, including backpacks, sports and travel bags are often a required item for Americans to enjoy the outdoors **and are an integral part of the business for many of our members.** Whether they are used for hiking, skiing, camping or other outdoor sports, our industry produces a broad scope of travel goods. These products face tariffs from 4 percent to 20 percent. There is no significant domestic production in the United States, and China controls approximately 90 percent of the import market by volume.

OIA members import a broad category of bags, but of significant interest to OIA members are the tariff lines contained in the 4202.92 subheading. These are included in the Backpack, Sport & Travel Bag Coalition petition accepted by the Office of the U.S. Trade Representative. Two key product categories, man-made fiber backpacks – HTS subheading 4202.92.3020 -- and man-made fiber sports and travel bags – 4202.92.3031 -- each face a 17.6 percent duty. Both of these products are primarily sourced from China.

Given this broad interest in our industry, OIA has been involved in the effort to bring these products into the GSP program from the beginning. OIA was an early supporter of the GSP UPDATE Act, which was included in the Trade Preferences Extension Act of 2015, signed into law on June 29, 2015. In our view, this was the first meaningful expansion of GSP for our industry since the program was created in 1974.

It is important to note that the GSP UPDATE Act was conceived, crafted, and introduced with the support of the U.S. industry. The bill was a direct response to the needs and realities of the global marketplace for travel goods. To that end, the bill was designed to support the manufacturing of travel goods in all GSP eligible countries. Congress could have limited eligibility to only least developed beneficiary developing countries (LDBDCs) or African Growth and Opportunity Act (AGOA) countries, but did not do so. In fact, the bill is explicit in stating the goal is to shift production to both BDCs and LDBDCs.

The production of travel goods in BDCs for export to the U.S. is widespread. Currently, many countries only export miniscule amounts, but 71 BDCs in the GSP program exported some amount of travel goods to the U.S. in 2015. **Many, like Armenia, brought in fewer than $3,000, while others are legitimate and**

significant suppliers to the U.S. market, like Indonesia, the Philippines, and Thailand, each of which exported over $100 million under subheading 4202 in 2015, with the Philippines exporting almost $300 million.

Given the potential of many BDCs for more sourcing opportunities, OIA member companies quickly saw the benefit that adding travel goods to GSP eligible countries would have in the U.S. Since there is no meaningful domestic production of these products, helping the industry to diversify its supply chain to BDCs in the GSP program drew strong support from OIA members looking to move out of China. We believe this will help cut costs, bring more products to customers and free up capital to fund innovation, all of which will benefit U.S. employment. While travel goods are not manufactured domestically for the civilian market, research, design, marketing and sales all occur here. By lowering the cost of production, you give companies the ability to expand operations in the U.S.

To that end, OIA believes that travel goods must be made eligible for all BDCs in the GSP program for U.S. companies to fully capture the potential benefits. First, it is important to note that given China's dominance of this sector, there is such substantial interest in shifting production to these BDCs. Indeed, there will be no shortage of travel goods businesses looking to move outside of China. With China making up about 90 percent of the current travel goods market by volume, many countries stand to benefit from duty-free treatment, even if they do not currently produce travel goods.

Second, it is important to note that Competitive Needs Limitations (CNLs) will be a factor for travel goods, given the overall size of the industry. If duty-free treatment for travel goods were limited to only LDBDCs, many small and medium sized companies could potentially be pushed out of the game. Larger travel goods producers that can afford to make the investments needed to establish production in LDBDCs could potentially take all available production capacity in these countries.

As I mentioned earlier, these GSP petitions are a core part of OIA's International Trade Program, which represents the diversity of our association's membership, including companies whose products are conceived, designed, and produced in the United States and those that utilize global value chains to bring their products to retail markets across the globe.

We see the petitions requesting duty-free treatment for travel goods as a perfect example of a policy that fits our balanced trade approach. It is important to note that no commercially meaningful production exists in the United States at this time. **To that end, this very body produced a report in 2007 that showed virtually no U.S.**

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production outside military contracts. The shift to China has only intensified since that time.

Simply put, these products are not import sensitive. Many of these goods are included in the Haiti preference program, which was negotiated with U.S. stakeholders to avoid sensitive products. Travel goods were given a cut-and-sew rule of origin under the recently concluded Trans-Pacific Partnership (TPP) with immediate duty-free benefits. In the U.S.-Korea Free Trade Agreement (KORUS), all of subheading 4202 was made immediately duty-free upon implementation. In the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), the goods covered by this investigation all were given immediate duty-free status. As further evidence of the lack of sensitivity, textile travel goods are subject to a liberal tariff shift rule of origin rather than a yarn-forward rule of origin in CAFTA-DR and KORUS.

Given Congressional intent, industry demand and the diverse supply chain, OIA requests that duty-free treatment on relevant travel goods be granted to all BDCs in the GSP program. Granting duty-free status will allow U.S. companies to strengthen their sourcing models while moving away from a China-dependent system. Given the current dominance of China, many GSP beneficiaries will benefit as companies seek to diversify.

Thank you for giving me the opportunity to testify, and I look forward to your questions.