

June XX, 2022

SUBJECT: TGA Priorities for Conferee Consideration

Dear Member of Congress:

On behalf of the U.S. travel goods industry, I am writing to share the priorities of our association to be included in any final version of the USICA/America COMPETES/Bipartisan Innovation Act legislation that Congress may enact.

The U.S. travel goods industry is comprised of small, mostly family-owned businesses that make, market, and sell travel goods – luggage, totes, backpacks, handbags, and other products for people who travel. Despite 99% of the travel goods sold in the United States being imported, we proudly employ 100,000 American workers today.

Congressional enactment of any final USICA/America COMPETES/Bipartisan Innovation Act legislation, if it includes key trade (GSP/China Section 301 exclusions) and shipping reform provisions, would not only transform our industry but could literally save it.

The pandemic brought our industry to its knees, almost putting our entire industry out of business. We rely almost exclusively on travel for our business, and on stores to sell our product. But during the pandemic, there was no demand for our product (because there was no travel) and no way to sell our product (because of the economic shutdown). The bottom line during the pandemic was that no one was traveling, or going to work, or going to school, so no one was buying a suitcase, or a tote, or a laptop bag, or a backpack.

To add insult to injury, Congress allowed the Generalized System Preferences (GSP) program to expire on January 1, 2021. When the U.S. government imposed 25% punitive tariffs on U.S. travel goods imports from China in 2017, many U.S. travel goods companies spent years shifting sourcing to countries that received duty-free access under the U.S. GSP program. When, 18 months ago, Congress allowed GSP to expire, U.S. travel goods imports from GSP countries were suddenly hit with 17-20% tariffs overnight. The weight of these new tariffs, these new taxes, only exacerbated the impact of the pandemic on our industry.

When travel started to recover last summer, we started to see a light at the end of tunnel. But our ability to reach that light was crippled by the shipping crisis, which imposed immense costs on the small, family-owned companies that comprise our industry at a time when we could least afford it and left us in many cases even unable to provide any product to meet that demand, leaving store shelves empty.

As such, we thank you for your collective leadership and for evaluating ways to make our country more competitive on the world stage. As you work toward reconciling the two bills, please consider our industry's priorities and recommendations outlined below.

Generalized System of Preferences (GSP)

Thanks to GSP, the percentage of U.S. travel goods imports from China have dropped from 84.7% in 2016 to 52.8% today. That is why renewal of GSP is critical to our industry.

We are pleased to see full retroactive renewal of GSP in both bills. However, we are concerned the increased eligibility criteria may make it more difficult for many countries to comply. GSP is a critical development tool needed to help lift people out of poverty. Any proposal must preserve as much "good trade" as possible during country practice reviews, including the possibility of removing GSP on a case-by-case basis for only bad actors,

updating the Competitive Need Limit (CNL) rules to raise the value thresholds, and amending the statute to say that GSP benefits should be restored for products that fall below the (new) thresholds. Further, the longer duration in the Senate version provides more business certainty, providing more incentives to meet any new eligibility criteria.

Section 301 China Tariff Exclusions

Despite years of effort to fully diversify away from China, the bottom line is that there are still certain types of travel goods that can only be made in China.

That is why the final bill must include language requiring the Office of the U.S. Trade Representative (USTR) to reinvigorate the exclusion process for products subject to additional tariffs under Section 301 of the Trade Act of 1974. Such a provision was included as part of the Trade Act of 2021 in the U.S. Innovation and Competition Act (S. 1260) after an overwhelming bipartisan 91-4 vote. While similar language was not included in the House America COMPETES Act, a bipartisan letter signed by 141 Members of the House of Representatives was recently sent to Ambassador Tai asking for the establishment of this process. Any new exclusion process must retroactively renew any expired exclusions and must be transparent and fact-based.

Addressing the Shipping Crisis by Holding Foreign Carriers Accountable

Every day, our industry faces a shipping crisis that has delivered us contract breaches, stubbornly high shipping rates, excessive and unjust fees, constant delays, and ongoing uncertainty on whether our product will ever arrive or even be moved. We are an industry of small companies who have no bargaining power with the big foreign-owned ocean carriers we rely on to move our product. This reality has translated into empty store shelves and much higher prices at the cash register, spurring inflation to historic levels.

We urge conferees to keep the Ocean Shipping Reform Act (OSRA), as contained in the House America COMPETES Act, in any final legislation. OSRA is a bipartisan measure that has separately already been overwhelmingly approved by both the House and Senate.

The House-passed version of the Ocean Shipping Reform Act would establish commonsense reforms that would go a long way to ending the current shipping crisis and preventing the next shipping crisis by:

- Stopping unfair late fees – known as detention and demurrage (D&D) charges – charged by ocean carriers;
- Requiring ocean carriers to adhere to minimum service standards that reflect best practices;
- Blocking ocean carriers from unreasonably declining cargo;
- Prohibiting ocean carriers from reducing shipper accessibility to equipment to move cargo; and
- Improving data collection and reporting requirements.

For our industry, the pandemic is rearing its ugly head, with Omicron and its many emerging variants curtailing travel yet again. We have seen, and continue to see, the impact to our industry and to the U.S. economy – empty store shelves and inflation rates not seen in decades, impacting every hardworking American family.

That is why we desperately need Congress to include these essential provisions in any final legislation, and to act quickly to approve it.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 301-775-7633 or nate@travel-goods.org if you have any questions or would like additional information.

Sincerely,



Michele Marini Pittenger
President