September 20, 2019

The Honorable Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
Executive Office of the President
600 17th Street, NW
Washington, DC 20006


Dear Mr. Ambassador:


TGA is the international organization for the travel goods industry. Members include manufacturers, distributors, retailers, promoters, sales representatives, and suppliers of luggage and travel products, casual bags, briefcases and computer bags, and business and travel accessories for travelers.

Travel goods, as described in HTS Heading 4202, are defined as luggage, handbags, totes, backpacks, briefcases, wallets, smart phone cases, and related fashion accessories.

All of these items are impacted by the Tranche 3 tariffs.

The increase in the punitive tariffs on these items from 25% to 30% will hurt our industry.

How do we know that? Because our industry is already suffering from the 25% punitive tariff already imposed by the administration. This 25% punitive tariff is on top of the incredibly high 17.6% to 20% tariffs we already pay on U.S. imports of travel goods.

And it is our industry, not China, that is feeling the pain.

President Trump says he wants to tax China to stop them from stealing U.S. technology and intellectual property. But, as we all have learned by now, China doesn’t pay the tariffs, we do – in the form of a huge new hidden tax on our member companies and, in turn, their customers, hardworking American families.

So, how much has the U.S. travel goods industry paid in new taxes?

The first punitive tariffs, of 10%, were imposed on September 24, 2018. According to the most recent data available from the U.S. government, through July 31, the U.S. travel goods industry has had to pay an additional $481 million in taxes, in just 10 months. Since the administration increased the punitive tariff to 25% on May 10, this number doesn’t even account for the full impact of the 25% punitive tariff.

That is a lot of money for an industry that is only a $30 billion industry annually at retail.
U.S. travel goods firms didn’t just eat these new taxes. That is impossible for an industry that is, except for a handful of major players, comprised of virtually all small and medium sized companies.

We have had to pass on these costs in the form of higher prices to our customers – hardworking American families – a price that every family has to pay as everyone owns a travel product. Or we have had to delay hiring, or lay off workers, in the face of squeezed margins and lower sales.

One member, LiteGear Bags, was rapidly growing before the trade war. Thanks to the trade war, LiteGear has had to instead lay off 6 of its 7 staff and has lost orders due to price increases. LiteGear has spent six months, and tens of thousands of dollars, trying to move part of their production to another country. In the process, they have lost even more orders as LiteGear has had to add a month to the lead time for production – two weeks because they must import the inputs into the new country and two more weeks to ship to the United States than it did from China. Even after this investment of time and money, and lost orders, LiteGear expects it will take at least another year to get the factory fully up to speed, to make the more complicated products LiteGear predominantly sells. And this only “helps” LiteGear with some of its production, while the bulk of production remains in China, paying the 25%, soon to be 30%, punitive tariffs.

LiteGear’s CEO recently told the Washington Post that “I’m fighting tooth and nail to hang on.”

LiteGear’s situation is replicated throughout the U.S. travel goods industry.

Why has this hurt our industry so much? In 2018, 82% of all travel goods sold in the United States were imported from China.

And, as seen in the case of LiteGear, there is no way to easily or quickly move the production of travel goods to other sourcing countries, especially more complicated and technical travel goods. There just isn’t the capacity or, just as important, the capability in the rest of the world to pick up the slack.

Further, virtually no travel goods are manufactured in the United States. This has been true for decades.

In fact, President Trump declared this to be the case in June 2017 when he granted duty-free access for U.S. imports of travel goods from all eligible developing countries under the U.S. Generalized System of Preferences program. GSP preferences can only be granted if there is no domestic production of a like or directly competitive product.

GSP has provided the industry an alternative to China. But, again, as in the case of LiteGear, to move production takes time and money, to find the capacity and to build up the capability. To highlight that point, in the first seven months of 2019, the most recent data available, U.S. travel goods imports from China accounted for 72% of all travel goods sold in the United States. Most of the production that left China went to GSP-eligible countries. But, it took a full two-three years to just move that 10% out of China (note that least-developed countries were granted GSP for travel goods in June 2016).

Furthermore, even this time-consuming and costly transition is at risk. On June 5, President Trump withdrew GSP benefits for India, what was then the third largest supplier of travel goods to the U.S. market. A few weeks earlier, President Trump withdrew GSP benefits for Turkey. And the administration continues to review GSP eligibility for Indonesia and Thailand, two other major alternative suppliers for travel goods.

So, our members, already being crushed under the weight of 25% punitive tariffs, and with the threat of those punitive tariffs being raised to 30% on October 15, are now faced with a situation where they have nowhere to go, nowhere to
hide, and no way to absorb this 25% (soon to be 30%) tax without raising prices, laying off workers, or going out of business.

We support the Administration’s efforts to improve the protection of intellectual property rights in China. However, increasing this already huge new hidden tax on travel goods to 30% will not achieve this goal. Instead, it would only put the remaining nails in the coffin for our industry, an industry that directly employs 100,000 American workers.

Thank you for your time and consideration in this matter. Please contact me at nate@travel-goods.org or 202.853.9351 if you have any questions or would like additional information.

Sincerely,

Nate Herman
Director of Government Relations
Travel Goods Association (TGA)