

U.S. GLOBAL VALUE CHAIN COALITION



July 17, 2018

Erland Herfindahl
Deputy Assistant U.S. Trade Representative for the Generalized System of Preferences (GSP)
Office of the United States Trade Representative
600 17th Street NW.
Washington, D.C. 20508

**RE: Written Testimony on USTR GSP Country Practice Reviews of India, Indonesia, and Thailand,
Docket Numbers: USTR-2018-0006, USTR-2018-0007 and USTR-2018-0012**

Dear Mr. Herfindahl:

These comments are being filed on behalf of the U.S. Global Value Chain Coalition – a coalition of U.S. companies and associations – that is on a mission to educate policymakers and the public about the American jobs and the domestic economic growth our companies generate through their global value chains.

Global value chains include those jobs we traditionally associate with creation of a product – such as those in a factory or on a farm – as well as those positions involved in the conceiving of and delivery of those products – such as design, marketing, research and development, logistics, compliance and sales. Simply put, the global value chain accounts for all the jobs that add value to the good or service sold in the global marketplace. These positions are essential to the creation or sale of a good or service. Moreover, these jobs are primarily here in the United States and are usually high-paying, accounting for much of the price that is paid at the register.

As you reflect on the testimony and the decision about GSP status for each country, we encourage you to incorporate the importance that GSP benefits hold for these U.S. global value chains. Millions of jobs in the United States directly depend on the ability of companies to trade with – both export and import – these countries. While several of these country reviews are hoping to improve market access for U.S. exports in these countries – a goal we support – we are concerned that termination of GSP benefits could interfere with the ability of these global value chains to support these U.S. jobs.

Two examples, illustrate this point:

Many U.S. companies that make and market travel goods – items like backpacks, purses, wallets, and luggage – in the United States have used the GSP program to diversify their production outside of China. Indonesia, India, and Thailand figure strongly in that diversification strategy. In the short time that travel goods have been eligible for GSP, China's share of the U.S. travel goods market has dropped from 85 to 81 percent, while GSP countries have seen their market share climb from 5 to 8 percent. As these countries' market share grows, the number of U.S. employees dependent upon this trade grows as well.

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Another important example is thin panel lauan plywood from Indonesia, which is currently being considered for redesignation as eligible for GSP benefits. This product has been selected for decades for technically demanding applications because of its stability, strength, and low weight. The unique performance characteristics of lauan plywood make it the input of choice for many U.S. manufacturers higher up the manufacturing value chain. In addition to cabinet manufacturing and boat building, lauan plywood is especially critical to U.S. manufacturers in the recreation vehicle (RV) industry. Given the necessarily small size and transportability of RVs, U.S. manufacturers utilize lauan because it allows them to maximize an RV's living space and fuel mileage as demanded by U.S. consumers. Since 2015, the exclusion of this product has driven up the costs for U.S. manufacturers in the RV industry. Critically, we understand that importers and their manufacturing customers have continued to specify this product during the lapse in GSP eligibility due to its unique characteristics. Maintaining Indonesia's GSP eligibility and eliminating the 8% duty on these imports would significantly reduce the costs for U.S. RV manufacturers and the corresponding costs to consumers, thereby increasing the industry's competitiveness in a manufacturing sector where the U.S. is the recognized global leader.

Because of the importance of the U.S. global value chains, and the jobs they support, we wish to reiterate in the strongest possible terms our hope that these reviews NOT result in the suspension or termination of GSP benefits for these three countries. Continuing access of these countries to the U.S. market supports the short and long-term investment and sourcing operations for many members of the coalition and the organizations that comprise the coalition. As U.S. global value chains increasingly run through GSP beneficiary countries, a growing number of U.S. jobs are depending on the continuity, stability, and predictability of this program.

Sincerely,

The U.S. Global Value Chain Coalition