Travel Goods Association
259 Nassau St. #119 | Princeton, NJ 08542
PH 877-842-1938 | FAX 877-842-1938 | travel-goods.org

January 17, 2023

The Honorable Katherine Tai
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, D.C. 20006

RE: Request for Comments in Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket No. USTR-2022-0014)

Dear Ambassador Tai:

On behalf of the U.S. travel goods industry, I am submitting this response to the *Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (Docket No. USTR-2022-0014)*. The conclusion of this review should find that the Section 301 tariffs failed to meet any of their goals to change China's behavior on trade or intellectual property rights (IPR). Further, this review should find that the Section 301 tariffs have instead hurt American workers, American businesses, and hardworking American families. Therefore, the U.S. government should immediately end the Section 301 tariffs.

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.

Tariff Headings
The below comments refer specifically to all goods under HTS Heading 4202, which, with the exception of a few very specific temporary exclusions, are subject to a 25% punitive tariff under Section 301, which more than doubles the normal tariff of 17-20% on U.S. travel goods imports from China.

Effectiveness of the Actions & Economy-Wide Concerns
While we understand the Administration is trying to remedy China's harmful trade practices and policies through these tariffs, their primary effect so far has been to hurt our members and our workers and raise prices on travel goods for American consumers. It is critical that intellectual property protection and enforcement against counterfeit and pirated goods remain a top priority in America's trade relationships to protect creativity and innovation and support jobs across the country. However, these actions have not been effective in curtailing China's intellectual property theft.

Especially during times of high inflation, U.S. consumers, particularly those at the lowest end of the income scale, directly benefit from trade. Approximately, 99% of all travel goods sold in the United States today are imported. Yet the U.S. still maintains high duties on these products – some of the highest we levy on any products – adversely affecting U.S. consumers who ultimately pay those duties in the form of higher prices.

Trade policies that lower U.S. duties enable investment in U.S. job creation and investment in U.S. innovation in the U.S. global value chains that fuel our industry. A recent study by the U.S. Global Value Chain Coalition found that about 75 percent of the retail value of an apparel article imported from abroad and sold in the U.S. comes directly from American ingenuity. This means that despite being physically sewn overseas, the vast majority of the value found in a T-shirt, jeans, dress or suit was created by Americans and supported American jobs such as quality assurance, social and import compliance, marketing, and web development.

Below are three studies that detail how trade benefits American consumers, workers, and families and how the current U.S. tariff policy works against them by raising prices on everyday goods.

Last year, an economic impact study, "Imports Work for American Workers", found that imports support more than 21 million American jobs. The study focuses on the net impact of imports on U.S. jobs — including sectors such as retail, apparel, transportation, manufacturing, and consumer technology. The study looks at how imports support U.S. jobs and how U.S. government trade policy initiatives have the potential to preserve or diminish U.S. import-related jobs.

Among the key findings:

- Imports support more than 21 million American jobs across the country, including a net positive number in every U.S. state. The 10 states accounting for the largest number of import-related jobs are California, Florida, Georgia, Illinois, New Jersey, New York, Ohio, Pennsylvania, Texas, and Virginia.
- Imports from key trading partners — including Canada, China, the European Union, and Mexico — support a net positive number of U.S. jobs.
- Import-related jobs are good jobs that pay competitive wages. Nearly 8 million of the U.S. jobs related to importing are held by minorities and 2.5 million jobs are held by workers represented by unions.
- The vast majority (96 percent) of companies who import are small or medium-sized businesses.
- U.S. trade policies, many now pending before Congress and the administration, have the potential to either support or hurt these jobs.

A recent report by Ed Gresser from Progressive Policy Insititute (PPI), "Trade, Equity and the Working Poor," describes current U.S. tariff policy as regressive and discriminatory by taxing "low-priced home necessities — in particular, clothes, shoes, luggage and handbags, home linens and carpets, tableware, and silverware," effectively raising prices on American consumers and underserved communities such as on African American and Hispanic families. Gresser notes, "These products were about 6% of imports, but raised about 55% of all tariff revenue" but "offer few offsetting benefits in terms of protecting employment and production."

His paper highlights the following points:

- The MFN tariff system is mainly a way to tax home necessities;
- U.S. consumer goods tariffs are systematically skewed to tax cheap goods heavily and luxury goods lightly;
- Low-income families, single-parent families, and African American and Hispanic families spend more of their family budgets on these products than the U.S. average; and
- Tariffs on consumer goods do not appear to be effective at protecting U.S. employment or production.

And lastly, in "US tariffs are an arbitrary and regressive tax," by **Jason Furman, Katheryn Russ, and Jay Shambaugh** conclude that "tariffs act as a regressive tax on American consumers." The authors detail segments of the population that are negatively impacted more so than others. It is clear that high tariffs on everyday household items and back-to-school shopping affect family budgets. The tariff burden is highest on those with children, especially single parents, who pay the largest portion of their income to tariffs. Further, the authors point to the tariff burden faced by women stating, "the average effective tariff on many categories of women's apparel exceeds that for men's apparel by a substantial margin."

This administration has an opportunity to differentiate itself from its predecessors by leveraging appropriate and meaningful trade policies that directly address current problems in international trade. Trade policy solutions cannot and should not result in unnecessary and senseless punishment of American consumers, American workers, and the American communities they support. Simply stated, imposing punitive duties on U.S. imports of these products cause disproportionate economic harm to American businesses, workers, and consumers and do nothing to end the actions of China.

Sector/Industry-Specific Concerns
The U.S. imposes a high tariff burden on imports of apparel, footwear, and travel goods into the U.S. Although the average trade weighted tariff rate imposed on all products was approximately 3.0% in 2021, the average trade weighted tariff rate in 2021 on travel goods was 14.5%, knit apparel 15.1%, woven apparel 14.0%, footwear 12.6%, and home textiles 9.0%. Moreover, the amount of tariffs collected on imports of U.S. apparel, footwear, textiles, and travel goods in 2021 exceed $20.9 billion, an amount that will be surpassed in 2022.

This burden falls disproportionately on products imported by our industry, even though many of these products are no longer made in commercial quantities in the U.S. In 2021, travel goods, along with apparel and footwear, represented approximately 5.8% of all U.S. imports (by value) yet nearly 25% of all duties collected by the U.S. government and amount to a huge hidden tax on American families for the travel goods they must buy, such as school backpacks for their kids and work bags and handbags for themselves.

The Section 301 tariffs on imports from China exacerbated this burden. List 3 imposed a 10% tariff on all travel goods on September 24, 2018. That was later raised to 25% on May 10, 2019. This excessive increase meant an annual direct cost on U.S. travel goods companies of over nearly $800 million in 2022.[1]

The Section 301 tariffs on travel goods imported from China has negatively impacted U.S. companies and American consumers in the form of higher costs and higher prices. China has not suffered nor has China reversed its policies and practices regarding technology transfer, intellectual property, and innovation. In fact, the data show that Chinese firms have not suffered.

U.S. travel goods firms have moved away from China over the last few years but not because of the China Section 301 tariffs. The addition of travel goods to the Generalized System of Preferences (GSP) in 2016, allowing for U.S. travel goods imports from developing countries to enter duty-free, spurred U.S. travel goods companies to move away from China. Thanks to GSP, U.S. travel goods imports from China fell by almost half – from 84.7% of total U.S. travel goods imports in 2016 to 48.4% today. But the failure of the U.S. Congress to reauthorize the GSP program and the fact that GSP has now been expired for over two years has actually started shifting sourcing from GSP-eligible countries back to China for travel goods. The inability to renew GSP has become the "go back to China" rule. Meanwhile, the 25% punitive Section 301 tariffs have had no impact on U.S. travel goods imports from China.

In conclusion, this review should find that the Section 301 tariffs failed to meet any of their goals to change China's behavior on trade or intellectual property rights (IPR). Further, this review should find that the Section 301 tariffs have instead hurt American workers, American businesses, and hardworking American families. Therefore, the U.S. government should immediately end the Section 301 tariffs.

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

Michele Marini Pittenger
President

[1] Source: Trade Partnership Worldwide LLC from U.S. Census data.