September 7, 2011

To the Honorable Members of the U.S. House of Representatives:

The Coalition of GSP Countries urges the U.S. House of Representatives to pass H.R. 2832 to renew the Generalized System of Preferences (GSP) through July 31, 2013.

Nine geographically and economically diverse countries - Fiji, Indonesia, Kosovo, Mongolia, Paraguay, Sri Lanka, Thailand, Timor Leste, and Uruguay - have come together to advocate for the program's renewal because it benefits U.S. companies as well as our nations.

The GSP is essential to the health of the U.S. economy. GSP expiration has cost U.S. companies more than $335 million in the first six months of this year, causing many to lay off workers or postpone new hiring. In addition, American manufacturers import products under GSP to keep production costs low and remain competitive vis-à-vis producers in other countries. 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 and strengthens our national and regional economies, providing critical opportunities for employment in all sectors.

We would like to take this opportunity to convey how the continued lack of duty-free entry of many of our exports into the U.S. market is affecting our economies, businesses, and producers.

U.S. imports of GSP-eligible items in the first half of 2011 have decreased by more than 20 percent, despite the jump in all U.S. imports by more than 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 during the first six months 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. The free trade partners of Canada, Mexico, Chile, and Costa Rica have gained at western-hemisphere GSP beneficiaries' expense for many products. China and Vietnam have competed successfully against Asian GSP beneficiaries as have free-trade partners Singapore, Oman, and Bahrain. Based on historic and recent trade data, once lost, GSP beneficiaries' import share will not easily be regained.

For example, all U.S. imports of construction vehicle tires (a GSP-eligible product) increased by nearly 40 percent in the first six months of 2011. Sri Lanka, however, was the only supplier of the top five to experience a decline in its imports (by 15.4 percent) when the 2.5 percent tariff was reinstated. Uruguay's trade in upholstery leather lost significant U.S. market share to Mexico and Costa Rica because of its 32 percent drop in U.S. imports, despite the relatively small tariff re-imposition 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 the Coalition countries. The value of all U.S. imports of less-expensive silver jewelry (less than $18 per dozen pieces) decreased 27.8 percent in the first six months of 2011, despite the 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 Sri Lanka dropped from $58,000 to zero, and those from Thailand and Indonesia decreased substantially as well.

Similarly, between January and June 2011, all U.S. imports of gold jewelry increased by 14.6 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 51.5 percent. Gold jewelry imports dropped notably from Coalition members Indonesia (down 31 percent) and Sri Lanka (down 27.1 percent).

These losses of U.S. market share 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 U.S. House of Representatives pass H.R. 2832 this evening.

Thank you very much for your consideration.

Very sincerely,

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