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**Testimony of Nate Herman  
on behalf of the Travel Goods Association (TGA)  
before the U.S. International Trade Commission  
Investigation No. 332-591  
Economic Impact of Section 232 and 301 Tariffs on U.S. Industries  
July 21, 2022**

Thank you for the opportunity to testify. My name is Nate Herman. I am the Director of Government Relations at the Travel Goods Association (TGA).

TGA represents the U.S. travel goods industry, small, mostly family-owned businesses that make, market, and sell travel goods – luggage, totes, backpacks, handbags, and other products for people who travel.

Through this testimony, I will demonstrate that the Section 301 tariffs on China, including the 25% punitive tariffs on U.S. travel goods imports:

- 1) Have failed to achieve any of their goals;
- 2) Have failed to move the U.S. travel goods industry away from China; and
- 3) Have only served to hurt the small, family-owned businesses that comprise the U.S. travel goods industry, the industry's 100,000 American workers, and American families.

Therefore, I call on the U.S. International Trade Commission to recommend that the Biden administration immediately end the China Section 301 tariffs, particularly the 25% punitive tariffs on U.S. travel goods imports.

*China Section 301 Tariffs Have Failed to Achieve Any of Their Goals*

Since the first China Section 301 tariffs were imposed in 2018, Americans – you and I and everyone we know – have paid over \$145 billion in China Section 301 tariffs.

The purported goals of these tariffs were three-fold: 1) end China’s theft of U.S. intellectual property; 2) end China’s government subsidies and support for key industries; and 3) dramatically increase China’s purchases of U.S. made/produced products.

By all three measures, the China Section 301 tariffs have been an abject failure.

China continues to steal our intellectual property and China continues to subsidize key industries. And China continues to purchase the same amount of U.S. goods that China did before the tariffs.

## China Section 301 Tariffs Have Failed to Move the U.S. Travel Goods Industry

### Away from China

While not a stated goal of the China Section 301 tariffs, many supporters of the tariffs have also argued that the China Section 301 tariffs would move U.S. industry away from China.

In the case of the U.S. travel goods industry, the China Section 301 tariffs more than doubled the tariffs U.S. travel goods companies had to pay on their imports. The tariffs on most U.S. travel goods imports went from 17.6% to 42.6% virtually overnight because of the 25% China Section 301 tariffs. That means U.S. travel goods importers had to pay almost half the value of their imports in taxes.

Did that cause the industry to move out of China? In 2018, U.S. travel goods imports from China accounted for 82.4% of all U.S. travel goods imports. In 2021, U.S. travel goods imports from China accounted for 54.0% of all U.S. travel goods imports.

On its face, it would appear that the China Section 301 tariffs drove that decline. But that would ignore the real driver behind those numbers.

In 2015, 2016, and 2017, Congress approved, and the Obama and Trump administrations implemented, duty-free access for U.S. travel goods imports from developing countries under the U.S. Generalized System of Preferences, or GSP program. That duty-free access drove huge investments and resources towards GSP countries. As a result, the percentage of U.S. travel goods imports from GSP countries surged, from a mere 2.9% of total U.S. travel goods imports in 2015 to 17.4% today, an almost six-fold increase in a little over 6 years.

To further demonstrate this correlation, we must look at what has happened since Congress allowed GSP to expire on January 1, 2021. Over the last 18 months, the share of U.S. travel goods imports from GSP countries has barely moved, inching up only slightly. Yet U.S. travel goods imports from China have surged over the same period, growing an incredible 35.6% in the first five months of 2022 alone.

The bottom line is moving U.S. imports of travel goods out of China is not driven by increasing tariffs on U.S. travel goods imports from China. Just the opposite, to drive U.S. travel goods imports out of China, the U.S. government must decrease tariffs on U.S. travel goods imports from other countries.

*China Section 301 Tariffs Have Only Hurt American Businesses, American Workers, & American Families*

Last week, the latest inflation numbers were released. In June, retail prices were 9.1% higher than they were in June 2021, the highest inflation rate in over a generation.

To date, Americans have paid over \$145 billion in China Section 301 tariffs. Yes, we pay the tariffs. Not China.

In our industry, and most other consumer goods industries, the imports tariffs are marked up as with any other costs, as the travel good moves from the importer to the wholesaler/brand to the retailer, and, finally, to the consumer. That means the impact of that \$145 billion is likely much bigger, 2-3X bigger, for American consumers at the cash register.

That means we are taking money out of the hands of American families at a time when they can least afford it.

Money taken away from American families to the benefit of no one, as I previously noted.

In our industry, the China Section 301 tariffs hit twice as hard. 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.

When the pandemic started to lift in 2021 and people started to travel, our industry was saddled with both the high costs of the China tariffs and, at the very same time, the expiration of GSP. The weight of all these tariffs, these taxes on

American businesses and American families, have significantly slowed our recovery at a time when our industry should be booming.

The China Section 301 tariffs, particularly the 25% punitive tariffs on U.S. travel goods imports, have failed in every goal that was set out for them. Yet, they continue to cause major pain for the small, family-owned businesses that comprise our industry, our 100,000 American workers, and, most importantly, American families.

Regrettably, the continuation of the China Section 301 tariffs in the face of their abject failure, and the tremendous pain they have caused, reminds me of one of my favorite quotes:

“Insanity Is Doing the Same Thing Over and Over Again and Expecting Different Results.”

As families decide now whether they can afford new luggage for the approaching August vacation season or whether they can afford to buy their children new backpacks for back-to-school, please, please recommend to the Biden

administration that they end the China Section 301 tariffs, particularly the 25% punitive tariffs on U.S. imports of travel goods, TODAY!

Thank you again for this opportunity to testify on this very important issue.