September 19, 2011

To the Honorable Members of the U.S. Senate:

The Coalition of GSP Countries respectfully urges the U.S. Senate to pass H.R. 2832 to renew the Generalized System of Preferences (GSP) so that the program can restart within weeks.

Ten geographically and economically diverse countries - Fiji, Indonesia, Kosovo, Mongolia, Paraguay, the Philippines, Sri Lanka, Thailand, Timor Leste, and Uruguay - have come together to advocate for the program's renewal.

The GSP is essential to the health of the U.S. economy. GSP expiration has cost U.S. companies just under $400 million in the first seven months of this year, causing many to lay off workers or postpone new hiring. Each U.S. state imports items under GSP and, in fact, GSP-eligible imports in each state have exceeded $1 million in the first seven months of this year.

Coalition partners supply sizeable volumes of previously duty-free products under GSP that are now subject to tariffs. For example, the impacts are substantial when a GSP product such as less expensive china tableware and kitchenware are supplied to a company with stores in every state and on which consumers rely for economical goods. Formerly duty-free under GSP, these items now carry a tariff of 26 percent, throwing the importer's expenses and consumers' costs into unanticipated and expensive overdrive.

American manufacturers also import products under GSP to keep their costs low and to remain competitive vis-à-vis producers in other countries. Reflecting on both examples, renewal of the GSP will boost the American economy and strengthen domestic employment.

The GSP's importance to its 129 beneficiary countries cannot be overestimated as well. Overall, GSP benefits more than 3.8 billion people living in two-thirds of the world's economies. GSP promotes democracy, especially in newly independent Kosovo and Timor Leste, and strengthens our national and regional economies while providing critical opportunities for employment in all sectors.

U.S. imports of GSP-eligible items in the first seven months of 2011 have decreased by more than 20 percent, despite the jump in all U.S. imports by just under 17 percent. It is clear that many U.S. importers, after incurring large and unexpected tariff payments, have switched to non-GSP suppliers.

It has been said that the drop in imports from GSP countries is "normal" when there is a lapse in GSP renewal but that they will rebound after Congress reinstates it. Recent history shows otherwise. Imports from GSP countries are far more vulnerable than those from other U.S. trading partners. Without GSP duty-free entry, these products lose market share quickly and, unfortunately, regain it slowly when GSP is finally renewed.

In addition, the current decline in GSP imports comes on the heels of the 36 percent recession-fueled decline in GSP imports between 2008 and 2009, which was far steeper than the concurrent 26 percent fall in all U.S. imports. For example, U.S. imports under GSP dropped 89 percent and 41 percent from Mongolia and Paraguay, respectively, between 2008 and 2009. Similarly, the nine-percent rebound in all GSP imports from 2009 to 2010 was dwarfed by the 22 percent gain in all imports during the same post-recession period.

We now have evidence that between January and July of 2011, without GSP, our products have lost hard-won market share in their respective niches. This is true whether all U.S. imports of a product have increased, held steady or decreased. Based on historic and recent trade data, once lost, GSP beneficiaries' import share will not easily be regained.

For example, farmers and food processing industries in Fiji and Thailand have lost U.S. market share for frozen cassava (7.9 percent tariff). A year ago, Fiji was the fifth top U.S. supplier despite its distance challenges; today it is number seven. U.S. agricultural imports from Mongolia – sugar syrups and miscellaneous food preparations totaling nearly $1.4 million in 2010 – have disappeared entirely from the U.S. market this year.

The lack of GSP has also caused Sri Lanka and Uruguay to lose top supplier positions in products in which they have held strong market niches. All U.S. imports of construction vehicle tires (a GSP-eligible product with an MFN tariff of 3.4 percent) increased by nearly 10 percent in the first seven months of 2011. Imports from top supplier Sri Lanka, however, dropped by 28.5 percent, which dropped it to number two. China leapfrogged into the top supplier position with an import increase of more than 50 percent. In Latin America, Uruguay's trade in upholstery leather lost significant U.S. market share to Costa Rica as a result of its nearly 40 percent drop in U.S. imports, despite the relatively small tariff reimposition of 2.8 percent.

An example of the greater vulnerability of GSP suppliers is seen clearly in the data on U.S. imports of gold and silver jewelry, an industry employing large numbers of workers in almost all of the Coalition countries. The value of all U.S. imports of less-expensive silver jewelry (less than $18 per dozen pieces) decreased 29.3 percent in the first seven months of 2011, despite major increases in silver values in 2011. Coalition members saw a greater decline due to the re-imposition of the 13.5 percent tariff. Imports from Indonesia dropped 66.4 percent, the Philippines 37.9 percent, and imports from Sri Lanka disappeared entirely

Similarly, between January and June 2011, all U.S. imports of gold jewelry increased by 15.8 percent, as compared to same months in 2010. The five to seven percent tariff re-imposition, however, for gold jewelry from GSP countries drove import values down by a massive 50.4 percent. Gold jewelry imports dropped notably from Coalition members Indonesia (down 31.4 percent), Sri Lanka (down 26.5 percent), and the Philippines (down 25.3. percent).

For most GSP countries, the lack of GSP duty-free entry into the U.S. market has resulted in major losses in U.S. market share for their producers. These decreases are causing job losses, economic declines in many industries and regions, and a drop in competitiveness for critically needed investment for our nations' economic growth.

We respectfully request that the Senate renew GSP this week through passage of H.R. 2832. Thank you very much for your consideration.

Very sincerely,

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