

**REVITALIZING AND RENEWING GSP, AGOA,
AND OTHER TRADE PREFERENCE PROGRAMS**

HEARING

BEFORE THE

COMMITTEE ON FINANCE

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REVITALIZING AND RENEWING GSP, AGOA, AND OTHER TRADE PREFERENCE PROGRAMS

WEDNESDAY, JUNE 5, 2024

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:09 a.m., in Room SD-215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Cantwell, Carper, Cardin, Brown, Bennet, Warner, Whitehouse, Cortez Masto, Warren, Crapo, Grassley, Cornyn, Young, Johnson, and Blackburn.

Also present: Democratic staff: Sally Stewart Laing, Chief International Trade Counsel; Virginia Lenahan, Senior International Trade Counsel; Joshua Sheinkman, Staff Director; and Tiffany Smith, Deputy Staff Director and Chief Counsel. Republican staff: John O'Hara, Trade Policy Director and Counsel; Mayur Patel, Chief International Trade Counsel; Gregg Richard, Staff Director; and Colin St. Maxens, International Trade Policy.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The Finance Committee will come to order. This morning, the Finance Committee meets to discuss how the United States can strengthen its trading partnerships around the globe through trade preference programs. We will focus on two of the most important: the Generalized System of Preferences, what is known as GSP; and the African Growth and Opportunity Act, which is known as AGOA.

These programs are an important and often forgotten piece of the U.S. trade agenda puzzle. They are a win-win, promoting economic growth in developing countries while supporting manufacturing and small business jobs here at home. They also play an important role in countering Chinese economic dominance by strengthening our trade relationships, promoting American values abroad, and creating incentives that shift supply chains out of China and into more stable suppliers.

I think we can all agree, that sounds like a recipe for success. Now, we have to deal with the fact that the Generalized System of Preferences expired in 2020, and most programs are set to expire next year. Since GSP lapsed, companies are either paying more in tariffs and investing less in their own businesses, or are faced with a tough choice about shifting supply chains back into China. If our country is serious about moving away from Chinese-manufactured

goods and creating good-paying red, white, and blue jobs, renewing GSP is a good place to start, and I believe Democrats and Republicans on this committee share that view.

The GSP is a good example of how smart policy can have a direct impact on workers, businesses, and manufacturers. It has allowed companies in my home State to import everything from optical equipment to wooden floors to sweeteners, add value to them in Oregon, and then sell them all over the world. It has also helped save Oregon families and businesses \$3 million in just 1 year.

But these programs are not just about lowering costs. They include strong protections for our workers, intellectual property protection, and market access for American exporters. Developing countries are encouraged to raise their own standards, making GSP a powerful tool for change.

For years, China has been building relationships with developing countries by investing in new infrastructure. Often, they do it with unfair strings attached. Trade preference programs help offer an alternative to Chinese investment by strengthening our ties with developing countries and showing the benefits of strong trading partnerships with the United States.

Three years ago, the Senate passed my bipartisan bill with Ranking Member Crapo to renew and improve GSP by the very tight margin of 91 to 4. It stalled, however, in the House. I will continue working with Ranking Member Crapo to get this across the finish line as soon as possible.

Next, I would like to touch on AGOA. Africa has a growing population and a potentially vibrant economy. African countries need alternatives to China and Russia. AGOA knocks down tariffs on products coming from Sub-Saharan African countries, and it supports economic development while advancing American values.

This is important in key sectors like critical minerals, where Chinese investment is outpacing the United States and allowing labor violations and environmental degradation to run rampant. AGOA expires in 2025. This is an ideal opportunity for us to talk about how to strengthen the program.

The committee will need to consider how to encourage the use of AGOA while supporting trade within Africa, as well as how to modernize the program to meet the needs of advancing digital trade and innovation. My view is, it is long past time for AGOA countries to graduate to a more robust two-way trade relationship with the United States, and that outcome ought to be the centerpiece of renewal efforts.

Last week, the ranking member of the Ways and Means Committee, Richie Neal and I, called for the USTR to expand its negotiations with Kenya to reflect a more robust trade agenda. A renewed AGOA would provide a key step to deepening U.S. engagement in the region.

As we look forward to introducing our panelists and hearing from them—they are experts on how to modernize, revitalize, and renew GSP and other key programs—I am also especially interested this morning in the HOPE and HELP programs for Haiti. I think they are very valuable, and there is substantial member interest in those issues as well. I look forward to working with Ranking Member Crapo and members of our committee on both sides of the aisle.

We have worked on these issues in a bipartisan way, and with the House, to advance a package of trade programs that is going to get robust bipartisan support.

Senator Crapo?

[The prepared statement of Chairman Wyden appears in the appendix.]

**OPENING STATEMENT OF HON. MIKE CRAPO,
A U.S. SENATOR FROM IDAHO**

Senator CRAPO. Thank you very much, Mr. Chairman. And I appreciate deeply you holding this hearing on these critical programs, and I appreciated your noting that we have already made it clear in the Senate that the support for GSP is strong and bipartisan, and we have a plan already put together.

Preference programs are good when administered effectively. The programs can drive economic development for developing countries, including by creating new opportunities for women and reducing poverty. For the United States, they can help facilitate equitable market access and strategically help partners become more competitive vis-à-vis China.

While preference programs are good, comprehensive trade agreements are better, because they maximize economic opportunities and promote the highest standards. We need them now more than ever. Africa is a particularly telling case, as is shown by the chart that will be put up behind me briefly, very quickly here.

As the chart shows, we are losing economic ground in Africa to China, even with AGOA, the African Growth and Opportunity Act. The Trump administration got it right when it stepped up our engagement in Africa through its negotiation efforts to get a real free trade agreement with Kenya, and I appreciate our chairman's comment about how critical that is to get done.

The Biden administration, however, imprudently terminated that, in an effort of low-ambition framework agreements that fail to reduce tariffs and lack commitments on key disciplines that are integral to comprehensive trade agreements.

Although I support programs like the Generalized System of Preferences program and AGOA, we need to resume negotiation on real comprehensive trade deals before it is too late. In the interim though, while the administration takes no steps toward meaningful trade agreements, Congress can at least prevent us from falling back by getting these preference programs back on track.

Congress can renew GSP now and ensure early reauthorization of other preference programs such as AGOA. Since many AGOA users make purchasing decisions 2 years in advance, we should not leave them in uncertainty by waiting to decide on the program's future next year.

The more-than-3-year GSP lapse is painfully instructive and calls for immediate renewal. Because of this lapse, Americans paid an extra \$3 billion in tariffs, and companies are moving production from developing countries to China. Reauthorization of GSP should not be controversial. Unlike other trade expansion programs where some industries might face increased competition, GSP is designed not to contain import-sensitive goods.

This body proved GSP was bipartisan—as Senator Wyden has already mentioned—and noncontroversial in the Senate, when it voted 91 to 4 last Congress to reauthorize it. Our Republican colleagues on the House Ways and Means Committee are also ready to see GSP passed, and they already approved a bill that adopted many elements of our Senate compromise, including on labor and environment.

GSP's passage has been stalled by some attempts to achieve unrelated partisan items, with the most recent demand being reauthorization of Trade Adjustment Assistance, or TAA, a program that has never been tied to GSP or to any other preference program.

As my colleagues know, TAA is traditionally a tradeoff for actual Trade Promotion Authority. If folks support preference programs, then they should let them move forward as soon as possible without any unnecessary linkages. Each day that GSP remains lapsed, and the fate of other preference programs remains uncertain, is a day China moves ahead.

I am ready to see GSP, AGOA, and potentially other preference programs all passed as a part of a package by the time of the AGOA Forum next month. That step would demonstrate to our partners, particularly in Africa, that the United States, not China, represents the opportunity for a brighter economic future.

With that, Mr. Chairman, I look forward to hearing from our witnesses.

[The prepared statement of Senator Crapo appears in the appendix.]

The CHAIRMAN. Thank you, Senator Crapo. Let me introduce our guests.

Ms. Florizelle Liser is president and CEO of the Corporate Council on Africa. She is an expert on the subject of U.S.-Africa trade and previously served as Assistant U.S. Trade Representative overseeing implementation of AGOA.

Then next, we will have Ms. Nelson. She is the general counsel and corporate secretary for the SanMar Corporation, a family-owned firm that is the largest U.S.-based wholesaler of custom and printable apparel. She is here from the Pacific Northwest. We always have a special affection for that.

Then we have Mr. Lincicome. He is the vice president of General Economics at Cato, where he focuses on international and domestic economic issues including trade and supply chains.

And Ms. Allison Gill is the legal director for Global Labor Justice. She has over 2 decades of experience working as an advocate for human and worker rights around the globe.

So, we thank all of you for coming. You are in fact the all-stars of the professional field, and we are anxious to hear from you.

Let's start with you, Ms. Liser.

**STATEMENT OF FLORIZELLE LISER, PRESIDENT AND CEO,
CORPORATE COUNCIL ON AFRICA, WASHINGTON, DC**

Ms. LISER. Great. Thank you very much, Chairman Wyden, Ranking Member Crapo, and other members of the Senate Finance Committee, for inviting me here on behalf of Corporate Council on

Africa, our board, and many members who are investing into Africa and trading with African nations.

In a world full of pressing challenges that tend to dominate the headlines, it can be easy to overlook the significant changes that are happening in Africa. You will all be familiar with the long-term population dynamics that will see the continent's population double over the next 2 decades, making Africa both the largest source of workers as well as an increasingly important market for companies across the globe.

African leaders understand that this dynamic is a potentially huge asset that can drive their economic development, if they can put the right policies in place to create the jobs that all those young people will need. African leaders are already actively pursuing private-sector investment and global partnerships to jumpstart this process.

Many of them are looking to the United States as an important partner, as we saw with the state visit of Kenyan President Ruto to Washington 2 weeks ago, and the robust representation of 16 African delegations, including six heads of state at CCA's own U.S.-Africa Business Summit in Dallas a month ago.

Since 2000, the African Growth and Opportunity Act, AGOA, has been the primary tool for American economic engagement with Africa. As such, AGOA has taken on a strategic element that makes it much more than just a trade program for African countries. As AGOA's current authorization nears its expiration in 2025, I would encourage the committee to take account of AGOA's importance in the overall U.S.-Africa strategic relationship and would offer four main points for your consideration today.

The first is about the broader context in which today's discussion of AGOA renewal takes place. Africa in 2024 is very different than the Africa of 2000, when AGOA was first put into effect. Through the African Continental Free Trade Agreement, AfCFTA, African countries are creating a much more harmonized and unified market across the entire continent by reducing and removing both tariffs and nontariff barriers.

This is making it more commercially feasible for African companies and others sourcing from Africa, like the United States, to create the networks and regional value chains that will make African suppliers more competitive and diversify out of China, while also expanding inter-African trade, as well as the continent's trade with global partners like the United States.

The evolution of AfCFTA and creation of regional value chains will also address one of the concerns about relatively low utilization rates under AGOA. As these value chains develop, African companies are more likely to be able to meet the scale and sophistication that the U.S. market tends to require.

The second, related point I would offer is that the United States should adapt how it frames trade and investment issues with Africa to match this evolution in the African market. Understandably, we have tended to focus over the last 24 years on a country-by-country analysis of AGOA utilization to assess or rate AGOA's success and how well the United States is doing in terms of its broader trade and investment strategy.

We should and can think much bigger than this. We should be looking at priority sectors like agribusiness, automotive, transportation, and pharmaceuticals, as well as energy and ICT. These are all sectors that play to the strengths of American companies. The United States should adapt how we measure success to focus more on engagement in these priority sectors, and to work with regional economic communities.

The third point is that the United States should also expand its range of strategic tools to achieve a broader set of strategic objectives for U.S.-Africa economic engagement. AGOA was never intended to be the “be-all and end-all” of U.S. trade and investment policy toward Africa, but has become the single bucket and tool into which advocates of stronger ties with Africa look to include everything that we are doing.

Fourth and last, I would like to end with a practical pitch to renew AGOA as soon as possible this year. Key industries like textiles and apparel operate on 18- to 24-month lead times, which is beyond the current expiration of AGOA.

AGOA trade is already declining. The uncertainty about AGOA’s renewal is already causing orders to be canceled, and soon factories will be closing, and many of those thousands and thousands of women I have personally seen in those factories and youth will be fired.

I understand and support the argument that this AGOA renewal is a great opportunity to make some changes, and there are several noncontroversial changes that can and should be made: finding a way to include North African countries into AGOA accumulation, looking at the issue of modifying graduation criteria for countries like Mauritius that have done well and are moving into the middle-income status. Other noncontroversial changes would include eliminating the textile visa requirement for Africa to harmonize with Customs procedures used for all the other apparel exporters to the United States, and increasing the apparel quotient.

It would also be helpful to review AGOA every 3 years, and not annually. Fewer reviews would make the program more reliable and incentivize investors.

Let me end by saying that CCA notes the longstanding bipartisan and bicameral support for AGOA and welcomes the support for AGOA reflected in bills introduced by other committees, including the recent bill introduced by Senator Coons and Senator Risch.

We commend this committee for holding this hearing and urge that you work with your House counterparts to craft an AGOA renewal bill that can hopefully be passed as soon as possible in 2024.

Thanks for the opportunity to speak with you today, and I look forward to answering any questions and offering CCA as a partner in following up from today’s hearing.

[The prepared statement of Ms. Liser appears in the appendix.]

The CHAIRMAN. Thank you very much, and I appreciate particularly your talking about supply chain resiliency in your remarks, because if you want a secure and resilient supply chain, China is not it. So I appreciate your putting this into perspective.

I want to ask all our witnesses, if you could, please try to stay within 5 minutes. We have a lot of Senators who are interested.

Ms. Nelson?

**STATEMENT OF MELISSA NELSON, GENERAL COUNSEL AND
CORPORATE SECRETARY, SANMAR CORPORATION, ISSA-
QUAH, WA**

Ms. NELSON. Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for inviting me to discuss the urgency of quickly renewing AGOA. SanMar is a family business that relies heavily on sourcing from AGOA countries. Thousands of jobs, both in the U.S. and AGOA countries, rely on us having access to this program.

You may not have heard of SanMar, but you have likely come across some of our products. We supply undecorated blank apparel caps and bags to over 65,000 companies, who then customize our products for their customers. Most of our customers are small businesses who are the touchstones of their community, sponsoring the soccer team and making sure everyone has a matching shirt when they race for the cure.

These companies do light manufacturing in the U.S. They might have a handful of employees or employ hundreds. If you look inside the label of one of our shirts, there is a good chance it would say "Made in Ghana" or "Made in Madagascar." But the vast majority of the value of that shirt is created in the United States, and it all depends on having access to AGOA.

Last year, SanMar imported over 58 million pieces from AGOA countries. So let's say you are a counselor at Camp Crapo. You might need a shirt like this. [Holding up a "Camp Crapo" polo shirt.]

The CHAIRMAN. I am sure it is incredibly well attended. [Laughter.]

Ms. NELSON. This shirt was designed in Washington State, sewn in Ethiopia, cross-stocked in Florida, and decorated by one of our 650 customer businesses in Idaho.

Or say you work at Wyden Wilderness. You might need this shirt. [Holding up a "Wyden Wilderness Preserve" T-shirt.]

The CHAIRMAN. Scarlett Willow Wyden might go there. [Laughter.]

Ms. NELSON. This was designed in Washington State, sewn in Madagascar, cross-stocked in Florida, and decorated by one of our 1,100 customer businesses in Oregon.

I could do the same for each of these, okay? Kenya, Haiti, Ghana; I think this one is also Ghana. I like the patch on this one. They were all designed in Washington and decorated in one of your States.

Where the garment was sewn is an important piece, but it only represents part of the value chain. So many U.S. jobs depend on being able to import duty-free under AGOA. SanMar employs over 5,000 people across nine States. Close to 1,300 of those are professional positions. These are highly skilled jobs that require decades of experience in areas of product design, engineering, IT, marketing, and logistics.

SanMar's apparel production in five AGOA countries provides good jobs for over 9,000 people there. Seventy to 80 percent are women. These jobs provide stability and drive the socioeconomic growth of the region.

When we first started manufacturing in Tanzania, the factory was basically the only building in the area. Now, the entire economy has changed to cater to workers who have disposable income: hair salons, nail salons, restaurants, even a moped shop. The transformation has been remarkable.

AGOA created the incentive to move production from China to Tanzania, but it was not easy. Setting up a new facility with a population that had largely been agrarian required significant training. We started with the least technical products, T-shirts, so the workforce could learn the basics before adding more sophisticated items like sweatshirts and polo shirts.

It took years before we were able to achieve the quality and type of product we wanted to produce. The process has been longer and more difficult than we anticipated. That is why AGOA needs a long renewal period now.

The product development cycle when sourcing from even an established factory in these countries is close to 18 months. With the program set to expire next September, we are already within that window and making business decisions with the expiration date in mind.

Staring down the expiration date has put many potential investments on hold for the past few years. We are missing an incredible opportunity. There is so much potential in vertical integration, but companies are hesitant to invest when the benefits of AGOA could expire before a return on investment.

Textile plants cost hundreds of millions of dollars in investment, and they can take years to build. Businesses need certainty before taking that next step. Vertical integration is possible, but we are not there yet. There is simply no fabric available in AGOA countries.

That is why we need to maintain the current rules of origin. The region has phenomenal potential, but businesses need the stability of a long-term renewal to create a sustainable manufacturing base.

I'm happy to answer questions on AGOA or GSP, which we strongly support.

Thank you so much.

[The prepared statement of Ms. Nelson appears in the appendix.]

The CHAIRMAN. Great presentation; thank you.

Mr. Lincicome?

STATEMENT OF SCOTT LINCICOME, VICE PRESIDENT, GENERAL ECONOMICS AND STIEFEL TRADE POLICY CENTER, CATO INSTITUTE, WASHINGTON, DC

Mr. LINCICOME. I don't have any swag; sorry. [Laughter.]

Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for inviting me to testify today. My name is Scott Lincicome, and I'm the vice president of general economics and trade at the Cato Institute. I always welcome the chance to speak before Congress, but I must admit today is a bit bittersweet.

U.S. preference programs have long been so uncontroversial up here. The committee hearings were not necessary. You mentioned the Senate vote, but in the House in 2018, GSP renewal passed by a lopsided margin of 400 to 2. Yet the program has now sat expired for 3 years, and that trade watchers are now openly contemplating

AGOA's expiration too is an unfortunate statement, I believe, about the state of U.S. trade policy today.

As I and my Cato colleagues have documented, preference programs like AGOA and GSP are imperfect. Product exclusions, import limits, eligibility criteria, administrative requirements limit the program's usefulness. But the perfect should not be the enemy of the good, and there are strong economic, geopolitical, and moral reasons to extend, if not expand, these programs today.

Let's start briefly with the economic case. Preference programs have delivered important benefits for the people participating in them. AGOA saves American companies around \$300 million per year in foregone tariffs. These are savings that they pass on to American consumers or use to expand their own business operations.

Since GSP expired, it has been the opposite situation. Between 2021 and 2023, American companies have paid almost \$3.4 billion in additional import taxes. A few billion dollars in tariff savings might mean little to a \$27-trillion U.S. economy that imported \$3.8 trillion in goods and services last year, but it can be critical to Americans participating in these programs, especially small businesses. Indeed, the typical GSP beneficiary in the United States only saves about \$150,000 in tariff savings a year. But the typical company also only employs about 20 people.

Tariff savings for the small American farms like I have documented in my written testimony—in California, in Michigan, in Wisconsin, and Idaho—are a rounding error in the national statistics. But for these companies, it can mean the difference between business life and business death.

The programs are probably more important for developing countries. Exports surging under AGOA include apparel from Kenya and Lesotho, beef from Namibia, and auto parts from South Africa. These and other qualifying goods are a tiny share of all U.S. imports but big shares of a country's total sales to the United States, supporting tens of thousands of jobs in the process.

Recent research thus finds that trade is "one of the top interventions that governments can undertake to boost global development." It is, in the author's words, "amazingly good for the poor half of the world." This is also why U.S. trade with poorer countries has not facilitated the much-ballyhooed "race to the bottom" for labor and environmental conditions, but in fact a race to the top.

On labor, countries that are globally integrated have better living standards, better working conditions. Poverty and child labor have collapsed in our hyperglobalization era. Thus, the OECD recently concluded that the worst fears about the race to the bottom have not materialized, and a large empirical literature points to the opposite conclusion.

The environmental story is more complicated, but eventually just as optimistic. A country's early stage development can worsen environmental conditions, but the trend reverses as wealth increases. Poorer nations are also greening more quickly than their richer peers did, with trade again helping to boost that process, particularly by disseminating new technologies.

Anecdotes disproving the race to the bottom thesis, as I document in my testimony, also abound. Not all participants are good

actors of course, and more work needs to be done. But in general, keeping poor countries poor, including by blocking trade or attaching onerous conditions to program benefits, will simply impede the good progress they are making.

The geopolitical case is even stronger, and it reflects two facts. First, beneficiary countries provide a strategic alternative to Chinese imports. As *The Wall Street Journal* has reported, tariff savings under GSP allowed companies to shift suppliers to non-China countries. When GSP expired, guess what? They snapped back to China. For this reason, the House China Select Committee has included GSP reauthorization among its 150 policy recommendations to reset the U.S.-China relationship.

Second, preference programs are a cost-effective way to boost global stability and U.S. relations with developing countries, many of which have been pulled into China's geopolitical orbit. Here I would note that these countries are clamoring for more economic engagement, and foreign aid is simply not a substitute for that engagement. Between 2001 and 2019, imports from AGOA countries were about five times larger than the value of U.S. foreign aid over the same period, and tight Federal budgets might shrink that aid even more.

Finally, there is a strong moral case for continuing these programs. In the United States, our annual median income is about 7 to 12 times as much as the income of these people in these preference program countries. One of the best and easiest ways to have the world's poorest people live better is to help them get rich, and these programs play a small role in that process.

In closing, let me just say preference programs alone are an insufficient level of economic engagement with the developing world. Nevertheless, they provide undeniable economic and geopolitical benefits for the United States and our allies, while helping to fight global poverty and to make the world a better, greener place. Continuing them is the least we can do.

Thank you for your time, and I look forward to your questions. [The prepared statement of Mr. Lincicome appears in the appendix.]

The CHAIRMAN. Thank you very much.

Ms. Gill, welcome.

**STATEMENT OF ALLISON GILL, LEGAL DIRECTOR,
GLOBAL LABOR JUSTICE, CAMBRIDGE, MA**

Ms. GILL. Good morning, Chairman Wyden, Ranking Member Crapo, and distinguished members of the committee. It is an honor to testify before you today on the urgent need for the reauthorization of the Generalized System of Preferences, with its labor rights conditionality.

My name is Allison Gill. I am the legal director of Global Labor Justice, a nongovernmental organization that works to hold corporations and investors accountable for labor rights violations in their supply chains; to advocate for policies and laws that prevent forced labor; to protect decent work and just migration; and to strengthen freedom of association, new forms of bargaining, and workers' organizations.

I am here to advocate for a renewal of GSP, and to urge you to use this opportunity to update GSP to ensure that it is fit for purpose for the increasingly globalized economy, including a gender lens. At Global Labor Justice, our experience with GSP runs deep. The International Labor Rights Forum, one of the organizations that eventually merged to become Global Labor Justice, was founded almost 40 years ago by a coalition of labor leaders and activists who came together in 1984 to help secure the inclusion of labor rights conditionality in the GSP, the first-ever labor rights clause in a preferential trade program.

In the decade since, we have been a leader in the use of GSP's labor rights provision to challenge labor rights abuses committed by both governments and corporations, and to push the U.S. to use its economic leverage to ensure that countries benefiting from GSP fulfill their labor rights obligations to workers.

I would like to underscore that while there is a need to update the labor provisions of GSP—which I will touch on in a moment—the most pressing need fundamentally is to reauthorize the program. For the more than 3 years since GSP expired, workers and their advocates have not been able to leverage the program to incentivize labor rights compliance, or to impose accountability for violations.

I will briefly raise the case of the Philippines as an example of the impact of this lapse. In 2021, Global Labor Justice, with the AFL–CIO and 20 other U.S. and Philippines-based trade unions, filed a petition under the GSP documenting systemic and violent repression of union leaders in the Philippines, among other violations.

The Philippines is one of the largest beneficiaries under the GSP. In 2020, GSP exports from the Philippines accounted for nearly a fifth of the country's total exports to the United States. As its top trading partner, the U.S. has unprecedented leverage to use its trade relationship to incentivize movement toward better labor conditions in the GSP, with its power to act as both carrot and stick as a powerful tool for this purpose.

Until the GSP is reauthorized, however, the USTR is unable to act on the information in our petition. It is workers who suffer the consequences. Since 2016, more than 60 union leaders across sectors in the Philippines have been red-tagged as terrorists and assassinated, including four in the first quarter of 2021 following the expiration of GSP and just before we filed our petition.

Despite the prevalence and violence of reprisals, workers in the Philippines continue to organize. They continue to demand a level playing field with workers across the global market, including respect for fundamental labor rights. This is the type of development and growth the GSP can encourage, a real race to the top, and it should do so as soon as possible.

In reauthorizing GSP, Congress has the opportunity to build upon and improve GSP's strong labor rights conditionality, to ensure that GSP meets its development goals of diversifying economically developing countries, and to grow trade without harming American workers. This includes updating GSP's labor rights framework to align with the ILO's Declaration on Fundamental Principles and Rights at Work; adding standards on women's em-

powerment, human rights, and the rule of law; and imposing a minimal level of compliance to require that beneficiary countries effectively afford worker rights, and they are not merely taking steps to do so.

Finally, we believe that labor justice begins at home. While we urge Congress to reauthorize GSP, we urge you to do it with a renewal of Trade Adjustment Assistance. Strong labor standards and protections for workers on both sides of the trade relationship are good for all workers. We join our sisters and brothers in the U.S. labor movement who have called for GSP renewal to be paired with Trade Adjustment Assistance for U.S. workers.

Thank you for the opportunity to testify. I look forward to your questions.

[The prepared statement of Ms. Gill appears in the appendix.]

The CHAIRMAN. Thank you very much.

I will start with you, Ms. Gill. So, these trade programs are based on a pretty straightforward proposition: our trading partners can get tariff breaks on goods that they ship to the United States. That helps their economy, and in return they have to commit to high standards, things like labor and IP protection—and a number of my colleagues on this committee have done very good work on that.

The key obviously is enforcement, and if a country fails to meet its commitments, it ought to lose the breaks it gets. So, it is critical that we monitor compliance and take enforcement action when needed. Why don't you, if you would, walk the committee through the whole question of how you work with say, the GSP petitions to improve labor standards and eliminate practices like forced labor, for example? Tell us how you work through this process.

Ms. GILL. Sure, and thanks for the question. Our organization has filed numerous GSP petitions under the labor provision over the years, often together with union partners in the sectors where we work.

And these petitions, and the country practice review process that follows, are an important part of scrutiny of a country's labor practices, and are often an important tool to incentivize improvement, because no country wants to lose its trading benefits.

I think GSP allows some targeting of particular commodities or sectors, so it is a bit more nuanced, less of a blunt instrument than some other trade enforcement tools, so we like it also for that reason.

And I will just flag two examples of petitions that we worked on that had an impact. One is Uzbekistan. Back in 2007, we filed a petition on Uzbekistan because of systematic, state-imposed, widespread forced adult labor and child labor in the country's cotton harvest. And the regular country practice reviews that followed were an important tool to shed light on what was, at the time, a very closed country with very limited means of scrutiny. It became a really important way to challenge directly the government's narrative that it was not using forced labor.

Ultimately, that led to the elimination of state-imposed forced labor in 2021, and for many, many years the country practice reviews were part of an important dialog that led to a broader campaign of pressure on that country.

The other that I would flag, as I mentioned in my testimony, is the Philippines, where we have filed petitions in the past. As you know, the labor rights conditions for labor leaders, for members, for organizers, and for activists are very, very serious in the Philippines.

The union partners came to us in 2021 looking for leverage to push their own government to stop these attacks and the violent repression against unions. As a major beneficiary of the GSP, they have identified that the U.S. had significant leverage to pressure their government.

We had hoped that the threat of loss of benefits could prompt improvements, but that was just before the program lapsed, and we were not able to proceed.

The CHAIRMAN. I very much like the way you describe the kind of tools that you have with something like this, because we often compare our trade policy to a toolbox, because we would like to put an array of tools in there. And my colleagues, Senator Brown and Senator Casey particularly, have focused in on this whole notion of a targeted kind of toolbox. I think it makes a lot of sense, and we appreciate your good work.

Just a question for you, Ms. Nelson, but I really have questions for all of you. You have been a real success story in terms of using these programs, and you used the programs to support your own business and small businesses across the country.

Tell us a little bit about how you add value to other American businesses. I gathered there is printing, there is embroidery, there is embellishment. There is a variety of companies where there is a pretty good economic multiplier. Why don't you describe that?

Ms. NELSON. Absolutely. Thank you for the question. When you talk about the T-shirt that says, "Wyden Wilderness," well, it is not just the people who designed the shirts in Washington State. You have an IT team to support it; that is 250 people just at SanMar alone.

But then it leaves our door, right? And so cross-stock in Florida. You are talking about the folks at the port who are unloading it; you have the domestic trucking agencies that are bringing it; and because a product gets embellished, you have the screen printers, the embroiderers. You have tons of different styles of embellishing a garment.

That is its own industry, by the way, that we are supporting, because there is new technology all the time. Are you going to sublimate the shirt? Then it gets sent out to their end users. Again, you are talking about more shipping and trucking agencies.

But the backbone behind it that supports all of that is the marketing PR for a company, and the sales team. There are so many people involved. The industry that we support has 500,000 employees.

The CHAIRMAN. I don't know if you would ever sell one of those Wyden T-shirts, because I am barely a household word in my own household. I get the concept, and we very much like the economic multiplier that you have described.

Senator Crapo?

Senator CRAPO. Thank you, Senator Wyden. I think you would sell tons of those in Oregon. [Laughter.]

First of all, let me go to you, Mr. Lincicome. Interestingly to me, some argue that increasing global economic engagement makes us more vulnerable and dependent on China. According to these critics, they argue that we should avoid any type of market opening, including through preference programs.

You have done a great deal of research on the implications of trade expansion on U.S. competitiveness and our geopolitical position. Can you explain why you believe that trade expansion, including through preference programs, improves our economic and our strategic position vis-à-vis China?

Mr. LINCICOME. Sure. Thank you, Senator. There are a host of reasons, and I will try to keep it brief. But I think Ms. Nelson actually hit on one that is very important. You know, about half of everything imported in the United States are manufacturing inputs. These are things that American manufacturers use to make globally competitive products.

So, when you reduce barriers to those imports, you actually are boosting a lot of manufacturers, particularly in advanced products like aerospace and transportation, where there are potentially national security or defense-related implications. So first, it is a good thing for those manufacturers.

But also of course, there are export benefits as well. Manufacturers not only in the United States can make more money selling abroad. You know, the usual line is about 95 percent of all consumers are outside of the United States. But it also means better relations with a lot of those countries, non-China countries in particular.

You know, about 90 percent of all trade that the United States engages in every year is with countries that are not China. We should be looking to expand those relationships, given the potential geopolitical implications. And as I mention in my comments and my written testimony, programs like GSP and AGOA are a small part of that.

But there needs to be more done. You mentioned free trade agreements, engagement at the World Trade Organization, broader unilateral liberalization for manufacturing inputs, and the rest. These are all parts of that special sauce that can make the United States more globally competitive through economic engagement abroad.

Senator CRAPO. Well, thank you very much.

And, Ms. Liser, I would like to direct my next question to you. You visited a number of factories and businesses in Africa that benefit from AGOA. Some critics argue that non-oil exports from AGOA countries are fairly small, and thus AGOA is not particularly relevant.

However, the critics may not appreciate that even small export volumes stimulated through AGOA can lift a much larger number of people out of poverty, including women in particular. You have already referenced that in your testimony. But would you please share a little more fully your experience, to help this committee understand how small exports benefit African development?

Ms. LISER. Thank you very much for that question. It is one of the things that we are always trying to clarify. People say that AGOA is only benefiting a handful of countries and a handful of

sectors. But it really is not true. In 2023, of the 37 AGOA-eligible countries, 21 of them exported more than \$1 million worth of exports under AGOA to the United States.

Now, from the context of the huge economy that the United States is, a company in Ghana or Tanzania or Kenya might export a container a month of their product, whatever it may be. I have been to factories producing fruit juices or canning vegetables or cut flower farms where they are exporting here as well, not just textiles and apparel.

I went to one where they are producing sunglasses and toys and so forth. But even if they only export one container a month to the U.S. and the amount is very small, really nominal from our perspective, when you see the hundreds of people in the factory who are making that product, then you have to think about the multiplier effect of people who are supported throughout the economy.

When you come out of those factories, you will see people with little stands where they are selling food. Or in Lesotho there was a place where it is cold, so they sold those blankets that they wrap themselves in. So, for every worker in those factories, they get an income that is reliable. It pulls especially women out of the informal market, where they now have resources.

I cannot tell you all how many people have said to me, "I now have school fees to send my girls to school as well," or, "I was able to put a new roof on my home." So it is small on our end admittedly, but it has a huge impact on the other end, and we really need to change the narrative about what AGOA is doing there.

I would like to mention one other point. In the AGOA numbers, the products that African companies produce as inputs for other AGOA-eligible countries do not get counted as their AGOA exports, and I will just give you one quick example.

In Lesotho, I visited a factory that is producing leather car seats that get sent to South Africa to be put into automobiles there, that then get shipped to the U.S. under AGOA. Lesotho's production of those car seats does not get included in their AGOA numbers. People do not realize that those 800 people in that factory are benefiting from AGOA.

So, I will just stop there.

Senator CRAPO. Well, thank you very much. My time is up. I do have questions for you, Ms. Nelson and Ms. Gill, but I will submit them for the record.

Thank you.

The CHAIRMAN. Thank you, Senator Crapo.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

Mr. Lincicome, I just want to underscore the point that you raised in regard to the impact that the GSP and AGOA have on foreign policy. In my role on the Senate Foreign Relations Committee, I am frequently asked about both of those programs by representatives from other countries.

They are critically important to help develop the economic prosperity of countries that we are seeking to have a more stable relationship with. And economic progress in those countries is critically important for stability. So I support both, and I just really wanted to underscore the point that you made there.

But as you raised, Ms. Gill, we also elevate the human rights and rule of law standards in international trade by what we put into our bills. With GSP, I was proud when we acted on it in this committee in 2021. We enhanced those standards. Unfortunately, we did not get it to the finish line, and it expired, and it is causing a major problem.

Yes, it affects large companies here, but it also affects smaller companies here. One of the challenges we have is, it affects the supply chains, and therefore we are finding companies maybe not even being able to continue their production and taking production to the source material countries, which costs us jobs here. So for all those reasons, it makes little sense that we have not reauthorized the GSP program.

I just want to get a little bit further on the human rights and trade issues from Ms. Gill, if you will, and I have a question for Ms. Liser as it relates to AGOA. Yes?

Ms. GILL. Thanks, Senator. Because there is this opportunity to revisit GSP with reauthorization hopefully on the horizon, it is an opportunity to ask more of our trading partners as well. And we do support some of the changes that were proposed in the Senate version.

For example, the past eligibility requirement was for countries to take steps to afford, internationally, workers' rights. This should really be updated to ensure that those countries are effectively implementing those rights in practice, so that really *de minimis* kinds of things cannot be seen as credible evidence of improvement.

And we should add to the standards so that they align with core labor rights and international law. This concept that is in the current or the past GSP of internationally recognized worker rights is not tied to a clearly recognized international legal standard.

And we should add criteria specifically on women's empowerment, to acknowledge that women's ability to exercise their fundamental rights as workers depends on their ability to exercise their human rights. These things are interlinked, and that is quite clear.

Rule of law criteria are particularly important, given the rising tide of authoritarianism around the world. Workplace democracy is fundamental to democracy, and so when we talk about exporting U.S. values, that is one of them. Authoritarian governments often seek to silence trade unionists, seek to silence independent union activity, and worker activity, because of this clamp-down on democratic space.

They should not get away with that just because those are not worker rights.

Senator CARDIN. Thank you.

Ms. Liser, we have to act on AGOA this year, otherwise it expires. There is some conversation as to the eligibility of countries for AGOA, whether that should be revisited, whether additional standards should be added.

I welcome your views as to whether we need to look at the current circumstances on governance and on the economic welfare of these countries, as to whether we should be looking at changes in the qualifications.

Ms. LISER. Thank you, Senator Cardin. It is an excellent question, but I do think that the eligibility criteria currently of AGOA

cover a wide range of issues: poverty reduction, good governance, rule of law. I think that in essence, we are covering the range of principles that the United States has and that we believe are important in engaging with any of our international partners, including the Africans.

Those Africans over the years—I was able to see this—who do not meet the eligibility criteria, basically they are put out of AGOA, made ineligible, and then when they get back on the right track, they become eligible again. We have seen this various times with countries. You know Madagascar has been in and out. Cote d'Ivoire has been in and out of AGOA.

And so, I believe that the eligibility criteria are actually working, and that we need to just simply keep applying them effectively by the interagency that decides every year now, but we are recommending that it be done every 3 years.

It does not take anything away from our power to act if a country does something like a coup in the interim, but it gives more certainty and reliability for the investors and the traders, our buyers, if we can do it every 3 years. But again, we have the right and the ability, even in an interim period, to go back and say, okay, this country is not meeting our criteria, and therefore they are ineligible.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I would just say to our guests and those who are following this, you just saw why we are going to miss Senator Cardin so much, because he outlined an area that there was great bipartisan interest in on this committee, and that was strengthening the standards associated with it.

I am going to put into the record what I see coming from Democratic members and Republican members, matters like expanding the rule of law, women's empowerment, the environment, and digital. I mean, these were all bipartisan efforts in this committee as it relates to the point that Senator Cardin was just talking about, which is our role in strengthening standards.

So, he will be much missed, and I already told him he is not going to get very far. We have these new things called smartphones, so we can call him up when we have questions.

Senator Cornyn?

Senator CORNYN. Thank you, Mr. Chairman. I am pleased to join this protrade lovefest that we are having here today. This is a refreshing development, and I appreciate all the witnesses being here.

So just a few questions. I am particularly interested in AGOA and what is happening in Africa. Senator Crapo talked a little bit about the geopolitical impacts in Africa. And, Ms. Liser, I note that, with the coups that are occurring in Africa, the void is being filled, it seems like, by Russia and China across the board—hardly, hardly democracies, hardly people sharing our values.

And can you just talk to me a little bit more about the need, in terms of the geopolitics of Africa, for filling the void that China and Russia would otherwise fill, if we do not by reauthorizing things like AGOA?

Ms. LISER. Thank you, Senator. I think that the U.S. has a great opportunity to enhance its relationship with the Africans and our economic partnership with them, recognizing that there are other actors in the world—Russia, China—that are very active on the continent.

But they are not the only ones. Even our European partners and competitors are in Africa. The Brazilians are there. The Indians are there, et cetera. So, the U.S. really does need to step up its engagement, and there are a number of ways we can do that through tools we have.

Prosper Africa, the U.S. Export-Import Bank, DFC, et cetera, are providing support to U.S. companies to actually sell their products to Africans, who then use it to manufacture and send here. I recognize though also, that there is a concern about some of the backtracking on democracy and rule of law that we have seen, particularly in West Africa.

But we hope that it does not impact the narrative that Africa as a whole is 54 countries. It is not one country, it is 54 countries. There are many opportunities for the U.S. to engage there. For those countries in West Africa, as I said, there have been some coups, some backtracking—in Gabon, Niger, and Burkina Faso, unfortunately.

But I think to keep the pressure on them, basically to come back into the good practices of rule of law, of political pluralism, these are things that are really important that set an environment in those countries for trade and investment. That is what we tell them. “You are doing this for other reasons, but you have to realize that this has an impact on the environment in your country, and our companies are not going to want to invest here. Those who are there may consider leaving or do leave. So you do need to get back on track.”

Some of them have, and as I said, over the years you will see that some of them fall out of the fold and then come back into the fold.

Senator CORNYN. Well, we certainly cannot promote our values if we are not there, which is what happens now. As I pointed out, the void seems to be filled by those with other motives and very different values than we have.

Senator Carper and I have joined together on a number of op-eds and a number of hearings about the opportunity we missed to take up the Trans-Pacific Partnership in particular. It was, in my view, a major mistake, and I blame Republicans and Democrats alike. But the fact of the matter is, China is more than happy to fill that void, and we know what negative influence they are having in terms of threatening their neighbors.

Ms. Gill talking about the Philippines comes to mind. But other countries in the Indo-Pacific and the South China Sea are being threatened, not the least of which is Taiwan now. If we were more engaged in setting the standards with our friends and allies in the region, I think that would have a very positive influence.

I remember a quote somewhere that I read, and it goes basically along these lines. It says, “Make trade, not war.” There are economists and others, Mr. Lincicome, who argue that if you are trading

with countries, you are less likely to engage in military conflict. Is there any truth to that?

Mr. LINCICOME. Yes, definitely, Senator. Thank you. I wrote a paper a couple of years ago—I am happy to provide it for the record—detailing the economics literature that shows repeatedly that countries that trade together tend to have less armed conflict between each other.

Now, it is certainly not perfect. Russia and Ukraine have taught us that there are exceptions to that rule. But you are talking about a substantial decrease in the likelihood of cross-border armed conflict because of increased economic engagement. When you couple that with the fact that has already been mentioned that countries like China and Russia are not simply sitting still—they are engaging in places like Africa and Southeast Asia—it is really critical that the United States get back into the game on trade policy, unlike what has been going on for the last few years.

Senator CORNYN. Well, it may be too late with the current administration, in terms of trade policy. But I think this is something that obviously there is strong bipartisan support for, and I think we need to pursue these arguments for the reasons that all of you have testified to. Thank you for being here.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

I would only add one point. Obviously, TPP was a debacle. One of the areas that I am proud of for this committee is, we came back pretty quickly with the U.S.-Canada-Mexico Agreement.

Senator CORNYN. Agreed.

The CHAIRMAN. We got to the key questions, you know. Business wanted access to markets and exports. We supported that, and a lot of working families said there has to be a better job done on the labor and enforcement issues. And so, I think our bounce-back capability—and Senator Cantwell continues to be a great champion and supporter of these Pacific markets. I am happy to work with our colleagues.

Senator CORNYN. I am not giving up.

The CHAIRMAN. Well said.

Okay. Our next Senator will be Senator Bennet.

Senator BENNET. Thank you, Mr. Chairman. Thanks for holding the hearing, and thank you all for being here.

This is for Mr. Lincicome and Ms. Nelson. I just got back from Ecuador a few days ago. I met with President Daniel Noboa and his cabinet while we were there. He has been a staunch partner of the United States.

Ecuador, as you know, is the only Latin American country on the Pacific coast that does not have a free trade agreement with the United States. Ecuador wants the United States to stay as the country's top economic partner, but U.S. tariffs are too high for their products to be able to compete in this market. And as a result, Ecuador now exports the majority of its non-oil goods to China, with whom they recently finalized a trade agreement.

Senator Cassidy and I—who I was just with a minute ago—recognized the need to address this gap in the U.S.-Ecuador partnership, which is why our Americas Act would temporarily extend market access to Ecuador and Uruguay through the Caribbean

Basin Trade Partnership Act, with the goal of eventually signing trade agreements with both these countries. Our goal is to build on the USMCA that the chairman talked about.

Ms. Nelson, could you talk about your view, please, on including Ecuador and Uruguay in a trade preference program like the CBTPA, how that might help incentivize firms like SanMar to purchase clothing from them? And then I will come to you, Mr. Lincicome, after Ms. Nelson.

Ms. NELSON. Thank you for that question.

Senator BENNET. Thank you for being here to answer that question. [Laughter.]

Ms. NELSON. Yes. I will take it, and I will note that there are over 1,000 customer businesses in Colorado that are relying on SanMar's use of trade programs. SanMar follows where the government tells us to go. When the government says, "Here is an incentive for providing a duty-free access trade program for certain products in certain countries," we will go there.

We do it responsibly; we do it sustainably. We do not simply turn a factory off and jump somewhere else. We are engaged in responsible purchasing practices, absolutely. But if you look at our history, in 2010 46 percent of our imports came from China. Today that number is 6 percent.

Why? It is because of programs like AGOA, like GSP, like Haiti Hope. We are going where you incentivize us to go. So, would we be happy to have additional options? Absolutely. I can't speak to the specifics of those two countries, and I do not know the infrastructure of what they actually—the sophistication level of producing apparel, caps, and bags.

But absolutely. If you present an incentive for us to go, we will follow.

Senator BENNET. Thank you.

Mr. Lincicome, could you talk a little bit about how extending trade preferences to additional Latin American countries could help the United States compete more effectively with Beijing?

Mr. LINCICOME. Yes; sure. I think GSP provides an unfortunate example in this regard. When GSP lapsed and tariffs snapped back, companies ended up moving out of those GSP beneficiary countries and moving back to China. And they did that because of the very large, kind of inherent advantages that the Chinese manufacturing sector has, and then of course additional Chinese industrial policies as well.

So, when you increase market access, when you reduce trade barriers to GSP beneficiaries or to countries like Ecuador, you can make them more competitive vis-à-vis China or other large, developed manufacturing nations. I would add that, as has been mentioned repeatedly by my fellow panelists, the certainty is a critical aspect here.

I think that is one reason why trade agreements are preferred over preferential packages and preference programs, because they provide that type of certainty for American investors like Ms. Nelson and others, and buyers here, to make sure that the money that they are spending in these developing countries is going to bear fruit not just for a year or 2, but for the long term. That helps them, and of course it helps those developing countries as well.

Senator BENNET. Just because you stole my second question—

Mr. LINCICOME. Oh, sorry—

Senator BENNET [continuing]. Let me respond by saying this self-defeating position we are in with respect to GSP—I just happen to have the numbers here. Since GSP's expiration, outdoor retailers, including Colorado-based ones like The North Face, pay a total of \$1.53 billion in duties on products that were once GSP-eligible.

I mean, we are slitting our own throat, not to be too graphic about it, in a region, by the way, that is desperate for us—desperate for us—to provide an alternative to Beijing.

So, Mr. Chairman, I continue to look forward to this. I'm out of time, but could you please make a special provision in the record so that Christopher Coons, the Senator from Delaware, knows that I would have asked a question about AGOA if I had had time to be able to do that? [Laughter.]

The CHAIRMAN. Mr. Recorder, let us consider it done by unanimous consent. Senator Coons, like Senator Bennet, has spent a tremendous amount of time on this, and I appreciate that.

Senator Grassley is next.

Senator GRASSLEY. Yes. I hope I have a reputation of being a free trader, and I think as time goes on, I am a minority in the Congress on that point, and maybe in the minority among the country as a whole.

But I wish our country would learn some lessons from the Smoot-Hawley Tariff Act of 1930 that was supposed to help protect American agriculture and industry, and I think it had a great deal to do with the Great Depression that followed on very quickly.

And I think we have learned since the Second World War that free trade has lifted millions of people out of poverty. I think I have read where free trade and capitalism together have probably reduced in the last 60 years—the world poverty rate is defined in different countries in different ways—but they have reduced it from 50 percent down to about 10 percent.

Now, trade tools like the Generalized System of Preferences, or GSP, and AGOA are developing programs that also reduce costs for American consumers by lowering tariffs, just like free trade agreements do. That is why in 2020, when GSP was set to expire, I introduced legislation to extend it through April 2022.

More recently, I am glad to see the House passed the reauthorization of GSP out of their committee. I support this committee working together to finally pass GSP reauthorization and to reauthorize AGOA before it expires.

So, my questions are to Mr. Lincicome. Do you think that reauthorizing GSP and AGOA can reverse the trend of China out-competing the United States in investments in Africa?

Mr. LINCICOME. Thank you, Senator. I think it is a decent start, I will put it that way. The fact is that, as we all know, these programs are somewhat limited by design, and they do not provide the type of certainty, the type of comprehensiveness that a broader trade agreement would provide, while, as we have discussed here today, the Chinese Government is actively seeking more than just a bit of trade preference access in these same areas, whether it is the RCEP agreement—the Regional Comprehensive Economic Partnership agreement—or other trade agreements that the Chinese

Government is pursuing; whether it's the Belt and Road Initiative, which of course is investing in these places; or just simply bilateral investment. I mean, if you look at the numbers, the Chinese Government, Chinese businesses are investing heavily in these places. So, yes, of course providing duty-free access via GSP, AGOA, other preference programs, doing it on a longer-term basis, is good and fine, and as I have said, we should do it. But we definitely need a lot more than just that.

Senator GRASSLEY. Could you speak to how GSP can move supply chains away from China?

Mr. LINCICOME. Certainly, Senator. You know, as I said previously, the fact is that China is a huge manufacturing nation. There is no doubt about that, and the fact that they will have certain economies of scale that are very hard to defeat, even with U.S. tariffs on Chinese goods.

So, preference programs give beneficiary countries and producers in those regions a leg up, and make them far more competitive, particularly when you are talking about certain goods that are subject to very high tariffs in the United States otherwise.

You know, when you are talking a few percentage points, well, that is maybe not a big deal. But 10, 20, 30 percent can be an insurmountable barrier for GSP and AGOA beneficiaries without that preferential market access when it comes to competing with a behemoth like China.

Senator GRASSLEY. And my last question: are there other mechanisms Congress could include in GSP to encourage compliance on issues such as intellectual property rights, outside the threat of removal or limitation on the participating country?

Mr. LINCICOME. Thank you, Senator. I start with the general disclaimer that adding too many conditions or too onerous of conditions to these preference programs can eliminate the utility entirely. If companies cannot qualify, if the conditions are too intense, well, then you are not going to get much trade, and then all the benefits we have talked about today just simply will not materialize.

That said, I think there should be more focus on company-specific actions and less on country-specific actions, because when you punish a government for bad government behavior, well, then you end up with a lot of collateral damage. Tens of thousands of some of the poorest workers on the planet get punished for what their government did, perhaps even unbeknownst to them.

So, by focusing more on a company-specific level, you can target bad actors without throwing the baby out with the bathwater.

Senator GRASSLEY. Thank you.

The CHAIRMAN. I thank my colleague.

Senator Young is next.

Senator YOUNG. Thank you, Mr. Chairman. I thank our witnesses for being here today.

Before I dive into some specific lines of inquiry, I want to embrace Mr. Lincicome's message, which is, we need more trade relations with more partners around the world. Whether those are bilateral or multilateral or plurilateral agreements is less important to me at this point than the fact that we are striking more agreements, because other countries are as well.

Much of my recent work in Congress has been as it relates to supply chain resiliency and what we are calling economic security, which of course has a direct impact on our national security. It is lost, it seems, on certain members of this administration, as well as some in my own party, that we compete with adversaries. But the other side of it is, we need to cooperate with friends and allies.

Part of that cooperation is just coordination of critical inputs, but it is also by establishing free trade relations. It makes us more resilient when there are supply chain interruptions.

Moving on, GSP renewal is something I would like to dive into. It is critical for companies in my State of Indiana. They have paid over \$60 million in extra tariffs since the program lapsed. The Competitive Need Limitations, or CNLs, which are built-in thresholds that trigger the removal of a product from GSP, need fixing.

I was glad to see the House Ways and Means Committee pass some improvements. However, I would like us to go further. From specialty woods used by the RV industry, travel goods, or industrial components used by Hoosier manufacturers, current CNLs eliminate duty-free treatment for products that have proven to be the most beneficial under GSP.

It does not make sense. Renewing GSP should be a common-sense objective, with an opportunity to enhance the program's effectiveness and help incentivize supply chain shifts away from China.

Ms. Nelson, would higher CNL thresholds help ensure that SanMar can keep using GSP in the future?

Ms. NELSON. Thank you so much for the question, and let me note that we have 1,400 customer businesses in Indiana that are—

Senator YOUNG. Bless you.

Ms. NELSON. That are relying on us to use GSP, to use these other trade programs. The main issue is speed of renewal. So, in terms of changes to the program, from our perspective the program was working until it stopped. It did pull us from China. It did bring us to the Philippines and to Indonesia, to Myanmar. It was allowing us to export American values—and just renew it, please.

Senator YOUNG. Okay; all right. I have internalized the urgency to get that done, on behalf of those Hoosier businesses as well.

Mr. Lincicome, if you could just very briefly discuss more broadly how artificial caps like CNLs, Competitive Need Limitations, limit the usefulness of GSP, both as a development tool and for the beneficiaries.

Mr. LINCICOME. Of course. But first, Senator, let me say, using the term “plurilateral,” you are officially a trade geek. Welcome to the club. [Laughter.]

More seriously, a CNL limit effectively says to a company or a country, “You have gotten too good at making stuff, so we are going to cut you off.”

Senator YOUNG. Yes.

Mr. LINCICOME. So that, like you said, really makes no sense. We should be encouraging companies in these places to become more efficient, not only for their own benefit, but for the benefit of American manufacturers, American consumers here as well.

So yes, I agree with you. I mean personally, I would get rid of the CNL altogether, but we should at least be raising that thresh-

old, so that as companies mature, they can continue to benefit from the program, just as it is, supposedly, supposed to do.

Senator YOUNG. Thank you so much.

And before I close here, I want to recognize Senator Coons's leadership on AGOA, and recognize relatedly that it takes an average of 16 years to bring a new mine online here at home. I think there may be another solution: sourcing raw minerals from abroad through foreign investment and market access.

While an FTA should be the ultimate goal, renewing AGOA offers an immediate opportunity to strengthen our supply chains by partnering with African nations rich in these essential resources.

Mr. Lincicome, very briefly, in your opinion, how can AGOA be updated to support the development of processing and refining infrastructure for critical minerals?

Mr. LINCICOME. Thank you, Senator. I will have to get back to you on the details of that. But again, I will just say generally that yes, this makes really great sense that you are leveraging the comparative advantages of these African nations in the very minerals that are supposedly critical to the future of a lot of environmental goods. Yes, it makes perfect sense to be incorporating those into the agreement or program.

Senator YOUNG. I will look forward to that response, sir.

And, Ms. Liser, if you would like to submit a response to that question, I would certainly welcome that as well. Thank you.

Ms. LISER. Yes. I would just say that we have these mineral supply partnerships that are important. We should be looking to put those in place with the DRCs, Andean, other countries that have critical minerals: lithium, cobalt, et cetera.

And then we might also want to look at the tax credits that IRA offers to FTA partners and potentially think about whether or not AGOA-eligible countries that have those critical minerals that we need, that we might not also incentivize investment into value addition in critical minerals in those countries instead of what is happening now, where it gets shipped to China and they make EV batteries, et cetera.

The CHAIRMAN. As much as I value these important discussions, we have to move on to Senator Warner. But, Senator Young, I look forward to working with you.

Senator Warner?

Senator WARNER. Well, thank you, Mr. Chairman. Thank you for holding this hearing. Let me echo—I hate to do this, but I echo my friend from Indiana's comments, one on complimenting Senator Coons, and I strongly fall in the camp that we need to renew AGOA.

You know, Mr. Chairman, as members of the Senate Intel Committee, we have spent a lot of time on critical minerals, and I want to get the same responses that Senator Young got. I think AGOA can be an enormous tool for us to work with African nations in terms of critical minerals.

My hope would be, Ms. Liser, as you just pointed out—you know, it's not just the extraction, but the real value added is in the processing. And mineral after mineral, China, wherever they extract, gets 80 percent of the processing. So, if we could do that, whether

here or particularly in Africa, allow Africa to have a bigger part of the value chain, I think it is extraordinarily important.

I am going to start my first question with you, ma'am, which is—and I apologize if other colleagues have already raised this. I think one of the greatest assets we have in this country is the African diaspora. And you know, as I look at my State, the African diaspora is the fastest-growing part of Virginia's population. One out of 10 foreign-born citizens are first-generation African diaspora. We in Virginia are disproportionately Ethiopian.

But one of the things that people frankly do not realize is that of all immigrant groups, the most educated coming into our Nation are African diaspora, and Nigeria is the leader of the pack on all of that. So, Ms. Liser, could you talk about AGOA, other trade agreements, and what else we can do to take advantage of this resource, because I frankly think that the African diaspora—if you look at Africa's data numbers and population growth, wealth growth, there are huge opportunities.

We have not taken advantage of that African diaspora the way perhaps we have like on India. I am sure the India caucus, the Indian American diaspora is terribly important. But how can AGOA and other things help, and what else can we do in terms of the African diaspora?

Ms. LISER. So, thank you for that excellent question and for recognition of a group that can play a key role in advancing and enhancing the trade relationship with Africa. Many of the businesses on the continent are SMEs, and even in many cases micro-SMEs, women-owned, youth-owned.

But I think you also know that on this side, many of our businesses that are driving economic growth in the United States are also small businesses. And for diaspora-owned, minority-owned, women-owned businesses, a number of them we have found over the years connect with African SMEs in terms of trading.

And we have examples of that. Just one as an example, where a woman who is a Ghanaian American, who was in the Peace Corps, she is in the shea butter field, and she imports products, shea products from Ghana in particular, which are value-added products, and then sells them in stores like Walmart and Target and so forth.

The link there is that as a Ghanaian American, she has a link to that market. She has a passion for doing what she can do best, and she is also growing the American economy by the people that she employs on this side as well, right?

Senator WARNER. And it is one of the reasons why I think EXIM Bank, DFC, and others—but we also need to look at, again, the diaspora Africans who live in America, you know, things like access to capital. Both of the other Senators are working with me on—

Ms. LISER. Right. The financing is very important—

Senator WARNER [continuing]. The CDFIs, Community Development Financial Institutions—different jurisdiction, but terribly important. I am down to my last minute, and I have to get in some home cooking.

Ms. Nelson, I was thrilled with the SanMar announcement last year: \$50 million in terms of a 1.1 million square foot distribution facility in Ashland, VA. And, Mr. Chairman, you may not know,

but Ashland, VA's informal title is "center of the universe." I am not sure how they got that, but that is what they claim. But you picked a good location. I think you have 100 folks there already, getting up to 1,000.

Now that I have made my commercial for Ashland, VA and your facility there, in 20 seconds tell me how AGOA is helping that kind of decision-making and investment on this side of the pond, as well as——

Ms. NELSON. Thank you so much. And in addition to the folks that we have and the giant facility we have there, there are also 1,100 customer businesses that rely on SanMar having access to AGOA. We are a growth business. You know, we are excited to be in Virginia—and the people there are phenomenal, by the way.

But we are only able to grow our business because we have the ability to source this product duty-free from these five African countries. And they are the inputs for our customers. So you know, the margin on T-shirts is slim. They are the inputs that allow our customers to be able to customize and sell them on.

The size of that distribution center, the number of employees that we will have, is directly proportional to how well we are doing business, how well we are servicing our customers, and a giant portion of that is being able to source duty-free from these countries.

Senator WARNER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague. Ashland, OR will want to have a deal with Ashland, VA.

Senator WARNER. We could have like an exchange from two centers of the universe.

The CHAIRMAN. A very promising concept.

Senator CORTEZ MASTO?

Senator CORTEZ MASTO. Thank you. Thank you to the ranking member and our chairman as well for the collegiality on trade. To my colleague from Virginia, I think the Nevada African diaspora will give you a run for your money. We are very, strong, bold, and——

Senator WARNER. I'll take that bet.

Senator CORTEZ MASTO. We will take you on.

I was just with many members—and it is true, Ms. Liser. I will tell you, there is a woman from Ghana who has beautiful clothing that she is bringing into Nevada now and selling. It is fantastic to see, and it is fun to see women engaged in this. This is going to be the focus of my questions for all of you.

I support the reauthorization of not only the GSP, but AGOA. I had the opportunity in June to be in Africa with Chris Coons and some of my colleagues. We were in Zambia, we were in Angola, we were in Malawi, to name a few. It was incredible to see the support for AGOA. But it is everything you have said: why it is so important and why we need to continue to reauthorize it.

But here is one thing I want to focus on, because this is my takeaway as well: the benefit to women and young girls, the liberation it gives them to not only get educated, but then have a business or some focus for their future. Because I tell you, the challenge is there. And as you all know, some of those African countries are doing right by young girls and women, and this is another opportunity to do so.

And that was my takeaway, and that is why Senator Casey and I—we have been really focused on how we empower women through trade. So these are going to be my questions.

The first one I have is, Senator Casey and I introduced the Women's Economic Empowerment in Trade Act, which would ensure that countries receiving trade preferences under GSP strengthen standards on the rights of women, for the very reasons that I just talked about.

Ms. Gill, let me ask you. Can the trade preference programs like GSP be more successful if there is explicit language not just on labor rights, but on women's rights and opportunity?

Ms. GILL. Thanks so much for the question, and the short answer is "absolutely."

We know very clearly from evidence that women workers can only exercise their fundamental labor rights when they can exercise their human rights, and that means to be free from violence, to be free from gender-based violence and harassment. And we also know that there is a clear interlink between gender-based violence and harassment and freedom of association.

And when we have freedom of association in the workplace, when we have systems in place to combat gender-based violence and harassment in the workplace, in the world of work you have safer, healthier workplaces, you have more empowered workers, and you get the kind of empowerment that you are talking about.

Senator CORTEZ MASTO. And that is right.

And, Ms. Liser, as I was visiting these countries, we were looking at some of the manufacturing, and it was the women who were actually in these businesses, who were working. I also was astonished to see the benefits of education and what it brings to these young girls and young women, and the opportunities now that they have for their future.

So let me ask you, what do you think about applying some of these same ideas to the AGOA program to support women's economic opportunity and ensuring that we have some provisions in AGOA, in the agreements as well, for women?

Ms. LISER. So, Senator, I think that a focus on women in Africa, the important role that they have—more of the money that they get will go into their households, into the education of their children. No offense to men, but put a dollar in a woman's hands and you will see what happens with that versus a dollar in a man's hands.

There are other things, though, that can be done in addition to just talking about empowering them through trade: access to capital, trade capacity building. I have been in factories where they are looking to buy a machine that might polish gems for jewelry they are making to ship to us, that costs \$5,000, and they cannot get it.

So, if we can increase access to capital, trade capacity building, help them with business plans, these are things also that will help to empower women. They themselves know when they get those resources—they know what to do with them. But trying to make sure that they have access to those things that would make them more effective, more competitive traders, I think, is important.

Senator CORTEZ MASTO. Yes, I agree, and thank you for that.

And let me just say, Ms. Nelson, to SanMar, thank you. Levi Strauss in Nevada—there are so many other businesses that partner with you, and thank you for the work you are doing.

I only have a few seconds left, but, Mr. Lincicome, let me ask you this. How does the lapse of GSP impact the tourism sector, which we have not talked about, which obviously is important for my State in Nevada, in Las Vegas? Is it making it more expensive for consumers to afford the goods needed to travel?

Mr. LINCICOME. Well, yes. I mean, I think that you answered your question. Yes, of course. To the extent that you are raising the price of travel goods and making it more expensive to buy a suitcase or whatever, then of course it is going to have a downstream effect on the tourism sector as well.

But also, I think it is—again, if we think broader about trade relationships, and as Americans are investing in, whether it is GSP countries or AGOA countries, and we are increasing those kinds of bilateral relations, people will be more likely to visit the United States and go to Vegas and other places.

So certainly, the travel goods and those parts are important, but the broader economic relationship, I would say, is probably more so.

Senator CORTEZ MASTO. Yes; thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

Senator Brown has done as much as anyone who has said that working families have got to be the focus of trade policy, and he has dedicated years and years to that cause.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman. Thank you for your comments about that, and your leadership. Congress needs to pass a package that addresses trade issues, primarily renewing Trade Adjustment Assistance. I want to be clear that this committee, this body, should not move forward any deal that does not make the trade protection program its priority.

TAA provides critical assistance to workers who have been harmed by foreign trade through no fault of their own. We see that every week in my State and throughout the Midwest. So-called free trade agreements crafted by corporate lobbyists and Washington insiders and the Presidents of both parties have sold out workers time and time again. We have seen how it plays out.

Coastal elites always say, “Don’t worry. We will compensate the losers.” How many times have I heard that? As if any amount of compensation could replace the dignity that a worker gets from a good middle-class job, with skills you are proud of, where you can support your family. TAA was supposed to be the solution, but it is a bare minimum.

But Washington now cannot even do that. TAA has been lapsed in full since 2021, but since then countries like China have not stopped cheating our trade laws. Corporations have not stopped outsourcing, looking for the cheapest labor. Thousands of workers are left behind by the one lifeline that was supposed to work out for them.

Right now, there are 115,000 workers—115,000 workers—with TAA petitions pending at the Department of Labor. That is

115,000—this is not statistics—115,000 stories of job loss, of financial stress, of uncertainty for families and communities because of the negative impacts of trade that far too many people in this town have advocated for.

Our country owes these workers—owes these workers who Washington and corporate America cast aside. If we do not reauthorize TAA, it is a moral and economic failing for all of us. It is part of a larger failure of our government to stand up for the people who make this country work.

It happened when I was growing up in Mansfield, and I saw jobs first move to Alabama and Mississippi. Then when the geniuses in this town, aided and abetted by Presidents of both parties, pushed through trade agreements, those jobs went overseas.

Six hundred workers around Kettering, OH had nowhere to turn when Tenneco closed. Two hundred steelworkers in Canton and Mason were left without livelihoods when Republic Steel closed plants last year. When Cleveland-Cliffs idled their tin mill in Weirton, WV, workers from West Virginia, Ohio, and Pennsylvania—it was a direct result of weak trade enforcement. Hundreds of Ohioans lost their jobs.

That community has been devastated, but the Federal Government had nothing to offer. In nearly every State, workers feel the negative impacts of trade, while the geniuses in Washington extol the virtues of free trade.

Thousands of workers across the country wait for Trade Adjustment Assistance. In the chairman's State of Oregon, 5,700 workers are waiting. In Idaho, the ranking member's, 800 workers are waiting.

Mr. Chair, I would like to submit to the record the number of TAA petitions pending in each State—including yours and Senator Crapo's—represented by members of this committee.

The CHAIRMAN. Without objection, so ordered.

[The table of petitions appears in the appendix beginning on p. 39.]

Senator BROWN. Thank you. And I will close with this. We cannot let this go on any longer. Workers are suffering. We must renew TAA. I have a bill, the TAA Reauthorization Act, that will renew TAA through 2030. I encourage everyone on this committee to support it. I should note that Chairman Wyden supports it, of course, because he stands for workers.

Thank you, Mr. Chairman. I appreciate that my colleagues are also interested in reauthorizing GSP and other programs. But if Congress is going to pass any trade agreement, any trade package, any trade bill, it must include TAA. Reauthorizing it is the bare minimum when it comes to trade policy.

I have heard this song and dance for my entire career: we will take care of the lost workers a little bit through a few dollars to them. That is not the right trade policy. If we are serious about competing with China; more importantly, if we are serious about supporting American workers, we need to get serious about our trade enforcement.

I am thrilled that this country finally, in the last few years, has an industrial policy, but it simply will not work without trade enforcement. It means passing TAA. It also means passing Leveling

the Playing Field 2.0, to strengthen trade enforcement and help prevent workers from losing their jobs in the first place.

Mr. Chairman, thanks for your time.

The CHAIRMAN. I thank my colleague, and I want our guests to understand the concept behind the important work Senator Brown is doing. He is talking about workers who have been laid off through no fault of their own. That is who we are talking about here, and he has come up with ideas to get those folks back in the winner's circle.

He is pointing out that a lot of the programs, as he calls it, are essentially "losing insurance." You know, you have lost, things are bad, everybody is hanging crepe, and Senator Brown is saying, "No, that is not the way we are going to go. We are going to talk about programs that get workers back in the winner's circle," and I am proud to work with him.

Okay. I believe Senator Warren is next, but then Senator Blackburn would be next if nobody else comes in.

Senator Warren?

Senator WARREN. Thank you, Mr. Chairman, and thank you, Senator Brown, for your leadership on these trade issues. It is so important to working people all across our country, and I completely support what you are doing here.

You know, for too long, our trade policy has been a global race to the bottom. Corporate lobbyists and trade negotiators worked in back rooms to ink deals that lowered labor and environmental standards and made it easier to offshore jobs. American workers have had enough, and finally some politicians in Washington are starting to listen to those workers.

But not everyone. House Republicans just advanced a bill to extend the Generalized System of Preferences, or GSP, a program that lowered U.S. tariffs on goods imported from certain countries, without requiring those countries to cut tariffs on our exports as well. And those same Republicans oppose renewing the Trade Adjustment Assistance program, or TAA, that Senator Brown was talking about, which helps American workers get back on their feet when they lose their jobs due to trade. So, I also would like to talk about TAA, and other policy tools that we have to protect U.S. competitiveness and workers.

So let's just start with a little Econ 101. Ms. Gill, you are the legal director of Global Labor Justice. So tell me, when the U.S. cuts tariffs and imports more goods from abroad, is it just a win-win for Americans?

Ms. GILL. Thank you, Senator. No, I think it is really clear that even with very careful tailoring of programs, gains from trade are not always equally distributed, and some workers do lose out.

Senator WARREN. Okay. So we have workers losing out when that happens, and this is basic economics that even free traders have to admit to. Some people lose from trade. So what are we going to do about that?

Number one, we need to protect our workers from unfair trade, and that is why President Biden is raising tariffs on massively subsidized Chinese imports like cars and computer chips and steel and aluminum, that undercut American workers.

Number two, we need to invest in American competitiveness, like we have with our domestic semiconductor industry and clean energy manufacturing. But even with all that, some workers will lose their jobs due to trade, and that is where TAA comes in, helping those workers find new jobs.

Ms. Gill, what does TAA mean for the workers who receive it?

Ms. GILL. As I noted in my remarks, we believe that labor justice begins here at home. We stand with the U.S. labor movement to call for TAA, together with renewal of GSP.

TAA provides resources for retraining workers who have lost their jobs due to trade. It provides sort of extended unemployment insurance. And some analysis of the program shows that about 10 years out, workers who have received a helping hand from TAA have earned \$50,000 more than workers who have not received the assistance.

Senator WARREN. Okay. So people get training, and as a result of the training, they are actually able to get good-paying jobs, and they are earning, I think you said about \$50,000 more a year 10 years out because they got some assistance after they lost their jobs.

You know, since TAA lapsed in mid-2022, over 100,000 workers have lost their jobs due to trade but have been unable to get these TAA benefits. Meanwhile, House Republicans advanced legislation renewing GSP, which would retroactively cut U.S. tariffs, already among the lowest in the world.

Under this Republican bill, large businesses and importers who decided it was worth paying a tariff to import goods from overseas as far back as 3 years ago, would get a windfall refund of \$2.6 billion. By the way, that is five times the cost of TAA.

Ms. Gill, I know there is a lot of work that we can do to update GSP, to raise labor and environmental standards in the countries that benefit from it. But would you not agree that if we are going to renew a tariff-cut program like GSP, we should also renew TAA?

Ms. GILL. Simply put, yes.

Senator WARREN. Yes, yes. I like that answer; exactly right. You know, thank you. I appreciate this. American workers are sick and tired of the race to the bottom in trade, and the slashing of investments in our domestic economy. I am glad that under President Biden's leadership, we are turning things around. Since he came into office, the United States has added 80,000 new manufacturing jobs.

But there is still so much more to do. Over 100,000 American workers across the country are waiting for Congress to renew TAA, and to help them get back on their feet. We owe it to them. Let's get this done.

Thank you, Mr. Chairman.

The CHAIRMAN. I was thinking about a modest filibuster in hopes that some of our other colleagues could get here. But we are very committed to trade policy. For example, Senator Carper, chairman of a key committee dealing with environmental issues, has been a champion on these issues and just is in the middle of it.

So, unless any other Senators are coming, I would just close by saying that I think the discussion I had with Ms. Gill has been re-

affirmed by all of you today that we are talking about a pretty straightforward proposition.

Trading partners get tariff breaks on goods they ship to the United States. It is a winner for them, and we in turn get them to commit to the high standards that uplift everybody—a winning idea. And by the way, these are not mutually exclusive. You can make both of them work hand in hand, which is what I think all of you have said. So that balance that I have described is a win for workers, it is a win for businesses, and I believe that is the case at home and abroad.

So I am going to be urging colleagues on both sides of the aisle, and the House, to look for a bipartisan, bicameral path forward with respect to renewal, and that we do it in an expeditious way. I want to thank all of our witnesses—and lo and behold, another Senator has arrived.

Is he here? Momentarily. So I have to carry on for another full minute.

What else might we do? Well, we might explain the committee process. Members are going to have to get their questions for the record in by June 12th, and we will also keep the record open for all of you. And I will try to hold my breath for a moment, and we will see if we can help our member on his way. All right.

Is there anything else the four of you would like to add in this brief time-killing exercise?

Yes, Ms. Liser?

Ms. LISER. I did not get a chance to say, but I think it is really important—and you wrote a letter about this recently when President Ruto was here—that we go beyond AGOA. We need to be looking at tools that advance our economic relationship with Africans, and we very much advocate free trade agreements. We advocate for agreements like the U.S.-Kenya Strategic Trade and Investment Partnership.

We would like to see market access added to that via a free trade agreement, and we think that a series of those around the continent could create the kind of framework that is needed to expand U.S.-Africa trade, investment, and business. Thank you.

The CHAIRMAN. And Ambassador Whitman has been talking about those kinds of issues as well. So, there is lots of interest. And look, I mean the suite of programs—GSP, AGOA, HOPE, HELP—these other crucial programs are obviously going to have to be a more critical component of our trade policy, and I think that is what your point makes clear.

One last question that I think might be appropriate at this point is, AGOA is usually extended for 10 years. Why is that kind of long-term reauthorization so crucial in your work? Would you like to start with that, Ms. Liser?

Ms. LISER. Oh, I would be happy to say that having it be a long-term renewal gives the kind of certainty not only for people who are trading, but for investors. And as Ms. Nelson noted, these investments are made well in advance, and it takes years to realize the returns on them.

So, shorter renewals of AGOA do not really incentivize investments into African production, manufacturing, and the resiliency in supply chains that is now happening, moving companies out of

China into Africa. So we very much support a long-term extension, at least 10 years. Thank you.

The CHAIRMAN. Any others? Please.

Ms. NELSON. Most of our senior members of our sourcing team are right now in Africa, and they are meeting with people who are talking about investment. They are planning it, they are preparing for it, but they are waiting to give it the green light until AGOA is renewed.

The CHAIRMAN. Tell us a little about those people who are on such trips. Are they entrepreneurs? Are they—

Ms. NELSON. No, I am talking about our sourcing team. So we are—you know, we go where we source. So all of our senior leaders, our chief product officer, our VP of sourcing, and many people are there looking and figuring out what is working on the ground, how to work with the people there.

We pride ourselves on being responsible sourcing partners and really understanding and working to project out how many products will we need? What is best for their workers? How do we give them enough time so that everyone can do production planning and make the most efficient use of their time so you are not having overtime at the last minute?

We do incredible training not just internally, but with all of our factory partners. And we require them to do training for their workers to make sure that we are exporting these American values that everybody has discussed today: workers' rights, human rights.

In order to make sure that is happening, you need to actually go to the countries. And we are there all the time.

Mr. LINCICOME. Senator, if I may?

The CHAIRMAN. Mr. Lincicome?

Mr. LINCICOME. Yes. The other thing that I think is really, critically important that has not been mentioned so far is that supplier relationships are an iterative process. You do not just suddenly call up a company and start having them manufacturing your product for you.

In my previous life as a trade lawyer, we dealt with this a lot, with tariff exclusions and some of the tariffs that were first in place during the Trump administration. Just simply qualifying a new manufacturer to produce a product that you have already been producing takes time.

And so, if you have very short-term extensions, particularly for more complex manufacturers or manufacturing inputs that are used by American manufacturers here, you just simply cannot flip a switch and have those things flow, and then stop flowing for a year or two at a time.

That is why long-term predictability and consistency in the trade policy space is so critically important, for not only AGOA and GSP, but more broadly for U.S. trade and tariff policy.

The CHAIRMAN. Two important Senate chairmen have just arrived magically, so I want to let them ask their questions.

Senator Carper?

Senator CARPER. Thanks; thanks so much, Mr. Chairman. And thanks for holding this hearing today. As you know, there is a lot going on, and I am delighted that I got here in time to ask a ques-

tion or two. Welcome everybody. It is good to see you all. Thank you for joining us.

Voluntary trade preference programs have been a tool that our country has used to help lift up developing countries by offering them, as you know, access to American markets. The Generalized System of Preferences program, GSP, has allowed countries to access U.S. markets, to create new jobs, and to diversify their economies.

I was proud to work with Senator Rob Portman, a former Senator from Ohio, to add more robust environmental criteria to the Generalized System of Preferences program. And the Senate, when we passed the reauthorization as part of the U.S. Innovation and Competition Act—I think that was in 2021—the bipartisan product would have taken a long-overdue and important step forward in incentivizing developing countries around the world to improve their environmental standards.

A question, if I could, for Ms. Nelson and for Ms. Gill, please. Here is my question, the same question for both of you: could you please discuss for us how trade preference programs can encourage developing programs to improve their environmental standards and work to address the threat of climate change, while promoting job creation?

Please, Ms. Nelson.

Ms. NELSON. Thank you so much for the question. On my team at SanMar, we have entirely separate groups for sustainability, traceability, social responsibility, product safety, and we have made commitments to science-based targets that have been approved.

This is a really important issue for us right now, and it is something that we work on with all of the factories in all 20 countries where we are right now. But it is one more way in which we are able to move the dial and have an impact in the communities we are sourcing from, and there is a lot of training involved.

So not just reducing our carbon footprint, going not just to our tier 1 factories, but down to tier 2, tier 3, really understanding the entire supply chain, that is of critical importance to us, and it is already having a big impact.

Senator CARPER. Okay; good. Thanks, Ms. Nelson.

Ms. Gill, the same question.

Ms. GILL. Thanks. I think that is a really important question, and we know that climate justice and labor justice are deeply inter-linked, that climate change is impacting workers. And that is on both sides of the trade relationship.

So we know that climate change is impacting workers abroad, in the countries that benefit from GSP, and stronger environmental standards would help protect those workers. It also affects workers here who have to compete sometimes with countries that may not uphold the same environmental standards that are upheld by American workers and American laws.

So, strengthening the environmental standards in programs like GSP would actually help protect workers on both sides of the trade relationship.

Senator CARPER. Say your last sentence again. I could not hear it. Just repeat your last sentence. You faded out.

Ms. GILL. Strengthening environmental standards in programs like GSP would help protect workers on both sides of the trade relationship, protect workers in supply-chain countries and beneficiary countries through stronger standards, but also protect American workers from not having to compete with lower standards elsewhere.

Senator CARPER. Good. That was worth repeating. Thanks very much.

One more question, if I could, Mr. Chairman. Africa is the home of the fastest-growing population on our planet, and it is expected to account for one-quarter of the world's population by 2050—one-quarter.

That said, the African Growth and Opportunity Act, AGOA, has seen tremendous success since it was created. In 2023, I had the privilege to travel with a number of our colleagues in a bipartisan codel, where I learned about the impact of the AGOA program and how it has supported new economic growth through trade and investment, and created new jobs for hundreds, maybe thousands of Kenyans.

Question for Ms. Liser. As Congress looks to reauthorize AGOA, what updates to the program would you recommend Congress consider, to better support the economies of developing countries?

Ms. LISER. Thank you, Senator. First of all, a long-term extension as soon as possible, a minimum of 10 years. There are some enhancements that we have recommended. Just very briefly, reviews that are annual now, we recommend that they be done every 3 years. That would give more certainty to buyers and investors, and to the African producers.

We are looking at adding cumulation, so that North African countries like Morocco, which has an FTA with us, can also count in AGOA exports from the AGOA-eligible countries. We are recommending that the apparel and textile visa, which is required of the more than 100 countries that export apparel to the U.S.—the Africans and Haitians are the only ones who still have to have an actual apparel visa. So we recommend that this be harmonized, that they be treated in the same way as other apparel exporters who are doing that.

And last, we think that we should be very careful and not graduate countries like Mauritius, who are doing all the things that we want them to do to expand their economies, and then become middle-income countries. They should not be punished and then put out of AGOA, which is a program that helped them to get there in the first place.

So those are some of the enhancements we would recommend. Thank you.

Senator CARPER. That is great; thank you.

Mr. Chairman, thank you so much.

The CHAIRMAN. I thank my colleague.

And another member of this committee who has great interest in environmental policy is Senator Whitehouse. Between him and Senator Carper, we should just give them the whole portfolio.

Senator Whitehouse?

Senator WHITEHOUSE. Thanks very much, Chairman Wyden.

Let me just start by adding my voice to the chorus of those saying that we do not intend to extend preferences without Trade Adjustment Assistance being a part of the equation. It is, I think, essential, and it is fair. I think we are only now beginning to catch up through trade policy to the problem that, as corporations and industries have become multinational and international, they have been able to play a game of competitive race to the bottom, in many cases with the participant country being paid well for indulging that race to the bottom.

We see that particularly in the dark economy, where crooks and kleptocrats can hide money in various countries, and the countries make a great deal of money for doing that, even though they are supporting terrorism, the drug trade, international crime, et cetera.

So, I think we have some catching up to do. I applaud Secretary Yellen for her ardent pursuit of a minimum corporate tax, so that the race to the bottom on corporate taxation does not continue to empower big international corporations to bully and compete unfairly with small businesses that cannot open a facility in some low-tax entity, pretend that all their work is being done there, and avoid fair taxation.

I cannot wait until we can end the ISDS completely, which lets huge international industries bully little countries through threats of litigation or actual litigation. We are working now—and I know that the chairman is very keenly aware of all of this—on carbon border tariffs, so that cheating on emissions is not a way to seek competitive advantage.

I applaud the European Union for their carbon border adjustment mechanism. I am urging them to be as forceful and unrelenting with it as possible, because it really matters that we get this right.

I am delighted—I am not a total fan of the conservative government in the UK, but I am delighted that they have chosen to participate in the carbon border adjustment mechanism. And I hope that after the election, should there be a Labor government, they will continue with equal enthusiasm.

And I guess, Ms. Gill, you just touched on this, so let me go back to you just to clarify the point. One of my frustrations has been that we put environmental provisions into trade agreements, and they instantly become decorative. Nobody actually bothers to go around and enforce them seriously at all.

And it seems to me that if we are going to pursue GSP further, there ought to be some minimum environmental standards, at least complying with your own country's laws, and that there should be a much stronger understanding about those parts of the agreement actually being enforced by the United States and others, that it is not just decorative to make the environmental groups go away and then we forget about it, but that it actually is an important part of real competitiveness.

If you could comment on that in my 1 minute and 10 seconds remaining, that would be lovely.

Ms. GILL. Thanks, Senator Whitehouse. I think you are right. None of this works without enforcement. And that means enforcement of labor provisions, it means enforcement of environmental provisions, because without strong enforcement and without strong

provisions, it is an unfair advantage that benefits not workers, not workers in beneficiary countries, not workers in the U.S., but importers and corporations.

So we need strong standards, and they need to be enforced robustly.

Senator WHITEHOUSE. You did it. Thanks very much.

Thank you, Mr. Chairman. And thanks to all the witnesses.

I really appreciate the focus on this. I think we are finally catching up to the fact that corporations have really sought unfair economic advantage in this space, by creating an international competition for worst standards that they can then take advantage of, and that we are now starting to fight back against.

I think it will be much to everybody's advantage and benefit if we get that right, and do not allow this corporate race to the bottom, supported by countries that are often mistakenly allowing that kind of unfair and improper competitive advantage.

Thank you.

The CHAIRMAN. Senator Whitehouse, earlier we had a discussion with Senator Cardin about the whole standard-setting idea, and I think it is very appropriate that you end today, and it has been an excellent hearing.

I am not sure if you had a mic problem or something, but you said something, and I turned to the staff. You said that environmental policy is not supposed to be decorative. It is not just supposed to be some add-on kind of thing that does not matter. I think that sums it up.

And I will send all of you off with an additional kind of chore, as we work in a bipartisan way to strengthen the standards that we have. Whether they be digital or environmental or a variety of different areas, I think we heed Senator Whitehouse's point: this is not something that is supposed to get short shrift. The consequences of environmental issues are economic consequences; they are human rights consequences. It is a great one to quit on, as we said in basketball.

I thank our guests. And with that, the Finance Committee is adjourned.

[Whereupon, at 12:09 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

SUBMITTED BY HON. SHERROD BROWN,
A U.S. SENATOR FROM OHIO

First Name	Last Name	Party	State	TAA Pending Petitions (as of May 20th)
Michael	Bennet	D	Colorado	2,102
Thomas	Carper	D	Delaware	0
Benjamin	Cardin	D	Maryland	1,323
Elizabeth	Warren	D	Massachusetts	424
Deborah	Stabenow	D	Michigan	4,353
Catherine	Cortez Masto	D	Nevada	0
Margaret	Hassan	D	New Hampshire	390
Robert	Menendez	D	New Jersey	1,216
Sherrod	Brown	D	Ohio	2,948
Ronald	Wyden	D	Oregon	5,724
Robert	Casey	D	Pennsylvania	2,285
Sheldon	Whitehouse	D	Rhode Island	35
Mark	Warner	D	Virginia	3,104
Maria	Cantwell	D	Washington	1,101
Michael	Crapo	R	Idaho	829
Todd	Young	R	Indiana	13,815
Chuck	Grassley	R	Iowa	1,478
William	Cassidy	R	Louisiana	66
Steven	Daines	R	Montana	61
Thomas	Tillis	R	North Carolina	2,877
James	Lankford	R	Oklahoma	0
Timothy	Scott	R	South Carolina	1,742
John	Thune	R	South Dakota	164

First Name	Last Name	Party	State	TAA Pending Petitions (as of May 20th)
Marsha	Blackburn	R	Tennessee	31,921
John	Cornyn	R	Texas	3,796
Ronald	Johnson	R	Wisconsin	881
John	Barrasso	R	Wyoming	0
TOTAL				82,635

PREPARED STATEMENT OF HON. ROBERT P. CASEY, JR.,
A U.S. SENATOR FROM PENNSYLVANIA

I support the extension of the Trade Adjustment Assistance (TAA) program, including as part of any trade preferences package, and I write to clarify the record regarding previous extensions of TAA.

For decades, our trade policy has prioritized large corporations and their profits over the American worker. Pennsylvania workers—the very ones who made the steel to help build our infrastructure and who worked our power plants around the clock—are no stranger to devastation that bad trade policy can have on communities. Time and time again, we have seen unfair competition and a lack of adequate domestic protections lead to the closure of a steel mill, a glass maker, or another manufacturer. The following job loss and tax base erosion is devastating to local economies. And now, since the expiration of TAA nearly 2 years ago, these workers whose jobs have become yet another cost of unfair trade are left with no help. Here are just a few examples of workers who are left stranded by inaction on TAA.

- In Munhall, PA, 110 workers who used to make steel tubes.
- In Pittsburgh, 1,000 workers who used to make medical devices.
- In Carlisle, 130 workers who used to make glass for our homes and cars.
- In St. Mary's, 105 workers who used to make critical inputs for steel manufacturing.

Collectively, there are over 2,000 Pennsylvania workers who have lost their job and no longer have access to TAA. Across the country, 727 petitions covering 115,592 workers are pending investigation. If we are going to lead the economy of the future, we must be investing in our workforce. TAA, a program that provides worker training among other benefits, is just one of the ways we can do that.

While Congress has paired TAA reauthorization with the grant of Trade Promotion Authority (TPA) in the past, including in 2015, the program has also been extended many times on its own and with other trade legislation. Attached to this statement is a chart compiled by the Congressional Research Service listing TAA extensions since the establishment of the program. After its creation in the Trade Expansion Act of 1962, TAA has been reauthorized as part of a broader TPA package four times: in 1974, 1988, 2002, and 2015. Every other extension was passed without accompanying major trade legislation or with non-TPA trade legislation (*e.g.*, in the Omnibus Trade Act of 2010, when Congress paired TAA extension with extension of the Andean Trade Preferences Act).

Regardless of whether Congress passes additional legislation to facilitate trade, international trade continues to affect workers and communities across the United States. TAA stands on its own as an invaluable resource for ensuring American workers displaced by trade can access the training, employment services, and income support they need. It is past time for Congress to renew TAA, and any trade preferences package should include a robust renewal of this program.

Appendix. TAA Reauthorization, 1962–2011

Year	Bill Title	Public Law	Extension Date	Length
1962	Trade Expansion Act of 1962	P.L. 87–794	Permanent	
1974	Trade Act of 1974	P.L. 93–618	September 30, 1982	8 years

Appendix. TAA Reauthorization, 1962–2011—Continued

Year	Bill Title	Public Law	Extension Date	Length
1981	Omnibus Budget Reconciliation Act of 1981	P.L. 97–35	September 30, 1983	1 year
1983	A bill to Amend the International Coffee Agreement Act of 1983	P.L. 98–120	September 30, 1985	2 years
1984	Deficit Reduction Act of 1984	P.L. 98–369	November 15, 1985	10 weeks
1985	Emergency Extension Act of 1985 Lapses until March 1986	P.L. 99–107	December 19, 1985	5 weeks
1986	Deficit Reduction Amendments Act of 1985	P.L. 99–272	September 30, 1991	6 years
1988	Omnibus Trade and Competitiveness Act	P.L. 100–418	September 30, 1993	2 years
1993	Omnibus Budget Reconciliation Act of 1993	P.L. 103–66	September 30, 1998	5 years
1998	District of Columbia Appropriations		June 30, 1999	9 months
1999	Consolidated Appropriations Act of 2000 Lapses September 30, 2001 to August 6, 2002	P.L. 106–113	September 30, 2001	2¼ years
2002	Trade Act of 2002	P.L. 107–210	September 30, 2007	5 years
2007	TAA Extension Act Lapses December 31, 2007 to February 17, 2009	P.L. 110–89	December 31, 2007	3 months
2008	Consolidated Appropriations Act of 2008 ^a	P.L. 110–161	December 31, 2008	1 year
2009	Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 ^a	P.L. 110–329	February 2009	2 months
2009	American Recovery and Reinvestment Act (ARRA) of 2009 ^b	P.L. 111–5	December 31, 2010	2 years
2010	Omnibus Trade Act of 2010 ^b	P.L. 111–344	February 12, 2012	13 months
2011	The Trade Adjustment Assistance Act of 2011	P.L. 112–40	December 31, 2013	34 months

Source: CRS.

^a Appropriations only.^b Expanded provisions under the ARRA lapsed from February 12, 2011 to October 2011. TAA programs were reauthorized at pre-ARRA levels until February 12, 2012, in the Omnibus Trade Act of 2010.

PREPARED STATEMENT OF HON. MIKE CRAPO,
A U.S. SENATOR FROM IDAHO

Preference programs are good, when administered effectively. The programs can drive economic development for developing countries, including by creating new opportunities for women and reducing poverty.

For the United States, they can help facilitate equitable market access and, strategically, help partners become more competitive vis-à-vis China.

While preference programs are good, comprehensive trade agreements are better because they maximize economic opportunities and promote the highest standards. We need them now, more than ever.

Africa is a particularly telling case, as shown in the chart below. As the chart shows, we are losing economic ground in Africa to China—even with the African Growth and Opportunity Act, or AGOA.

The Trump administration got it right when it stepped up our engagement in Africa through its negotiation efforts to get to a real free trade agreement with Kenya. The Biden administration, however, imprudently terminated that effort in favor of a low ambition framework agreement that fails to reduce tariffs and lacks commitments on key disciplines that are integral to any comprehensive trade agreement.

Although I support programs like the Generalized System of Preferences (GSP) program and AGOA, we need to resume negotiating real, comprehensive trade deals before it is too late. In the interim though, while the Biden administration takes no steps toward meaningful trade agreements, Congress can at least prevent us from falling back by getting preference programs back on track.

Congress can renew GSP—now—and ensure early reauthorization of other preference programs, such as AGOA. Since many AGOA users make purchasing decisions 2 years in advance, we should not leave them in uncertainty by waiting to decide on the program's future next year.

The more than 3-year GSP lapse is painfully instructive and calls out for immediate renewal. Because of this lapse, Americans paid an extra \$3 billion in tariffs, and companies are moving production from developing countries to China.

Reauthorization of GSP should not be controversial. Unlike other trade expansion programs where some industries might face increased competition, GSP is designed not to contain import-sensitive goods. This body proved GSP was bipartisan and noncontroversial when it voted 91–4 last Congress to reauthorize it. Our Republican colleagues on the House Ways and Means Committee are also ready to see GSP passed and have already approved a bill that adopted many elements of our Senate compromise, including on labor and environment.

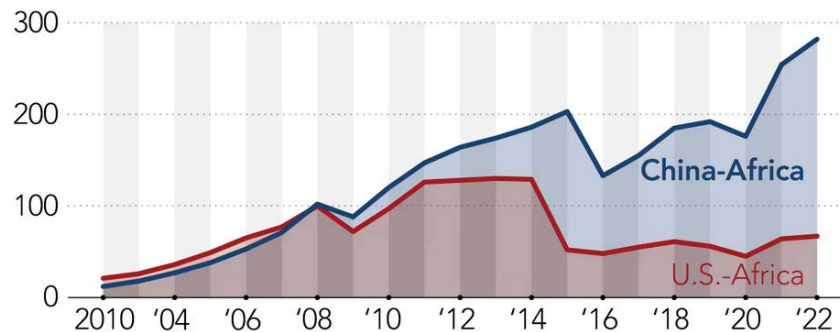
GSP's passage has been stalled by attempts to achieve unrelated partisan items, with the most recent demand being reauthorization of Trade Adjustment Assistance, or TAA, a program that has never been tied to GSP or any other preference program. As many of my colleagues know, TAA is traditionally a tradeoff for Trade Promotion Authority.

If folks support preference programs, then they should let them move forward as soon as possible and without any unnecessary linkages. Each day GSP remains lapsed and the fate of other preference programs remains uncertain is a day China moves ahead of us. I am ready to see GSP, AGOA and potentially other preference programs all passed as part of a package by the time of the AGOA summit next month. That step would demonstrate to our partners, particularly in Africa, that the United States, not China, presents the opportunity for a brighter economic future.

With that, I look forward to hearing from our witnesses.

Africa's trade with China surges

(Total trade, in billions of dollars)



Source: Robert Bodiaga, *Nikkei Asia*, Jan. 27, 2023, citing U.N. Comtrade

PREPARED STATEMENT OF ALLISON GILL, LEGAL DIRECTOR, GLOBAL LABOR JUSTICE

Good morning, Chairman Wyden, Ranking Member Crapo, and distinguished members of the committee. It is an honor to testify before you today on the urgent need for the reauthorization of the Generalized System of Preferences with its labor rights conditionality.

My name is Allison Gill, and I am the legal director of Global Labor Justice, a nongovernmental organization that works to hold corporations and investors accountable for labor rights violations in their supply chains, to advocate for policies and laws that prevent forced labor and protect decent work and just migration, and to strengthen freedom of association, new forms of bargaining, and workers' organizations.

My recommendations are not only to renew GSP, but to advocate that Congress take the opportunity to bring GSP in line with trade policy priorities and, crucially, a worker-centered trade policy, to ensure that GSP is fit for purpose for the increasingly globalized economy including a gender lens.

This testimony will focus on a few key actions that would increase GSP's potential to promote equitable economic growth through the inclusion of strong, enforceable labor provisions that protect workers' rights, help combat forced and exploitative labor, and increase accountability in global supply chains.

THE GSP PROGRAM'S LABOR CONDITIONALITY IS AN IMPORTANT TRADE TOOL TO ADVANCE WORKER EMPOWERMENT, RIGHTS, AND HIGH LABOR STANDARDS GLOBALLY

The GSP program conditions market access on democratic labor rights. Moreover, the GSP petition mechanism allows any group or individual to file a petition with the U.S. Trade Representative (USTR) to initiate a review of the labor practices of any beneficiary country.

At Global Labor Justice, our experience with the Generalized System of Preferences (GSP), established by the Trade Act of 1974, including its groundbreaking labor rights conditionality runs deep: the International Labor Rights Forum, one of the organizations that eventually merged to become Global Labor Justice, was originally founded almost 40 years ago by a coalition of labor leaders and activists who came together in 1984 to help secure the inclusion of labor rights conditionality in the GSP, the first ever labor rights clause in a preferential trade program. In the decades since, we have been a leader in the use of GSP's labor rights provision to challenge labor rights abuses committed by both governments and corporations.

Over the past decades, Global Labor Justice has used the petition process to pressure the U.S. Government to use its significant economic leverage to ensure that countries benefiting from GSP fulfill their obligations to undertake steps to respect workers' fundamental labor rights.

- In 2002 and 2004, we filed petitions on **El Salvador** over violations of freedom of association and the right to bargain collectively as well as anti-union discrimination and the murder of a union organizer.
- In 2006, we filed a petition on **Niger** over the government's failure to prohibit forced labor and trafficking, including caste-based sex trafficking of girls. After the scrutiny of hearings and testimony, Niger adopted an anti-trafficking law in 2010 and established a new government agency to combat the practice.
- In 2007, we filed a petition on **Uzbekistan** due to the use of systematic state-imposed forced labor and child labor to harvest cotton. Regular country practice reviews of Uzbekistan were part of a campaign of pressure that ultimately led to the elimination of state-imposed forced labor in the cotton harvest in 2021.
- We filed briefs in support of the GSP review process on **Bangladesh** initiated by a 2007 AFL-CIO petition highlighting the government's human rights violations against labor advocates as well as its failure to enforce health and safety protections. GSP benefits were ultimately suspended in 2013 after the Rana Plaza building collapse claimed the lives of more than 1,100 garment workers.
- We filed a petition in 2007 challenging the designation of the **Philippines** as a beneficiary country due to violations of freedom of association and the right to organize as well as a campaign of abduction and extrajudicial killings against union leaders, members, and organizers, as well as surveillance, har-

assment, intimidation, and threats against union leaders and members that had a grave chilling effect on the strength of union representation.

I would like to underscore that while there is a need to update and address deficiencies in the labor provisions of GSP, the most pressing need, fundamentally, is to reauthorize the program. For the more than 3 years since GSP expired, workers and their advocates have not been able to leverage the program to incentivize labor rights compliance or impose accountability for violations. I will raise the case of the Philippines as an example.

PHILIPPINES CASE STUDY: CONSEQUENCES OF NON-RENEWAL

In 2021, Global Labor Justice, with the ALF-CIO and 20 other U.S. and Philippines-based trade unions, filed a petition under the GSP documenting brutal labor conditions, including systemic and violent repression of union leaders, in the Philippines.¹ The Philippines is historically one of the largest beneficiaries under the GSP. In 2020, GSP exports from the Philippines accounted for nearly a fifth of the country's total exports to the United States.² As its top trading partner, the U.S. has unprecedented leverage to use this trade relationship to incentive movement toward better labor conditions, and the GSP—with its power to act as both carrot and stick—is a powerful tool for this purpose.³ Until the GSP is reauthorized, however, the USTR is unable to act on the information provided in the petition. It is workers who suffer the consequences.

Since 2016, more than 60 union leaders across sectors in the Philippines have been “red-tagged” as terrorists and assassinated.⁴ In the first quarter of 2021 alone—after the expiration of the GSP and before the submission of our petition in calling for the U.S. Government to withdraw special trade preferences granted to the Philippines—four trade union leaders were fatally shot.⁵ These killings have become the state's frequent response to strikes, protests, and other activity by workers to defend their internationally recognized labor rights. Under former President Duterte, workers in sectors classified as “export-processing zones”—where goods bound for the United States and elsewhere are manufactured—were strictly prohibited from engaging in their right to freedom of association and collective bargaining.⁶ Abuses have continued under President Marcos, with workers attempting to organize routinely arrested and imprisoned.⁷

The stated goals of the GSP are to “promote economic growth and development in the developing world,” and to “support U.S. jobs and help keep American companies competitive.”⁸ These are laudable objectives that the U.S. should continue working to achieve. However, even with renewal of the GSP—a critical first step toward these goals—*sustainable* development in GSP-eligible countries and continued American competitiveness is only possible if workers throughout the global economy are protected by universal and enforceable labor standards. Over the last 2 decades, negotiations between workers and employers in the Philippines have decreased by nearly 70 percent—no doubt a result of systemic retaliation by the state.⁹ Yet, dur-

¹See ILRF, Labor Groups Petition US Gov't to Withdraw Trade Preference from Philippines for Labor Rights Violations, Dec. 15, 2021, <https://laborrights.org/releases/labor-groups-petition-us-gov%E2%80%99t-withdraw-trade-preference-philippines-labor-rights>.

²Department of Trade and Industry, Generalized System of Preferences (accessed Oct. 6, 2021) (<https://www.dti.gov.ph/generalized-system-of-preferences/>).

³See The Observatory of Economic Complexity, <https://oec.world/en/profile/country/phl>. This database lists the United States as the Philippine's top trading partner in 2022.

⁴See Labor Groups Petition US Gov't to Withdraw Trade Preference from Philippines for Labor Rights Violations.

⁵See e.g., Jairo Bolledo and Rambo Talabong, Leaders Lost: The 9 Activists Killed by Duterte Gov't on “Bloody Sunday,” *Rappler* (Mar. 8, 2021) (<https://www.rappler.com/newsbreak/iq/names-activists-killed-by-duterte-government-bloody-sunday-march-7-2021>); Aika Rey, ICTSI Labor Union Leader Shot Dead in Manila, *Rappler* (Feb. 8, 2021) (<https://www.rappler.com/nation/international-container-terminal-services-union-leader-leonardo-escala-shot-dead-manila>).

⁶See United States Department of State, 2020 Country Reports on Human Rights Practices: Philippines, at 39 (2020) (<https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/philippines/>).

⁷Human Rights Watch, Philippines: Marcos Failing on Rights, June 28, 2023, <https://www.hrw.org/news/2023/06/28/philippines-marcos-failing-rights>.

⁸See <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>.

⁹International Labor Rights Forum, Request for Review of the GSP Status of the Republic of the Philippines for Violations of Workers Rights (June 22, 2007) (<https://laborrights.org/publications/gsp-philippines-petition>); Bureau of Labor Relations, Department of Labor and Employment, Statistical Reports (<https://blr.dole.gov.ph/2014/12/11/statistical-reports/>) (hereinafter Bureau of Labor Relations, Statistical Reports); Marie E. Aganon, Melisa R. Serrano, and

ing this same period, the number of workers affiliated with unions or workers' organizations has increased by 250 percent.¹⁰ Despite the prevalence and violence of reprisals, workers continue to organize. They continue to demand a level playing field with workers across the global market, including those in the United States. This is the type of development and growth the GSP can encourage, and it should do so as explicitly as possible: with a labor rights framework aligned with the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, additional human rights and rule of law criteria, and a minimal compliance eligibility standard.

STRENGTHENED LABOR AND HUMAN RIGHTS CONDITIONALITY WOULD EXPAND GSP'S POTENTIAL AS A TOOL TO STRENGTHEN WORKER RIGHTS AND PROMOTE HIGH LABOR STANDARDS

While international trade has the potential to create decent jobs and promote development, too often trade benefits flow to powerful multinational corporations and investors at the expense of workers and the environment. In reauthorizing GSP, Congress has the opportunity to build upon and improve GSP's strong labor rights conditionality to ensure that GSP meets its development goals of diversifying economically developing countries and growing trade without harming American workers. This includes updating GSP's labor rights framework, aligning labor and environmental standards to modern trade agreements, and imposing a minimal level of compliance to improve GSP as an accountability tool.

1. Update the labor rights framework.

GSP and other trade preference programs refer to "internationally recognized worker rights." This formulation differs in key ways from core labor rights as defined by the ILO Declaration on Fundamental Principles and Rights at Work, which is an expression of the obligations and commitments by governments, employers' and workers' organizations to uphold the basic values vital to our social and economic lives and ensuring a more fair economy and are inherent in ILO membership.¹¹ These include:

- a. Freedom of association and the effective recognition of the right to collective bargaining;
- b. The elimination of all forms of forced or compulsory labor;
- c. The effective abolition of child labor;
- d. The elimination of discrimination in respect of employment and occupation; and
- e. A safe and healthy working environment.

GSP's "internationally recognized worker rights" framework and its enumerated rights does not include the prohibition on discrimination in respect of employment and occupation. The program's "a minimum age for the employment of children," is weaker than the ILO's requirement of "the effective abolition of child labor." Using a recognized authoritative body and standards developed and adopted jointly by governments, employers and workers as the standard for GSP and other preference programs also helps to ensure a common set of standards rather than leaving the standard open to interpretation by USTR, providing workers, governments, and importers more transparency and predictability as to what is required.

2. Include additional criteria.

- a. **Women's economic empowerment.** The Senate's USICA proposes the addition of a discretionary criterion regarding women's economic empowerment in section 2462(c) of the GSP, providing as a factor affecting country designation, "The extent to which such country is achieving the goals described in section 3(b) of the Women's Entrepreneurship and Economic Empowerment Act of 2018 (22 U.S.C. 2151–2(b))." The Act, enacted in 2019, recognizes that women's economic empowerment is linked to and depends upon access to other human rights, including, among others, the right to freedom from violence and exploitation, access to education, and access to fundamental labor

Ramon A. Certeza, *Union Revitalization and Social Movement Unionism in the Philippines: A Handbook* 5 (2009).

¹⁰ Bureau of Labor Relations, *Statistical Reports; Union Revitalization and Social Movement Unionism in the Philippines: A Handbook*.

¹¹ ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, Adopted at the 86th Session of the International Labour Conference (1998) and amended at the 110th Session (2022), <https://www.ilo.org/resource/conference-paper/ilo-1998-declaration-fundamental-principles-and-rights-work-and-its-follow-up>.

rights.¹² It also includes guidelines for U.S. international cooperation policy, which include:

- i. To strive to eliminate gender-based violence and mitigate its harmful effects on individuals and communities including through efforts to develop standards and capacity to reduce gender-based violence in the workplace and other places where women work.¹³
- ii. To increase the capability of women and girls to fully exercise their rights, determine their life outcomes, assume leadership roles, and influence decision-making in households, communities, and societies.¹⁴

Global Labor Justice supports the inclusion of criteria that recognize the role of gender and gender-based violence and harassment (GBVH) on compliance with core labor standards for GSP eligibility. GBVH and access to freedom of association are interlinked and mutually reinforcing as essential to creating safe and equitable workplaces that empower workers individually and collectively. This is a core principle enshrined in C190, the ILO's Violence and Harassment Convention, which recognizes the interconnection, within discrimination, between GBVH and freedom of association.¹⁵ In 2024, the fifth anniversary of the adoption of C190, it is timely and appropriate to include the elimination of GBVH and the acknowledgement of the ability of women workers to fully enjoy their human and labor rights as a key criterion for GSP benefits.

- b. **Human rights:** Both the Senate USICA and House America COMPETES bill propose the addition of a new mandatory human rights criteria under section 2462(b)(2) of the GSP, providing as a basis for ineligibility that "Such country engages in gross violations of internationally recognized human rights in that country (including any designated zone in that country)."

Global Labor Justice supports the inclusion of additional human rights criteria in GSP. Such criteria, properly applied, would be grounds to withdraw benefits from countries that use state power to persecute trade unionists, labor advocates and monitors through violence, arbitrary arrests, spurious charges and convictions, or targeted harassment, or where wide scale human rights violations hurt working people.

- c. **Rule of law:** Both the Senate USICA and House America COMPETES bill propose the addition of a new discretionary criteria regarding the rule of law to section 2462 (c) of the GSP, providing as factors affecting country designation, "The extent to which such country has established, or is making continual progress toward establishing—the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law."

Global Labor Justice strongly supports the inclusion of rule of law criteria in GSP. These criteria acknowledge the rising tide of authoritarianism and closing space for civic and democratic participation around the world and provides a tool for workers and their advocates to combat these trends. Democracy in the workplace is fundamental to healthy, inclusive democracy, which has put unions and workers in the crosshairs of repressive governments seeking to limit participation and pluralism. The inclusion of rule of law criteria would allow for scrutiny of a beneficiary country's practices, such as whether it uses arbitrary detention and denial of due process and equal protection rights to silence union and worker leaders.

3. Impose a minimal level of compliance with international labor standards.

Under the previous preference program, a country only needed to demonstrate it was "tak[ing] steps to afford" internationally recognized worker rights. Countries with horrendous labor practices could thus be eligible so long as they demonstrated minimal improvement of labor standards.

A change in phrasing from "has not taken or is not taking steps" to "fails to effectively afford" shifts the standard in GSP from one that is process-based to one

¹² Public Law 115–428, Women's Entrepreneurship and Economic Empowerment Act of 2018, <https://www.govinfo.gov/content/pkg/COMPS-15265/pdf/COMPS-15265.pdf>.

¹³ *Id.* at Sec. 3 (b)(2).

¹⁴ *Id.* at Sec. 3 (b)(4).

¹⁵ C190—Violence and Harassment Convention, 2019 (No. 190), https://normlex.ilo.org/dyn/normlex/en/?p=NORMLEXPUB%3A12100%3A0%3A%3ANO%3A%3AP12100_ILO_CODE%3AC190.

that is outcomes-based. This more clearly establishes the minimum threshold that a country must meet to qualify for eligibility. Under this standard, a beneficiary country would not be able to fulfill the mandatory minimum by pointing to superficial actions as “taking steps” absent real changes for workers.

ACCOMPANY GSP REAUTHORIZATION WITH TRADE ADJUSTMENT ASSISTANCE

Finally, we believe that labor justice begins at home. While we urge Congress to reauthorize GSP, we urge you to do it with a renewal of Trade Adjustment Assistance. TAA provides crucial resources to retraining workers who have experienced negative trade impacts and helps ensure that trade preference programs are part of a holistic worker centered trade policy that balances the development potential of trade incentives with support for American workers to adapt to the globalized economy. Strong labor standards and protections for workers on both sides of the trade relationship are good for all workers. We support our sisters and brothers in the U.S. labor movement who have called for GSP renewal to be paired with TAA.

In closing, we urge the committee to work towards reauthorization of GSP, together with benefits to workers affected by trade, as well as to use this opportunity to update the labor and human rights standards for the reality of the 21st century economy and conditions faced by workers including with a gender lens. Thank you.

PREPARED STATEMENT OF SCOTT LINCICOME, VICE PRESIDENT, GENERAL ECONOMICS AND STIEFEL TRADE POLICY CENTER, CATO INSTITUTE

Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for inviting me to testify today.¹

I always welcome testifying before Congress on issues of importance to me and the Nation, but I must admit that my presence here today is bittersweet. U.S. preference programs, in particular the Generalized System of Preferences (GSP) and African Growth and Opportunity Act (AGOA), have long been so uncontroversial and universally accepted in Congress that committee hearings like today’s were unnecessary. In 2018, for example, GSP renewal passed the House by lopsided vote of 400–2, and full committee hearings have long been unnecessary.² That the program has now sat expired for more than 3 years, and that we’re here today as trade-watchers openly contemplate AGOA’s expiration too, is an unfortunate testament to the state of U.S. trade policy in 2024.

As I and my Cato Institute colleagues have long documented, U.S. trade preference programs are far from perfect.³ Product exclusions, import limits, eligibility criteria, and complex administrative and customs requirements all limit the programs’ usefulness for foreign exporters, American importers and consumers, and U.S. foreign policy. But the perfect should not be the enemy of the good, especially—as the last few years have unfortunately retaught us—when the alternative is nothing at all. And, as I’ll explain, there are strong economic, geopolitical, and moral reasons to continue—if not expand—these programs, *especially* today.

THE ECONOMIC CASE

Preference programs have delivered important economic benefits for the people—here and in developing countries—participating in them. The recent expiration of GSP provides an unfortunate example: according to the Coalition for GSP, for example, American companies between 2021 and 2023 paid almost \$3.4 billion in additional tariffs because the program was expired.⁴

¹The views I express in this testimony are my own and should not be construed as representing any official position of the Cato Institute.

²“House Passes GSP Renewal Bill by 400–2 Vote,” Coalition for GSP, February 13, 2018, <https://renewgsptoday.com/2018/02/13/house-passes-gsp-renewal-bill-by-400-2-vote/>.

³Sallie James, “The U.S. Generalized System of Preferences: Helping the Poor, But at What Price?,” Cato Institute Trade Policy Analysis no. 43, November 16, 2010, <https://www.cato.org/trade-policy-analysis/us-generalized-system-preferences-helping-poor-what-price>.

⁴“GSP Lapse Costs American Companies \$3.36+ Billion from 2021 to 2023,” Coalition for GSP, February 14, 2024, <https://renewgsptoday.com/2024/02/14/gsp-lapse-costs-american-companies-3-36-billion-from-2021-to-2023/>.



Meanwhile, UNCTAD estimates that AGOA saves U.S. importers approximately \$250–\$300 million per year in foregone tariffs (or \$5–\$6 billion between 2001 and 2021)⁵—savings that these companies can use to expand their operations or simply pass on to their American customers.

A few billion dollars in tariff savings arguably means little to a \$27 trillion U.S. economy that imported more than \$3.8 trillion in goods and services last year alone, but it is critical to the people here and abroad whose livelihoods depend on these programs. Indeed, GSP beneficiaries in the United States are predominantly small businesses: According to the U.S. Chamber of Commerce, for example, “The typical beneficiary [U.S.] company employs about 20 people, and GSP saves them between \$100,000 and \$200,000 in duties.”⁶ Supposedly “small” tariff savings for them can mean the difference between eking out a small profit and declaring bankruptcy—especially given that, as has been widely reported, many small businesses have been forced to take out high-interest loans or lines of credit to cover new tariff costs.

Consider the following examples:

- A 20-person business in California selling travel goods explained in 2021 that it was facing the risk of closure because GSP expiration forced the company to change suppliers multiple times and pay more than \$800,000 in tariffs.⁷
- A Michigan company that sells Cambodian school supplies to local K–12 schools was forced to reduce its staff by almost half after GSP expired. According to the owner, the episode “nearly put us out of business.”
- A 55-person, employee-owned company in Wisconsin that imports food products from GSP beneficiary companies paid more than \$20,000 in extra tariffs and has suffered lower sales because it was forced to pass on some of these costs to its American customers.⁸
- Also in California, a jewelry company owner has accumulated over \$3 million in debt to pay for \$4.5 million in extra tariffs since GSP has been expired.⁹ He’s slashed his company’s staff from 20 employees to just 5 and has finally stopped waiting for Congress to renew GSP, instead preparing to close the business completely.

⁵ “The African Growth and Opportunities Act: A Review of Its Benefits, Limitations, Utilization, and Results,” United Nations Conference on Trade and Development, UNCTAD/ALDC/INF/2023/1, 2023, pp. 6–7, https://unctad.org/system/files/official-document/aldcinf2023d2_en.pdf.

⁶ “U.S. Chamber Letter on Generalized System of Preferences (GSP) Reauthorization,” U.S. Chamber of Commerce, April 16, 2024, <https://www.uschamber.com/international/trade-agreements/u-s-chamber-letter-on-generalized-system-of-preferences-gsp-reauthorization>.

⁷ “I Might Close the Company Once Our Lease Expires’ Due to GSP Expiration,” Coalition for GSP, August 16, 2021, <https://renewspstoday.com/2021/08/16/i-might-close-the-company-our-lease-expires-due-to-gsp-expiration/>.

⁸ “GSP Expiration Means Higher Tariffs, Lower Sales for Wisconsin Employee-Owned Company,” Coalition for GSP, July 27, 2021, <https://renewspstoday.com/2021/07/27/gsp-expiration-means-higher-tariffs-lower-sales-for-wisconsin-employee-owned-company/>.

⁹ “GSP Coalition Statement Supporting the Amended GSP Reform Act,” Coalition for GSP, April 17, 2024, <https://renewspstoday.com/2024/04/17/gsp-coalition-statement-supporting-the-amended-gsp-reform-act/>.

- A Boise, ID curry company run by a husband and wife duo for 15 years now faces closure because they've paid more than \$150,000 in additional tariffs and, unable to absorb these costs, have been removed from the shelves of their two biggest buyers, Whole Foods and Sprouts.

Larger American businesses have been affected too, but I highlight the smaller companies because the large ones have the resources to not only absorb or pass on higher tariff costs but also to adjust to their global supply chains—including, as we'll discuss in a moment, by moving to Chinese suppliers. Often, the little guys have no such options.

People in developing countries have, of course, benefited from these programs too—and, being some of the poorest people on the planet, they disproportionately suffer when the benefits stop. Under AGOA, for example:

- Qualifying apparel exports from Kenya increased from \$55 million to \$603 million between 2001 and 2022, constituting almost 68 percent of Kenya's total exports to the United States.¹⁰
- In Lesotho, eligible apparel exports accounted for 89 percent of country's total exports from 2001 to 2020, around \$6.2 billion during the period.¹¹
- AGOA has proven essential for jumpstarting Namibia's nascent and growing beef industry, which in 2019 "became the first country in Africa to export beef to the United States after 15 years of working to satisfy safety regulations and logistics."¹²
- Automotive goods from South Africa increased by 447.3 percent between 2001 and 2022.¹³
- AGOA has also helped chocolate and basket-weaving materials from Mauritius; buckwheat, travel goods, and musical instruments from Mali; sugar, nuts, and tobacco from Mozambique; and wheat, legume, and fruit juices from Togo.¹⁴

This increased trade has produced tangible economic benefits for people in Africa. For example, the Brookings Institution estimates that AGOA-covered apparel exports alone have "led to the creation of tens of thousands of jobs" in Lesotho, Ethiopia, Mauritius, Madagascar, and Kenya.¹⁵

On the other hand, losing AGOA preferences can severely harm African nations—and their neighbors. Ethiopia's 2022 suspension from the program, for example, threatens the nation's textile- and apparel-focused industrial parks, which employ around 90,000 women aged 18–25 and have thrived because of duty-free and quota-free access to the U.S. market and hundreds of millions in foreign investment since 2014.¹⁶ Meanwhile, Madagascar's recent removal from AGOA punished not only that country but "the five regional partners from whom they sourced their apparel inputs."¹⁷

¹⁰David Luke, "How Has the African Growth and Opportunity Act (AGOA) Benefited African Countries?", World Economic Forum, November 16, 2023, <https://www.weforum.org/agenda/2023/11/africa-us-trade-agoa-deal-expires-2025/>.

¹¹Witney Schneidman, Kate McNulty, and Natalie Dicharry, "How the Biden Administration Can Make AGOA More Effective," Brookings Institution, November 15, 2021, <https://www.brookings.edu/articles/how-the-biden-administration-can-make-agoa-more-effective/>; and author's calculations using data from USITC DataWeb, U.S. International Trade Commission, updated May 2, 2024, <https://dataweb.usitc.gov/>.

¹²Gracelin Baskaran, "US-Africa Trade Relations: Why Is AGOA Better than a Bilateral Free Trade Agreement?", September 24, 2020, <https://www.brookings.edu/articles/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/>.

¹³David Luke, "How Has the African Growth and Opportunity Act (AGOA) Benefited African Countries?", World Economic Forum, November 16, 2023, <https://www.weforum.org/agenda/2023/11/africa-us-trade-agoa-deal-expires-2025/>.

¹⁴David Luke, "How Has the African Growth and Opportunity Act (AGOA) Benefited African Countries?", World Economic Forum, November 16, 2023, <https://www.weforum.org/agenda/2023/11/africa-us-trade-agoa-deal-expires-2025/>.

¹⁵Witney Schneidman, Kate McNulty, and Natalie Dicharry, "How the Biden Administration Can Make AGOA More Effective," Brookings Institution, November 15, 2021, <https://www.brookings.edu/articles/how-the-biden-administration-can-make-agoa-more-effective/>.

¹⁶David Luke, "How Has the African Growth and Opportunity Act (AGOA) Benefited African Countries?", World Economic Forum, November 16, 2023, <https://www.weforum.org/agenda/2023/11/africa-us-trade-agoa-deal-expires-2025/>.

¹⁷African Growth and Opportunity Act (AGOA): Program Usage, Trends and Sectoral Highlights: Hearings on Investigation no. 332–589, Before the U.S. International Trade Commission

Aggregate data reiterate the importance of U.S. preference programs for developing countries. While GSP imports were a tiny share of all U.S. imports in 2021, they were almost 9 percent (\$21.1 billion out of \$235 billion) of all imports from GSP beneficiary countries that same year.¹⁸ The skew is even greater for AGOA imports: last year they were only 0.30 percent of all U.S. imports but accounted for a whopping 32.3 percent of eligible countries' exports to the United States.¹⁹

More broadly, a study in the Spring 2023 special issue of the *Journal of Benefit-Cost Analysis* finds that a liberalization-driven 5-percent increase in global trade, accounting for both benefits and costs to import-competing industries, would generate benefits “only” 7 times greater than costs for rich countries like the United States but an astounding 95 times greater (\$1.4 trillion in benefits at a cost of \$15 billion) for low- and lower-middle income countries, such as those benefiting from U.S. preference programs. The authors thus conclude that freer trade is “one of the top interventions” for global development: it “is modestly good for rich countries, very good for upper-middle-income countries, and amazingly good for the poorer half of the world.”²⁰

Of course, the effects of U.S. preference programs are orders of magnitude smaller than the ones modeled here, but the data above nevertheless demonstrate the disproportionate benefits that GSP, AGOA, and other market-opening initiatives provide to people living in world's poorest countries.

This also demonstrates why, as my colleague Johan Norberg documents in a new Cato Institute essay, U.S. trade with developing countries has *not* facilitated a “race to the bottom” for labor and environmental conditions in those places but in fact *much the opposite*. In particular, he offers reams of data showing that global capitalism—and the economic growth, rising living standards, and technological proliferation it foment—has benefited both the developed and developing world alike.

- On labor, for example, the International Labour Organization finds that countries more integrated in the global economy had much larger declines in elementary and lesser-skilled jobs (a proxy for low incomes and bad working conditions) between 1994 to 2019.²¹ The share of workers living in extreme poverty has collapsed, with the biggest drops again occurring in more globalized Asia (and not just in China) than less-connected Africa. As the Organisation for Economic Co-operation and Development (OECD) concluded a few years ago: “the worst of fears about a race to the bottom do not appear to have materialized systematically in the real world, though examples do arise. A large empirical literature seems to point, if anything, to the opposite conclusion.”²²

(2024) (statement of Landry Signé, Executive Director and Professor, Thunderbird School of Global Management), <https://www.brookings.edu/wp-content/uploads/2022/08/Testimony-Landry-Signe-June-9-2022.pdf>.

¹⁸ Author's calculations using data from USITC DataWeb, U.S. International Trade Commission, updated May 2, 2024, <https://dataweb.usitc.gov/>.

¹⁹ Author's calculations using data from USITC DataWeb, U.S. International Trade Commission, updated May 2, 2024, <https://dataweb.usitc.gov/>.

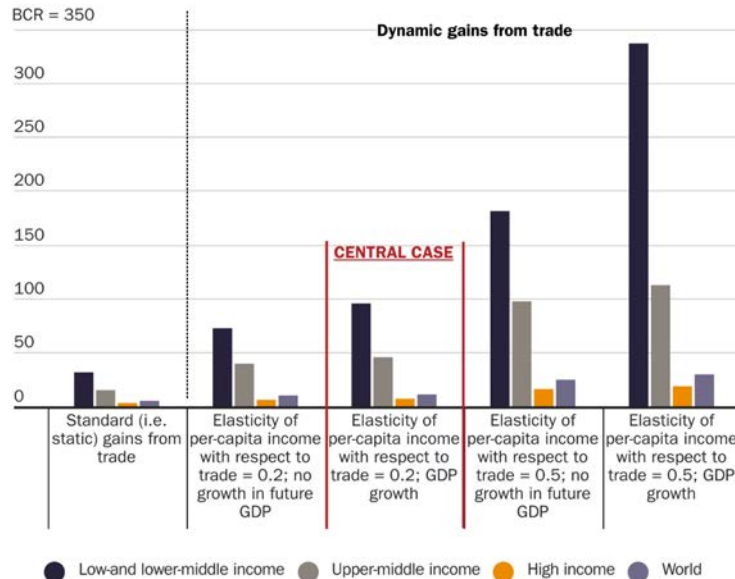
²⁰ James Feyrer et al., “Benefit-Cost Analysis of Increased Trade: An Order-of-Magnitude Estimate of the Benefit-Cost Ratio,” *Journal of Benefit-Cost Analysis* 14, no. S1 (Spring 2023): 108–135, <https://www.cambridge.org/core/journals/journal-of-benefit-cost-analysis/article/benefit-cost-analysis-of-increased-trade-an-order-of-magnitude-estimate-of-the-benefit-cost-ratio/C1B297FFD1062F9DEA69794B8C123204>.

²¹ “World Employment and Social Outlook 2020,” International Labour Organization, 2020, https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_734455.pdf.

²² “Policy Priorities for International Trade and Jobs,” Organisation for Economic Co-operation and Development, May 23, 2012, https://www.oecd-ilibrary.org/trade/policy-priorities-for-international-trade-and-jobs_9789264180178-en.

Figure 1

Trade generates benefits that far exceed its costs, especially for poor countries
Benefit to cost ratio (BCR)



Source: James Feyrer et al., "Benefit-Cost Analysis of Increased Trade: An Order-of-Magnitude Estimate of the Benefit-Cost Ratio," *Journal of Benefit-Cost Analysis* 14, no. S1 (Spring 2023): 128, Table 4.

Notes: Static gains from trade estimated using changes in prices, demand elasticities for goods, and changes the quantity of goods consumed, according to the approach in Costas Arkolakis, Arnaud Costinot, and Andrés Rodríguez-Clare, "New Trade Models, Same Old Gains?," *American Economic Review* 102, no. 1 (February 2012): 94–130. An elasticity of per-capita income with respect to trade of 0.2 means that a 10 percent increase in trade (by volume) increases a country's income per capita by 2 percent. Estimates of dynamic gains from trade assuming GDP growth based on implied growth rates in the shared socio-economic pathways middle-of-the-road scenario described in Keywan Riahi et al., "The Shared Socioeconomic Pathways and Their Energy, Land Use, and Greenhouse Gas Emissions Implications: An Overview," *Global Environmental Change* 42 (January 2017): 153–168.

- The story on the environment is more complicated, but eventually just as optimistic. Research shows that countries' early-stage urbanization and industrialization tends to worsen pollution levels and other environmental conditions, but that this trend reverses (*i.e.*, environmental conditions improve) as national wealth increases, industry advances, and citizens demand tighter regulation. As the *Financial Times* documented last year, the same "environmental Kuznets curve" applies to CO₂ emissions,²³ which appear to be declining today even in China.²⁴ Just as promising is the fact that less-developed nations are greening more quickly than their more-developed peers did, and trade again plays a big role in the process by helping to make poorer countries richer and by spreading technology developed by advanced countries. Thus, for example, economists Jeffrey Frankel and Andrew Rose have found that increased trade "correlates with reduced air pollution, independent of the effect wealth had on environmental progress."²⁵

²³ John Burn-Murdoch, "Economics May Take Us to Net Zero All on Its Own," *Financial Times*, September 23, 2022, <https://www.ft.com/content/967e1d77-8d3c-4256-9339-6ea7025cd5d3>.

²⁴ "China's Falling Emissions Signal Peak Carbon," *Human Progress*, May 31, 2024, <https://humanprogress.org/chinas-falling-emissions-signal-peak-carbon-may-already-be-here/>.

²⁵ Jeffrey A. Frankel and Andrew K. Rose, "Is Trade Good or Bad for the Environment? Sorting Out the Causality," *The Review of Economics and Statistics* 87, no. 1 (February 2005): 85–

Continued

Real-world cases disproving the race-to-the-bottom also abound. Bangladesh, for example, has long been one of the poorest places on the planet but has experienced several decades of expanded trade (especially in textiles and apparel), strong economic growth, and dramatic declines in poverty.²⁶ In Cambodia, meanwhile, a manufacturer that once benefited from GSP reported paying between two to five times the Cambodian minimum wage, plus benefits.²⁷ A maker of AGOA-covered skincare products in Togo “pay[s] four times the current wage in Togo” and is “seen as a model for advancing gender equality.”²⁸ Another AGOA participant, an Ethiopian footwear company, offers salaries three times the industry average, along with health insurance, transportation, and investments in the education of workers’ children.²⁹ These firms are certainly not alone.³⁰

Of course, not all beneficiary companies are good actors, and more work needs to be done in poorer countries. But keeping them poor—including by blocking off trade or attaching even more conditions to U.S. preference program benefits—will delay (if not thwart) the real progress they’re making.

Finally, it is important to note that new tariffs imposed since GSP expired do not seem to have encouraged U.S. importers to Buy American instead of from GSP-eligible countries. For starters, GSP import levels are roughly at or above pre-expiration levels (depending on your data source).^{31, 32} For these imports, Americans are just eating the tariffs. As we’ll discuss next, moreover, there is mounting evidence that U.S. importers and multinational manufacturers have shifted from GSP countries to other foreign suppliers, most notably China. Thus, GSP expiration did not mean more American manufacturing; it just meant more Americans paying more taxes—an unsurprising result, given that the programs are designed to minimize competition with American producers and workers.

THE GEOPOLITICAL CASE

Even if the economics were not so ironclad, U.S. trade preference programs would probably be worth maintaining for their geopolitical effects alone.

First, beneficiary countries often provide a strategic alternative to imports from China. Beyond the AGOA apparel examples above (China represented about 24 percent of all U.S. textile and apparel imports last year³³), GSP expiration provides an instructive, albeit frustrating, lesson in this regard.

According to multiple businesses interviewed by the Coalition for GSP and *The Wall Street Journal*, tariff savings under the program allowed them to shift suppliers from China to non-China sources. However, when GSP expired, the *Journal* noted “119 developing countries and territories, including Thailand, Brazil, the Philippines, Indonesia, and Cambodia, that had been eligible for duty-free import to the U.S. were hit with tariffs.”³⁴ As a result, it has become more financially sensible

91. <https://direct.mit.edu/rest/article-abstract/87/1/85/57521/Is-Trade-Good-or-Bad-for-the-Environment-Sorting?redirectedFrom=fulltext>.

²⁶ “World Economic Outlook (April 2024): GDP per Capita, Current Prices,” IMF DataMapper, International Monetary Fund, updated April 2024, <https://www.imf.org/external/datamapper/NGDPDPC@WEO/IND/BGD>.

²⁷ “How GSP Helps Workers in Countries Like Cambodia,” Coalition for GSP, November 30, 2021, <https://renewspstoday.com/2021/11/30/how-gsp-helps-workers-in-countries-like-cambodia/>.

²⁸ “US Ambassador to Togo to Visit Alaffia Factory Ahead of Agoa Summit,” AGOA.info, April 12, 2017, <https://agoa.info/news/article/15009-us-ambassador-to-togo-to-visit-alaffia-factory-ahead-of-agoa-summit.html>.

²⁹ “Our Ethos,” soleRebels, <https://www.solerebels.com/pages/our-ethos>.

³⁰ “An Open Letter to Congress on the Positive Impact of GSP on Women in Bali, Indonesia,” Coalition for GSP, February 17, 2021, <https://renewspstoday.com/2021/02/17/an-open-letter-to-congress-on-the-positive-impact-of-gsp-on-women-in-bali-indonesia/>; and “GSP Expiration Hurting California Company That Moved 1,500 Jobs from China to the Philippines,” Coalition for GSP, August 12, 2021, <https://renewspstoday.com/2021/08/12/gsp-expiration-hurting-california-company-that-moved-1500-jobs-from-china-to-the-philippines/>.

³¹ Christopher Clague, “Past Expiration: U.S. Imports from GSP Countries Surprise,” May 15, 2023, <https://www.flexport.com/research/past-expiration-u-s-imports-from-gsp-countries-surprise/>.

³² USITC DataWeb, U.S. International Trade Commission, updated May 2, 2024, <https://dataweb.usitc.gov/>.

³³ Liz Young, “Meet the Shirt Maker Who Loves U.S. Tariffs,” *Wall Street Journal*, May 28, 2024, https://www.wsj.com/articles/meet-the-shirt-maker-who-loves-u-s-tariffs-1f32a2fa?mod=economy_lead_story.

³⁴ Jason Douglas, “Manufacturers Move Back to China as Renewal of U.S. Trade Deal Is Delayed,” *Wall Street Journal*, March 17, 2023, <https://www.wsj.com/articles/manufacturers-move-back-to-china-as-renewal-of-u-s-trade-deal-is-delayed-88ed456b>.

for many companies to shift their sourcing *back* to China³⁵—even though many of the Chinese products at issue are subject to U.S. tariffs, too. (Overall, 95 percent of the tariffs paid because of GSP expiration are for products that also subject to section 301 tariffs.³⁶)

Travel goods are the *Journal's* indicative example: U.S. imports of bags, wallets, and related items from China declined by about 64 percent from January 2018 to December 2020 but then increased by 48 percent after GSP expired.³⁷ Without GSP, the paper explains, “U.S. importers had to choose between hiking prices for consumers, absorbing the hit through lower profit or finding a cheaper place to manufacture.” That “cheaper place,” it turns out, was the very Chinese mainland that they recently left, thus “denting investment in countries that show promise as alternatives for manufacturing outside China’s vast factory floor.” Indeed, some of the largest GSP beneficiary countries—Indonesia, Cambodia, Thailand, Brazil, and the Philippines—are locations the U.S. Government has tried to promote as China manufacturing alternatives.

For this very reason, the House China Select Committee included GSP reauthorization among its 150 policy recommendations to “to fundamentally reset the United States’ economic and technological competition with the People’s Republic of China.” In particular, the Commission noted that reauthorization would “promote economic development in the roughly 120 developing countries covered by GSP,” and recommended that Congress update the program to, among other things, “accelerate supply chain shifts out of the PRC market” and “provide certainty for industry as they contemplate supply chain investment decisions outside of the PRC.”³⁸

Second, U.S. preference programs are a cost-effective way to boost relations with key developing country allies around the world—nations that, whether due to investment ties, diplomacy, or economic gravity—have been increasingly pulled into China’s geopolitical orbit. As I wrote last year, leaders in Latin America, Southeast Asia, Africa, and the Middle East have recently expanded economic ties with Beijing, while clamoring for—and often not receiving—similar levels of engagement from the United States.³⁹ Just last week, for example, former GSP beneficiary Cambodia renamed a major road in its capital “Xi Jinping Boulevard,” which the nation’s Prime Minister attributed to the nations’ “inseparable” relationship.⁴⁰ In Sub-Saharan Africa, *Bloomberg* reports that annual trade since 2008 has declined substantially with the United States but done just the opposite with China.⁴¹

³⁵ “66 House Members Support GSP Renewal, including ‘Smart Changes to Make GSP Countries More Viable Alternatives to China,’” Coalition for GSP, July 12, 2023, <https://renewsgsp.today.com/2023/07/12/66-house-members-support-gsp-renewal-including-smart-changes-to-make-gsp-countries-more-viable-alternatives-to-china/>; and Jason Douglas, “Manufacturers Move Back to China as Renewal of U.S. Trade Deal Is Delayed,” *Wall Street Journal*, March 17, 2023, <https://www.wsj.com/articles/manufacturers-move-back-to-china-as-renewal-of-u-s-trade-deal-is-delayed-88ed456b>.

³⁶ “GSP Lapse Costs American Companies \$3.36+ Billion from 2021 to 2023,” Coalition for GSP, February 14, 2024, <https://renewsgsp.today.com/2024/02/14/gsp-lapse-costs-american-companies-3-36-billion-from-2021-to-2023/>.

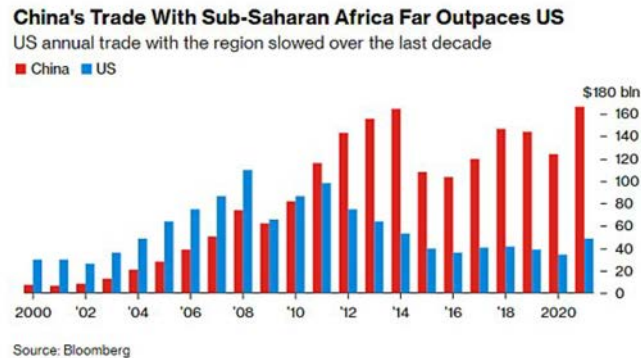
³⁷ Jason Douglas, “Manufacturers Move Back to China as Renewal of U.S. Trade Deal Is Delayed,” *Wall Street Journal*, March 17, 2023, <https://www.wsj.com/articles/manufacturers-move-back-to-china-as-renewal-of-u-s-trade-deal-is-delayed-88ed456b>.

³⁸ “Reset, Prevent, Build: A Strategy to Win America’s Economic Competition with the Chinese Communist Party,” The Select Committee on Strategic Competition between the United States and the Chinese Communist Party, December 12, 2023, <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>.

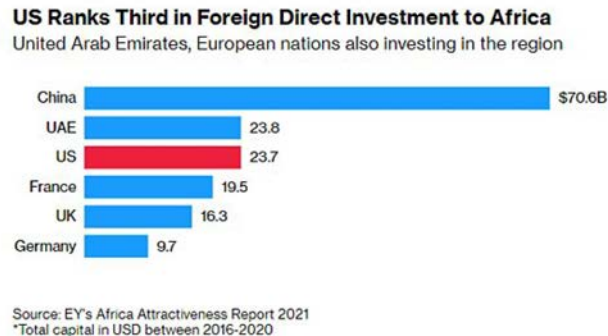
³⁹ Scott Lincicome, “If America Really Is Unpopular, We Have Only Ourselves to Blame,” Cato Institute, April 16, 2023, <https://www.cato.org/commentary/america-really-unpopular-we-have-only-ourselves-blame>.

⁴⁰ Yuanyue Dang, “Xi Jinping Boulevard in Phnom Penh a ‘New Milestone’ in Chinese-Cambodian Relations,” *South China Morning Post*, May 29, 2024, <https://www.scmp.com/news/china/diplomacy/article/3264539/xi-jinping-boulevard-phnom-penh-new-milestone-chinese-cambodian-relations?s=03>.

⁴¹ Akayla Gardner, “US Fights for Influence in Africa Where China, Russia Loom Large,” *Bloomberg*, March 24, 2023, https://www.bloomberg.com/news/articles/2023-03-24/us-fights-for-influence-in-africa-where-china-russia-loom-large?utm_source=ActiveCampaign&utm_medium=email&utm_content=If+America+Really+Is+Unpopular%2C+We+Have+Only+Ourselves+to+Blame&utm_campaign=If+America+Really+Is+Unpopular%2C+We+Have+Only+Ourselves+to+Blame.



Between 2016 and 2020, moreover, Chinese investment in the region was far above that of all other countries and almost three times that of the third-place United States.



As I and others⁴² noted at that time, the economic data do not mean that the governments of these African nations—or of Brazil and other developing countries—have suddenly joined “Team China” and abandoned the United States. However, three important points remain true. First, these countries greatly value American investment and access to the U.S. market. Second, the United States Government is not giving them either—especially as compared to the country that’s supposedly America’s top economic and geopolitical rival. Third, that foreign aid is an inadequate substitute for real bilateral economic engagement. On this last point, UNCTAD reports (emphasis mine): “During 2001–2021, total United States goods imports from the AGOA countries reached \$791 billion . . . *about five times larger than aid*, with the total value of United States foreign economic assistance obligations to Sub-Saharan African countries during fiscal years 2001 through 2019 being \$145 billion. . . .”⁴³

The United States still has many things going for it in any so-called “Great Power Competition” with China—including many noneconomic factors and foreign coun-

⁴² Alan Beattie, “The West Has Too Little to Offer Leaders like Lula,” *Financial Times*, April 20, 2023, https://www.ft.com/content/0a668661-8938-4d11-8a38-d963b16a5f1b?desktop=true&segmentId=7c8f09b9-9b61-4fbb-9430-9208a9e233c8&utm_source=ActiveCampaign&utm_medium=email&utm_content=If+America+Really+Is+Unpopular%2C+We+Have+Only+Ourselves+to+Blame&utm_campaign=If+America+Really+Is+Unpopular%2C+We+Have+Only+Ourselves+to+Blame#myft.notification:daily-email:content.

⁴³ “The African Growth and Opportunities Act: A Review of Its Benefits, Limitations, Utilization, and Results,” United Nations Conference on Trade and Development, UNCTAD/ALDC/INF/2023/1, 2023, p. 6, https://unctad.org/system/files/official-document/aldcin/2023d2_en.pdf.

tries' strategic self-interest in playing both sides of the rivalry. Nevertheless, one of America's longstanding geopolitical advantages has been our economic openness and engagement abroad, and, at a time when Federal budgets are tight, China's overseas influence is growing, and public distrust of foreign aid and overseas interventionism is rising, preference programs are a smart and easy way to boost global stability and U.S. foreign relations without spending a penny of taxpayer money.

THE MORAL CASE

Finally, there is a strong moral case for unilaterally reducing barriers to trade with developing countries. In 2022, the median annual income of people in GSP-eligible and AGOA-eligible countries was a mere \$6,507 and \$4,017, respectively (adjusting for purchasing power). That same year, it was more than \$76,000 in the United States.⁴⁴ Program beneficiary countries are home to some of the poorest people on the planet, many of whom depend on duty-free access to the U.S. market, no matter how limited it may be. In the tiny Solomon Islands (724,000 people and PPP-adjusted GDP per capita of \$2,665⁴⁵), for example, GSP-eligible exports of around 400–500 tons of canned tuna per year constituted about 18 percent of the nation's GDP and about 1 in every 30 formal-sector, wage-earning jobs.⁴⁶ Since GSP expired, however, those same exports now face tariffs of 12.5 to 35 percent, and have essentially ceased, replaced by imports from larger countries in Southeast Asia and Latin America.

More broadly, a 2018 paper from Emanuel Ornelas and Marcos Ritel finds that least-developed countries (LDCs), defined by the United Nations as gross national income (GNI) per capita of less than around \$1,100 per year, see a significant increase in their exports as a result of trade preference programs in the United States and elsewhere.⁴⁷ Thus, these "very poor" countries are the programs' chief beneficiaries.

CONCLUSION

One of the best and easiest ways to help the world's poorest people live better lives is to help them get rich, and trade is a key part of that enrichment. U.S. preference programs are far from perfect, nor are they alone a sufficient level of American economic engagement with the developing world. Nevertheless, they provide undeniable economic and geopolitical benefits, while helping to fight global poverty make the world a better, greener place. Maintaining them is the least we can do.

QUESTIONS SUBMITTED FOR THE RECORD TO SCOTT LINCICOME

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. Some argue that increasing global economic engagement makes us more vulnerable and dependent on China. According to these critics, we should avoid any type of market opening, including through preference programs. You have done a great deal of research on the implications of trade expansion on U.S. competitiveness and our geopolitical position.

Can you explain why you believe trade expansion, including through preference programs, improves our economic and strategic position vis-à-vis China?

⁴⁴ Author's calculations using data from "GDP per Capita, PPP (Current International \$)" World Development Indicators, The World Bank, updated May 30, 2024, <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>; GSP beneficiaries as listed in "Countries Eligible for GSP," Office of the U.S. Trade Representative, November 2020, <https://ustr.gov/sites/default/files/gsp/GSPGuidebookcountries.pdf>; and AGOA beneficiaries as listed in USITC DataWeb, U.S. International Trade Commission, updated May 2, 2024, <https://dataweb.usitc.gov/>.

⁴⁵ "Population, Total," World Development Indicators, The World Bank, updated May 30, 2024, <https://data.worldbank.org/indicator/SP.POP.TOTL>; and "GDP per Capita, PPP (Current International \$)," World Development Indicators, The World Bank, updated May 30, 2024, <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>.

⁴⁶ Ed Gresser, "PPI's Trade Fact of the Week: The U.S. GSP System Has Been Lapsed for over 2½ Years," Progressive Policy Institute, July 26, 2023, <https://www.progressivepolicy.org/blogs/ppis-trade-fact-of-the-week-the-u-s-gsp-system-has-been-lapsed-for-over-2-1-2-years/>.

⁴⁷ Emanuel Ornelas and Marcos Ritel, "The Not-So-Generalized Effects of the Generalized System of Preferences," CESifo Working Paper no. 7304, October 2018, https://www.econstor.eu/bitstream/10419/185502/1/cesifo1_wp7304.pdf.

Answer. Trade expansion improves the United States' economic and strategic positions in numerous ways.

The economic benefits are both microeconomic and macroeconomic. On the former, access to imported goods and services helps American companies, including manufacturers, keep costs down. Money that U.S. firms save from buying imports is either reinvested into their companies—boosting innovation, productivity, employment, et cetera—or passed on to their customers via lower prices. Both options help these American companies compete against their Chinese counterparts in the U.S. and overseas markets—a competitive advantage that can be further enhanced by U.S. free trade agreements that lower trade barriers abroad. By contrast, forcing American companies to pay higher prices for key inputs—prices their Chinese competitors are not paying—will reduce their global competitiveness, with attendant harms for their workers and investors.

The macroeconomic benefits are also important. Trade openness allows the U.S. economy to dedicate a greater share of scarce resources (labor, capital, materials, et cetera) to the kinds of economic activities in which U.S. producers have a comparative advantage—namely, advanced manufacturing and services. By focusing on such high value-added activities, in turn, U.S. firms and workers become richer, and our economy grows and becomes more dynamic.

Trade expansion also has geopolitical benefits. Increasing trade with foreign countries can foster closer and deeper relations with their people and their governments, all of whom greatly value access to the U.S. market *and* are being courted today by the Chinese Government. Furthermore, lowering U.S. tariffs and other trade costs via bilateral or regional free trade agreements and unilateral trade preference programs can give companies located in partner countries a competitive advantage over their Chinese counterparts. And by diversifying U.S. imports and foreign suppliers away from China and toward these same partner countries, the U.S. economy can become better able to withstand economic or geopolitical shocks, regardless of where they occur.

Question. GSP covers only a limited number of goods—those deemed as non-sensitive. It also includes a petition process that allows U.S. interests to petition to remove goods from the GSP list. The result of this process is that many of the goods in GSP are low-value manufactured goods like luggage.

From a U.S. perspective, does it make sense to have low-value manufactured goods eligible for GSP benefits? In other words, is there a downside or do we benefit on balance?

Answer. Making low-value manufactured goods eligible for GSP benefits would undoubtedly benefit the United States on net. Most obviously, eliminating tariffs on low-value manufactured goods like clothing, shoes, and other basic necessities means lower prices for American families, allowing them to stretch their budgets in a time of higher inflation.

As discussed in my response to the previous question, moreover, there are both firm-specific and economy-wide benefits to enhancing American companies' access to imported manufactures at globally competitive prices. Just as importantly, congressional failure to reauthorize GSP or extend AGOA would provide little to no benefit for American manufacturers because U.S. companies do not turn to sourcing low-value manufactured goods from American producers but instead from manufacturers in other nations. Since GSP lapsed, in fact, many companies here have turned away from beneficiary nations and back to China as they search for cost-competitive suppliers.

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. GSP can benefit both the U.S. economy and the economy of our trading partners. However, due to the lapse in GSP benefits, many companies across industries have been paying duties on products that otherwise would have benefited from the program. For example, I have heard from the outdoor industry, including brands like REI in my State, have paid a total of \$1.53 billion in duties on products that are GSP-eligible. This has not only affected the industry's overall competitiveness but also strained small businesses that are a crucial part of this sector.

What are the economic benefits of GSP to American companies—particularly small businesses? And how has a lapse in the program been detrimental to them?

What are the benefits to the economies of GSP-eligible countries?

Answer. As I mentioned in my testimony, GSP did not account for a large share of either total U.S. imports or U.S. GDP, but the program was vitally important for many businesses, large and small businesses, that relied on covered imports. And, as noted in my previous response, the lack of domestic alternative products means that these same companies are today simply paying higher costs—tariffs, higher prices, and/or compliance—for the imported goods they need. Such costs may be surmountable for large businesses that can simply pass them on via price increases or reduce hiring and investment elsewhere in the company.

For small businesses, however, the added costs can be the difference between profit and bankruptcy. The “typical” GSP beneficiary firm here in the United States employs around 20 people, per the U.S. Chamber of Commerce, and GSP saved them between \$100,000–\$200,000 in import duties. By contrast, U.S. firms have paid \$3.4 billion in tariffs since GSP lapsed. Many smaller companies simply cannot afford to keep paying these bills.

GSP also benefits eligible countries, which are home to some of the world’s poorest people. (The median annual income of people in these countries was a mere \$6,507 compared to over \$76,000 in the United States, after adjusting for differences in cost of living.) Many of these countries’ economies depend on foreign trade far more than our economy does. Access to the U.S. market via the program can thus be an important catalyst for growth. And many of the firms that benefit from GSP offer economic benefits that are well above their countries’ minimum wages or the “typical” compensation that most workers can find in other local firms. Thus, preference program benefits can translate to improved outcomes not just for the workers that receive them, but for their communities, too. Expanded trade via GSP can thus also be an important catalyst for economic development, helping nations move up the economic ladder—and eventually customers for American exporters.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. South Dakota’s number one industry is agriculture, and expanding market access opportunities for South Dakota producers should be a priority for the Biden administration and USTR, but unfortunately, they could not seem to care less.

In light of that, how do you believe that the Generalized System of Preferences’ existing market access criteria benefits U.S. agricultural producers, and are there ways the criteria could be refined for beneficiary countries to further improve market access opportunities for our farmers and ranchers here at home?

Answer. Among the criteria for GSP eligibility is that beneficiary countries provide U.S. producers with “equitable and reasonable” market access. Countries like Thailand and India have previously seen their GSP eligibility revoked after U.S. firms and industry associations—including, prominently, in the agricultural sector—alleged that they failed to provide such access to U.S. exports.

Nevertheless, it is worth questioning whether GSP is an appropriate vehicle for enhancing American exporters’ access to foreign markets. Most obviously, the program’s primary objective is to boost the U.S. economy and economic development abroad via limited, *unilateral*—not reciprocal—reductions in U.S. trade barriers. Enhancing market access abroad is thus a secondary objective at best.

Furthermore, revoking GSP benefits on market access grounds can undermine its primary objective. As shown by the case study of Ethiopia I cite in my testimony and by the millions of dollars in extra tariffs that American firms paid when India and Thailand’s GSP eligibility was revoked, removing GSP benefits imposes high costs on people—including some of the world’s poorest people abroad and small businesses at home—who have little or nothing to do with the foreign government measures that prompt such removal. Congress should therefore be very careful that, in trying to provide opportunities for U.S. exporters, it harms the very people here and abroad that the program is supposed to help.

Question. As you know, the Generalized System of Preferences can play an important role in ensuring our partners around the world comply with reasonable market access commitment.

How do you believe the reauthorization of GSP could be used to level the playing field for U.S. producers and protect their use of common food and beverage names

in beneficiary countries, particularly as the European Union is undertaking an effort that would restrict American products from using common food names and exclude American-made products from key export destinations?

Answer. I have no insights into or information on this issue.

QUESTIONS SUBMITTED BY HON. THOM TILLIS

Question. Despite the Biden administration's attempt to claim nonexistent trade wins for the U.S., there has been zero progress on expanding market access or lowering import prices. A long-term reauthorization of AGOA is a common-sense first step Congress can take to right this wrong. It's a proven program that lets developing countries prosper in tandem with American manufacturers and workers.

How can trade preference programs more effectively serve the mutual interests of American producers?

Is the failure to reauthorize trade preference programs driving foreign countries in places like Africa into the arms of China and undermining U.S. trade interests?

Answer. The first step towards ensuring that trade preference programs effectively serve the interests of American producers is reauthorizing GSP and AGOA for a long period of time. Because businesses greatly value certainty when planning investments and developing supplier relationships, a short-term extension of preference programs greatly undermines their value to U.S. companies and thus their use and efficacy. It is also important to reevaluate existing import conditions (*e.g.*, relatively low "competitive need limitations" and onerous CNL waiver rules) and country eligibility criteria to ensure that these terms are not so restrictive as to discourage trade with beneficiary nations in contravention of the programs' economic objectives.

On the second question, the lack of more robust U.S. engagement with developing countries, including countries in Africa, certainly helps the Chinese Government present China as a more attractive trade and investment partner than the United States. Reauthorizing our trade preference programs, particularly GSP and AGOA, is a good start towards reversing this trend, but it may alone be insufficient to convince these and other nations that the United States is a willing and reliable partner for deeper commercial integration. The reauthorization of U.S. trade preference programs should therefore pave the way for more comprehensive trade, investment, or economic partnership agreements with countries or even entire regions in the developing world.

QUESTION SUBMITTED BY HON. MARSHA BLACKBURN

Question. The Generalized System of Preferences (GSP) plays a crucial role in our ability to open foreign markets to U.S. agricultural exports. If GSP beneficiary countries impose barriers on U.S. agricultural products, they risk losing their participation in the program. Without this program, we are missing a crucial tool to help our farmers and ranchers.

Can you detail the types of agricultural barriers that American farmers and ranchers face abroad in GSP countries and the impact that losing GSP has on our ability to export agricultural products?

Answer. In general, U.S. agricultural exporters face a combination of high tariffs, relative to nonagricultural tariffs or tariffs on agricultural exports from other countries, and nontariff barriers in the form of health and safety regulations (*i.e.*, sanitary and phytosanitary measures). I should note these barriers are not unique to GSP countries and are found across the world, including in developed countries.

GSP provides some leverage that the United States can use to open foreign agricultural markets, but it is limited compared to other tools—such as comprehensive free trade agreements—that the United States could and should be using to expand trade. As noted in my response to the previous question, moreover, GSP is at its core a *unilateral* preference program, not a reciprocal one.

PREPARED STATEMENT OF FLORIZELLE LISER,
PRESIDENT AND CEO, CORPORATE COUNCIL ON AFRICA

Good morning. I am Florie Liser, the president and CEO of the Corporate Council on Africa. On behalf of my board and members, I want to thank the chairman and members for the opportunity to testify before the Senate Finance Committee today on the importance of renewing the African Growth and Opportunity Act (AGOA).

In a world full of pressing challenges that tend to dominate the headlines, it can be easy to overlook the significant changes that are happening in Africa. You will all be familiar with the long-term population dynamics that will see the continent's population double over the next 2 decades, making Africa both the largest source of workers as well as an increasingly important market for companies across the globe. African leaders understand that this dynamic is a potentially huge asset that can drive their economic development if they can put the right policies in place to create the jobs that all those young people will need. African leaders are already actively pursuing private sector investment and global partnerships to jump start this process. Many of them are looking to the United States as an important partner, as we saw with the state visit of Kenyan President Ruto to Washington 2 weeks ago and the robust representation of 16 African delegations, including six heads of state, at the CCA U.S.-Africa Business Summit in Dallas 1 month ago.

Since 2000, the African Growth and Opportunity Act, or AGOA, has been the primary tool for American economic engagement with Africa. As such, AGOA has taken on a strategic element that makes it much more than "just a trade program" for African countries. As AGOA's current authorization nears its expiration in 2025, I would encourage the committee to take account of AGOA's importance in the overall U.S.-Africa strategic relationship, and would offer four main points for your consideration today.

The first is about the broader context in which today's discussion of AGOA renewal takes place. Africa in 2024 is very different than the Africa of 2000, when AGOA first went into effect. Through the African Continental Free Trade Agreement (AfCFTA), African countries are creating a much more harmonized and unified market by reducing and removing both tariffs and nontariff barriers. This is making it much more commercially feasible for African companies and others sourcing from Africa (like the United States) to create the networks and regional value chains that will make African suppliers more competitive, while also expanding intra-African trade as well as the continent's trade with global partners like the United States.

While AfCFTA should be a game changer for Africa, its success will depend on access to markets. In that regard, continued access to the U.S. market under AGOA will be critical to retain current and attract new investment. There are few steps that the United States could take that would be more significant than renewing AGOA for at least 10 years in 2024 in terms of sending a powerful signal to companies, American as well as African, that the United States supports Africa's development as well as stronger U.S.-Africa trade, investment, and commercial ties.

The evolution of AfCFTA and creation of regional value chains will also address one of the concerns about relatively low utilization rates under AGOA. As these value chains develop, African companies are more likely to be able to meet the scale and sophistication that the U.S. market tends to require.

The second related point I would offer is that the United States should adapt how it frames trade and investment issues with Africa to match this evolution in the African market. Understandably, we have tended to focus over the last 24 years on country-by-country analysis of AGOA utilization to assess or rate AGOA's success and how well the United States is doing in terms of its broader trade and investment strategy with Africa.

We can and should think much bigger than that. African institutions have targeted four priority sectors to drive investment and job creation under AfCFTA, including automotives, agribusiness, transportation and pharmaceuticals, while also expanding the capacity of enabling sectors like energy and ICT. These sectors all play to the strengths of American companies and offer a tremendous opportunity to deepen our trade and investment ties with our African partners.

The United States should adapt how we measure success to focus more on engagement in these priority sectors, as well as trade and investment at the regional level working with African Regional Economic Communities (RECs) and with the AfCFTA at the continental level to foster African economic integration and the cre-

ation of regional and global value chains. We should be focused on steps we can take to encourage more American companies to invest as well as trade with African partners. We should also develop tools to reward regions and sectors for integration, such as lines of credit through EXIM bank or DFC, rather than looking for ways to penalize countries for insufficient utilization rates.

The third point is that the United States should also expand its range of strategic tools to achieve a broader, refreshed set of strategic objectives for U.S.-Africa economic engagement. AGOA was never intended to be the “be-all and end-all” of U.S. trade and investment policy towards Africa but has become the single bucket into which advocates of stronger ties with Africa look to include everything we’re doing.

We should resist that temptation and instead develop tools that match the needs of specific sectors or regions. To cite two examples, many have suggested that critical minerals and ICT should somehow be part of AGOA. Both are areas where the U.S. should undoubtedly have a much stronger partnership with Africa. While both sectors face challenges, the need for U.S. tariff relief is not a factor for either sector. In the case of critical minerals, it would make more sense for the administration to build on the Minerals Supply Partnership to craft an outreach to African countries, including some of the innovative work by the State Department to support battery councils between Zambia and DRC. Exploring ways that AGOA-eligible countries could be qualified for IRA tax credits might also be useful. Finally, crafting a package of support that includes policy reforms and technical assistance for human capacity development and improved mapping, as well as specific investment credits for the sector, is the kind of approach that would make sense.

It would make sense for the United States to engage Africa on a serious discussion about what the long-term trade and investment relationship should look like. While it may not end up being an FTA between the U.S. and all of Africa, it could be a series of agreements like the U.S.-Kenya Strategic Trade and Investment Partnership (STIP) or FTAs with “anchor” countries which would link to regional groupings (for example an FTA with Kenya would naturally tie in its East African Community (EAC) partners). Another option would be to develop protocols or agreements on specific issues. For example, under the USG Digital Trade With Africa (DTA) initiative launched at the December 2022 U.S.-Africa Leaders Summit, the United States could explore with Africans how to address digital trade issues being addressed in the AfCFTA Digital Trade Protocol adopted by African Leaders just this past February at the African Union (AU) Summit. That would naturally build on the protections AfCFTA offers companies investing in Africa, and through a series of FTAs that include market access provisions should begin to level the playing field in Africa for U.S. companies relative to their European competitors.

Fourth and last, I’d like to end with a practical pitch to renew AGOA as soon as possible this year. Key industries like textiles and apparel operate on 18- to 24-month lead times, which is beyond the current expiration of AGOA. The uncertainty about AGOA’s renewal is already causing orders to be cancelled—which will soon start translating into factories being closed and people being fired.

I understand and support the argument that this AGOA renewal is a great opportunity to make some changes, and there are several non-controversial changes that can and should be made. Finding a way to include North Africa into AGOA eligibility makes eminent sense, as does modifying the graduation criteria to avoid punishing countries that have made good use of AGOA (like Mauritius) to achieve Middle Income Status. Other noncontroversial changes would include eliminating the textile visa requirement for Africa to harmonize with customs procedures used for most other apparel exporters, while increasing the apparel quotient base to reflect the current market. It would also be helpful to change the review period to once every 3 years versus annually. Congress and the administration would still have the ability to review or remove eligibility very quickly in the event of an event like a coup. For the vast majority of AGOA-eligible countries that do not experience those kinds of disruptions, switching to a review once every 3 years would provide companies greater certainty, encouraging them to invest more and acting as an incentive for countries to remain on track for eligibility. Fewer reviews would also make the program easier for the U.S. Government to administer, freeing up time to work with African countries on improving their trade and investment environment and pursuing broader strategic approaches as outlined above.

CCA notes the longstanding bipartisan and bicameral support for AGOA, welcomes the support for AGOA reflected in bills introduced by members of non-trade committees, commends this committee for holding this hearing and urges your work

with House counterparts to craft an AGOA renewal bill that can hopefully be passed as soon as possible in 2024.

Thanks for the opportunity to speak with you today and I look forward to answering any questions and offering CCA as partner in following up from today's hearing.

QUESTIONS SUBMITTED FOR THE RECORD TO FLORIZELLE LISER

QUESTION SUBMITTED BY HON. RON WYDEN

Question. Petroleum products make up 45 percent of imports under the African Growth and Opportunity Act (AGOA). The majority of these imports are sourced from Nigeria, Ghana, and Angola. Both Nigeria and Angola are members of the Organization of the Petroleum Exporting Countries (OPEC) cartel.

To remain eligible for AGOA's preferences, beneficiary countries must meet the eligibility requirements for AGOA and the Generalized System of Preferences (GSP). Notably, under GSP's mandatory eligibility criteria, the President shall not designate any country a beneficiary of the program if—

- (B) Such country is a party to an arrangement of countries and participates in any action pursuant to such arrangement, the effect of which is—
 - (i) to withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable level, and
 - (ii) to cause serious disruption of the world economy. 19 U.S.C. 2462(b)(2)(B).

Countries that are members of the OPEC cartel—which recently agreed to extend production cuts in order to raise oil prices—would appear to be in violation of this mandatory eligibility criterion. Yet both Nigeria and Angola are eligible for AGOA.

USTR, as delegated by the President, annually reviews and determines each AGOA country's eligibility, in accordance with the criteria set out by Congress. Can you discuss the considerations behind USTR's AGOA eligibility determinations, including issues raised by OPEC membership and how that membership may be considered with respect to the criterion provided for under 19 U.S.C. 2462(b)(2)(B)?

Answer. I would defer to USTR to explain their deliberations on individual country AGOA eligibility and any impact that OPEC membership may, or may not, play in that process.

It may be of interest to note that currently, Nigeria and the Republic of Congo are the only OPEC countries that maintain AGOA eligibility. Angola resigned its OPEC membership in January 2024, reportedly in part because of the extension of production cuts. OPEC members Ecuador, Indonesia, and Venezuela have previously received GSP beneficiary status, and we assume a similar approach would be taken for AGOA-eligible countries that are also current OPEC members.

Finally, from 2001 to 2021, U.S. petroleum imports under AGOA and GSP have shrunk nearly 75 percent while non-petroleum imports have more than tripled.

QUESTION SUBMITTED BY HON. MIKE CRAPO

Question. You have visited a number of factories and businesses in Africa in your capacity that benefit from AGOA. Some critics argue non-oil exports from AGOA countries are fairly small and thus AGOA is not particularly relevant. However, the critics may not appreciate that even small export volumes stimulated through AGOA can lift a much larger number of people out of poverty, including women in particular.

Would you please share your experience to help the committee understand how small exports benefit African development?

Answer. I appreciate this question, as the impact of AGOA is often overlooked because the amount (both in volume and value) of exports seems small when compared to overall levels of U.S. trade. The reality is that the impact of volumes that are small for us are significantly greater for much smaller African economies and the companies making this trade happen.

I have been fortunate to visit dozens of factories across Africa making products for export under AGOA. Workers in those factories, who are primarily women and young, have told me that these jobs enable them to now afford school fees not just for their sons but also for their daughters. I had one woman tell me she could buy a better roof for her house. These jobs also support livelihoods from the businesses that grow up around these factories, including transportation and lunch counters. The exports may seem small, but the impact on the workers in these countries is transformational. It also helps in moving workers—again largely women and youth—out of the informal trade sector in Africa into the formal sector with wage-paying jobs where they also learn new skills.

While the exports may be small, the number of jobs created is not. Hundreds of thousands of primarily women are employed in factories across various sectors including textile and apparel, footwear, auto and auto parts manufacturing, food processing of products like cocoa, shea, cashews, et cetera. Before Ethiopia was suspended from AGOA, its industrial parks greatly benefited from their products having access to the U.S. market under AGOA, resulting in the creation of 90,000 direct jobs for primarily young women. Job creation is not just important for economic development; it facilitates societal transformation, boosting the number of women and youth employed, while also facilitating the spread of world-class standards of employment and safety. In terms of processed agricultural and food product exports to the U.S. under AGOA, these exports also positively impact countless farmers and agricultural workers all across the continent.

It is also important to consider the quality of the exports and not just the volume. AGOA has enabled more value-added production, which is a critical part of supporting Africa's broader industrial transformation and development. AGOA has enabled African countries to diversify their economies. AGOA also does not take account of inputs being produced by some AGOA-eligible countries for export to those countries assembling final products for export to the U.S. under AGOA. For example, brake harnesses, car seats, and electric wires, from Lesotho and Botswana are shipped to South Africa for automobiles shipped to the U.S. under AGOA. While these inputs do not get captured in AGOA statistics, they have been critical for these smaller countries and their companies in creating economic opportunity for their populations.

Over the years, I have personally visited many factories across AGOA-eligible Sub-Saharan African nations and can attest to what AGOA has done to date and want to emphasize AGOA's potential for expanding and diversifying the U.S.-Africa broader relationship. Critics of AGOA fail to appreciate that it has increased investment in the continent, advanced industrialization efforts, created jobs, supported security, and increased the diversification of African economies.

QUESTIONS SUBMITTED BY HON. BENJAMIN L. CARDIN

Question. Ecuador continues to remain a key partner of the United States and their security and prosperity are in the mutual interest of both the United States and Ecuador. For these reasons, I am a proud cosponsor of the Innovation and Development in Ecuador Act. This legislation would ensure that Ecuador is an eligible nation to receive benefits under the Caribbean Basin Economic Recovery Act (CBERA). CBERA was first implemented on January 1, 1984, and provides duty-free entry of goods into the United States from those who are designated as beneficiary countries and has no set expiration date.

The United States and Ecuador are key economic partners, however, there is no free trade agreement between the two nations. Near the end of the expiration of GSP, Ecuador began to benefit from the elimination of the tariff on Ecuadorian roses. This bill would ensure that Ecuador benefits from tariff eliminations when exporting goods into the United States. While this was a good start—it did not cover a large swath of Ecuador's products. This legislation would expand the economic relationship between the United States and Ecuador.

Can you speak on the importance of continued economic development between the United States and Ecuador, and specifically, what the benefits would be of Ecuador being eligible for CBERA benefits?

Answer. Unfortunately, I am unable to answer this question as it falls outside of the focus of Corporate Council on Africa.

Question. I am a proud cosponsor of the Haiti Economic Lift Program (HELP) Extension Act. This legislation would extend through Fiscal Year 2035 the special duty-free rules for Haiti under the Caribbean Basin Economic Recovery Act (CBERA). The HELP program is currently set to expire on September 30, 2025.

It is essential that the U.S. continues to support the economic development of Haiti. First enacted in 2010 following the earthquake in Haiti, HELP provided economic assistance to Haiti by expanding the types of apparel goods that were eligible for duty free status. Ensuring that the Haitian people are supported especially during this critical moment for Haiti is an important priority of mine and extending HELP is an important step to ensure that the United States continues to economically support its partner nations.

Can you speak on the importance of ensuring that HELP continues and what that means for the Haitian people?

Can you speak on the economic impacts of HELP and how this program has assisted in the economic development of Haiti since 2010? Can you also speak to the likely withdrawal of foreign investment under HELP if we do not quickly move to reauthorize HELP?

Answer. While I appreciate the urgency the Haitians must feel about renewing HELP, this question falls outside of my area of focus as president and CEO of Corporate Council on Africa.

QUESTION SUBMITTED BY HON. MICHAEL F. BENNET

Question. The African Growth and Opportunity Act (AGOA) is critical to boosting growth and raising standards in Sub-Saharan Africa, as well as pushing back against China's growing influence in the region. This is particularly important given that investment from China is often opaque, enabling corruption and poor labor and environmental standards.

How do you think AGOA's expiry would affect the United States' ability to push for improved market and labor conditions in Sub-Saharan Africa?

Answer. The expiration of AGOA would effectively end the United States' ability to push for improved market and labor conditions in Sub-Saharan Africa.

The simple truth is that AGOA is currently the primary mechanism that the United States has to engage Sub-Saharan African countries directly on market and labor conditions. The AGOA eligibility requirement for countries to make continued progress towards free markets and labor standards keeps these issues on countries' radar screens more effectively than working through the ILO or encouraging direct ties between workers' associations. Under AGOA, U.S. buyers/importers require their African suppliers meet the same global standards for worker safety and respect for host-country labor law that apply in the United States. This applies to U.S. companies that have decided to invest in Africa based in part on their favorable experiences through AGOA.

The expiry of AGOA would likely make African countries less attractive for foreign investors, undercutting the spread of world-class market and labor conditions.

A survey revealed that 45 percent of U.S. apparel importers would cease sourcing from Africa if AGOA were not renewed by June 2024.

QUESTION SUBMITTED BY HON. MARSHA BLACKBURN

Question. The African Growth and Opportunity Act (AGOA) is a key tool for expanding trade with African countries, for diversifying supply chains out of China, and for competing with China in the region. As we look at renewing AGOA, I am especially interested in how we can harness this important region to source critical minerals.

Could you explain the current trade in critical minerals between the U.S. and AGOA beneficiaries and any changes we should consider in an AGOA renewal to expand trade in this sector?

Answer. There is currently very little trade in critical minerals between the U.S. and AGOA beneficiaries because the U.S. relies on processing facilities elsewhere,

primarily China and Europe, to process these minerals into the intermediate goods that many of our industrial sectors need.

There is significant scope for the U.S. and Africa to create a partnership that would help Africa become a core part of the evolving global supply chains for electric vehicles, batteries, and renewable energy, among other industries. To be successful, that partnership will need to include assistance for African countries to better understand their natural resource base, including improved mapping and surveys, as well as improving investment and mining codes to ensure that this sector can be developed sustainably in commercially feasible ways. Developing this sector will also require significant improvements in infrastructure, including roads, rail, ports, and airports. The United States has taken important steps towards creating this partnership.

In 2022, the Biden administration signed a memorandum of understanding with the Republic of the Congo and the Republic of Zambia, which pledges U.S. Government support in the development of integrated electric vehicle battery supply chains in the two African countries to promote U.S. private-sector engagement in the battery sector. There are also plans for the U.S. to invest \$250 million through the U.S. International Development Finance Corporation (DFC) in a rail line between Angola, the Democratic Republic of the Congo, and Zambia (*i.e.*, the Lobito Corridor), which would ensure reliable transportation infrastructure for critical minerals.

Africa itself is still in the process of defining its own strategy for how it wants to develop these critical minerals, including thinking through how countries should use these resources to support Africa's own industrialization and transition to a lower emissions economy. There is a lot that the United States can do to support Africa's successful development in this sector, but it will be important to work with other key allies, including Europe, Japan, and Korea, who all have important contributions that will be needed in various parts of this emerging value chain. Because the challenges do not involve tariffs, this is not an area that AGOA can help with although some have proposed that language be included in AGOA renewal legislation that would add African/AGOA-eligible countries to FTA partners for which there are EV tax credits under the Inflation Reduction Act (IRA). Regardless of whether this provision is included in AGOA renewal legislation, critical minerals is an example of the great opportunity the United States has to develop partnerships with Africa that are "beyond AGOA," including developing provisions that would cover investments and market access in Africa, in addition to access to the U.S. market for finished goods or inputs that include critical minerals.

PREPARED STATEMENT OF MELISSA NELSON, GENERAL COUNSEL
AND CORPORATE SECRETARY, SANMAR CORPORATION

PART I: OPENING REMARKS

Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for inviting me here today. I appreciate the opportunity to discuss the importance of U.S. trade preference programs such as the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP). I will explain why I am urging a quick renewal on both, focusing mainly on AGOA, which has the largest impact on our business and customers.

You may not have heard of SanMar, but if you have ever helped your daughter put on a T-shirt for her first soccer game or put on a sweatshirt and hat to cheer on your son at his football game or walked in a pink shirt with hundreds of your friends to help find a cure for breast cancer, you may have come across one of our products. If you looked inside the label of one of these shirts from Port Authority, Port and Company, or Sport-Tek, there's a good chance it will say Made in Ghana or Made in Madagascar. And while the vast majority of the value of those items is created in the United States, it all depends on having access to AGOA.

SanMar is a family business that supplies undecorated, blank apparel, caps, and bags to over 65,000 companies who then customize our products for their customers. Most of SanMar's customers are small businesses who are the touchstones of their communities sponsoring the soccer or football teams and making sure everyone has a shirt on walk day. These light manufacturing companies might have a handful of employees or hundreds and operate in almost every community across the country.

Each of our customers is engaged in light manufacturing within the United States. Skilled workers operate embroidery, screen printing, and other decoration machinery and robotics to produce high-quality finished products that are enjoyed by millions. This industry supports over 500,000 jobs and exemplifies American craftsmanship.

Where the garment was sewn is an important piece, but it only represents part of the global value chain. So many U.S. jobs in the value chain depend on us being able to import duty-free under AGOA.

SanMar employs over 5,000 people across nine States: Washington, Nevada, Texas, Arizona, Ohio, Minnesota, New Jersey, Florida, and Virginia. Close to 1,300 of those are professional positions reporting out of our corporate offices near Seattle. These are good-paying, highly skilled jobs requiring decades of experience in the areas of product design, engineering and IT architecture, marketing, and logistics.

SanMar's apparel production in five AGOA countries provides good jobs for over 9,000 Africans. Seventy percent to 80 percent of the workers manufacturing products for SanMar are women. These jobs provide stability and drive the socio-economic growth of the region. Entire families are pulled out of poverty and their living standards are increased.

For example, when SanMar first starting manufacturing in Tanzania, the factory was practically the only building in the area. Now the entire economy has changed to cater to workers who have disposable income: hair salons, nail salons, restaurants, even a moped shop. The transformation has been remarkable, but it would not have happened without AGOA creating the incentive for SanMar to move production from China to Tanzania.

Starting production in Tanzania was not easy. Setting up a new facility with a population that had previously been largely agrarian required significant training. We started with the least technical products so that the workforce could gain experience manufacturing basic T-shirts before adding more sophisticated products such as sweatshirts and polo shirts. It took years before we were able to achieve the quality and type of product we wanted to produce. The process has been longer and more difficult than we anticipated. And that's why AGOA needs a long renewal period right now.

Quickly reauthorizing AGOA is essential to maintaining the ongoing progress in AGOA countries. The product development cycle when sourcing from even an established factory in these countries is close to 18 months, which includes approximately 5 months from issuance of a purchase order to receipt of goods. With the program set to expire next September, we are already within that window and making business decisions with the expiration in mind.

Staring down the expiration date has put any potential investments on hold for the past few years. And we are missing an incredible window of opportunity. There is so much potential in manufacturing expansion and vertical integration, but companies are hesitant to invest when the benefits of AGOA could expire before a return on investment. Textile plants require hundreds of millions of dollars in investment and can take years to build. Businesses need certainty before taking that next step.

A mature, vertically integrated apparel manufacturing sector in Sub-Saharan Africa is possible, but we're not there yet. The synthetic-heavy fabrics used in products manufactured in AGOA countries are still produced outside of the region, which is why we need to maintain the current rules of origin. That will provide time for further manufacturing and infrastructure investments to have an impact. The region has phenomenal potential, but businesses need the stability of a long-term AGOA renewal to create a sustainable manufacturing base.

PART II: ADDITIONAL INFORMATION

SanMar's History With AGOA-Eligible Countries in Sub-Saharan Africa

SanMar first began sourcing apparel from Sub-Saharan Africa in 2009, but our interest in the region predates that by several years. In the mid-2000s SanMar, like other peers in the apparel industry at that time, had a substantial concentration of manufacturing in East Asia, most notably China. We were interested in diversifying our sourcing base, and AGOA countries in Sub-Saharan Africa were intriguing because their duty-free trade preferences would make products cost-competitive with similar ones in Asia. Unfortunately, in the mid-2000s, AGOA countries largely lacked manufacturing infrastructure and the skilled workforce required to operate

the facilities. But we kept Sub-Saharan Africa on our radar in the event a sourcing opportunity presented itself, which it did in 2008.

When a longtime manufacturing partner of ours presented an opportunity to move production from China to Sub-Saharan Africa, we quickly began working with them on planning. At the time, our partner had just begun to develop apparel manufacturing facilities in Tanzania and Madagascar. We determined that sourcing from Tanzania and Madagascar would only be cost-effective as compared to readily available manufacturing in China and Greater Asia if the products could be imported duty free. Because Madagascar's AGOA privileges were suspended at the time and there were no immediate ways to mitigate duties on products from that country, we focused our initial sourcing efforts solely on Tanzania.

Tanzania

Starting up manufacturing in Tanzania was not as easy as switching from one established factory to another within the same geographic area; it required significantly more training. The sole facility of its kind, the factory where we began production, was located in a rural area outside of Morogoro where working age members of the community had no experience sewing textiles. We started a short sleeve T-shirt made out of 100-percent polyester so that the workforce could gain experience manufacturing basic garments before adding more technical products to their manufacturing runs. We were essentially starting from scratch and had to learn along the way. It took years of commitment to the partner and to the individuals working on our products before we were able to get to the quality and type of product we sought to produce in Tanzania. Our first order was placed in 2009 and we received 141,000 shirts in 2010. The following year we imported 2 million shirts. Last year we imported over 21 million units from Tanzania. And the facility in Morogoro is still manufacturing products for SanMar. Every time our owners and sourcing team visits, they are thrilled to see the factory surrounded by new shops, houses, and other commercial buildings.

Madagascar

When we started production in Madagascar in 2010, we were relying on a belief that its AGOA benefits would soon be restored. Similar to Tanzania, significant investments were made to train a workforce that could handle volumes for a customer like SanMar. Our first orders were made in 2010 and we received over 1 million shirts from Madagascar in 2011. We worked with our partner to grow production capacity which paid off when Madagascar's AGOA benefits were restored in 2014. Last year we imported more than 24 million units manufactured in Madagascar.

Ghana

By 2014, SanMar was already busy working with another trusted supplier in Ghana. The first shipments received from Ghana were small—just over 100,000 pieces in 2014. But the following year SanMar imported more than 2 million pieces. In 2023, SanMar imported more than 9 million pieces. We are currently the largest U.S. importer of Ghana-manufactured apparel.

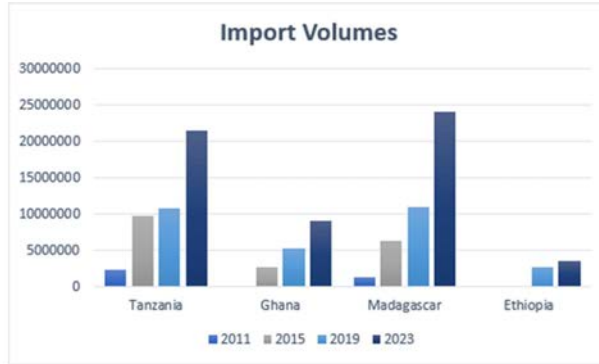
Ethiopia

In 2016 one of our longtime partners presented an opportunity to manufacture in Ethiopia where importing would be duty-free under AGOA. Production began in 2016 and we received 2.3 million units in 2017. Our partner then invested in a state-of-the-art facility in Hawassa, Ethiopia which was fully operational and manufacturing and delivering products for SanMar by 2019. Our volume increased to over 3 million units in 2020 using a factory staffed by over 80 percent women. Although Ethiopia is currently suspended from AGOA, we have maintained some production in this factory in the hopes that the situation in the country improves. We continue to work with our partner to do everything we can to maintain this operation, hopefully long enough to see Ethiopia meeting its obligations and conditions for reinstatement of AGOA preferences. But our production in Ethiopia over the past few years would have been significantly larger had we been able to import those products duty-free under AGOA.

Near-Term AGOA Outlook

As the chart below illustrates, SanMar's sourcing strategy over the last decade has become more intertwined with production from AGOA countries, and our reliance on the program is more critical than ever. Last year SanMar imported over 58 million pieces of apparel from AGOA countries, primarily Tanzania, Madagascar, and Ghana. We include Ethiopia in this unit count because we are temporarily maintaining production there in the hope that preferences can be restored soon. We are also looking at expanding our AGOA sourcing base through additional produc-

tion in Kenya. We are early in our partnership with a manufacturer in Kenya and are optimistic that, with AGOA, we will be able to significantly increase volume in the country. Should AGOA be renewed we expect to expand production in Kenya.



The social and economic impact of our production in AGOA countries has been significant. The majority (70 percent to 80 percent) of workers manufacturing products for SanMar in Africa are women. These jobs provide stability and drive the socioeconomic growth of the region. Entire families are pulled out of poverty and their living standards are increased. However, establishing new production facilities and textile mills is not an easy task.

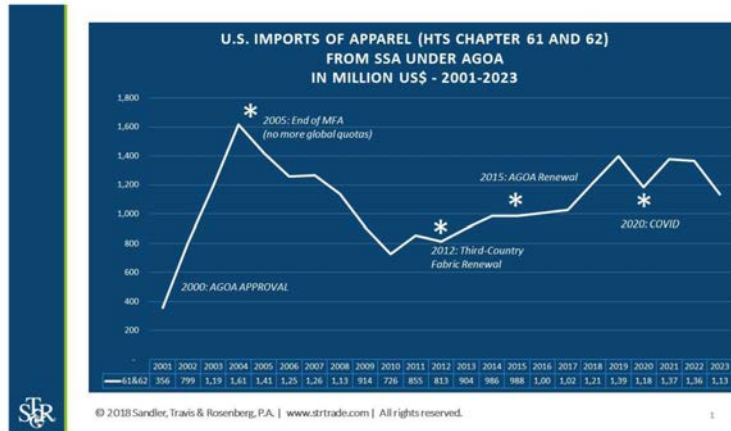
Many potential investments in AGOA countries are on hold because the program is close to expiration. It's a common discussion among apparel manufacturers who source from AGOA countries; there is so much potential in vertical integration, but no one will invest when the benefits of AGOA could expire before a return on investment. And because textile plants can require hundreds of millions of dollars in investment, that is not a commitment businesses will make without knowing the program has been renewed.

The current reality is that countries in Sub-Saharan Africa are not yet able to produce even a fraction of the quantities of fabric needed for apparel production. We believe building such infrastructure will commence shortly after AGOA is renewed, but that process will still take years. In the meantime, there are simply no significant volumes of fabric available in AGOA countries. That is why SanMar also supports maintaining the current rules of origin under AGOA. The region has phenomenal potential, but businesses need the stability of a long-term AGOA renewal to develop a sustainable manufacturing base.

Apparel Industry and AGOA

The figure below shows how the apparel sector has reacted to the AGOA program since its inception. At the start of the program, the U.S. had quotas on how much apparel could be imported from non-AGOA countries, and this limitation caused business to naturally flow to AGOA countries. However, when the apparel quotas for China and other countries were eliminated in 2005, those countries became significantly more competitive in price compared to countries in Sub-Saharan Africa, and use of AGOA plummeted.

Interest in AGOA sourcing started to build in 2010. There was some hesitancy related to renewal of the third-country fabric rules in 2012, and a plateau of usage around the time of AGOA renewal in 2015. Once renewed in 2015, AGOA sourcing began to climb again before being impacted by the COVID-19 pandemic. Today, AGOA production is falling due to uncertainty regarding the renewal of the AGOA program.



SanMar's History With GSP-Eligible Countries in Asia

Shortly after GSP was authorized to include travel goods, SanMar began sourcing GSP-eligible products such as backpacks, duffel bags, and luggage from GSP-eligible countries (2017). Our initial GSP-related production was in Indonesia, and today our GSP footprint is comprised of Indonesia, Myanmar, and the Philippines. Because of GSP eligibility, we were able to develop and source a variety of products from GSP countries that would likely have originated in China.

When GSP expired in 2020, SanMar reached out to those with greater experience in trade programs, and because all believed GSP would be renewed fairly quickly with paid duties reimbursed, we opted to maintain production in Indonesia, Myanmar, and Philippines. That decision has cost us millions of dollars—millions that could have been invested in bringing additional value to our customers. SanMar continues to source from GSP countries with the hope that it will be reauthorized soon and SanMar will receive the reimbursement that can be invested back in our business.

SanMar's Sourcing Strategy

SanMar is deeply committed to being a good corporate citizen; we conduct robust due diligence to ensure ethical sourcing practices and the well-being of workers throughout our supply chains. SanMar incorporates sustainability, social responsibility, and geopolitical risk into our sourcing strategy. Our outside credentials include top-level status with the Fair Labor Association (FLA), active membership in the Sustainable Apparel Coalition (SAC), and Tier III Customs Trade Partnership Against Terrorism (CTPAT) status.

Shifting production into AGOA- and GSP-eligible countries is part of SanMar's strategic efforts to diversify and "derisk" our supply chain by reducing dependence on China. This strategy goes back more than 10 years and has helped provide stability to the company and our customers during periods of geopolitical tension, global crisis, and economic uncertainty. By moving production to the countries where the government incentivized us to move, SanMar has reduced its reliance on China, from approximately 46 percent of our overall imports in 2010 to 6 percent of our imports today.

In 2018, when the government instituted section 301 tariffs, the impact on SanMar was less than what it would have been had we not begun sourcing in AGOA 9 years prior. Similarly, because we began GSP-related production in Indonesia the year before the 301 tariffs were implemented, SanMar was able to rely on established relationships in that country to promptly shift additional units to Indonesia.

In 2020, when the COVID-19 pandemic disrupted the world, SanMar was able to lean on its diversified sourcing base in 20 countries to mitigate against immediate and longer-term supply disruptions stemming from the pandemic. Supply chain diversification meant that our inventory levels were in better shape than most, and

those inventory levels enabled our customers to continue to service their end users and stay in business.

Reinstatement of GSP with recoupment of duties paid will give companies looking to diversify outside of China more sourcing options in the region. Social benefits share similarities with AGOA countries as well, with many of the GSP factories we use being comprised of over 70 percent women and, in some cases, more than 80 percent.

SanMar's Cotton-Product Strategy

It's worth noting that the products SanMar imports under AGOA and GSP use synthetic fibers. This is because polyester-rich products are generally subject to higher duties of close to 32 percent as compared to cotton-rich products which see lower duties of around 17 percent. Because of that, AGOA's duty-free treatment of products makes polyester-rich apparel price-competitive in the region, but not cotton-rich products. SanMar's cotton-rich strategy relies heavily on CAFTA, with the majority of cotton grown in the U.S.

In 2022, SanMar joined the Vice President's Call to Action asking businesses to make major commitments to promote economic opportunity for people in Central America. SanMar committed to increase its purchases of products manufactured in northern Central America by \$500 million by 2025. We are proud to be on track to meet that goal.

SanMar's investments in Central America bolster the sourcing strategy that allows the company to deliver value to customers, maintain product inventory levels and support jobs in the United States. It also diminishes our environmental footprint through enhanced sustainability practices. For example, shipping a container from Central America to the United States versus from China can cut greenhouse gas emissions by 80 percent.

We include this information as further background on our sourcing strategy; when the government provides an incentive to manufacture specific products in specific countries (such as duty-free cotton products from CAFTA countries) we move production to those countries.

Haiti

SanMar began manufacturing basic synthetic T-shirts in Haiti in 2017 because those products could be imported duty-free under HOPE II. What started with 1.8 million units in 2017 grew to 12 million in 2022. But due to the current situation in Haiti, our partner in the country suspended operations and our last units were received earlier this year. SanMar is hopeful that the situation will improve in Haiti. We intend to resume production there when safe to do so if duty-free benefits are available.

Conclusion

SanMar, our employees, and customers, and our suppliers in Africa and Asia, their workers, and workers' families, all benefit from trade preference programs such as AGOA, GSP, and HOPE II. When you see a label in our Sport-Tek Competitor shirt, an AGOA product, or a Port Authority Executive Backpack, a GSP product, it will tell you the point of assembly is Ghana or the Philippines. However, the product's value story starts in the United States with SanMar employees developing the concept for a new product to respond to the market demands of SanMar's U.S.-based customers. After design is complete, SanMar's U.S.-based sourcing and development teams work to identify the best manufacturing solution for the product, evaluating trims, clasps, fabrics, and toggles. SanMar's U.S.-based compliance team ensures that the products meet labeling and testing requirements, State and Federal regulations, customs, and social responsibility and sustainability requirements, and our logistics group develops a shipping plan. Production and forecasting teams at SanMar's U.S. corporate headquarters develop a plan for ordering the correct number of products to meet the expected demand. It is only at this point that work outside of the U.S. begins.

Fabrics, clasps, zippers, and hardware all sourced from separate locations in multiple countries are shipped to Ghana and the Philippines to be assembled. Following assembly, the products are loaded on vessels to be shipped to the U.S. From this point forward, all value added again occurs in the U.S. At the U.S. port—Jacksonville, FL for the shirts from Ghana, and Seattle, WA for the bags from the Philippines—the products are processed by workers there and then trucked to SanMar's U.S. distribution centers by domestic trucking companies. On arrival at SanMar's distribution centers, the products undergo processing and quality assurance. Once

inventory is available, SanMar's marketing team promotes the new backpacks, the sales team solicits orders and the inside sales department accepts orders for the backpacks from over 65,000 active U.S.-based customer accounts. SanMar's IT department of over 250 people is crucial to all these steps.

The products are shipped to our customers via domestic trucking companies, then our customers and their U.S. employees use machinery to embellish and decorate the product to meet the design specifications of their end user customers. The finished products are then shipped to the end users by way of domestic carriers.

We believe it is in the best interests of the U.S. to contribute to economic growth and job creation in Sub-Saharan Africa and GSP countries. The manufacture and export of goods under AGOA and GSP projects American influence in a positive way and contributes to stability in these regions, supports market-based economies, and helps to alleviate poverty. As more and more companies look to diversify their sourcing base and move production away from China, Sub-Saharan Africa and GSP countries stand to gain from this demand—but only if AGOA is quickly renewed for a long period and GSP reauthorized with reimbursement.

QUESTIONS SUBMITTED FOR THE RECORD TO MELISSA NELSON

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. You mentioned in your written testimony that GSP has helped your company diversify production out of China and support jobs in the U.S. For example, following Congress's decision to allow travel goods to be part of the GSP program, your company shifted sourcing from China into GSP-eligible countries.

I understand that tariffs on travel goods range from anywhere between approximately 5 percent to 20 percent.

Additionally, since the expiration of GSP, Washington companies like yours have paid over \$93 million in duties that otherwise would not have been assessed. And that is a low estimate of the total cost.

Can you tell us more about the impact that the GSP expiration and your paying these additional tariffs has had on your company and your business customers in the U.S.? What would be the impact of Congress not providing full retroactivity of GSP if renewed?

You also mentioned SanMar sells goods to 65,000 other U.S. companies, most of them small businesses engaged in light manufacturing. Can you describe how your access to GSP impacts these customers and their workforce?

Answer. The duty rate on SanMar's bags sourced from GSP countries is roughly 17 percent but SanMar has been supporting the factories and people in GSP countries with the hope and high expectation that GSP will once again be renewed and that full retroactivity will be awarded. If GSP is not renewed with retroactivity, SanMar and other similarly situated companies will experience revenue losses that could have been avoided had the programs returned to China.

This in turn could have a potential impact on customers if price increases are implemented to recover the losses. SanMar and our customers, nearly all of whom are American small businesses, operate on margins where pennies absolutely matter. If we are forced to raise our prices, which in turn requires our customers to raise their prices, increased costs can lead to canceled programs or end user decisions to not make purchases if the finished goods are simply too expensive. If GSP is not renewed, SanMar and others like us will need to reevaluate our sourcing strategy to ensure that we continue to deliver quality goods to our customers at the prices they expect.

Question. For countries to be eligible for GSP benefits, there is a list of criteria they must meet. For example, these countries must take steps to ensure they comply with internationally recognized worker rights and eliminate the worst forms of child labor. The President has the authority to terminate or suspend a country's GSP status based on their adherence to the set criteria. Because of this, GSP can be a tool to ensure our trading partners are acting appropriately.

Additionally, some in Congress have been proposing to include provisions on human rights, environmental laws, and women's economic empowerment to the GSP and other trade preference program criteria.

I understand you are the head of compliance for SanMar. GSP has eligibility criteria that protects workers. Can you speak to how your company has helped improve worker conditions in GSP eligible countries? And how can investments made with GSP help lift the lives of people working there and stimulate their economies? Can you describe your policies and procedures to ensure your suppliers comply with those criteria?

Answer. At SanMar, we are deeply committed to ethical sourcing practices and the well-being of workers throughout our supply chains, including all GSP eligible countries. We have established robust due diligence policies and processes aimed at identifying, preventing, and addressing the risks associated with child labor, forced labor, and human trafficking.

Improving Worker Conditions: SanMar has implemented several policies and initiatives to improve worker conditions in GSP eligible countries. For instance, we have established training programs to educate workers about their rights and safety procedures. We also conduct regular audits of our suppliers to ensure they are maintaining safe and healthy working environments. Furthermore, we have set up grievance mechanisms where workers can report any issues or concerns without fear of retaliation.

Ensuring Compliance: SanMar has a robust compliance program in place to ensure our suppliers comply with GSP criteria. This includes a supplier code of conduct, known as SanMar's Global Operating Principles (GOP), that outlines our expectations regarding human rights, labor rights, safety standards, and environmental responsibility. We require all our suppliers to sign this code as a condition of doing business with us. SanMar's Factory Compliance Benchmarks detail our GOP, encompassing our global compliance program and expectations for supplier business conduct. These benchmarks also serve as the basis for evaluating a facility's performance and progress in meeting our GOP standards through regular audits and assessments to verify compliance. In cases of noncompliance, we work with the supplier to develop a corrective action plan, and if necessary, we are prepared to terminate the business relationship.

GSP is not just a trade agreement, but a tool for promoting better labor practices and economic growth. The core aim of our comprehensive due diligence policies and processes is to ensure prevention of child labor, forced labor, and human trafficking in our operations and supply chains, contributing to a more sustainable and responsible global business environment. We aim to continuously improve our monitoring program to positively impact lives.

QUESTION SUBMITTED BY HON. MICHAEL F. BENNET

Question. Thirty-two countries rely on the African Growth and Opportunity Act (AGOA) to export agricultural and other goods to the United States. AGOA helps countries reduce poverty, combat corruption, and improve workers' rights. It also encourages governments to build stronger markets and regulations, both of which benefit U.S. firms. Additionally, AGOA helps U.S. importers, including outdoor retailers that are critical to Colorado, source cheaper products and pass the benefits on to American consumers.

How would your company respond to AGOA's potential lapse? Would you consider sourcing products from other countries instead? If so, where?

Answer. SanMar is holding steady with the assumption that the program will not expire. And it shouldn't expire. This program is such a win-win for everyone involved. AGOA supports thousands of U.S. jobs and has had significant social and economic impact in the communities that produce SanMar products.

A lapse in renewal will place immediate economic strain on our Sub-Saharan Africa sourcing. Without AGOA, duty rates on products sourced from that region will go from essentially zero to 32 percent, roughly twice the rate on products sourced from GSP countries. We will be forced into difficult decisions which may necessitate transitioning product out of the region and perhaps into Asia, or maintaining production and raising prices, which would affect our U.S. customers and their ability to maintain competitiveness in their own businesses.

Aside from those financial impacts to SanMar and its customer base, we predict that a lapse in renewal will curtail regional investments in vertical integration. Textile plants require hundreds of millions of dollars in investment. That is not a com-

mitment businesses will make without knowing the program has been renewed, so we urge a quick renewal.

QUESTIONS SUBMITTED BY HON. THOM TILLIS

Question. I recently met with a business that sourced almost all of their products from China in 2018. Because of the increasingly evident risks of operating in China and the financial pressure from rising tariffs, they moved nearly 90 percent of their production to other countries in just 5 years. This production went to GSP countries and created thousands of jobs predicated on the benefits intended by vital trade program. They also made the point that, because the GSP country factories are generally newer, new suppliers are more efficient, have better working conditions, and are more environmentally friendly than old ones in China.

Companies should not be penalized for heeding the calls from U.S. officials in this administration and the last to evaluate their dependence on China, but the expiration of GSP did just that.

How does the lack of long-term GSP authorization undermine the U.S.'s posture on China and send mixed messages to the business community?

Is it your experience that new investments by American companies tend to raise standards relative to both old suppliers' countries and the opportunities that existed prior to these GSP-related investments?

Answer. The lack of long-term GSP reauthorization sends a mixed message to the business community about the U.S.'s posture on China and how the U.S. Government wants to approach the market. Businesses seek predictability and reliability when supporting investment and many of us made sourcing decisions expecting continuity in GSP countries. Our suppliers who invested in GSP countries did so because of the GSP status and the competitive edge over China it provided to U.S. buyers. Without GSP, these countries are less competitive to U.S. companies wanting to source products away from China. Shifts in production may result if GSP is not renewed. Failure to reauthorize GSP will send a message to investors that they cannot rely on U.S. legislation when choosing where to invest.

If business needs require changes to sourcing locations, it could have a devastating impact on the social and economic environment in GSP countries that rely on U.S. investment to improve living standards. SanMar is an accredited member of the Fair Labor Association (FLA) and supports ethical and responsible sourcing. We are also a subscriber of Better Buying, which strengthens supplier-buyer relationships and improves purchasing practices while protecting workers and the environment. Initiatives such as these support improved factory conditions abroad and the labor environment of the workers there. Such standards are at risk if U.S. buyers move away from GSP countries due to lack of renewal.

QUESTION SUBMITTED BY HON. MARSHA BLACKBURN

Question. Trade preference programs like the Generalized System of Preferences (GSP) help encourage supply chains to move out of Communist China. Tennessee has an excellent example. In 2014, Tennessee's imports of travel goods—things like luggage, backpacks, coolers—from China were around \$130 million, versus just \$30,000 from the Philippines. But GSP rules were changed to let these products, which face tariffs of up to 20 percent, be tariff-free for GSP countries. Last year, Tennessee companies bought more travel goods from the Philippines than any other country—and nearly twice as much as they purchased from China. This should be rewarded, yet instead Tennessee companies have paid about \$60 million in tariffs on travel goods alone due to GSP expiring. We are punishing success.

Can you explain how GSP has helped SanMar find suppliers in new countries and what impact the 3½-year lapse in GSP has had on your ability to move supply chains out of China?

Answer. GSP helped SanMar narrow its focus to source from countries within GSP and to find the right partners to work with that wanted to help improve those countries and remove dependency on China. GSP helped provide competitive products that gave us the ability to maintain the lowest prices for our customers while also moving out of China. The lapse in GSP has nearly halted the supply chain's move out of China as these countries no longer have a competitive advantage and

are unable to compete with China. This impacts countries such as the Philippines which is of unique importance to the U.S. in Southeast Asia. We continue to work with facilities in GSP countries in the hope that it will be restored, but we and businesses like ours cannot do so indefinitely while also meeting our customers' demands for the consistent pricing that they expect from us.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

This morning the Finance Committee meets to discuss how the United States can strengthen its trading partnerships around the globe through trade preference programs. I'm going to focus on two of the biggest and most important of these programs: the Generalized System of Preferences, "GSP," and the African Growth and Opportunity Act, or "AGOA."

Preference programs are an important but often forgotten piece of the U.S. trade agenda puzzle. They're a real win-win, promoting economic growth in developing countries while supporting manufacturing and small business jobs here at home. They also play an important role in countering Chinese economic dominance by strengthening our trading relationships, promoting American values abroad, and creating incentives to shift supply chains out of China and into more stable suppliers.

I think we can all agree that sounds like a recipe for success, but unfortunately, the Generalized System of Preferences expired in 2020, and more programs are set to expire next year.

Since GSP lapsed, companies are either paying more in tariffs and investing less into their own businesses, or they're making the tough choice to shift supply chains back into China. If the United States is serious about moving away from Chinese manufactured goods and creating good-paying red, white, and blue jobs, renewing GSP is a good place to start.

GSP is a great example of how good policy can have a direct impact on workers, businesses, and manufacturers. It allowed companies in Oregon to import everything from optical equipment to sweeteners to wooden doors, add value to them in Oregon, then sell them around the world. It also helped save Oregon families and businesses \$3 million in a single year.

But these programs aren't just about lowering costs. GSP includes strong protections for worker rights, intellectual property protection, and market access for American exporters. Developing countries are encouraged to raise their own standards, making GSP a powerful tool for change.

For years, China has been building relationships with developing countries by investing in new infrastructure projects, often with unfair strings attached. But trade preference programs help offer an alternative to Chinese investment by strengthening our ties with developing countries and showing them the benefits of strong trading partnerships with the U.S.

Three years ago, the Senate passed my bipartisan bill with Ranking Member Crapo to renew and improve GSP by a whopping 91-4. But it stalled in the House. I'll continue working with Ranking Member Crapo to get it across the finish line as soon as possible.

Next, I'll touch on AGOA. Africa has a growing population and a potentially vibrant economy. But African countries continue to need alternative markets to China and Russia.

AGOA knocks down tariffs on products coming from Sub-Saharan African countries, supporting economic development while advancing American values. This is especially important in sectors like critical minerals, where Chinese investment is outpacing the United States and allowing labor violations and environmental degradation to run rampant.

AGOA will expire in 2025, and this hearing is an opportunity to think about how to improve the program. This committee will need to consider how to encourage the use of the AGOA program while supporting trade within Africa, as well as how to modernize this program to meet the needs of advancing digital trade and innovation.

It's past time for AGOA countries to graduate to a more robust two-way trading relationship with the U.S., and that outcome should be the centerpiece of our renewal efforts. Last week, House Ways and Means Committee Ranking Member Neal and I called for USTR to expand its negotiations with Kenya to reflect a more robust trade agenda. A renewed AGOA agreement would provide a key step to deepening U.S. engagement in the region.

I look forward to hearing from our witnesses on how to modernize, revitalize, and renew GSP, AGOA, and other valuable trade preference programs. I am particularly interested in the HOPE/HELP programs for Haiti. I also look forward to working with Ranking Member Crapo, members of this committee, and the House to advance a package of trade programs that can get robust bipartisan support.

COMMUNICATIONS

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AGOA Has Been a Success for Both Africa and the United States

The African Coalition for Trade (ACT) is pleased to submit this statement for the record of the Senate Finance Committee's hearing on the African Growth and Opportunity Act (AGOA), which was held on June 6, 2024.

ACT is a nonprofit association of African private sector organizations and individual companies trading with the United States under AGOA. ACT served as the primary spokesperson for the African private sector in the development, enactment, implementation and amendments to AGOA since its inception. ACT's members come from the private sectors in Eswatini (formerly Swaziland), Kenya, Lesotho, Madagascar, Mauritius, and Tanzania. These countries supply the vast preponderance of U.S. apparel imports under AGOA. Accordingly, this statement will focus mainly on the AGOA apparel sector.

AGOA was signed into law in May 2000, offering almost all African products duty-free access to the U.S. market. AGOA was renewed most recently in 2015, running through September 30, 2025. With only a little over 1 year remaining in AGOA's current authorization, this is an appropriate time to assess what AGOA has accomplished, with an eye on what the future U.S. trade policy toward Africa should be.

AGOA Has Benefited Both Africa and the United States

The primary policy purpose of trade preference programs like AGOA is to encourage economic development in developing countries by incentivizing private sector investment through trade preferences, typically by extending duty-free access to products imported from beneficiary countries. In assessing trade preference programs, it is natural, therefore, to focus on whether they have been successful in contributing to economic development through increased trade.

During the 24 years AGOA has been in effect, it has had a very positive impact on U.S.-Africa trade flows and economic development in Africa. Non-petroleum imports by the United States from the AGOA countries have shown strong growth, up 206% from \$6.6 billion in 2000 to \$20.2 billion in 2023.¹ The growth in non-petroleum trade under AGOA has been concentrated mainly in apparel, automobiles, and agricultural products. It has been estimated that AGOA has created at least 300,000 new direct jobs and millions of indirect jobs in Africa in the apparel sector alone.

At the same time, the U.S. trade balance with the AGOA countries has also improved significantly since 2000. U.S. exports to the AGOA countries have improved from \$5.0 billion in 2000 to \$14.4 billion in 2023, an increase of 188%.

¹ In analyzing the impact of AGOA, it is useful to exclude petroleum imports because every barrel of oil imported from Africa since 2000 would have been imported even if AGOA had never been enacted. In other words, AGOA had very little impact on petroleum trade other than to reduce the cost of African petroleum products by eliminating duties that otherwise would have applied. Petroleum imports from the AGOA countries initially represented the lion's share of total imports from Africa—fully 63% of total imports in 2000. But U.S. petroleum imports from all origins have fallen sharply since 2000, as the United States has become more energy self-sufficient and petroleum prices had generally declined. U.S. petroleum imports from Africa were also down —26% since 2000, falling from \$11.3 billion in 2000 to \$8.4 billion in 2023.

Just as AGOA has created jobs in Africa, it has also created employment in the United States. The U.S. Department of Commerce has reported that 154,448 U.S. jobs were supported by exports to Africa in 2020.² It has also been estimated that U.S. imports from Africa under AGOA have created approximately 300,000 U.S. jobs, mostly in the retail and transportation sectors.³ Taken together, two-way trade with Africa under AGOA has created as many as 450,000 U.S. jobs. It is clear, therefore, that the United States has benefited from AGOA through increased exports and job creation.

The Apparel Sector Is the Leading AGOA Success Story

From several perspectives, the apparel industry is the best gauge of AGOA's success. Although petroleum and other extractive products account for a larger share of total imports from Africa, the prices for these products are highly volatile and price fluctuations can distort comparisons. In certain years, automobiles have constituted the largest non-extractive category of imports, but over AGOA's 24-year history, apparel ranks as the number one non-extractive product imported under AGOA.⁴

There is a consensus that AGOA has been the main cause of the overall increase of U.S. imports of apparel from Africa since 2000. Prior to AGOA's implementation there were relatively few manufacturers of export quality apparel in Africa. When the program was first enacted, U.S. imports of apparel from Africa totaled 164 million square meter equivalents (SMEs). By 2022, U.S. apparel imports from Africa had increased by 182% to over 463 million SMEs. In terms of value, imports increased from \$748 million in 2000 to \$1.8 billion in 2022, an increase of 136%.⁵

Some AGOA countries that had little or no apparel production before AGOA's implementation received investment and saw growth during AGOA's first few years due to the program's new benefits. For example, Namibia, which exported no apparel to the United States in 1999, exported nearly \$79 million worth of apparel to the United States in 2004. Similarly, Uganda—which exported no apparel to the United States in 1999—exported over \$4 million in 2004. Exports from Malawi increased from \$1.2 million in 1999 to \$26.8 million in 2004. Countries that already had infant apparel industries also immediately benefited from AGOA: Lesotho, Madagascar, and Kenya increased their exports to the United States by 312%, 608%, and 606%, respectively, during the first few years of AGOA.

A total of eight AGOA beneficiaries exported significant volumes of apparel to the United States under AGOA in 2023 (in alphabetical order):

Country	MSME	\$Million
Ethiopia	82.697	216.592
Ghana	11.532	38.515
Kenya	126.496	471.850
Lesotho	34.482	168.183
Madagascar	77.835	343.269
Mauritius	5.173	55.851

² U.S. Department of Commerce, U.S. Jobs Supported by Exports by Destination, available online at: <https://www.trade.gov/data-visualization/jobs-supported-exports-destination>.

³ In a 2012 report, the Heritage Foundation developed a methodology for estimating the number of U.S. jobs created by imports. Applying that methodology to imports from Africa under AGOA produces an estimate that approximately 337,000 U.S. jobs in the transportation and retail sector have been created by imports under AGOA. The Heritage Foundation report is available online at: <http://www.heritage.org/trade/report/trade-freedom-how-imports-support-us-jobs>.

⁴ Imports of agriculture products in total are greater in some years than apparel, but the largest categories of agricultural imports—notably cocoa and related products—receive no AGOA preference because they are zero duty from all origins. On balance, therefore, apparel trade is the best indicator of AGOA's success in contributing to economic development in Africa.

⁵ As discussed in more detail *infra*, apparel imports from Africa under AGOA declined sharply in 2023 due to uncertainty over whether AGOA would be renewed, and if so, on what terms. The decline has continued into 2024.

Country	MSME	\$Million
South Africa	0.780	6.403
Tanzania	35.717	82.879
Total	374.712	1,383.542

Due to the relative lack of vertical integration in the textile-apparel sector in Africa, AGOA's third-country apparel rule of origin, which allows apparel manufacturers in lesser developed beneficiaries to use yarn and fabric from any origin, continues to be essential for apparel manufacturers under AGOA. U.S. apparel imports under the third-country fabric provision have consistently accounted for approximately 90% of AGOA apparel trade, and the same is true today.

Apparel Trade Under AGOA Has Been Restrained by Extraneous Factors

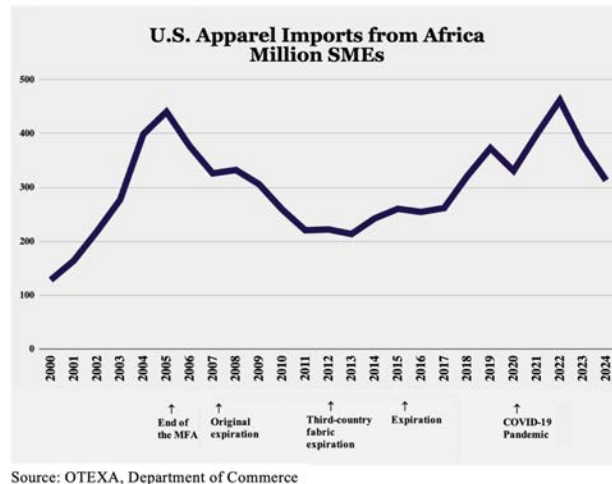
Although U.S. apparel imports from Africa have grown significantly since AGOA has been in effect, such imports have not followed a consistent trend line. Rather, apparel trade peaked in 2004–05 during AGOA's first few years in effect and then retrenched significantly following the expiration of the Multi-Fiber Arrangement (MFA). Consistent and meaningful recovery did not begin again until the critical AGOA third-country fabric rule of origin was renewed in 2012. The recovery accelerated in 2015 with the extension of AGOA to 2025. But for nearly a decade from 2005 to 2012, U.S. apparel imports under AGOA generally declined. What was the cause of this disappointing pattern?

The End of the MFA Quotas

Without question, the most serious detrimental factor that limited the success of AGOA prior to 2012 was the end of the Multi-Fiber Arrangement (MFA) in 2005. The MFA was a derogation from the General Agreement on Tariffs and Trade (GATT) used to regulate apparel trade by authorizing developed countries to implement otherwise prohibited quotas on textile and apparel imports from developing countries. Its intent was to function as a transitional tool that would allow developed countries to adjust their domestic industries to increased competition from relatively cheaper textile and apparel imports from developing countries.

Between 2001, the first full year of AGOA implementation, and 2003, exports of apparel to the United States from Africa grew impressively from \$950 million to \$1.5 billion, an increase of nearly 60 percent in just 3 years. As shown in the following graph, the MFA system of quotas ended on January 1, 2005, beginning the first decline of U.S. apparel imports from Africa since AGOA's enactment. The infant apparel industries in the AGOA countries were not able to retain their new share of the U.S. market that went mostly to super-competitive, large-scale apparel producers in Asia, especially China, Bangladesh, Cambodia, India, Pakistan, and later Vietnam, all of which dramatically increased apparel exports to the United States as quotas were lifted in the post-MFA era. In particular, apparel imports from China more than doubled in just 2 years from 3.0 billion SMEs in 2004 to 6.5 billion SMEs in 2006.

While the end of the MFA in 2005 caused exports from all AGOA countries to fall, the new entrants to apparel production were disproportionately damaged and many went out of apparel production completely following the end of the MFA, including Namibia and Uganda. Even countries with small existing apparel industries prior to AGOA's implementation witnessed a dramatic contraction and did not return to 2004's peak levels until a decade or more, if at all.



The Impact of Short-Term Extensions

In addition to the damage caused by the expiration of the MFA, it is also undeniable that AGOA was undermined until 2015 due to the unpredictability of its renewals and the extensions of the third-country fabric provision. AGOA was originally authorized only to 2007. The third-country fabric apparel rule of origin originally had a shorter tenure with expiration scheduled in 2004. Without certainty whether the third-country fabric provision would be extended, many U.S. apparel importing companies—that typically make their sourcing decisions 12–18 months in advance—held off orders from the AGOA countries.

The AGOA apparel provisions were under congressional scrutiny several more times over the life of the program. In 2006, the third-country rule was extended to 2012, and then again to 2015 in 2012. However, trade data shows that leading up to 2006 and 2012, U.S. imports of apparel from AGOA dipped significantly, by almost 14 percent between 2005 and 2006, and by 4 percent between 2011 and 2012—again due to uncertainty over the terms that would govern imports under AGOA. In 2015, AGOA and the third-country apparel provision were extended through 2025. But leading up to the 2015 renewal, U.S. imports from the AGOA countries declined again, from 260.2 million SMEs in 2014 to 254.4 million SMEs in 2015.

It is clear, therefore, that the series of relatively short-term authorizations and renewals of AGOA and the third-country fabric rule of origin in fits and starts over the years handicapped investment under AGOA and prevented AGOA from accomplishing as much economic development as otherwise might have occurred. Subsequent to the 10-year extension of AGOA in 2015, U.S. apparel imports under AGOA have demonstrated consistent and steady growth, with the only exception of 2020, when the COVID–19 pandemic disrupted trade generally. Between 2015 and 2022, U.S. apparel imports under AGOA grew from 267.460 million SME to 463.514 million SME, an increase of 73%. If AGOA is extended for a at least 10 years beyond 2025, it is reasonable to expect similar growth in apparel exports and jobs in both Africa and the United States. But in the meantime, U.S. apparel imports from Africa are again retrenching due to uncertainty over when AGOA will be renewed. In 2023, AGOA apparel imports were down –18.6% by volume and –21.2% by value. The decline has continued into early 2024.

Recommendations for AGOA Renewal

ACT is a member of the AGOA Renewal and Enhancement Alliance (AREA),⁶ which has recommended several measures for renewing and enhancing AGOA.

⁶The other members of AREA are the Corporate Council on Africa, the American Apparel and Footwear Association, the AGOA Coalition, and Manchester Trade.

AREA's recommendations are summarized in the position paper reprinted at the end of this statement. In brief, AREA recommends:

1. Renewing AGOA as soon as possible—this year if possible—to prevent the loss of trade and jobs that is already occurring in Africa due to the uncertainty of AGOA's renewal;
2. Renewal for as long as possible, but not less than 10 years in any event;
3. Continuation of the critical third-country fabric rule of origin;
4. Modification of the “graduation provision” to prevent unintended disruption of regional integration;
5. Cumulation with all African Union (AU) members that have ratified the African Continental Free Trade Agreement (AfCFTA), including in North Africa, to encourage regional integration; and
6. Other non-controversial reforms to increase the competitiveness of African products.

Each of these proposed improvements to AGOA is discussed in turn below.

Renewal as Soon As Possible

As noted above, U.S. apparel imports from Africa under AGOA decreased by –21.2% measured by value in 2023 and –18.6% by volume. The decline has continued so far during 2024, with apparel imports through March 2024 down a further –10.8% by volume and –15.8% by value. The only reason for these staggering losses is the uncertainty over whether AGOA will be renewed, when it will be renewed, and on what terms.

As discussed above, this same phenomenon has occurred each time AGOA has been up for renewal in the past. U.S. apparel buyers place their orders 12–18 months in advance, so as they look at the end of AGOA's authorization on September 30, 2025, they are already shifting orders out of Africa. Jobs are already being lost in Africa in countries where there are few alternative employment opportunities. Congress must act promptly to renew AGOA this year to prevent a further collapse of AGOA trade and the accompanying loss of jobs.

Renewal for Not Less than 10 Years

As discussed above, the history of short-term renewals of AGOA handicapped the program from accomplishing as much as had been hoped for. Only with the 10-year renewal of AGOA in 2015 was AGOA's true potential demonstrated. Major investments require at least a 10-year amortization. Renewing AGOA for at least 10 years beyond 2025 will set the stage for a significant further escalation of development and trade.

Continuation of the Essential Third-Country Fabric Rule of Origin

As noted above, approximately 90% of apparel imported under AGOA is under the third-country fabric rule of origin. Indeed, this provision has been the key to the success of the AGOA apparel program.

Although significant investments have been made in building the “upstream” capacity in Africa to produce the yarn and fabric required by apparel manufacturers, so far African textile manufacturers supply only about 10% of the yarn and fabric consumed by the apparel manufacturers. New investments already underway (especially in West Africa) will increase the yarn and fabric production capacity by perhaps another 10%, but the simple truth is that African apparel manufacturers will be dependent upon imported yarn and fabric for the foreseeable future.

This is especially true regarding man-made fiber (MMF) yarn and fabric. Most of the yarn/fabric produced in Africa is made from cotton. There is essentially zero MMF yarn/fabric produced in Africa. Yet MMF apparel is the fastest growing category of apparel under AGOA due to both consumer preferences and the significantly higher U.S. tariffs on MMF apparel.

We know from the failed “abundant supply” experiment in 2007 that micro-management of fabric sourcing seriously undercuts the ability of African apparel producers to obtain orders from U.S. buyers. The (widely unknown) truth is that for the most part, African apparel manufacturers do not choose what fabric they will use. Rather, the U.S. buyers usually dictate the fabric to be used in any specific order. This is because they are producing what are supposed to be identical garments in various countries around the world. If different fabrics are used in one country or another, the garments will not be identical. Accordingly, if a U.S. buyer

specifies a particular fabric, but an African apparel producer cannot use that fabric under AGOA, the African producer will lose the order. The beauty of the third-country fabric provision is that it gives the AGOA apparel producers complete flexibility to be able to meet U.S. buyers' fabric specifications.

Overall, China remains the largest source of yarns and fabrics used by AGOA apparel producers, but it varies widely by country and by sector. For example, Mauritius uses very little Chinese fabric, but Kenya and Tanzania, by contrast, rely about 70–80% on Chinese fabric. It also varies widely by type of fabric. Thus, India and Pakistan are competitive sources of cotton yarn and fabric, but China remains by far the largest source (in some cases the only source) of MMF yarns and fabric, especially sophisticated blends (some of which are produced nowhere else). And much of the growth in AGOA apparel exports since 2015 has been in MMF products because of the much higher tariffs (double those on cotton apparel). For example, Tanzania has been the most recent AGOA success story in developing an AGOA apparel industry. Fully 70% of Tanzania's apparel exports are made with MMF, and almost all of that comes from China. Therefore, restricting the use of Chinese MMF yarns/fabric would destroy the Tanzanian apparel industry, and would seriously undermine apparel manufacturers in other AGOA countries.⁷

Modify the Graduation Provision To Prevent Undermining Regional Integration

AGOA incorporates the graduation provision from the Generalized System of Preferences (GSP), which provides that beneficiaries' eligibility shall be terminated if they exceed the World Bank high income threshold. 19 U.S.C. 2462.⁸

Congress originally contemplated that, as AGOA beneficiaries became economically more developed, they would negotiate reciprocal free trade agreements (FTAs) with the United States to take the place of the unilateral preferences extended by AGOA. See 19 U.S.C. 3702(4), 3723. From this perspective, graduation was intended to be a step forward to a more mature, mutually-beneficial trade relationship. But the United States is not currently negotiating FTAs, so graduation has now become a penalty, not a reward.

In the 24-year history of AGOA, only two countries have graduated: Equatorial Guinea and Seychelles. Both were AGOA outliers, taking little advantage of AGOA and not significantly involved in regional integration.⁹

The next country in line to graduate would be Mauritius.¹⁰ Economic projections indicate Mauritius may exceed the high income cutoff in the next few years. In contrast to Equatorial Guinea and Seychelles, Mauritius is heavily dependent upon AGOA and is a hub for regional integration in the subregion. Mauritius' AGOA exports include: apparel, seafood, jewelry, sugar, eyeglasses, and medical equipment. Despite its small size, Mauritius regularly ranks among the top exporters of non-extractive products under AGOA. At least 40,000 people are directly employed in producing AGOA products in Mauritius, with several times that number working in support sectors.

Yarn spinning operations in Mauritius source raw cotton primarily from Africa. The yarns and fabrics produced in Mauritius are in turn sold to neighboring countries in the region, especially Madagascar, where they are used to manufacture apparel for export to the United States under AGOA. A strategic alliance has evolved between Mauritius and Madagascar in the textile and apparel sector. In addition to supplying yarn and fabric, Mauritian apparel companies have invested in fac-

⁷There is no MMF production in Xinjiang Province, China, so the legitimate concerns about forced labor in the Chinese cotton supply chain do not apply to MMF yarns/fabrics from China. Moreover, although China is a major cotton producer, it is also the largest importer of both U.S. and African cotton. Chinese producers of cotton yarn/fabric intended for the U.S. market (including via AGOA) have largely stopped using cotton grown in China in order to avoid the risk of not complying with the Uyghur Forced Labor Prevention Act (UFLPA). Instead, they are using mostly U.S. or African cotton in producing yarn/fabric to be used in making apparel for the U.S. market. Banning the use of cotton yarns/fabric spun/woven in China would, therefore, have the unintended effect of harming both U.S. and African cotton growers, processors, and exporters.

⁸The World Bank high income cutoff is currently set at Gross National Income (GNI) per capita of \$13,845.

⁹Equatorial Guinea was graduated from AGOA eligibility after its GNI hit \$12,330 in 2008. Since then, its GNI has plummeted to just \$5,240 in 2022. Illustrating the unimportance of AGOA to Equatorial Guinea, it has never sought to have its eligibility reinstated despite the fact that its current GNI is now less half the level that led to its graduation.

¹⁰After Mauritius, Botswana and Namibia would be potential candidates for graduation. South Africa is far down the list and would be unlikely to graduate in the near future.

tories in Madagascar. Design, marketing, and administrative operations for these companies remain headquartered in Mauritius, while the manufacturing of apparel takes place in Madagascar. Today, the majority of apparel produced in Madagascar comes from factories with ties to Mauritius. Madagascar ranks as the second largest supplier of apparel to the United States under AGOA (after Kenya). This accomplishment was due in large part to the strategic alliance between Mauritius and Madagascar.

Thus, if Mauritius were graduated from AGOA, not only would workers in Mauritius suffer, but Madagascar would also feel serious repercussions. Indeed, economic integration in the subregion would be disrupted, as evolving supply chains would be stressed if not severed. This is completely contrary to the policy goals of AGOA, as well as the goal of the AfCFTA, which has been endorsed and actively supported by the United States.

A variety of options are available to prevent graduation from having the unintended consequence of undermining regional integration:

1. Eliminate the Graduation Mechanism: The graduation provision was included in the GSP in 1974 to prevent the Asian Newly Industrialized Countries (Taiwan, South Korea, Hong Kong, and Singapore) from capturing a disproportionate share of the duty-free benefits at the expense of less developed countries. There is no risk of any AGOA country similarly prejudicing its neighbors' trade opportunities. Accordingly, there is need for the graduation mechanism in AGOA.
2. FTAs: Consistent with Congress's original intent, the AGOA graduation provision could be amended to provide that no beneficiary shall be graduated unless it has had a reasonable opportunity to negotiate an FTA with the United States.
3. Provide Presidential Discretion: The GSP graduation mechanism is mandatory: if a beneficiary exceeds the income cutoff, it must be graduated. But as noted above, graduating AGOA beneficiaries would undermine regional integration. This can be avoided by changing the graduation provision in AGOA to a discretionary one. For instance, the President could be given the discretion to waive graduation if he determined graduating a particular beneficiary would undermine regional integration.
4. Five-Year Standard: The AGOA renewal bill introduced by Senators Coons and Risch provides that no AGOA beneficiary will be graduated unless its income exceeds the high income cutoff for five consecutive years. This is intended to avoid the "yo-yo" effect of a country exceeding the cutoff in 1 year, only to see its GNI fall in the next year due to the initiation of the graduation process. Falling below the cutoff would make the country eligible for reinstatement, but permanent harm would already have been done, as investors would have been scared off by the risk of graduation. Requiring the income cutoff to have been exceeded for 5 consecutive years would ensure that only those countries that are truly developed would be graduated.
5. Provide a Derogation for Botswana, Mauritius, and Namibia: The AGOA third-country fabric provision permits lesser developed AGOA beneficiaries to use yarn and fabric from outside the region. AGOA provides a special derogation, extending the third-country fabric provision to Botswana, Mauritius, and Namibia even though these are not lesser developed countries. 19 U.S.C. 3721(c)(3). The policy justification for this derogation was based on the fact that in the case of each country there were special circumstances that made GNI not a good indicator of the true level of economic development. For Botswana and Namibia, the special circumstance was diamonds and precious metals that inflate GNI, but do not create a proportionate number of jobs. For Mauritius, the special factors are the tourism industry and the offshore financial sector, both of which attract significant amounts of money but create few jobs.¹¹ By analogy to the third-country fabric derogation, the graduation mechanism could be revised to provide that Botswana, Mauritius, and Namibia would not be graduated during the term of the next extension of AGOA.

¹¹To illustrate the impact of the tourism sector in Mauritius, when the COVID-19 pandemic caused a complete lockdown in 2020, the Mauritius GNI fell by almost 20%.

Other AREA Modifications to AGOA

Other modifications to AGOA endorsed by AREA would:

- Harmonize the AGOA edibility review with other U.S. preference programs to require the eligibility review be conducted every 3 years instead of annually;
- Allow cumulation of inputs with all AfCFTA signatory countries (including those in North Africa);
- Replace the outdated textile visa requirements with those from current CBP cooperation agreements; and
- Increase the size of the duty-free limits to reflect current trade flows.

Conclusions

In short, AGOA has succeeded in creating a new industry in Africa that provides employment for hundreds of thousands of direct workers in the apparel sector and several times that many jobs in support sectors. At the same time, these trade flows have created an almost equivalent number of jobs in the United States. Since the 10-year renewal of AGOA in 2015, the AGOA apparel has demonstrated steady growth and job creation. The best formula for continuing this pattern of successful economic development is to provide stability and predictability in the terms of trade governing the AGOA apparel program, which would be achieved by a long-term extension of AGOA this year.

On the other hand, as noted above, trade has contracted each time in the past there has been uncertainty whether AGOA would be renewed, resulting in the loss of tens of thousands of jobs in Africa, as well as in the United States. It is of critical importance, therefore, that AGOA should be renewed this year to send the right signals to U.S. apparel importers who may be “on the fence” about investing in and continuing to source from Africa.

The members of ACT in the African private sector appreciate the opportunity to share their views on the future of AGOA with the Finance Committee. We would be happy to respond to questions.

Respectfully submitted,

Paul Ryberg
President

AGOA Renewal: A Strategic Opportunity to Enhance U.S.-Africa Trade and Business

The AGOA Renewal and Enhancement Alliance (AREA) brings together diverse stakeholders—including U.S. and African companies, business associations, and the African diplomatic corps in DC—to support the African Growth and Opportunity Act and its immediate, long term renewal.

AREA supports the following core principles:

- 1. Early and Long Term AGOA Renewal is Critical**
- 2. Early AGOA Renewal Advances U.S. Strategic and Policy Goals in Africa**
- 3. Targeted Technical/Non-controversial AGOA Enhancements Can Positively Impact Its Success If They Don't Delay Its Renewal**

1. Early and Long Term AGOA Renewal is Critical

- Renewal of AGOA as soon as possible is critical to industry investment and planning. The industries most capable of utilizing AGOA operate on 2-year cycles, meaning that new investment projects are already on hold, and they will begin cutting back on orders as early as this year if the statute has not been renewed.
- Delayed renewal also risks missing an important window of opportunity as companies are currently shifting production out of China due to increased costs, forced labor concerns, and political risks. Securing a lengthy AGOA renewal in 2023 will increase company interest in looking at opportunities to invest in and source from Africa.
- Renewal for less than 10 years does not provide companies with the longer-term horizon they need to plan and execute investments or develop sourcing

networks and distribution channels that will drive vertical integration of the continent to allow greater country participation.

- Longer term AGOA provides predictability to the more than 450,000 American workers (150,000 from American exports and 300,000 tied to U.S. imports) whose jobs are linked to U.S./African trade.

2. Early AGOA Renewal Advances U.S. Strategic and Policy Goals in Africa

- AGOA is one of the most important tools and incentives to grow and diversify our trade and investment relationship with Africa and to counter the presence of China on the continent.
- Long-term renewal of AGOA supports economic integration under AfCFTA, one of America's top strategic goals in Africa.
- Extending AGOA supports ongoing African economic and business reforms, capitalizes on considerable infrastructure investment, and improves the business climate for growing U.S. investments into the continent.
- AGOA exports can quickly grow into a broader partnership that can lead to investment and trade in both directions, creating jobs and economic growth in both the U.S. and Africa.

3. Targeted Technical/Non-controversial AGOA Enhancements Can Positively Impact Its Success If They Don't Delay Its Renewal.

- A small number of targeted enhancements should be made to:
 - Harmonize AGOA eligibility reviews with other U.S. government preference programs by converting the annual AGOA eligibility review to once every 3 years;
 - Add a provision allowing cumulation from all AU Members that have ratified AfCFTA;
 - Replace outdated textile visa requirements with closer Customs cooperation agreements;
 - Adjust the size of the apparel quota; and
 - Modify graduation criteria for AGOA countries.

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Statement of Fred O. Oladeinde, Chair, African Growth and Opportunity Act Civil Society Organization Network

Chairman Wyden, Ranking Member Crapo, and Distinguished Members of the Committee, I am honored and delighted on behalf of members of the AGOA Civil Society Organization Network to submit the Communique and Recommendations from our 9th Annual AGOA Civil Society Organization Network Spring Conference on April 18, 2024, titled *Timely Reauthorization and Enhancement of AGOA Beyond 2025* held at the Rayburn House Building for the consideration of the Subcommittee and the record.

The AGOA Civil Society Organization Network urges the Committee for the timely reauthorization and enhancement of AGOA by the 118th Congress for a minimum of 10 years, from September 30, 2025, to September 30, 2035, or beyond. We are delighted to provide additional information and answer questions on request.

The AGOA Civil Society Organization (CSO) Network Secretariat and The Foundation for Democracy in Africa (FDA) hosted the 9th Annual AGOA CSO Network Spring Conference under the theme: Timely Reauthorization and Enhancement of AGOA Beyond 2025 on April 18, 2024, at the Rayburn House Building on Capitol Hill in Washington, DC, U.S.A.

The conference was a hybrid event that brought together civil society organizations, business, and government leaders from across Africa and the United States virtually and in person. The purpose of the gathering was to advocate for the following:

- A minimum 10 year reauthorization of AGOA from 2025 to 2035 or beyond.
- The African Union's Agenda 2063—including implementation of the African Continental Free Trade Areas (AfCFTA) and African Customs Union.

- Extending AGOA benefits to all African Union member States with full access for U.S. companies to participate and benefit in the Free Trade Areas and Customs Union.
- Funding for civil society and non-governmental organizations to provide technical assistance on eligibility requirements and AGOA country strategy.
- Creating tax incentives for U.S. companies to catalyze U.S. investment, innovation, and technology transfer in targeted sectors highlighted in AGOA Country Strategies and to strengthen AGOA benefits utilization and removing outdated requirements.

The agenda for the event included the following:

- Welcome and Opening Remarks
- Civil Society Organization Perspective on AGOA Reauthorization and Enhancement
- Private Sector Perspective on AGOA Reauthorization and Enhancement
- Presentations on AGOA Reauthorization and Enhancement
- African Diaspora Investment and Engagement Roundtable
- Closing Remarks

Background:

Since its passage by Congress on May 18, 2000, and signing into law on October 2, 2000, by President Bill Clinton, the African Growth and Opportunity Act (AGOA) has been the cornerstone of U.S. economic engagement with the countries of Sub-Saharan Africa (SSA).

AGOA is a long-term commitment with broad bipartisan support. On June 25, 2015, Congress overwhelmingly approved the Trade Preferences Extension Act (TPEA) of 2015, and on June 29, 2015, President Barrack Obama signed TPEA into law. TPEA reauthorizes AGOA and the associated “third Country fabric” provision for 10 years through 2025. Congress passed, and the executive branch implemented three prior legislative enhancements of AGOA, with significant bipartisan support in 2002, 2004, and 2006.

The African Continental Free Trade Area (AfCFTA) agreement became legally binding on May 21, 2019. Despite the global COVID-19 pandemic, the AfCFTA Secretariat officially opened in Accra, Ghana, on January 1, 2021. AfCFTA is the largest free trade area regarding population and geographic size, covering 1.3 billion people across the second largest continent.

AfCFTA offers African countries many opportunities for sustainable development and economic growth. AfCFTA plans to boost intra-Africa trade by making Africa a single market of 1.3 billion people with a cumulative GDP of more than \$3.4 trillion. One of the core objectives of AGOA, when enacted by the U.S. Congress and signed into law by President Bill Clinton more than two decades ago, was to support Africa’s regional integration. Therefore, the U. S. as a stakeholder in AGOA should fully utilize the opportunities that AfCFTA, the largest free trade area since the establishment of the World Trade Organization in 1995, has to offer by developing trade agreements under AfCFTA with Sub-Saharan African countries and expanding trade and economic cooperation with this single market of 1.3 billion Africans.

On January 21, 2021, the day after the U.S. Presidential Inauguration, the AGOA CSO Network Secretariat sent a letter to the Biden-Harris Administration, advocating for support of AfCFTA, among other U.S.-Africa-related trade issues.

The United States and Kenya launched the United States-Kenya Strategic Trade and Investment Partnership (STIP) on July 14, 2022, to increase investment, promote sustainable and inclusive economic growth, benefit workers, consumers, and businesses, and support African regional economic integration.

Discussion Highlights:

The AGOA CSO Network Secretariat:

- Commended Senators Chris Coons and James Risch for introducing the AGOA Renewal and Improvement Act of 2024 and welcomed further discussions and support for the bill in Congress. The bill addresses the reauthorization and enhancement of AGOA and reflects bipartisan support for AGOA in Congress.
- Commended the Biden-Harris Administration for initiating the U.S.-Kenya Strategic Trade and Investment Partnership (STIP) and anticipates the successful implementation of this bilateral trade agreement.
- Acknowledged and thanked the Subcommittee on Trade of the Committee on Ways and Means for their continuing support and cooperation and looks for-

ward to collaborating closely with the Subcommittee on the timely reauthorization and enhancement of AGOA for at least 10 years.

- Detailed its AGOA renewal initiatives, including advocacy on Capitol Hill, conducting outreach events, and establishing an electronic petition platform to garner support for AGOA reauthorization and enhancement.

The Secretariat also underscored the following:

- Noted its support for modifying AGOA's rule of origin to allow inputs from North African AfCFTA members to count toward the requirement that 35% of a product's value originate in the region to support the development of intra-African supply chains.
- Emphasized the role of AGOA in creating sustainable economic growth and development, poverty reduction democracy, the rule of law and stability in Africa. AGOA has created hundreds of thousands of new direct jobs and millions of indirect jobs in Africa in the textile, agricultural, and automotive industries and more than 500,000 jobs in the U.S. AGOA's cost to U.S. taxpayers is nominal, especially compared to U.S. investment in Development Aid to Africa, and AGOA remains a transformative success story.
- Underscored the decline in African exports to the United States—African exports to the U.S. under AGOA declined from USD 78.01 billion in 2013 to USD 28.19 billion in 2022, resulting in a setback for Africa. The issue of low utilization rates of AGOA benefits needs addressing. Studies show that nations with AGOA Country Strategies have higher utilization rates than nations without country strategies, and these countries have seen success and use AGOA benefits to create good-paying jobs.

The private sector reaffirmed the importance of renewing AGOA promptly to prevent further adverse financial impacts on African economies and American buyers and the enormous potential of the African Continental Free Trade Area (AfCFTA) in stimulating economic growth and increasing trade opportunities. Other significant issues include:

- Eliminating outdated textile visa requirements.
- Better handling of graduation issues to avoid unintended consequences and negative impact on regional value chains.
- Changing the annual review of eligibility requirements for AGOA-eligible countries to every 3 years,

There is interest in Congress in exploring ways AGOA benefits can be widely distributed and used to create good-paying jobs across Sub-Saharan Africa (SSA) and understanding how investment can be coupled with trade to address poverty reduction and advancement in targeted sectors.

Civil Society emphasized the need for more climate-resilient agricultural practices to adapt to changing climates and the importance of supporting conservation efforts and a just energy transition in alignment with U.S. strategies towards Sub-Saharan Africa and AGOA.

African countries should create conducive environments for SMEs to access U.S. markets, including streamlining regulatory processes, reducing bureaucratic barriers, and enhancing business support services.

Encouraging industrialization, access to finance, and investment will drive economic growth in African economies. Targeted incentives and policies are essential to attracting investment in targeted sectors, such as manufacturing and technology.

The issue of Gabon's recent suspension from AGOA due to political change surfaced. Conferees called for a pragmatic assessment of sanctions and highlighted the importance of dialogue and engagement to resolve such issues. During the discussion, conferees expressed their solidarity with AGOA Civil Society Organization Network members in Gabon, and the Network offered to collaborate with stakeholders to address reinstatement of Gabon's AGOA eligibility through constructive engagement and support for democratic processes.

The African Diaspora plays a unique role in driving development initiatives. Participants shared experiences and success stories of Diaspora-led projects and initiatives that fostered economic growth and empowerment in their home countries. The discussion also underscored the need for increased collaboration and coordination among African Diaspora organizations to advocate for policies and initiatives that support Diaspora engagement and investment in Africa and the U.S. to maximize the effectiveness and outcomes of development efforts in Africa.

Collaboration and advocacy efforts are crucial in maximizing the potential of AGOA and ensuring its continued relevance in a rapidly evolving global economy. At the event, civil society, government representatives, and private sector stakeholders pledged to work together to ensure the successful renewal and improvement of AGOA.

Recommendations:

During the event, delegates made the following recommendations:

1. Reauthorize AGOA promptly and extend the program from its current expiration date of September 30, 2025, to September 30, 2035, or beyond, with enhancements to improve its effectiveness. Proposed enhancements include the following: providing funding for civil society organizations and tax incentives for U.S. businesses to attract the required investment and technology transfer to support economic growth and development in the region; eliminating outdated textile visa requirements; Changing the annual review requirement for continued eligibility in the program to every 2 years; more effectively handling graduation issues to avoid unintended consequences and negative impact on regional value chains; and supporting conservation efforts and a just energy transition in alignment with U.S. strategies towards Sub-Saharan Africa.
2. Expand AGOA benefits to all 55-member states of the African Union from the current 49 Sub-Saharan African countries.
3. Support the African Union Agenda 2063, including establishing an African Continental Free Trade Area (AfCFTA) and African Customs Union—tools essential to utilizing trade to strengthen U.S.-Africa strategic alliances.
4. Provide support for the AGOA CSO Network's \$5 Billion Special Purpose Investment Fund for Africa (SPIFA) initiative for the following purposes:
 - (a) Assisting small, medium, and Diaspora-owned businesses to catalyze U.S. investment, innovation, and technology transfer in targeted sectors in Africa.
 - (b) Conducting training and technical assistance for AGOA-eligible countries to assist in developing AGOA Country Strategy Plans and preparing for annual eligibility reviews and others.
 - (c) Supporting developing critical path analysis for AGOA-eligible countries as they prepare to graduate from AGOA benefits.
 - (d) Conducting education campaigns, training, and capacity building for small, women, disadvantaged, and Diaspora-owned businesses to navigate AGOA's requirements and maximize its benefits to strengthen AGOA benefits utilization and help create desperately needed good-paying jobs.
 - (e) Organizing mandated annual civil society organization sessions of the AGOA Forum.
5. Deliver on commitments the U.S. made to Africa during the U.S.-Africa Leaders' Summit, including a \$55 billion pledge to support the African Union's Agenda 2063 and the creation of a new Digital Transformation with Africa (DTA) initiative intended to invest more than \$350 million in financing Africa's digital transformation.

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SUBMISSION TO THE SENATE FINANCE COMMITTEE FROM THE AGOA GROUP OF ELIGIBLE COUNTRIES

The Group of AGOA eligible countries thanks the Senate Finance Committee for the opportunity to express its views and submit input for inclusion in the hearing record on "Revitalizing and Renewing GSP, AGOA, and Other Trade Preference Programs." We are confident that the Committee will consider our proposals in the process of renewing the African Growth and Opportunity Act.

Importance of AGOA Renewal

The AGOA, signed into law in 2000 has played a crucial role in improving and consolidating trade relations between the United States and beneficiary sub-Saharan African countries.

The Group would like to recall the statement of the African Ministers of Trade during the 20th AGOA Forum held in Johannesburg, South Africa in November 2023 expressing the need of an urgent renewal of AGOA with non-controversial amendments for a minimum of 10 years to provide the required predictability and certainty to the markets and urging the U.S. to make the decision as early as 2024 but not later than September 2024. At the AGOA Forum in 2023, the private sector, civil society and organized labor from both United States and AGOA beneficiary countries also supported early and long-term renewal of AGOA.

The AGOA Renewal and Enhancement Alliance, comprising the Corporate Council on Africa, the African Coalition for Trade and American and African companies amongst others, has been advocating for the renewal of AGOA, with a few non-controversial issues to be addressed simultaneously so as not to delay its reauthorization.

Long-Term Renewal for AGOA

At present, there is no visibility as to when the AGOA program would be renewed. The Group, therefore, welcomes the Bill introduced by Senators Coons and Risch for the Renewal of AGOA which sets the pace for engagement with stakeholders. **We are pleased to note that the Bill includes a 16-year renewal proposal and cumulation of rules of origin among AfCFTA signatories as proposed by the African Trade Ministers.**

The USITC Report on Program Usage, Trends, and Sectoral Highlights has noted that AGOA has revitalized a once-declining African apparel industry, creating jobs and a starting point to extend apparel regional value chains. It further adds that AGOA would yield greater benefits if it worked in tandem with the AfCFTA. In particular, the AGOA program has been instrumental in reinforcing the inter-linkages between the textile and apparel sectors of Mauritius and Madagascar.

A **long-term renewal of AGOA preference** without any further delay will prevent any disruption of trade, provide the private sector increased predictability of market access in the U.S. and create an environment conducive for private sector investment in the regional value chain.

In the past, short term authorizations/renewals of AGOA and unavailability of the Third Country Fabric provision have had adverse implications on apparel orders and the viability of the textile and apparel sector.

Thus, the renewal of AGOA should be for a **minimum of 10 years, should include the Third Country Fabric provision, and should also address the Graduation issue.**

Graduation

Together with AGOA renewal, the African Ministers of Trade also called for the U.S. authorities to address the graduation issue side by side in order not to jeopardize the results so far yielded and avoid the exclusion of African countries based on GNI per capita, which may not accurately reflect a country's level of development.

Countries using AGOA preferences for development should not be victims of their own success. Graduating a country using the income threshold would result in the abrupt discontinuation of benefits, causing uncertainty and hinder long-term economic growth. In addition, such a decision will also affect regional value chains that are starting to form in the Africa, underpinned by the implementation of the Africa Continental Free Trade Area.

It is to be emphasized that the AGOA legislation incorporates GSP eligibility requirements, meaning that countries having reached the "high income threshold" are graduated out. The 5-year transition period in Senators Coons, Risch Bill does not provide a solution but simply delays the graduation of a country.

Small countries like Mauritius, Botswana, Namibia may have high Gross National Incomes (GNI) per capita by virtue of their small size and limited population and not because they have a developed and diversified economy.

Hence, the GNI per capita is not an appropriate yardstick to measure resilience or development of small economies and be used to determine a country's eligibility to the AGOA program.

Moreover, it would be counter-productive if a country that reached a high-income status were to fall back in the middle-income range due to loss of AGOA benefits. In addition, the current AGOA legislation does not contain specific conditions for "reinstating" AGOA benefits.

It is useful to underline that suspension from AGOA preferences, albeit for a few years, for some countries like Madagascar and Eswatini has had serious implications on their economies. In this respect, graduation from AGOA preferences would be tantamount to an amplification of such adverse consequences.

Importance of the Third Country Fabric Provision

Given the heavy reliance of sub-Saharan African countries on apparel exports made of third country fabric, it is essential to maintain the third country fabric provision within AGOA, as is. Even though Africa is known to be the producer of one of the best cottons of the world, spinning, weaving/knitting facilities are still lacking to meet the African demand of cotton yarn and fabrics. Such investment will provide return on investment in approximately 8–10 years. Moreover, third countries constitute an important supplier of synthetic fabrics.

Support to regional value chains and AfCFTA

The AGOA Forum in 2023 recognized that AGOA supports a number of regional value chains on the continent. Examples include the clothing and textile value chains between Mauritius and Madagascar, automotive sectors of South Africa, Botswana (wire harnesses) and Lesotho (leather seats), copper sectors of Zambia, DRC and South Africa and as technically specified natural rubber (TSNR) sectors of Nigeria, Ghana, Senegal, and South Africa.

In view of building sustainable regional value chains, we believe that countries should be encouraged to develop business models that favor regionally sourced inputs. As such, the Group welcome the proposal in Senators Coons's and Risch's Bill **to allow regional cumulation with all countries that signed and ratified the AfCFTA including any graduated beneficiary.**

It is also important to address any barriers that hamper effective utilization of AGOA, including for agriculture products and to support capacity building to enable AGOA beneficiary countries to access the U.S. market.

In order to enhance the utilization of AGOA, AGOA should be used to support and upscale the existing regional value chains such as the auto-value chains and support the development of more value chains. It may be important for the U.S. to take note that other countries are benefiting indirectly from AGOA through exports of intermediate products to other AGOA beneficiary countries.

When a country loses AGOA preferences, it leads to spill-over effects on other AGOA members in terms of supply and value chain disruptions, drop in business opportunities and investment opportunities, among others. Graduation would disrupt existing value chain in Sub-Saharan regarding export to the U.S.

Investment-Led Trade Strategy

For many AGOA beneficiary countries, the trade remains undiversified. The Group advocates for the need to enhance U.S. investments into Africa to encourage value-addition and beneficiation, including of critical raw materials and minerals in Africa at source. AGOA should have development dimension that promotes investment, including in relation to infrastructure, industrial development as well as technology transfer and the U.S. should explore the opportunities to upscale investment, infrastructure and digital development including the innovative financing schemes to promote Regional and Continental Value Chains.

The Group's Proposals

In light of the above, the Group urges Congress:

- To consider urgent renewal of AGOA with non-controversial amendments for a minimum of 10 years to provide the required predictability and certainty to the markets and urging the U.S. to make the decision as early as 2024 but not later than September 2024.
- To address the graduation issue side by side with AGOA renewal, in order not to jeopardize the results so far yielded and avoid the exclusion of African coun-

tries based on GNI per capita, which may not accurately reflect a country's level of development. To this effect, the following proposals could be considered:

- *Option 1:* No country shall be graduated out of AGOA (complete carve-out from the graduation clause);
 - *Option 2:* The transition period of graduation from AGOA shall be renewed to allow the completion of FTA negotiations between the graduating country and the U.S. In other words, no country shall graduate out of AGOA until it has completed FTA negotiations with the USA; or
 - *Option 3:* Graduation shall apply not to countries but to products which have achieved a level of competitiveness measured by the share of exports, set at 1% compared to the global imports of that product into the U.S.
- To take into account the nexus between AGOA and the AfCFTA and to ensure that AGOA supports the developmental objectives of the AfCFTA by allowing for cumulation of AGOA with all AfCFTA signatories which would align AGOA to the AfCFTA through acceptance of AfCFTA rules of origin and promote the development of regional and continental value chains.
 - To consider an investment-led strategy that promotes sustainable development and structural transformation of the AGOA beneficiary countries.

Conclusion

To conclude, the Group fully supports the statements made by the CEO and President of Corporate Council on Africa at the Hearing of the Senate Finance Committee on June 5, 2024. The Group would be ready to engage and provide any additional information that could help in an expeditious reauthorization of AGOA for the mutual benefits of the United States and the AGOA eligible countries.

ALLIANCE OF GSP COUNTRIES

April 4, 2024

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
U.S. Senate
Committee on Finance
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo,

The Alliance of GSP Countries (Alliance)¹ represents 27 developing and least-developed countries with representation in Washington, DC. Our goal is to strengthen trade and investment ties with the United States through the Generalized System of Preferences (GSP) program. We strongly believe that renewing this program will further strengthen our ties and benefit both our countries and the U.S.

The GSP, which is the largest and oldest U.S. trade program, is a game-changer in the world of trade. The GSP is, at its heart, a development program. Before the current U.S. GSP lapse, each of our countries had, for many years, utilized the U.S. GSP program to further our economic development and raise standards of living in accordance with U.S. GSP objectives. The program fueled growth across many sectors benefitting companies of all sizes: from micro to small and medium enterprises, including many owned by women, minorities and indigenous people supporting a wide range of workers, farmers and entrepreneurs located in underserved suburban and rural communities. Moreover, amid this period of high inflation and rising costs, the GSP program could alleviate these impacts to the U.S. consumer by reducing the cost of imported materials used by U.S. firms while also promoting supplier di-

¹ GSP Alliance countries are: Algeria, Argentina, Bolivia, Brazil, Cambodia, Ecuador, Egypt, Fiji, Georgia, Indonesia, Kazakhstan, Kyrgyz Republic, Lebanon, Moldova, Mongolia, Myanmar, North Macedonia, Nepal, Pakistan, Paraguay, the Philippines, Serbia, Sri Lanka, Thailand, Tunisia, Ukraine, and Yemen.

versification and strengthening supply chains. The program brought about resilience for small and large businesses, ensured price stability as well as enhanced business competitiveness while generating and protecting American jobs, thus promoting economic growth for the U.S.

The GSP program has expired for more than 3 years, which is the longest lapse in the program's history. The urgent reauthorization of the GSP has been a key trade agenda item for the program's beneficiary countries. We see growing bipartisan support for GSP reauthorization in the U.S. Congress. We hope that any change in the program's country and/or product eligibility criteria be practical and attainable for beneficiary countries and allow a transition period to avoid trade disruptions. We kindly request your invaluable support, as leaders of the Congressional committees with jurisdiction on the GSP program, to promptly pass GSP reauthorization legislation which will include the retroactive payment of duties on eligible products and the longest period of program extension.

We truly appreciate Congressional support to the GSP program throughout the almost 50 years of the program's existence. We are grateful as well for your valuable role in promoting economic development in our countries and projecting the positive contribution of the United States of America.

Sincerely,

Ambassador of the People's
Democratic Republic of Algeria
H.E. Sabri Boukadoum

Chargé d'Affaires a.i.
of Argentine Republic
Minister Adrián Nador

Ambassador of the
Federative Republic of Brazil
H.E. Maria Luiza Ribeiro Viotti

First Secretary
of the Republic of Fiji
Ms. Eva Baleitilagica

Ambassador of Georgia
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Mr. Ida Bagus Made Bimantara

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H.E. Yerzhan Ashikbayev

Chargé d'Affaires
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Mr. Wael Hachem

Ambassador of North Macedonia
H.E. Zoran Popov

Ambassador of the Republic
of Moldova
H.E. Viorel Ursu

Ambassador of the
Democratic Socialist Republic of Sri
Lanka
H.E. Mahinda Samarasinghe

Chargé d'Affaires, a.i.
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Ms. Chuliepote Isarankura Na Ayudhaya

Ambassador of the Republic of
Tunisia
H.E. Hanene Tajouri Bessassi

Chargé d'Affaires of the
Kingdom of Cambodia
Mr. Oum Socheat

Chargé d'Affaires a.i.
of the Republic of Ecuador
Ms. Maria Soledad Peña Plaza

Ambassador of the Arab
Republic of Egypt
H.E. Motaz Zahran

Ambassador of Mongolia
H.E. Batbayar Ulziddelger

Chargé d'Affaires a.i.
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Mr. Thet Win

Ambassador of the Federal Democratic
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Ambassador of the Islamic
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Ambassador of the Republic
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H.E. José Antonio Dos Santos

Ambassador of the Republic
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H.E. Jose Manuel G. Romualdez

Ambassador of the Republic
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H.E. Marko Djuric

Ambassador of Ukraine
H.E. Oksana Markarova

Ambassador of the Republic of Yemen
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U.S. Senate
 Committee on Finance

On behalf of the American Apparel & Footwear Association (AAFA), we appreciate this opportunity to submit a statement for the record for the Committee's hearing, "Revitalizing and Renewing GSP, AGOA and Other Trade Preference Programs" held on June 5, 2024.

AAFA is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its more than 3.2 million U.S. workers, and its contribution of more than \$490 billion in annual U.S. retail sales.

The U.S. apparel, footwear, and related products industry encompasses domestic manufacturers, exporters, importers, and global suppliers. Our members make and sell products in the United States and around the world. Because nearly every U.S. job in our industry depends on access to foreign customers, access to global supply chains, or both for its existence, trade is vitally important for the competitiveness of the industry.

Approximately, 97% of apparel, footwear, and 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. This is why renewal of trade preferences programs such as AGOA, GSP, and Haiti HOPE/HELP is so critical.

African Growth and Opportunity Act (AGOA)

AGOA is a success story for the apparel and footwear industries due to the duty-free access combined with state-of-the-art flexible rules of origin. In fact, AGOA continues to be a main reason why our members are in Africa and why they are now looking at expanding, or continuing to expand, their business there. AAFA supports the AGOA Renewal and Improvement Act (S. 4110) to renew the trade partnership between the U.S. and sub-Saharan African countries and encourages introduction of legislation in the U.S. House of Representatives.

As we forge to further develop a responsible industry, we have an opportunity to ensure that this development benefits a traditionally underserved population—women, who make up a large portion of our African workforce. As our members expand their operations there, they not only create direct jobs for women, but they also foster skills development and entrepreneurial opportunities for these workers. Moreover, investments in this workforce benefit entire families and communities, multiplying the economic opportunities that are created through apparel and footwear sourcing.

Even though the AGOA expiration date is a year away, U.S. investment in the region already faces mounting uncertainty. Companies are poised to diversify out of China, and Africa is a logical place for many of them. The on-again, off-again nature of the program before the 10-year renewal was extremely disruptive and meant the industry was not able to take full advantage of the first 15 years of the program. The 10-year renewal, with state-of-the-art rules of origin, in 2015 was an important first step but was not nearly long enough—as we repeatedly noted in 2015—to sustain the kind of long-term trade and investment that is needed to alter centuries of underdevelopment. If AGOA were to be renewed this year for at least another 10 years (although ideally longer), companies would have the necessary certainty and timeframe they need to grow a vertical, responsible, and competitive industry in Africa up to and past 2025.

As more companies are beginning to utilize AGOA, and specifically the third country fabric provision, the quota fill rate will be significantly increasing in the coming years. Therefore, we also suggest raising the existing 3.5% limit to at least 4.5%, with a growth provision, so that it not be a constraint going forward.

Generalized System of Preferences (GSP)

The GSP is the largest and oldest U.S. trade preference program. It is designed to support economic development in select developing countries by removing tariff barriers on qualifying products, while supporting worker rights, intellectual property protection, and the rule of law in these beneficiary countries. Historically, the GSP program has garnered bipartisan and bicameral support since its inception in 1974 as the program requires Congressional re-authorization.

AAFA supports the Generalized System of Preferences Reform Act (H.R. 7986) to promote both the competitiveness of U.S. companies and economic development throughout the world and encourages introduction of legislation in the U.S. Senate. Specifically, AAFA supports retroactive refunds and a long-term extension of the program. The refunding of tariffs collected during prior gaps in the program's operation has been common in previous renewal bills. In addition, measures to update the competitive need limitation (CNL) mechanism and open a process to consider currently ineligible products are vital if GSP is to be properly equipped to help companies invest in supply chains as they diversify from China.

Haiti

Immediate action is required to ensure the long-term reauthorization of the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) and the Haiti Economic Lift Program (HELP) Acts, commonly known as HOPE/HELP, which expires next year. AAFA supports the Haiti Economic Lift Program Extension Act (H.R. 5614 and S. 552) to provide much needed stability to the Haitian people.

There is no question that Haiti is at a critical juncture. The lack of a formal government and the closures of the airport and main port due to a surge in gang violence has made Haiti an increasingly difficult place to do business. Our hope is that the U.S. Government will continue to support measures that will bring about an end to violence, support democratic institutions, and enable quick economic recovery to avoid a worsening humanitarian crisis in our neighborhood.

One action that can play an important role in reinforcing the long-term U.S./Haiti partnership and eliminate uncertainty that is today threatening economic livelihood in Haiti (and the Dominican Republic), would be for Congress to immediately renew the HOPE/HELP trade program. The HOPE/HELP allows duty-free access for certain apparel products from Haiti creating more than 50,000 formal Haitian jobs, and supporting tens of thousands more Haitians and the communities in which they live. But the apparel jobs created by this program, and the communities they support, are now at risk. Companies are now having to guess whether they should place orders now for importation that will occur after the scheduled expiration of HOPE/HELP, an impossible dynamic that is eroding future business today. U.S. businesses that invest in this sector are committed to their operations and workers even during these dire times but need assurance that the HOPE/HELP program will continue without interruption. Timely renewal of Haiti HOPE/HELP this year would provide that critical assurance, especially in the context that GSP has been expired for 42 months.

Thank you for this opportunity to provide a statement for the record. It's critical that AGOA, GSP, and Haiti HOPE/HELP are renewed this year and for a long extension. Please contact me at bhughes@aafaglobal.org if you have any questions or would like additional information.

Sincerely,

Beth Hughes
Vice President, Trade & Customs Policy

ARCADIUM LITHIUM

Statement of Harris Walker, Director of Government Affairs

Chairman Wyden, Ranking Member Crapo, and Members of the Committee:

Arcadium Lithium strongly supports the renewal of the Generalized System of Preferences (GSP) program. A retroactive renewal of GSP since its expiration in December 2020, providing a substantial renewal term, would serve to strengthen U.S. supply chains for critical materials such as lithium, promoting U.S. competitiveness and national security.

Arcadium Lithium, formed from the merger of Livent Corporation and Allkem, is the leading supplier of battery-grade lithium hydroxide in North America. Our operations include primary research, development, and innovation facilities located in Bessemer City, North Carolina, which is historically significant as the birthplace of lithium in the United States. Our recent expansions and investments underscore our dedication to maintaining leadership in the lithium industry while supporting American jobs and contributing to local economies.

Economic, Strategic, and National Security Importance of GSP

Global demand for lithium is increasing rapidly, especially with the growth of electric vehicle (EV) production and renewable energy storage solutions. Currently, most lithium battery material processing is overseas, predominantly in China, which holds over 90% of global lithium metal capacity and over 80% of global lithium hydroxide capacity. It is critical for the Americas to expand production to develop a secure and sustainable lithium supply. With extensive lithium resources in Argentina, Chile, Canada, and the United States, there is no reason to remain dependent on supply from China.

Argentina, a GSP beneficiary country, is a key global source of basic lithium materials. Argentine lithium extracted from brine produces far fewer carbon emissions than hard rock mining and remains the most sustainable method of mineral extraction. Duty-free entry for Argentine lithium material is critical for Arcadium Lithium's business and U.S. clean energy goals.

Without the GSP program in force, imports of lithium materials from Argentina are subject to a 3.7% U.S. tariff. This tariff not only adds unnecessary costs for downstream U.S. lithium manufacturing but incentivizes the flow of lithium raw materials to China for further processing, contrary to U.S. critical mineral supply chain objectives.

Broader Impact and Consequences of GSP Renewal Delay

The GSP program not only benefits Arcadium Lithium but also supports various critical sectors in the U.S. economy. For example, the automotive industry, which is increasingly shifting towards electric vehicles, relies on a stable and cost-effective supply of lithium. Renewing the GSP program would ensure that these industries have access to the necessary raw materials without additional tariff burdens, promoting economic growth and job creation.

National Security: Diversifying our supply chain and reducing dependency on Chinese lithium is crucial for national security. The GSP program helps achieve this by supporting imports from reliable and environmentally responsible sources like Argentina.

Environmental and Social Responsibility: Arcadium Lithium is committed to sustainable and ethical practices. Renewing GSP will support our ability to source lithium in environmentally friendly ways, contributing to global efforts to combat climate change.

Global Competitiveness: Ensuring that U.S. companies can compete on a level playing field with global competitors is essential. GSP renewal will help U.S. industries stay competitive and continue to lead in innovation.

Consequences of Delayed GSP Renewal: The delay in the GSP program's renewal hinders broader U.S. policy on critical minerals. Argentina is a significant critical minerals supplier and does not have an existing free trade agreement with the United States. The lapse of GSP benefits amounts to a penalty on Argentine suppliers of critical minerals to the United States, of which Arcadium is the largest. As the company with the largest U.S. lithium production base, this results in millions of dollars in added costs to U.S. lithium hydroxide production, making value-added lithium manufacturing in the United States less competitive.

Conclusion

In conclusion, the retroactive renewal of the Generalized System of Preferences (GSP) program is vital for strengthening U.S. supply chains, promoting economic growth, and achieving national security goals. Arcadium Lithium urges the Senate Finance Committee to prioritize the reauthorization of GSP with retroactive effect.

Thank you for your consideration of our position. We look forward to working with you to ensure the successful renewal of the GSP program.

ASSOCIATION OF FLORAL IMPORTERS OF FLORIDA
 2500 NW 97th Ave., Suite 201
 Doral, FL 33172
 Tel: 305-593-2383
<https://www.weareafia.org/>

June 4, 2024

Chairman Wyden, Ranking Member Crapo, and Members of the Senate Finance Committee,

Thank you for the opportunity to testify on behalf of the Association of Floral Importers of Florida (AFIF). The Association represents about 85% of all flowers that are purchased by U.S. consumers. I am here to emphasize the urgent need for reauthorizing the Generalized System of Preferences (GSP) program, which is essential for the floral importing industry in Florida and the broader U.S. economy.

For over 45 years, the GSP program has been a cornerstone of U.S. trade policy, fostering economic growth in developing countries while benefiting American consumers, businesses, and workers. By waiving tariffs on approximately 3,400 products from 120 countries, the GSP promotes trade, enhances foreign relations, and strengthens our economy.

However, the GSP authorization lapsed on December 31, 2020, causing significant financial strain on American businesses. In 2021 alone, this lapse increased taxes on American companies by at least \$1.05 billion, with tariffs on \$18.7 billion in imports. The expiration has hit states hard: California paid \$287 million, Florida \$98 million, New York \$80 million, Texas \$80 million, and Georgia \$61 million in extra tariffs. That number has ballooned to \$3.25 billion through 2023.

The floral industry, a vital part of Florida's economy, has been severely impacted. The import of flowers sustains over 6,000 jobs in South Florida and more than 200,000 jobs nationwide, spanning transportation, logistics, wholesale, florists, supermarkets, mass markets, and event planning. Notably, about 90% of flowers consumed in the U.S. pass through South Florida by air and seaports. The industry has already paid over \$80 million in tariffs, funds that could be used for business expansion, job creation, and operational investments. This is not just a financial burden, but a human one, affecting the livelihoods of thousands of hardworking Americans.

The financial burden imposed by the lapse of GSP is profound and multi-faceted. Businesses, particularly small and medium-sized enterprises, struggle to manage these unexpected costs. Many companies have had to divert funds initially earmarked for growth and development towards paying these additional tariffs. This diversion stifles innovation and limits the ability to invest in new technologies or expand product lines, hampering overall business growth.

Moreover, the inability to plan for the future due to the uncertainty surrounding GSP reauthorization means that businesses are hesitant to invest in long-term projects. A stable trade environment is necessary for companies to forecast their financials accurately, impacting their strategic decisions and competitiveness in the global market. In the flower industry it takes months, sometimes over a year to have new flower varieties ready for market, so not being able to invest in current flowers or new varieties is holding back new opportunities for the U.S. consumers. This uncertainty has also made banks increasingly reluctant to extend credit to businesses affected by the GSP lapse. Without access to credit, companies cannot finance their operations effectively or pursue growth opportunities, further exacerbating their financial challenges.

Additionally, the GSP expiration has had unintended consequences, particularly concerning China. Section 301 tariffs on Chinese goods have driven U.S. companies to seek alternative suppliers. Ironically, many alternative products now incur higher tariffs due to the GSP lapse. In Florida, 99% of GSP imports would face Section 301 tariffs if sourced from China, exacerbating the financial burden on our industry.

The negative impact on businesses cannot be overstated. The increased tariff burden is forcing companies to raise prices, making their products less domestically and internationally competitive. This price increase can lead to decreased sales, further straining businesses already struggling to absorb additional costs. For many small businesses operating on thin margins, these tariffs can mean the difference between staying afloat and going under.

Furthermore, the lapse in GSP affects the broader supply chain. For instance, the floral industry relies heavily on timely imports to meet demand, especially during

peak seasons like Valentine's Day and Mother's Day. Any delays or increased costs due to tariffs can disrupt the supply chain, leading to potential shortages and dissatisfied customers. This ripple effect impacts the importers, wholesalers, retail florists, supermarkets, mass markets, event planners, and ultimately the consumers.

In summary, reauthorizing the GSP program is vital for the floral importing industry in Florida and the U.S. economy. It alleviates financial pressures on businesses, supports job creation, and stimulates economic growth. The reauthorization would provide much-needed stability, allowing companies to plan and invest confidently. Additionally, revising technical GSP provisions, like updating CNLs, is essential to maintaining and restoring GSP benefits.

Your support in promptly passing a long-term, retroactive GSP reauthorization is crucial. This action will refund the \$325 billion in tariffs paid through 2023 and give businesses the certainty they need to thrive. It will also allow the flower industry to invest that money in its businesses and employees and expand its markets. Strengthening the GSP program will bolster American businesses, enhance our global trade relations, and ensure that we continue promoting economic growth and development domestically and internationally.

Thank you for your attention and consideration. I am happy to answer any questions you may have.

Sincerely,
Christine Boldt
Executive Vice President

BIG TREE FARMS, INC.
1 Mill Street, Suite 315
Burlington, Vermont 05401

Thank you for the opportunity to submit these comments. I am writing to ask you to renew GSP, for the failure to do so has been a tremendous challenge to our company, our customers, our partner farmers, and our national interest.

As a 26-year U.S. expatriate living and working in Indonesia, I can unequivocally say that the lapse in GSP does not serve the greater U.S. interests. Every year that this lapse continues, I hear and see evidence of a meaningful shift from Indonesia-US partnership towards a reliance on China for economic growth and development. Additionally, China's approach to low-cost business is inciting US suppliers away from SEA countries. My company, Big Tree Farms, is maintaining its ethical approach and continuing to support our suppliers in Indonesia, but we are losing our competitive advantage in the market.

Big Tree Farms has always been committed to fair trade and sustainability; a mission made possible through GSP. Our farms in Indonesia practice regenerative agriculture, conserving over 6 million trees, fostering biodiversity, and saving 5 billion liters of fresh water every year, compared to the same production size of sugar cane. We have a collective of over 10,000 farmers who are all paid fair trade wages and enjoy wage stability and transparency. Our economic and ecological model allows us to effect positive change from farm to table.

In the wake of GSP's lapse, I have watched US suppliers and the Indonesian Government turn to China. This is a serious geopolitical, economic, and environmental concern. The renewal of GSP is not only critical for businesses working on developing fair and equitable business relationships between the US and Indonesia, but it is also a critical tool to continue to maintain and build a strong and well aligned partner nation in Southeast Asia to directly combat the growing influence of China.

From my on-the-ground perspective, I can assure you that the continued GSP lapse has detrimental effects on the greater goals of US diplomacy, sustainable development, and global competitiveness. It's critical that Congress renew GSP as soon as possible.

Thank you for the opportunity to share my experiences.

Benjamin Ripple

COALITION FOR GSP
1701 K Street, NW, Suite 325
Washington, DC 20006

The Coalition for GSP is pleased to submit these brief comments and subsequent letter from over 300 American companies and associations urging the immediate renewal of the Generalized System of Preferences (GSP) program. Since GSP expired at the end of 2020, the United States has imposed billions of dollars in extra tariffs on over \$60 billion of products from developing country partners.

As the data on the next page shows, employers in every state have been forced to pay additional tariffs due to GSP expiration. At the same time, Chinese exporters have clearly benefited from GHSP expiration, reversing trends where GSP countries were replacing China as suppliers of key products.

Yet the staggering financial costs of this unprecedented GSP lapse cannot show the true harm expiration has done to American companies, workers, and trading relationships with GSP countries:

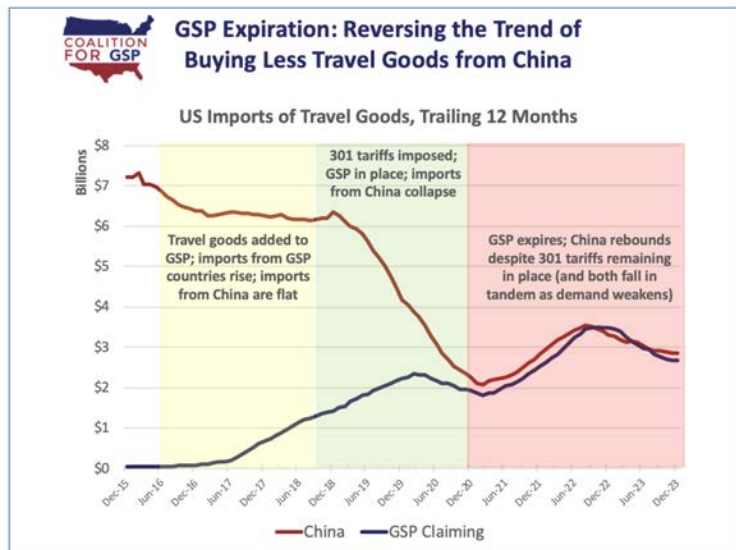
- One letter signer, which has paid over \$10 million in extra tariffs, laid off approximately 20% of its headquarters staff *last week*.
- One letter signer, a small business that has paid over \$4 million in extra tariffs, has laid off three-quarters of its workers. The owners have accumulated over \$3 million in personal debt to keep the company afloat but are now preparing to close for good.
- Numerous letter signers, mostly small business owners, have taken out loans against their homes while waiting for Congress to renew GSP, with high interest rates and continued congressional inaction making repayment nearly impossible.
- Many letter signers, after investing significant time and money to find suppliers outside of China, have been forced to return to China. One noted 100% of their products were Chinese before 2018, and it took 18 months to shift to 80% GSP (and 20% non-GSP, non-China), but they are back to 95% Chinese products due to GSP lapse.

The damages from GSP expiration are not hypothetical. They are real and getting worse every day. If Congress' goal is to promote development while shifting supply chains out of China—not to mention reducing costs for Americans—the last 3½ years have been a huge missed opportunity. It is time for Congress to end this lose-lose situation we all seem to be stuck in.

We thank you for holding the hearing on this critical issue and look forward to working with you to advance GSP renewal legislation as soon as possible in this Congress.

Daniel Anthony
Executive Director





June 19, 2024

The Honorable Ron Wyden
Chairman
United States Senate
Committee on Finance
Washington, DC 20510

The Honorable Michael Crapo
Ranking Member
United States Senate
Committee on Finance
Washington, DC 20510

Dear Chairman Wyden, Ranking Member Crapo, and Members of the Senate Finance Committee:

We are writing to urge swift passage of legislation to renew the Generalized System of Preferences (GSP) program in response to the June 5th Senate Finance Committee hearing “Revitalizing and Renewing GSP, AGOA, and Other Trade Preference Programs.” Congressional authorization of the Generalized System of Preferences (GSP) expired on December 31, 2020. As a result, American companies paid at least \$3.7 billion in extra taxes on GSP-claiming products from January 2021 to April 2024. According to Pew Research Center survey results published May 23rd,¹ Americans’ top two concerns are inflation and “the ability of Dems/Reps to work together.” GSP renewal addresses both of those concerns.

The most pressing need, fundamentally, is to reauthorize the program. These are not our words, but from the opening statement of Allison Gill, Legal Director of Global Labor Justice.² The expiration length is nearly double, and tariff costs will be at least triple, any other lapse in GSP’s 50-year history. Expecting Congress to act reasonably quickly, as in the past, many small business owners have accrued huge personal debts. Refunds are not a new, corporate giveaway: they follow decades of precedent and ensure those that continued to use GSP in good faith are not punished for Congress’ failure to renew it in a timely manner. Yet users’ confidence wanes every day, harming the long-term reliability of GSP and other expiring preference programs.

The GSP Reform Act (H.R. 7986)³ and Senate-passed GSP provisions from the last Congress are a strong starting point for negotiations. Approved by the House Ways and Means Committee, H.R. 7986 provides a 10-year extension of GSP authorization, refunds of tariffs paid, updates to “competitive need limitations”

¹ <https://www.pewresearch.org/politics/2024/05/23/publics-positive-economic-ratings-slip-inflation-still-widely-viewed-as-major-problem/>.

² https://www.finance.senate.gov/imo/media/doc/06052024_gill_testimony.pdf, page 3.

³ <https://www.congress.gov/bills/118th-congress/house-bill/7986>.

(CNLs), and other important administrative changes. It updates eligibility criteria flagged by the Biden administration, including anti-corruption, human rights, rule of law, labor and environment. Many provisions are identical to those first negotiated by Chairman Wyden and Ranking Member Crapo—and passed 91–4 by the Senate—demonstrating the underlying bipartisan support many core changes in H.R. 7986 should enjoy.

Modest changes to H.R. 7986 could ensure GSP remains a viable tool to promote development, lower costs for Americans, and provide sourcing alternatives to China. Congress should go beyond H.R. 7986 by including the bipartisan CNL Update Act (H.R. 6555).⁴ It should conduct more analysis before enacting rules of origin changes that could instead push more trade back to China and other non-beneficiaries. Congress must consider whether eligibility criteria changes, no matter how well-intentioned, will reduce GSP’s effectiveness by making long-term investments too risky. Ultimately, any changes that make GSP harder to use, or easier to lose, make GSP countries less attractive, thereby benefiting non-beneficiaries such as China.

Restoring duty-free treatment for countries that have lost eligibility could greatly revitalize GSP. Eligibility for India and Turkey was terminated in 2019. American companies paid up to \$1.7 billion and \$500 million in additional tariffs on previously GSP-eligible imports from India and Turkey, respectively, from January 2021 to April 2024. A much greater share of Indian and Turkish products are inputs to U.S. manufacturing. These payments are not eligible for refunds, but could drive more supply chain resiliency and diversification of both components and finished goods outside China if GSP eligibility is restored upon renewal.

We welcome Ranking Member Crapo’s comment that he is “ready to see GSP, AGOA and potentially other preference programs all passed as part of a package by . . . next month.” After 42 months of expiration, such an ambitious timeline is not just warranted, but long overdue. Since the House Ways and Means Committee approved H.R. 7986, American companies have paid at least another \$160 million in extra tariffs. There is no doubt that Chinese exporters are the top beneficiary of the continued lapse, while GSP partner countries and the American companies that seek closer ties with them suffer the most.

We are all ready to work with Congress to revitalize the program, but further delay cannot be an option. We urge you to pass renew GSP and refund tariffs paid immediately.

Sincerely,

Agriculture Transportation Coalition—AgTC
 Alliance For Chemical Distribution
 American Apparel & Footwear Association
 American Chemistry Council
 American Spice Trade Association
 Association of Floral Importers of Florida
 Association of Food Industries
 California Chamber of Commerce
 Coalition for GSP
 Coalition of New England Companies for Trade (CONNECT)
 Columbia River Customs Brokers and Forwarders Association
 Consumer Brands Association
 Consumer Technology Association
 Customs Brokers and Forwarders Association of Northern California
 Customs Brokers and International Freight Forwarders Association of Washington State
 Express Association of America (EAA)
 Fashion Jewelry and Accessories Trade Association (FJATA)
 Footwear Distributors & Retailers of America (FDRA)
 International Bottled Water Association
 International Wood Products Association
 LA Customs Brokers and Freight Forwarders Assoc.
 National Fisheries Institute
 National Retail Federation
 Pacific Coast Council of Customs Brokers and Freight Forwarders
 PeopleForBikes

⁴<https://www.congress.gov/bill/118th-congress/house-bill/6555>.

Recreation Vehicle Industry Association
 Retail Industry Leaders Association (RILA)
 RV Industry Association
 San Diego Customs Brokers Association
 Travel Goods Association
 U.S. Chamber of Commerce
 United States Fashion Industry Association
 3V Sigma USA (Georgetown, SC)
 A & J Distributors, Inc. (Itasca, IL)
 AAW Products Inc. (Miami, FL)
 Aberdeen Road Co dba Herculite (Emigsville, PA)
 Acme Food Sales, Inc (Seattle, WA)
 Adherex Group (Cleveland, OH)
 adidas America, Inc. (Portland, OR)
 Adrienne Designs (Fountain Valley, CA)
 AdvenTech, LLC dba Rig'Em Right Outdoors (Newport, NC)
 Agron, Inc. (Los Angeles, CA)
 AHF Products (Mountville, PA)
 Aid Through Trade (Annapolis, MD)
 Albaugh, LLC (Ankeny, IA)
 Allied Mayork Corp (Fort Lee, NJ)
 American Omni Trading (Katy, TX)
 American Trade Sales, Inc. (New York, NY)
 American Traveler Inc. (Rancho Cucamonga, CA)
 Ammex Corporation (Kent, WA)
 Andre Prost, Inc. (Old Saybrook, CT)
 Arbel Corp. (Los Angeles, CA)
 Arbel Jewelry, Inc. (Tarzana, CA)
 Architectural Surfaces Group (Spicewood, TX)
 Argo Fine Imports (Mandeville, LA)
 Arizona Tile (Tempe, AZ)
 Ark 54 LLC DBA The Wine Check (Sonoma, CA)
 Art's Elegance Inc. (Pasadena, CA)
 Atalanta Corporation (Elizabeth, NJ)
 B&C Technologies LLC (Panama City Beach, FL)
 Babco Foods International LLC (Piscataway, NJ)
 Bakner Manufacturing (Canton, GA)
 Balajee Trade Link, LLC (Taylor, PA)
 BASF (Florham Park, NJ)
 BFB Enterprises, Inc. (Panama City, FL)
 BHR Associates LLC (Ridgefield, NY)
 Big Tree Farms, Inc (Burlington, VT)
 Black Diamond Equipment Ltd. (Salt Lake City, UT)
 BMF BROS. (New York, NY)
 Boise Cascade Company (Boise, ID)
 Bozel North America LLC (Temperance, MI)
 Brockway-Smith Company (Wilmington, MA)
 BTR International, Inc. (New York, NY)
 Bueno of California (Fullerton, CA)
 Camerican International (Paramus, NJ)
 Carry Gear Solutions, LLC (Seattle, WA)
 Centric Brands (Greensboro, NC)
 Century Granite Company Inc. (Elberton, GA)
 CHO America (Houston, TX)
 Cintek System Inc. (Cerritos, CA)
 Cipriani Harrison Valves Corp. (Rancho Santa Margarita, CA)
 Cochran Inc. (Barre, VT)
 Colour Republic LLC (Miami, FL)
 COMEQ, Inc. (White Marsh, MD)
 Comex International Trading Inc. (Los Angeles, CA)
 Complete Framer's Supply, Inc. (Fort Lauderdale, FL)
 Concannon Lumber Company (Portland, OR)
 Cortina Leathers (Conneaut, OH)
 Continental Flowers (Doral, FL)
 Cosmos Granite (East), LLC (Raleigh, NC)
 Crayola (Easton, PA)
 Crosby Street Studios (New York, NY)
 Crown Gold Inc (Los Angeles, CA)

Custom Direct, Inc. (Plano, TX)
 Del Alma Group (Lindon, UT)
 DELSEY Paris (Hanover, MD)
 Delta Children's Products (New York, NY)
 Dyreich ((blank), (blank))
 dZi Handmade (Easthampton, MA)
 Eagle Creek (Steamboat, CO)
 Edgewater Jewelry Group (Miami, FL)
 Engel Coolers (Jupiter, FL)
 Engineered Products and Innovation, LLC (Youngstown, OH)
 Eppco Enterprises (South Euclid, OH)
 Equiflor Corp. (Doral, FL)
 Eucatex North America (Alpharetta, GA)
 Europa Trading Inc (Los Angeles, CA)
 Everlast Sports Manufacturing (New York, NY)
 Fab-Line Machinery, LLC (Nashville, TN)
 Faci USA Industrial, Inc. (Lufkin, TX)
 Fahy Leather (Pacific Palisades, CA)
 Falcon Farms, Inc (Doral, FL)
 Famous Gold Inc (Houston, TX)
 Fantasia Accessories (New York, NY)
 Fast-Pak Trading Inc. (Secaucus, NJ)
 Felman Trading Americas, Inc. (Miami, FL)
 FFF Associates Inc (Stamford, CT)
 Fijian Wholesale Co (Hayward, CA)
 First Place Jewelry LLC (Glendale, AZ)
 Florisol and Company Flower Trading (Miami, FL)
 Franklin Manufacturing Corp (Mineola, NY)
 Fusion Gourmet, Inc. (Rancho Dominguez, CA)
 Gap Inc. (San Francisco, CA)
 Gharda Chemicals International Inc (Newtown, PA)
 GHT Corp (Miami, FL)
 Global Product Solutions, LLC (Canton, CT)
 Global Values Inc. (Palatine, IL)
 Green Boy Group (Redondo Beach, CA)
 Green Chem Industries (West Palm Beach, FL)
 Greenwich Metals, Inc. (Greenwich, CT)
 Gulf Chemical Intl Corp (Houston, TX)
 Hallmark Cards, Inc. (Kansas City, MO)
 Hamilton Beach Brands (Glen Allen, VA)
 Hamilton Retail Solutions (Jeffersonville, IN)
 Harris Spice Co. (Anaheim, CA)
 Hiblow USA, Inc. (Saline, MI)
 Higher Ground Gear (Saline, MI)
 HOBO Bags (Annapolis, MD)
 Horex USA Inc. (Miami, FL)
 Holland Southwest International (Houston, TX)
 HRS Global LLC (Jeffersonville, IN)
 HSV Automotive Inc. (Spring, TX)
 Hunter Chemical (Fort Washington, PA)
 HVA CEYLON LLC (Santa Clarita, CA)
 Hyline International (Valencia, CA)
 In3redients (Chicago, IL)
 India Arts, LLC (Hayward, CA)
 Inplac NA (Charlotte, NC)
 International Durus (Northridge, CA)
 International Frozen Food Corporation (Setauket, NY)
 International Import Corp (New York, NY)
 Isaiah Thompson (Parsippany, NJ)
 ISS AMERICA (Bellefontaine, OH)
 iTi Tropicals Inc. (Lawrenceville, NJ)
 Jamtown, LLC (Edmonds, WA)
 Jane Diaz/New York, Inc. (New York, NY)
 JBH Intertrade (Garden City, NY)
 JBS USA Leather, Inc. (Hickory, NC)
 JELD-WEN, Inc (Charlotte, NC)
 Jelly Belly Candy Company (Fairfield, CA)
 Jet Fresh Flower Distributors Inc. (Miami, FL)

JSA, Inc. (Aventura, FL)
 JW Hampton Jr & Co Inc (Jamaica, NY)
 Kamali Group Inc. (Great Neck, NY)
 Kaplan Solutions, Inc. (El Dorado Hills, CA)
 Kirkland Associates, Ltd. (McMinnville, OR)
 Kishek International Inc. (Costa Mesa, CA)
 KOUBOO LLC (Laguna Beach, CA)
 L & M Direct, LLC (New York, NY)
 Lakland Guitars, LLC (Chicago, IL)
 Lamex Agrifoods Inc (Miami, FL)
 Latin Gold Co. (Los Angeles, CA)
 Lay-n-Go (Alexandria, VA)
 LBB Specialties (South Norwalk, CT)
 Lily Koo LLC (Jamestown, NC)
 Linbro Inc. (San Rafael, CA)
 L.L. Bean, Inc. (Freeport, ME)
 LongLat Inc. (Clifton, NJ)
 LooptyHoops (Lansdale, PA)
 Lucy Limited LLC (Abilene, TX)
 Luggage Shop of Lubbock (Lubbock, TX)
 Malga USA LLC (New Hartford, NY)
 Malouf Companies (Nibley, UT)
 Mandia Int'l Trading Corp (Utica, NY)
 Maria Flowers International Inc. (Miami, FL)
 Matr Boomie (Austin, TX)
 MC Imports, LLC (Medina, MN)
 McKlein Company LLC (Chicago, IL)
 Media Imports (Los Angeles, CA)
 Metal Exchange Corporation (St. Louis, MO)
 Metal Marketplace International (Philadelphia, PA)
 Miaflora farms, LLC (Miami, FL)
 Mike's Organic Foods (Cos Cob, CT)
 Mitsubishi Electric US, Inc. (Cypress, CA)
 MKC Customs Brokers International Inc. (Inglewood, CA)
 Montana Fly Company, LLC (Columbia Falls, MT)
 Monument Advocacy (Washington, DC)
 MS International (Orange, CA)
 NAECO, LLC (Peachtree City, GA)
 National Floral Supply, LLC (Milford, CT)
 NEMO Equipment, Inc. (Dover, NH)
 Niagara Bottling, LLC (Ontario, CA)
 Nina Designs (Emeryville, CA)
 Nizamian & Nizamian LLP (Los Angeles, CA)
 North American Plastics (Irving, TX)
 notNeutral, Inc. (Los Angeles, CA)
 Nova Gas Technologies, Inc. (North Charleston, SC)
 NOVICA (Santa Monica, CA)
 Novita (Monrovia, CA)
 Nutribon Distribution Inc. (Torrance, CA)
 Obeetee, Inc. (New York, NY)
 Ocean Ohana Inc. d.b.a. Betty Belts (Ventura, CA)
 OHM International Inc (Monroe Township, NJ)
 One World Projects (Batavia, NY)
 Oro Elefante, Inc (Los Angeles, CA)
 Panasonic Corporation of North America (Newark, NJ)
 Paradise Golf Equipment (Monument, CO)
 Perfetti van Melle (Erlanger, KY)
 Perry Elis International (Miami, FL)
 Pirate Pete's Soda Pop LLC (Northfield, NJ)
 Primetac (Little Ferry, NJ)
 Primo Water (Tampa, FL)
 Prochimie International, Inc. (Windsor, CT)
 PVH Corp. (New York, NY)
 Raj International Trading (Mount Laurel, NJ)
 Ralph Friedland & Bros. (Cliffwood Beach, NJ)
 Ravago Chemicals North America (Orlando, FL)
 Red V Foods Corp. (Buford, GA)
 Reel-Logix, LLC (Houston, TX)

RG Barry Brands (Pickerington, OH)
 Ricardo Beverly Hills (Kent, WA)
 Royal Chain Group (New York, NY)
 Royal Tropics LLC (McCall, ID)
 RTIC Outdoors (Houston, TX)
 S & G Resources, Inc. (Medfield, MA)
 Samick Music Corp. (Gallatin, TN)
 Samsonite (Mansfield, MA)
 SanMar Corporation (Issaquah, WA)
 Seasonal Specialties (Eden Prairie, MN)
 Sequoia Southeast (Bentonville, AR)
 Sherpani (Boulder, CO)
 Sightline Retail (Bentonville, AK)
 SIGMA Corporation (Cream Ridge, NJ)
 Signal Products, Inc (New York, NY)
 Sintex Minerals and Services, Inc. (Rosenberg, TX)
 Source Direct Inc (Cinnaminson, NJ)
 Soyventis North America LLC (Fairfield, NJ)
 Spanish Food Solutions (Great Neck, NY)
 Specialized Bicycle Components (Morgan Hill, CA)
 Stellar Bouquet & Farms (Miami, FL)
 Stellar Farms & Farms (Miami, FL)
 Stoeger Industries Inc. (Accokeek, MD)
 Strategic Sales Partners, LLC (Fort Mill, SC)
 Sugarpod Naturals (Hillsboro, OR)
 SUMATRA INC. (Carmichael, CA)
 Sumitomo Electric Wintec America, Inc. (Edmonton, KY)
 Sumitomo Electric Wiring Systems, Inc. (Bowling Green, KY)
 Summit Specialty International (Atlanta, GA)
 Sunflex Packagers, Inc. (Cranford, NJ)
 Sunshine Bouquet (Miami, FL)
 SupplyOne Inc. (Newtown Square, PA)
 Sutton Home Fashions (New York, NY)
 Tapestry (New York, NY)
 Target Corporation (Minneapolis, MN)
 Terra Flowers LLC (Miami, FL)
 TG Missouri Corporation (Perryville, MO)
 The Argentine Cheese Co., Inc. (Palm Beach, FL)
 The Cannon Group Inc. (Westerville, OH)
 The Home Depot (Atlanta, GA)
 The Sak Brand Group (Glen Rock, NJ)
 The William Carter Company (Atlanta, GA)
 Thompson Traders, Inc. (Greensboro, NC)
 Tomoe USA Inc. (Kingwood, TX)
 Torter Corporation (Montville, NJ)
 Triad Magnetics (Perris, CA)
 Trimaco, LLC (Morrisville, NC)
 Trinidad/Benham Corp. (Denver, CO)
 TR International Trading Co., dba Catalynt Solutions Inc. (Edmonds, WA)
 U.S. Electrofused Minerals, Inc. (Aliquippa, PA)
 United States Luggage (Hauppauge, NY)
 Univar Solutions (Downers Grove, IL)
 Universal Alloys Inc. (Pembroke Pines, FL)
 Universal Arquati Moulding (Santa Clarita, CA)
 US Asian Marketing and Manufacturing Inc. (Prescott Valley, AZ)
 USPA Accessories, LLC (New York, NY)
 Vail International Corporation (New York, NY)
 Van Horn, Metz & Co., Inc. (Conshohocken, PA)
 Vera Bradley Designs (Roanoke, IN)
 VF Corporation (Denver, CO)
 VLM Foods USA Ltd. (Dover, DE)
 Vogt Power, International, Inc. (Louisville, KY)
 Vortex Optics (Barneveld, WI)
 Vtronix LLC (Weston, FL)
 Walmart (Bentonville, AR)
 Warehouse Associates (Indianapolis, IN)
 Wearwell, Inc. (Smyrna, TN)
 West Coast Trading (Hayward, CA)

Wheekey Pets LLC (Brighton, MI)
 Wholesale Millwork, Inc. (Baltimore, MD)
 Willert Home Products, Inc. (St. Louis, MO)
 Wixon, Inc. (Saint Francis, WI)
 woom bikes USA (Austin, TX)
 World Confections, Inc. (South Orange, NJ)
 WorldFinds (Westmont, IL)
 Worlds Best LLC (Fort Lee, NJ)
 Xena International Inc. (St. Charles, IL)
 Xpres LLC (Winston-Salem, NC)
 Yamaha Corporation of America (Buena Park, CA)
 YETI Coolers (Austin, TX)
 YGI Group (New York, NY)
 Yunus Textile Mills Ltd (New York, NY)
 Zebra Pen Corp. (Edison, NJ)
 Zen Distributors Group (Miami, FL)
 Zinus, Inc. (Tracy, CA)

GRUPO M/CODEVI
 Caribbean Industrial Park
 Matanzas, Santiago
 Dominican Republic

June 4, 2024

United States Senate
 Committee on Finance
 219 Dirksen Senate Office Building
 Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo,

We highly acknowledge your decision to schedule a hearing on critical trade preference programs, such as the Generalized System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA), initiatives that have correspondingly provided a dynamic framework for economic development in some of the world's poorest countries. With a very similar approach, the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE), and the Haiti Economic Lift Program (HELP), commonly known as HOPE/HELP, scheduled to expire in September 2025, have created the cornerstone of a vibrant textile and apparel industry that plays a critical role in Haiti's economy, as it is the country's largest employer, making 90% of its exports. These programs are of key relevance for Haiti's economic sustainability as they, similarly to GSP and AGOA, make up a vital instrument for job creation and poverty reduction.

HOPE/HELP were conceived with exceptional trade rules intended to promote private-led investment in the Haitian apparel industry, the creation of jobs and a positive impact on the Haitian economy; moreover, the programs have strong labor compliance language mandating that every factory must be monitored and publicly reported on by the International Labor Organization (ILO) and its monitoring arm, BetterWorks. If the country fails to comply with its labor obligations the U.S. Administration has the right to take away its preference trade benefits.

Unfortunately, the programs expire at a moment when the country works towards a constructive partnership with the U.S. Government and other stakeholders to foster collaborative efforts for a prosperous nation. Consequently, further delaying the extension of HOPE/HELP represents a great challenge for investors, U.S. companies and buyers' current and future investment plans. We need at least a 10-year extension, and it would be best if the programs could be authorized for a longer term or even permanently, hopefully this year.

Current Situation:

There are valid concerns about Haiti's political situation and humanitarian crisis; however, whatever concern one may have, it should be considered that HOPE/HELP represent the sole welfare of thousands of Haitians who even at the height of the COVID pandemic strived to preserve their well-deserved jobs and benefits. Nevertheless, as the trade preference programs are expiring in 16 months, factories and buyers are assessing the possibility of leaving Haiti, some have already left. Thus, every month that goes by without a reauthorization—there are few legislative days remaining this year, increases the risks of companies shifting (far-shoring) oper-

ations to China. In our case, since manufacturers work on production plans 6–12 months ahead, uncertainties surrounding the programs' early extension have significantly decreased CODEVT's labor pool in the last semester.

The only way to restore the confidence required by these companies and to keep Haiti as a viable nearshoring option for business is to promptly reauthorize HOPE/HELP. Moreover, Haiti needs the certainty that HOPE/HELP will continue to sustain a fragile economy while galvanizing a tireless civil society that desperately seeks for a functioning democracy.

Who we are:

GRUPO M is a vertically integrated textile and apparel corporation in the Dominican Republic, we have invested over US\$52 Million in the creation of CODEVI, an industrial park covering an area of more than 4 million square feet, located in the northern side of the Haitian-Dominican border, between the cities of Ouanaminthe in Haiti and Dajabón in the Dominican Republic—both towns are interconnected by a crossway set inside the industrial facility.

Since 2003, CODEVI has been operating under Haiti's Free Zones Law. This strategic initiative was conceived with the objective to structure a complementary production model between the two neighboring countries. From its inception, this industrial ecosystem has further advanced the positive socioeconomic impact and development of thousands of Haitians, benefiting and otherwise economically depressed geographical area. To date, we host 15 global corporations which are the main, and practically only source of formal employment in the Northern Corridor region, providing jobs and complementary benefits to 17,000 Haitians. With an early reauthorization of HOPE/HELP, CODEVI alone, could add another 20,000 to 25,000 apparel jobs to the Haiti-Dominican border region.

While Haiti has faced devastating humanitarian and economic challenges, the country remains as a known site for the manufacturing of diverse and high-quality branded and private label garments; therefore, as U.S. companies strive to take the lead to enhance the apparel value chain, Haiti could become a unique Western Hemisphere cost-efficient site, delivering labor-intensive products such as apparel, footwear and toys to the U.S. market at competitive prices. In other words, Haiti is undoubtedly the fitting partner for brands, retailers, and investors. Because of the positive impact of HOPE/HELP, CODEVI has been such a successful venture, an economic engine in the Haitian-Dominican border.

Legislative Alternatives to Reauthorize HOPE/HELP

In the Senate, Senator Marco Rubio (R-FL) introduced S. 552 Haiti Economic Lift Program Extension Act of 2023, referred to the Committee on Finance, with bipartisan support. In the House of Representatives, Brad R. Wenstrup (R-OH) have introduced H.R. 5614 Haiti Economic Lift Program Extension Act of 2023, referred to the House Committee on Ways and Means, also with bipartisan support.

HOPE/HELP is a critical trade policy for the socioeconomic stability of Haiti that also aligns with congressional efforts to strengthen supply chains and reduce reliance on China.

HIGHER GROUND GEAR
136 South Industrial Drive
Saline, Michigan 48176

As a result of GSP expiration, I have paid \$600,000 in tariffs, which has forced me to lay off half of my staff and nearly put me out of business. Congress' inability to extend the GSP program is particularly frustrating given that we spent significant time and money to find suppliers outside of China to avoid Section 301 tariffs. We did what everyone seems to want and are suffering for it.

Higher Ground Gear provides high-quality cases for education customers, namely public schools using U.S. tax dollars. When we are forced to increase our prices due to tariffs, our public schools, children, neighbors, and communities suffer the consequences. We do not want to pass on the extra costs resulting from GSP expiration, but we are left with little choice as Congress continues to do nothing.

We have been in business for over 20 years, but since the lapse of GSP we have struggled to make a profit. We cannot re-hire the positions we lost in 2021 or payback our loans and debts. If GSP is not renewed with refunds of all tariffs paid, we may even be forced to divest and sell the business entirely.

I appreciate that the Finance Committee held the hearing, but we need more than talk. We need you to renew GSP now. How long are we expected to suffer while Congress delays action on a historically bipartisan bill?

Sincerely,

Mark Zadvinskis

MIKE'S ORGANIC CURRY LOVE INC.

1925 N 18th St.
Boise, Idaho 83702

We are writing to urge you to renew GSP immediately. We have shared with Senator Crapo's staff on numerous occasions how challenging it is to remain in business in the years since GSP has lapsed. We work 7 days a week, but are still unable to pay ourselves a living wage, grow our company, or pay back our loans. Our business has shrunk in the past 2 years instead of growing.

Our company, Mike's Organic Curry Love, makes shelf stable USDA Organic & Biodynamic Certified curry which we import from Thailand. Our products are high quality, sustainably sourced & healthy. We have devoted our financial resources, time, and energy into growing our family business, providing for our children, and sharing our passion for clean food & organic agriculture.

We work hard every day to keep our company afloat but these tariffs create an added dimension of stress in an already extremely challenging environment. We have been forced to raise prices on our products due in part to the tariffs we've been paying since the lapse. Unfortunately, this means we can't compete with large corporations that can hold off on price hikes indefinitely. As a result, our products have been pulled from most shelves of our largest two customers, Whole Foods and Sprouts. We've also lost three large accounts in the past year for the same reason, the budget we would have used for marketing & promotions & "free fills" go instead to tariffs that we were not expecting. It is a snowball effect, as loss of distribution through those channels makes sales to other retailers nearly impossible.

GSP is not a corporate handout, it is a lifeline for small businesses like ours. The GSP lapse has been enough to almost drown us.

It will take us years to recover financially. I am disappointed in Congress' lack of action & apathy. The time for GSP renewal has well passed & our business cannot keep running on empty. Take action, practice compassion, and renew GSP now to help small businesses.

Chef Mike & Laurie Sebestyen

NATIONAL PORK PRODUCERS COUNCIL

122 C Street, NW, Suite 875
Washington, DC 20001
202-347-3600
<https://nppc.org/>

Introduction

The National Pork Producers Council (NPPC), representing 42 affiliated state associations, works to ensure the U.S. pork industry remains a consistent and responsible supplier of high-quality pork to domestic and international markets. Through public-policy outreach, NPPC fights for reasonable legislation and regulations, develops revenue and market opportunities, and protects the livelihoods of America's more than 60,000 pork producers.

The U.S. pork industry is a significant contributor to the economic activity of U.S. agriculture and the broader U.S. economy, marketing more than 140 million hogs annually. Those animals provided farm-level gross cash receipts of more than \$30 billion in 2022.

To produce those hogs, pork producers used roughly 1.6 billion bushels of corn and soybean meal from nearly 10.5 million tons of soybean meal. The industry also purchases more than \$1.6 billion in other feed ingredients.

Economists at NPPC and Iowa State University estimated that in 2023 the U.S. pork industry was directly responsible for creating more than 36,000 full-time-equivalent jobs in pork production and generated roughly 112,000 jobs throughout all of agriculture. In addition, the pork sector was responsible for 145,000 jobs in

meatpacking and processing and 38,000 jobs in professional services such as financial services, insurance, and real estate. In total, the U.S. pork industry supports more than 573,000 mostly rural jobs in the United States and adds more than \$62 billion to the country's GDP.

Most importantly, U.S. pork producers in 2023 provided more than 27 billion pounds of safe, wholesome, and nutritious meat protein to consumers worldwide.

Pork Exports

Trade is vital to America's pork producers, who annually export about a quarter of their total production to more than 100 countries. The United States is among the top global exporters of pork, shipping more than 2.9 million metric tons, valued at \$8.16 billion in 2023. Those exports supported an estimated 155,000 U.S. jobs.

Despite ongoing challenges—inflation, a strong U.S. dollar, and the threat of African swine fever (ASF), for example—lingering supply chain issues, and continuing retaliation from some of its trading partners, the U.S. pork industry continues to export a significant amount of pork. In fact, through March of this year, America's pork producers have shipped \$2.1 billion worth of product to foreign destinations compared with \$2 billion for the same period last year, a nearly 7 percent increase.

Exports of U.S. pork have increased almost every year for the past 3 decades generally because of improving economies and a rising middle class in countries around the globe. Another factor driving the increases is the emergence of robust hotel and restaurant industries in some nations, particularly as world travel has become relatively easier and more affordable. Additionally, several important U.S. export markets in Southeast Asia have been battling ASF for the past several years, creating increased demand for pork imports.

The biggest reason for U.S. pork export growth over the past 30-plus years, though, has been trade initiatives, whether free trade agreements (FTAs), less-formal trade and investment framework agreements (TIFAs), or one-off market access deals. Through such initiatives, the United States moved from a net importer to a net exporter of pork in 1995.

Just how important are trade initiatives? Consider that the U.S. pork industry now exports more pork to the 20 countries with which the United States has FTAs than to the rest of the nations of the world combined.

Gaining and expanding access to markets around the world is paramount to the growth of the U.S. pork industry.

Preferential Trade Programs

In addition to trade agreements and market access deals, U.S. exports have grown as a result of preferential trade programs the United States has conferred on many countries. Generally, the programs give beneficiary nations duty-free access to the U.S. market as long as they meet statutory eligibility criteria set by Congress.

Generalized System of Preferences

The U.S. GSP is one such preferential program. Established by the Trade Act of 1974, GSP is the largest and oldest U.S. trade preference program. It promotes economic development by eliminating duties on thousands of products when imported from any of 119 designated beneficiary countries and territories.

GSP expired December 31, 2020; in mid-April, Rep. Adrian Smith, Nebraska, introduced H.R. 7986 to renew the program through December 31, 2030. Importantly, the bill would add new provisions related to U.S. agricultural trade, requiring GSP beneficiary countries to:

- Provide open and equitable market access for United States agriculture, including through the adoption of science-based standards.
- Refrain from imposing unjustified trade restrictions that affect new agricultural technologies, including biotechnology.
- Refrain from providing domestic agricultural subsidies that decrease market opportunities for United States exports.

GSP also is an important enforcement tool used by U.S. trade negotiators to address market access concerns if GSP-eligible countries do not meet their eligibility criteria. The program was used as leverage to obtain market access for U.S. pork in India, for example. At the time in 2017 a petition was filed for withdrawal of India's GSP eligibility, the country was the No. 1 recipient of preferential trade benefits

under the GSP but restricted or prohibited the import of many U.S. agricultural products, including pork.

The list of import barriers was quite extensive, but the U.S. Government was able to negotiate away those restrictions with the threat of removing India from the GSP program. Currently, the U.S. pork industry is working on exporting its first shipment of U.S. pork to India.

The potential to be added to the GSP program also is a strong incentive for countries to eliminate trade barriers. Argentina, for example, was under consideration for GSP eligibility in 2018, and the U.S. Department of Agriculture used the leverage created by that prospect to finalize an export certificate for U.S. pork, giving the industry market access to the South American country.

NPPC supports renewal of GSP so that U.S. trade negotiators have another tool to convince countries to eliminate trade restrictions on U.S. products. It urges the Finance Committee to introduce and approve legislation soon.

African Growth and Opportunity Act

Like GSP, AGOA provides nonreciprocal market access for eligible sub-Saharan African countries, allowing more than 1,800 products to be exported to the United States duty-free. Currently, 32 countries are eligible for AGOA benefits. In 2015, Congress passed legislation modernizing and extending the program through June 2025.

According to the Office of the U.S. Trade Representative's 2022 biennial review of the program, non-oil imports to the United States under AGOA were about \$4.8 billion in 2021. (With oil included, the amount was \$6.7 billion.) That was the largest amount since 2013.

NPPC strongly supports AGOA and its objectives of expanding U.S. trade and investment with sub-Saharan African nations, stimulating economic growth, and facilitating sub-Saharan Africa's integration into the global economy. And although NPPC supports AGOA's trade preferences allowing goods from eligible countries to enter the U.S. market duty-free, it opposes AGOA countries reaping the rewards of the program while giving significantly limited market access for U.S. pork. Two examples of AGOA countries failing to provide adequate market access are South Africa and Nigeria.

Pork is an important source of protein in South Africa, with total imports averaging \$72 million from 2021 to 2023, primarily from the European Union and Brazil. Net imports average less than 9 percent of South Africa's consumption—the rest is produced domestically. Almost none of this comes from the United States, however, even though the U.S. accounts for about 30 percent of the global pork trade. In 2023, the United States exported just 313 metric tons of pork, valued at \$718,000, to South Africa, representing just 1.3 percent of the country's pork imports.

South Africa, the largest U.S. trading partner in Africa, could and should be a growing market for the U.S. pork industry, but exports there are hampered by unwarranted, non-scientific restrictions that are preventing the United States from "reasonable and equitable" access to the South African market. These restrictions, which are inconsistent with U.S. and international standards, include:

- No market access for pork offal, heat-treated/canned products, and casings.
- No guidance for the requirement that lymph nodes be removed from shoulder cuts.
- Stringent, non-science-based freezing requirements on U.S. pork related to trichinae. The United States does not require the freezing of pork because *Trichinella* is not present in U.S. commercial pork production. While data has not been officially released, USDA has tested about 2.8 million samples from geographically dispersed pigs, with none testing positive.
- Limits on pork cuts because of concerns related to Porcine Reproductive and Respiratory Syndrome (PRRS) and the pseudorabies virus (PRV).

The continued use of these restrictions indicates South Africa is not meeting its AGOA obligations—commitments it made during the 2015 AGOA reauthorization—to make continual progress on eliminating barriers to U.S. trade and investment. Because of these unjustified barriers, the United States is losing tens of millions of dollars in exports and associated U.S. jobs.

The ban on variety meats (pork offal) is particularly harmful. While limited demand for them exists in the United States, variety meats are in strong demand in South

Africa and other international markets. Gaining access to these markets allows U.S. pork producers to increase the value of each hog sold while providing consumers with an affordable, safe product. Expanding market access for variety meat exports also would reduce rendering and landfill disposal.

South Africa currently is the largest non-oil beneficiary of AGOA, exporting more than \$3.6 billion of goods under the program to the United States in 2022. (South Africa also takes advantage of the GSP program.) Despite this, the country remains unwilling to extend reasonable and equitable treatment to imports of U.S. pork.

For this reason, NPPC requests that South Africa be removed from the AGOA program.

Like South Africa, Nigeria continues to block U.S. market access for pork, despite being the second largest AGOA beneficiary, exporting \$3.5 billion of goods to the United States in 2022. The country should be a significant importer of pork given its rapidly growing population of 236 million people and increasing protein-consumption trends.

NPPC has been working to gain market access in Nigeria, without mitigations and under science- and risk-based policies and practices. While Nigeria began allowing pork sausage imports from the United States in early 2022, it has maintained an express prohibition against the importation of raw pork (all tariff lines under HTS 0203, 0206, and 0210.10), as well as against beef, poultry, and associated products.

Nigeria's restrictions against U.S. meat and poultry are non-science-based, clearly violate the General Agreement on Tariffs and Trade Article XI.1, and must be eliminated. For this reason, NPPC requests that Nigeria be removed from the AGOA program.

Miscellaneous Tariff Bill

Although not a trade preference program, the MTB does have an effect on U.S. exports. The measure, which expired in December 2020, temporarily reduces or eliminates tariffs on products that are not available in the United States but are needed by U.S. producers.

For agricultural chemical companies, for example, the MTB reduces import duties on intermediate inputs that are not available or not available in sufficient quantities domestically, which helps reduce production costs of the final products. The MTB can save agricultural chemical companies from \$2 million to \$89 million a year. Without the savings, the cost of producing agricultural commodities would increase, leading to higher food prices and making U.S. products less competitive in foreign markets.

NPPC supports the renewal of the MTB, which would lower input prices and lessen price pressures for U.S. agriculture and America's consumers. Without the MTB, U.S. goods producers in all sectors likely will see significant cost increases. U.S. businesses and their customers already have paid more than \$1.5 billion in anti-competitive tariffs on imported inputs over the 3-plus years since the MTB expired.

Conclusion

As Congress considers renewal of the GSP and AGOA programs in 2025, it must ensure that beneficiary countries provide all U.S. sectors, including agriculture, full market access without restrictions. If countries are reaping the benefits of U.S. preferential trade programs but failing to provide the United States reasonable and equitable access to their markets, Congress should include robust enforcement mechanisms to allow USTR to more easily consider removing countries—or at least intimidating removal—from the programs. Lawmakers also should renew the MTB as soon as possible.

NOVITA
1518 South Mayflower Ave
Monrovia, California 91016

Statement of George Nazarian, Owner

I cannot overstate the importance of immediate GSP renewal for my 40+ year old family jewelry business, Novita. We risked everything to keep operating despite the expiration. Now we are on the verge of closing our doors because you have let GSP lapse for 3½ years, and there is a chance of losing our homes. If we had known

that GSP would stay expired for so long, we would have closed our business years ago and instead of putting our livelihoods and the future of our kids at risk.

Since GSP expired at the end of 2020, my family has accumulated over \$3,000,000 in loans and debt—the direct result of paying over \$4,500,000 in additional duty. Because GSP has always been renewed quickly in the past, we did not pass along any of the extra tariff costs during the first 2 years. When we finally started charging customers for the GSP tariffs, our sales fell dramatically. Many clients decided to purchase directly from Chinese suppliers instead of paying the higher costs we had to charge to survive.

We are truly stuck in a no-win scenario despite our best efforts to survive, including laying off most of our workers (and relying on family members to help) and closing our main office to reduce overhead costs.

But how much longer am I supposed to wait for Congress to renew GSP? Even with immediate renewal and refunds, it will take years to recover the lost business. That doesn't even take into account all the money paid to finance our loans.

It's ironic that we want to pass laws to ease unemployment, but by not supporting businesses we are 100% guaranteeing the loss of all jobs for those businesses. Closing a business goes beyond affecting immediate business owners and employees. Closing a business has a domino effect. It adds to the unemployment burden to all taxpayers, it adds a "For Lease" sign to the list of empty commercial real estate spaces, and it deprives the community (police and firemen, schools and churches, and local missions) from urgently needed support of donations, not to mention affecting political support and votes.

On behalf of my family, my workers, and many others in my position, I am begging you to renew GSP and refund the tariffs paid as soon as humanly possible.

OUTDOOR RECREATION ROUNDTABLE ASSOCIATION
1203 K Street, NW, Suite 350
Washington, D.C. 20005

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
U.S. Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo:

On behalf of the Outdoor Recreation Roundtable Association, I appreciate you holding a hearing on "Revitalizing and Renewing GSP, AGOA and Other Trade Preference Programs." We strongly support retroactively extending the Generalized System of Preferences (GSP), which will provide an opportunity for companies to diversify their manufacturing footprint and will help recapture funds spent on tariffs since GSP expired in 2020.

ORR is the nation's leading coalition of outdoor recreation associations representing the more than 110,000 outdoor businesses in the recreation economy and the full spectrum of outdoor-related activities. The most recent data from the U.S. Department of Commerce shows that outdoor recreation generated \$1.1 trillion and 5 million American jobs in 2022, comprising 2.2% of the nation's economy and 3.2% of all employees in the country.

The outdoor recreation industry relies on effective trade policy that is grounded in certainty and fairness. In recent years, uncertainty around trade has impacted many outdoor businesses that have been subject to the expiration of GSP, Section 301 tariffs, or the annual effort to secure exclusions. We are looking forward to working with the Committee to ensure a more balanced and effective trade policy moving forward, which includes the retroactive extension of GSP.

We appreciate the Committee's effort to look towards renewing trade programs, including the Generalized System of Preferences. The GSP is a meaningful policy that incentivizes companies to manufacture in countries that are trusted trade allies. Companies within our industry adjusted their manufacturing to GSP covered countries when the program was launched and, unfortunately, have been paying tariffs since Congress failed to renew the program. Given the need for certainty and tariff

relief, there is some urgency around retroactively renewing the GSP among leaders within the outdoor recreation industry.

Again, we appreciate the Committee focusing on GSP during this hearing and look forward to working with the Committee and your colleagues on the Ways and Means Committee to retroactively renew GSP this year.

Sincerely,

Jessica Turner

SHERPANI
1711 Pearl St.
Boulder, Colorado 80302

Thank you for the opportunity to submit these comments. From the standpoint of a small business, I cannot stress the importance of GSP enough. Since GSP has lapsed, we have paid out over a million dollars, an extraordinary amount that our company cannot afford.

“Sherpani” comes from the Nepalese term for a female Sherpa. We are endlessly inspired by these expert mountain guides who lead expeditions in the Himalayas; living proof that women can reach any height. This fearless spirit is our guiding philosophy and the attitude we bring to everything we do.

We are recognized as an industry leader in recycled fabrics, non-toxic dyes, fair labor agreements, and chemical restrictions. We are passionate about respecting and protecting the planet, and our import agreements with Indonesia are an important part of our commitment to the Earth.

Sherpani moved much of our supply chain out of China in response to Section 301 tariffs. Yet without GSP, importing from Indonesia is exorbitantly expensive. When GSP lapsed, we laid off 20% of our employees. We’ve also been incurring a lot of debt to finance the extra duty cost costs while Congress has debated. We need GSP renewed to rehire workers, pay off debts

It would be a disappointing slap in the face if this Congress does not renew GSP and refund duties paid. I think we would lose faith in GSP altogether. The safe bet would be to move back to China, which was consistent, reliable, inexpensive, and efficient. Even with tariff rates exceeding 40% for our products, China can beat imports from GSP countries on quality and price.

We are running out of options and cannot continue operating under these circumstances. The time for GSP renewal has well passed. Act now and renew GSP.

Ed Ruzic
CEO

U.S. CHAMBER OF COMMERCE
1615 H Street, NW
Washington, DC 20062-2000
<https://www.uschamber.com/>

June 10, 2024

The Honorable Ron Wyden
Chairman
United States Senate
Committee on Finance
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
United States Senate
Committee on Finance
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo:

The U.S. Chamber of Commerce welcomes the opportunity to offer testimony for the record for the Senate Finance Committee’s June 5th hearing on “Revitalizing and Renewing GSP, AGOA, and Other Trade Preference Programs.”

Renewal of the trade programs on the hearing’s agenda—the Generalized System of Preferences (GSP), the Miscellaneous Tariff Bill (MTB), and the African Growth and Opportunity Act (AGOA)—is important to a wide range of American businesses of every size, sector, and state. These programs foster market-based economic growth in developing countries and advance U.S. strategic interests in key regions.

They give U.S. consumers and companies duty-free access to select goods from beneficiary countries, helping families stretch their budgets and companies enhance their competitiveness. Imports eligible for these benefits generally do not compete with U.S.-made goods in significant ways.

These programs have traditionally passed with overwhelming bipartisan support, and we encourage this Congress to follow suit. The Chamber urges Committee members to expedite their work and avoid using these programs as political bargaining chips in debates over other matters.

Generalized System of Preferences

For more than 4 decades, GSP has been an effective tool promoting market-based economic growth in developing countries. The program suspends tariffs on a pre-approved list of imports from approximately 120 developing countries. GSP helps advance U.S. foreign policy objectives, promotes international development and free enterprise, and helps American families stretch their budgets by reducing prices of a variety of consumer goods. It also supports the diversification of supply chains away from China.

The lapse in this important trade program is now approaching 3½ years, leading to mounting costs for U.S. small businesses and incentivizing companies to source more imports from China rather than GSP-eligible developing countries. GSP beneficiaries are often natural alternative suppliers to China. The program's elimination of duties on China's competitors often makes GSP countries a better choice than low-cost Chinese producers.

Many U.S. small businesses shifted their supply chains out of China after Section 301 tariffs were imposed on many Chinese products in 2018 and 2019. However, the lapse in the GSP program in December 2020 has shifted the cost calculus back in China's favor for many products.

The impact of the lapse in GSP on U.S. small businesses is particularly galling. The typical beneficiary company employs about 20 people, and GSP saves them between \$100,000 and \$200,000 in duties—big money for many small businesses. This damaging situation has already persisted for far too long, and we urge Congress to prioritize reauthorization of GSP on a fully retroactive basis as soon as possible.

Miscellaneous Tariff Bill

The MTB temporarily suspends tariffs on a carefully vetted list of imported goods, most of which are inputs used by U.S. manufacturers. Fundamentally, it helps U.S. companies maintain their competitive edge by sparing them needless extra costs. However, the last iteration of the MTB lapsed in 2020, when duty suspensions and reductions on more than 3,000 imported products expired.

The range of goods covered is scrutinized with great care. The U.S. International Trade Commission leads a rigorous vetting process established by Congress to confirm that products proposed for tariff relief are not made in the United States or are unavailable in sufficient quantities to meet U.S. businesses' needs. In order to be considered for inclusion, each proposed duty suspension must be considered "non-controversial"—meaning it has forgone tariff revenues of a maximum of \$500,000 per product and no domestic producer or member of Congress objects. According to the U.S. International Trade Commission, tariff relief under the previous MTB boosted U.S. GDP annually by as much as \$3.3 billion and output annually by as much as \$6.3 billion.

Since the previous MTB expired in December 2020, manufacturers and other businesses have paid more than \$1.4 billion in tariffs, or \$1.3 million per day, on goods that are generally not available in the United States. The harm has been especially significant for small and medium-sized manufacturers, often limiting the ability of such firms to expand production, hire additional workers, or invest in new cost-saving equipment.

The last MTB (in 2018) passed Congress without a single vote in opposition. We urge this Congress to expeditiously re-up this commonsense program and, in the process, to reauthorize the American Manufacturing Competitiveness Act, which establishes the MTB petition process.

African Growth and Opportunity Act

With AGOA due to expire in September 2025, the Chamber urges Congress to begin work immediately to reauthorize the program and avoid a damaging lapse similar to those seen with the GSP and MTB programs.

AGOA has represented a shift from the traditional aid-based approach to the African continent to one that favors free enterprise and market-based economic growth. Similar to GSP, it provides duty-free and quota-free access to the U.S. market for qualifying products from sub-Saharan African countries meeting certain eligibility requirements. These requirements focus on market-based economy principles; rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; and protection of human rights and worker rights, among other points. In return, the legislation provides an opportunity to forge new trade and investment partnerships with African countries, while allowing the U.S. to pursue its strategic and global security interests on the continent.

AGOA has been critical in facilitating strong trade and investment ties between the U.S. and sub-Saharan Africa. According to USTR's 2022 Biennial Report on the program's implementation, total two-way goods trade with sub-Saharan Africa totaled \$44.8 billion in 2021. That same year, non-oil imports under AGOA—representing the main source of AGOA's job-creating value—were roughly \$4.8 billion, the largest annual figure since 2013.

Currently, 32 countries are eligible for AGOA benefits. The current review period provides an opportunity to examine options to improve the effective utilization of AGOA by more African countries and to discuss AGOA's long-term prospects in the context of the implementation of the African Continental Free Trade Area (AfCFTA) agreement.

As the business community contemplates ways the program can be modernized, the Chamber encourages Congress to examine how the program can enhance trade in ways that reinforce African efforts to spur economic growth, expand commercial linkages to the United States, and support supply chain connectivity. Additionally, the program should play a key role in identifying and addressing investment barriers preventing U.S. companies from expanding in Africa.

All in all, African governments should be incentivized to examine policies that impede trade and investment with the United States. To enhance economic growth and development, AGOA should encourage efforts to promote trade facilitation, expand market access, protect intellectual property, extend fair treatment to foreign investors, and improve the business climate in African countries. The Chamber also supports the addition of eligibility criteria relating to digital trade similar to a proposal included in the GSP bill recently reported out by the House Ways & Means Committee.

Furthermore, the AGOA program excludes many products that could be of great value for trade with sub-Saharan Africa. The Administration should consider adding additional products that promote economic diversification. The Chamber also supports the extension of AGOA's third-country fabric provisions.

The expiry of AGOA in September 2025 creates uncertainty for the business community, and it threatens to dampen investment and depress trade well in advance of the actual expiration of the program. Continued cooperation between the U.S. and the African Union beyond AGOA will also be critical in facilitating African partner country aspirations to deepen regional integration, develop plans to engage the U.S. in bilateral and multilateral trade agreements, and support growth in regional trade.

Indeed, it is notable that trade policy's "Four Corners" in the Congress—the chairs and ranking members of the House Ways and Means and Senate Finance Committees—have all urged the Biden administration to pursue a more ambitious, market-opening trade agreement with Kenya. The Chamber strongly agrees (and has for years). Nothing about such an initiative with one or more African countries should be seen as impeding the swift reauthorization of AGOA.

The Chamber appreciates the opportunity to submit these comments, and we look forward to continuing to engage with the Committee on these critically important programs.

Sincerely,

John Murphy

Senior Vice President and Head of International

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The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, commonly known as the United Steelworkers or USW, is North America's largest industrial union representing 850,000 active and retired members. Chairman Wyden, Ranking Member Crapo, and members of the Committee, we thank you for holding this hearing and welcome the opportunity to comment and submit this statement.

Unilateral tariff cut programs, commonly referred to as trade preference programs, such as the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA), and others, are based on a policy concept that theorized by reducing federal tax dollars paid by importers, Congress would create opportunity internationally and further open markets, which would then lead to open and free economic systems. However, the reality of the results is mixed at best, and with recent reports highlighting that less than 8 percent of the world's population live in a full democracy, while almost 40 percent live under authoritarian rule, the promises of minor tariff cuts leading to increased democratic rights seems naïve, if not dangerous.¹

One of the oldest of these unilateral tariff cut programs, GSP, was first authorized by Congress in Title V of the Trade Act of 1974. USW has testified extensively before the Ways and Means Committee on GSP, and encourages Senators to review that record.² This program created 50 years ago has seen only minor updates, but the understanding of trade and globalization has shifted dramatically since trade policies put in place by the Carter administration and furthered by both Republicans and Democrats. This statement will highlight the significant reforms necessary to update this program in order to hold importers and foreign countries accountable, and will also highlight other trade related programs, like Trade Adjustment Assistance (TAA), that need to be reauthorized should Congress pursue efforts to renew unilateral tariff cut programs, like GSP or AGOA.

Renew Trade Adjustment Assistance

Trade Adjustment Assistance provides robust benefits to workers who have been negatively impacted by unfair trade. In America today, there are over 115,000 workers with TAA petitions pending at the Department of Labor (DOL) detailing their stories of job dislocation, unemployment, and overall uncertainty because of impacts from adverse trade. These hard-working Americans are currently waiting on Congress to reauthorize the program that was authorized by the Trade Act of 1974, and lapsed almost 2 years ago.³ These 115,000 workers are also just the workers who filed a petition, taking the chance that Congress might act and renew this crucial program. Operating under normal program authorization, the DOL would review petitions covering an estimated 100,000 workers annually.⁴ Therefore, while the

¹ Economist Intelligence, "EIU Report—Democracy Index 2023," February 2024, <https://www.eiu.com/n/campaigns/democracy-index-2023/>.

² U.S. House Committee on Ways and Means, "Testimony of Roy Houseman Jr. for Trade Subcommittee Hearing on Reforming the Generalized System of Preferences to Safeguard U.S. Supply Chains and Combat China," September 20, 2023, <https://gop-waysandmeans.house.gov/wp-content/uploads/2023/09/Houseman-Testimony.pdf>.

³ Congressional Research Service Reports, "Trade Adjustment Assistance for Workers: Background and Current Status," July 19, 2023, <https://crsreports.congress.gov/product/pdf/R/R47200>.

⁴ NBC News, "Thousands of workers have lost access to trade assistance weeks after Congress allowed it to expire," July 23, 2022, <https://www.nbcnews.com/news/us-news/thousands-workers-lost-access-trade-assistance-weeks-congress-rcna34574>.

DOL's pending petition list currently accounts for 115,000 workers, there are potentially more than 85,000 workers not accounted for in this data.

TAA, when authorized, offers up to 2 years of job training benefits to eligible workers, helping them acquire new skills and enhance their employability in changing industries. According to a study by the U.S. Census Bureau, TAA recipients earn an average of \$50,000 more in income over a 10-year period compared to workers who did not participate in the program.⁵ This highlights the long-term economic benefits of TAA participation. Employers also understand the dire need for retraining programs, as highlighted by a recent Manufacturing Institute study estimating that there will be 2.1 million unfilled manufacturing jobs by 2030, in large part because our current workforce is not skilled appropriately.⁶

Renewing TAA should be a priority of the Finance Committee, if not just to benefit these workers, but to get more training dollars out the door to upskill workers and boost our economy. Recently, the Brookings Institution referenced Government Accountability Office (GAO) data on federal job training spending. Those numbers highlight that the federal government currently provides under \$20 billion for federal employment and training programs.

The U.S. spends significantly less than our peers on job training when comparing gross domestic product (GDP) data. Most industrialized countries spend up to 0.5 percent of GDP on active labor market policies, while the U.S. only spends less than 0.1 percent of GDP.⁷ For USW members, it is difficult to understand why Congress would consider unilaterally cutting tariffs for a host of countries, while outsourcing continues with our existing Free Trade Agreement partners, yet they stand idle on TAA.

Recently, union members visited every Congressional office in over 175 meetings urging their elected officials to renew the TAA program at our May 2024 Rapid Response, Legislative and Policy Conference. All USW workers, no matter their sector, know that we should help workers dislocated by adverse trade. Finally, Congressional Research Service (CRS) has highlighted \$2.6 billion in tariffs that could be given back retroactively to importers of GSP qualifying goods if Congress enacts legislation doing so, like what was proposed in H.R. 7986, the Generalized System Preferences Reform Act. The union invites Senators to ask their constituents if they think we should spend more on job training for American workers, or give backs to importers.

Simply, USW will oppose, and urges all Senators to oppose, renewal of trade preference programs, which unilaterally cut tariffs, without reauthorizing the TAA program.

Generalized System of Preferences Reforms

USW believes that GSP is a legacy trade preference program in need of significant reforms to better defend American workers, reduce international labor and environmental abuses, and ensure that economically developing countries are not used as covers to send products from the People's Republic of China (PRC) or Russia into the U.S. market.

While unilateral tariff cut programs, such as GSP, have existed for decades, the lack of modernization in the program unfortunately allows Chinese foreign direct investment and content to enter the U.S. market unchecked, undercutting U.S. workers and undermining efforts by workers globally to improve their working conditions.

While in their recent mark-up, the Ways and Means Committee made some steps to modernize GSP, but more could be done. The union recognizes the committee's work to raise the 35 percent GSP Rule of Origin (ROO) standard to 50 percent. The current ROO is a massive loophole that allows foreign producers to potentially bring in Chinese or Russian content duty free. Unfortunately, the increased ROO stand-

⁵ U.S. Census Bureau, "Can Displaced Labor Be Retrained? Evidence from Quasi-Random Assignment to Trade Adjustment Assistance," February 2022, <https://www.census.gov/library/working-papers/2022/adrm/CES-WP-22-05.html>.

⁶ U.S. Census Bureau, "Manufacturing Faces Potential Labor Shortage Due to Skills Gap—Diversity, Equity and Inclusion Key to Filling High-Skilled Manufacturing Jobs," September 29, 2023, <https://www.census.gov/library/stories/2023/09/manufacturing-faces-labor-shortage.html>.

⁷ The Brookings Institution, "Commentary—Should the federal government spend more on workforce development?" May 23, 2023, <https://www.brookings.edu/articles/should-the-federal-government-spend-more-on-workforce-development/#Ref11>.

ard was coupled with a dramatic increase in the Competitive Needs Limit (CNL), which would permit more goods getting a tariff preference. The bill also indexes the CNL to inflation, an interesting policy proposal from a party that has traditionally opposed indexing the minimum wage to inflation for American workers.

The import sensitive list has not been significantly updated to reflect the U.S. manufacturing sectors negatively impacted by adverse trade. For example, as the largest union in the tire sector, our union has fought back against multi-national corporations, foreign governments, and Chinese producers from dumping and subsidizing tires into our markets for over a decade. This has led to 12 anti-dumping and countervailing duty trade cases won against six countries.⁸ Chinese investments in GSP tire exporting countries will lead to additional import pressures on U.S. producers and workers. For example, Shandong Linglong invested into a 13.62-million-unit facility in Serbia, while Doublestar has invested in a joint venture in Algeria which will produce 5 million tires.^{9, 10} USW calls on Congress to add pneumatic radial tires to the import sensitive list.

Updates are also necessary to better improve labor, gender, and environmental policy in GSP. Core labor rights enshrined in the International Labor Organization (ILO) have dramatically improved since GSP was first authorized. The U.S. has incorporated these standards in all free trade agreements since May 10, 2007. The GSP labor criteria should be updated to include a clear prohibition on gender-based violence in the workplace, as well as a broader prohibition on employment discrimination.

Occupational safety and health (OSH) standards also require significant updates in GSP. While global standards have improved somewhat, efforts should be made to ensure importers are not just receiving a tariff cut for outsourcing occupational diseases or dangerous operations.

Additionally, GSP does not have adequate compliance mechanisms to improve labor or environmental standards. Countries can often show minor improvements to create the patina of improvements, but in reality, workers, and their communities, are still experiencing horrific working conditions and terrible air and water pollution. Congress should improve on these standards, while giving the United States Trade Representative (USTR) additional authority to suspend trade preferences for a specific industry, or industries, where rampant violations occur. Congress should also update GSP to permit a form of United States, Canada, Mexico Agreement (USMCA) Rapid Response Mechanism (RRM) that would allow workers to petition the U.S. government to review individual sites for labor and environmental violations, creating an employer incentive to address potential violations.

African Growth and Opportunity Act Reforms

AGOA is a program that speaks to optimistic promises and ongoing policy failures connected to trade policy of the late 20th century. Originally passed in 2000 by a Republican Congress and signed by President Clinton, AGOA was most recently reauthorized in 2015 with little substantive policy change throughout the last 2 decades and four reauthorizations.¹¹

At its core, AGOA is a unilateral tariff reduction program made available to 49 countries of sub-Saharan Africa. Currently, only 32 countries qualify for the program according to the USTR—the remainder do not meet the bare minimum criteria of governance, democracy, labor rights, and/or other factors to qualify.¹² The volume of exports from AGOA countries since the program's inception is just as much a story of U.S. oil and gas production as it is about African growth. The single largest product beneficiary category since 2000 has been oil and gas. However, those exports began curtailing around 2008, which coincided with the increase of hydraulic

⁸U.S. House Ways and Means Committee, "Testimony of Thomas O'Shei for the Field Hearing on 'Trade in America: Securing Supply Chains and Protecting the American Worker—Staten Island,'" May 9, 2023, <https://waysandmeans.house.gov/wp-content/uploads/2023/05/Written-Testimony-of-Tom-O'Shei.pdf>.

⁹Tire World, "Doublestar to build tire plant in Algeria," September 16, 2019, <http://en.tireworld.com.cn/enews/2019916/6950.html>.

¹⁰Linglong Tire, "Linglong Tire's Factory in Serbia, the First European Factory of China Tire Industry," March 31, 2019, https://en.linglong.cn/content/details34_38475.html.

¹¹Congressional Research Service Reports, "African Growth and Opportunity Act (AGOA)," May 5, 2023, <https://crsreports.congress.gov/product/pdf/IF/IF10149>.

¹²Office of the United States Trade Representative, "Issue Areas—Preference Programs—African Growth and Opportunity Act (AGOA)," Accessed June 3, 2024, <https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa>.

fracturing in the U.S., and are now below pre-2000 levels, yet still represent 47 percent of total U.S. AGOA imports.

The second largest product beneficiary category is automobiles and auto-parts, led by South Africa, where the sector is the mainstay of the national industrial base accounting for 6.8 percent of GDP (4.3 percent manufacturing and 2.5 percent retail). The percentage increase in automotive exports from 2001 (when AGOA commenced) to 2013 equaled 306.8 percent. The percentage increase of automotive exports from the United States to South Africa was 321.9 percent during the same time frame.¹³

Textiles are the next largest product beneficiary category from the African continent to the U.S., but the sector continues to suffer from low pay and benefits for workers. IndustriALL highlights that affiliates in Ethiopia, Madagascar, and Zimbabwe report that workers earn wages of less than \$2.15 per day. At wage earnings of less than \$30 per month, Ethiopia has the lowest wages in the textile and garment industry, globally.¹⁴

U.S. goods trade (exports plus imports) with sub-Saharan Africa totaled \$44.9 billion in 2021. Goods exports totaled \$16.6 billion; goods imports totaled \$28.3 billion. The U.S. goods trade deficit with sub-Saharan Africa was \$11.7 billion in 2021.¹⁵ For a scale comparison, total U.S. goods trade with Mexico is \$855.1 billion.

Out of the goods import total of \$28.3 billion, AGOA related imports were \$9.4 billion in 2022, which is roughly \$1.2 billion more in goods shipped to the U.S. since the first year of the program and does not account for inflation growth over the last 20 years. If you take out the oil and gas export bubble, preferential AGOA treatment has not meaningfully increased trade from the continent.

With a current population of around 1.4 billion, African people make up one-sixth of the world's population, and if trends continue into the future, half of the global population growth from 2022 to 2050 will occur in sub-Saharan Africa.¹⁶ Given that the African continent's population increased roughly 70 percent since 2000, it stands to reason that exports from the continent should have increased significantly more.

AGOA benefits are very loosely tied to democratic rights, but the benefits have not curtailed coups in the continent. The African continent saw a significant increase in coups in the last 3 years with military figures conducting takeovers in Gabon, Niger, Burkina Faso, Sudan, Guinea, Chad, and Mali.¹⁷

USW believes that labor rights and improved resources for democratic labor unions would significantly advance ongoing economic development and improve rule of law. A more targeted approach on improving wages, hours, and working conditions at facilities that benefit from AGOA would also greatly raise economic benefits for Africans. The following are select policy recommendations to improve trade relations with sub-Saharan Africa that benefits both African and U.S. workers:

- Inclusion of a Rapid Response Mechanism that allows workers, environmental organizations, or governments to respond to facility specific labor and environmental violations. Modeled after the USMCA Facility-Specific Rapid Response Labor Mechanism, the program would give workers a powerful new tool to enforce their rights.¹⁸
- Establish labor liaisons with an oversight role on projects benefiting from regional trade and investment hubs in sub-Saharan Africa. Currently supported by United States Agency for International Development (USAID), these hubs

¹³U.S. Exports, "South Africa—Automotive," July 14, 2019, <https://www.export.gov/apex/article2?id=South-Africa-automotive#:~:text=Vehicle%20exports%20to%20the%20US,Class%20and%20the%20Ford%20Ranger>.

¹⁴IndustriALL, "Feature: Crisis of low wages impoverishes Asian and African textile and garment workers," January 16, 2023, <https://www.industriall-union.org/feature-crisis-of-low-wages-impoverishes-asian-and-african-textile-and-garment-workers>.

¹⁵U.S. Trade Representative, "U.S.—Sub-Saharan Africa Bilateral Trade and Investment," July 29, 2022, <https://ustr.gov/sites/default/files/2022-12/SubSaharan2021.pdf>.

¹⁶Foreign Policy, "Demography is Destiny in Africa," August 26, 2023, <https://foreignpolicy.com/2023/08/26/demographics-africa-sub-sahara-population-boom-growth-aging-gender-inequality-climate-change/#:~:text=But%20instead%2C%20half%20of%20the,only%2014%20percent%20in%202019>.

¹⁷Voice of America, "By the Numbers—Coups in Africa," October 3, 2023, <https://projects.voanews.com/african-coups/>.

¹⁸U.S. Geological Survey, "International Strategic Minerals Inventory Summary Report—Zirconium," 1992, <https://pubs.usgs.gov/circ/1992/0930l/report.pdf>.

include the East Africa (EATIH), Southern Africa (SATIH), and West Africa (WATIH) Trade and Investment Hubs.

- Dramatically bolster Export-Import (EXIM) Bank financing availability for projects in sub-Saharan Africa. In the last 10 years, EXIM has supported \$12.2 billion in transactions to sub-Saharan Africa.
 - An EXIM working group should be established made up of U.S. drinking and clean water employers, and their unions, to develop export opportunities that would increase potable water at an industrial scale in sub-Saharan Africa.
- Let certain AGOA benefits expire, and use U.S. federal revenue collected from expired benefits to increase economic development in the region. Given that half of the value of AGOA benefits are going to oil and gas tariff reductions, and that those industries already tend to be quite profitable, redirect the oil and gas tariff revenue toward pro-worker, economic development projects that would decarbonize the region, and would have the two-fold effect of creating good jobs and reducing greenhouse gas (GHG) intensity.
- Increase U.S. and African Trade Union capacity building in sectors with forced and child labor practices. Sectors, such as mining and textiles, continue to experience high levels of the worst labor practices. Resources to better connect labor unions in sub-Saharan Africa with American labor unions will improve occupational health and safety, democratic labor rights, and economic outcomes for workers.
- Create AGOA strategic sectors—particularly focused on materials of which the U.S. does not have significant deposits, such as natural rubber and critical minerals—that will diversify supply chains from the PRC and countries in Southeast Asia. These sectors would come with goals of bringing not just economic development, but sustainable, safe jobs for workers in the region.
- Improve U.S. foreign aid procurement preferences on economic development funds to ensure that African or U.S. manufacturers benefit. U.S. resources being spent on importation of low cost PRC goods undermines both U.S. and African workers.

Other Trade Reforms

USW also believes that should Congress consider modernizing trade preference programs that they should also improve laws related to trade enforcement, and improve resources for agencies that handle trade issues. These include the following policy proposals:

- The Leveling the Playing Field Act 2.0 (S. 1856/H.R. 3882) modernizes U.S. trade enforcement laws to keep up with new and evolving tactics used by the PRC, and other countries, to circumvent U.S. trade laws. The bill (1) addresses “country hopping” tactics, (2) counters PRC subsidies to other countries, and (3) accelerates investigation timelines.
- The Import Security and Fairness Act (S. 2004/H.R. 4148) makes common-sense reforms to U.S. *de minimis* rules, which are routinely exploited to evade trade enforcement and Customs and Border Protection (CBP) inspections for forced labor and other priorities. Critically, the bill removes goods from non-market economies (NME), such as the PRC, from qualifying for *de minimis* treatment.
- The Fighting Trade Cheats Act (S. 805/H.R. 2667) strengthens tools to address unlawful efforts to evade trade enforcement duties for illegal dumping and subsidization. The bill enhances penalties for fraudulent and grossly negligent violations, allows for the suspension of importing privileges of bad actors, and unlocks private resources to supplement those used by the CBP for enforcement.
- The Stop Mexico’s Steel Surge Act (S. 3917/H.R. 7638) reinstates the Section 232 tariffs on Mexican steel imports, which now “exceed historic volumes of trade” and are “surging meaningfully” into the U.S. market. This was a clear stipulation of the 2019 agreement to lift the Section 232 tariffs on steel imports from Mexico, which have surged 73 percent as compared to pre-2019 levels. Some products, such as steel conduit, have risen 577 percent.

Conclusion

For USW, trade preference programs that unilaterally cut tariffs must be coupled with domestic worker assistance by renewing the Trade Adjustment Assistance program and enacting other trade reforms. In addition, in a more globally competitive world, the U.S. should demand more for the forgone revenue. This means re-aligning what goods qualify for trade preference programs, and ensuring that we are not allowing unqualified importers to take advantage of weak labor and environmental standards in these programs. Improving the utility of trade preference programs for workers—both domestically and abroad—will ensure not just economic freedom, but increased democratic freedom. Thank you again to the Committee for holding this hearing and providing the opportunity to submit this testimony.

WORLDFINDS
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U.S. Senate
Committee on Finance

June 5, 2024

I am asking you to renew the U.S. Generalized System of Preferences (GSP) program and restore GSP eligibility for India. This would be a lifeline to my company, WorldFinds, and our artisan partners in marginalized communities around the world.

WorldFinds is a woman-owned and woman-powered social enterprise, founded in 2001. We import handmade jewelry and accessories from partners in India, Nepal, and Bangladesh. At the heart of our company is one mission: to empower women through fair trade. We foster long-term, fair relationships with our trading partners that are based on mutual respect and commitment to environmental, social, and economic sustainability. We have been members of the Fair-Trade Federation since 2001—long before these issues became a regular part of the trade conversation—and are Gold members of Green America. Global development and sustainability are the very foundation of our company.

In our 20+ years of business, we have created a Girls Education Fund that provides financial assistance for the children of our partners. We have raised over \$8,000 to get food and medical supplies to communities in India during the Covid crisis. And, we have gainfully employed more than 1,000 talented women in India, Nepal, and Bangladesh. All our partners are part of fair-trade organizations, so every employee receives healthcare, training, education, and childcare. We meaningfully change the lives of our employees, but our mission has been stunted by the prolonged expiration of GSP.

In the last several years, we have paid more than \$50,000 in additional tariffs on products that used to get GSP. We have incurred debts and been unable to grow our business, limiting our range of impact in our partner communities, while harming our artisans and their families. To avoid passing the extra expense onto our customers, we are forced to operate under very tight margins, but that prevents expansion of our U.S. operations, which currently employ 8 people.

From the beginning, WorldFinds has been committed to breaking the cycle of poverty for women, supporting fair trade practices, and sustainable production. It is incredibly hard to fulfil this mission without GSP. If Congress is sincere in its desire to support development and promote American values around the world, it should immediately renew GSP and ensure that India regains eligibility.

Best,
Kelly Weinberger

