

President Obama's 2015 Trade Policy Agenda  
United States Senate Committee on Finance  
Tuesday, January 27, 2015

Statement for the record on behalf of:

Coalition for GSP  
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The Coalition for GSP welcomes the opportunity to submit the following statement for the "President Obama's 2015 Trade Policy Agenda" hearing record. We are particularly happy to echo the testimony of U.S. Trade Representative Michael Froman, who stated "the Administration urges Congress to expeditiously renew authorization of the GSP program." Like Ambassador Froman, the Coalition for GSP "stands ready to work with you to that end."

The Coalition for GSP is a group of American companies and trade associations organized to educate policy makers and others about the important benefits to American companies, workers, and consumers of the Generalized System of Preferences (GSP) program. Its members range from small, family-owned businesses to Fortune 500 corporations and operate in all 50 states, the District of Columbia, and Puerto Rico.

Implemented in 1976, the Generalized System of Preferences (GSP) is a special trade program that eliminates U.S. import duties on certain products from about 125 developing countries. Over time, American companies have come to rely on the GSP program to lower costs for inputs needed to produce goods in the United States and finished products for American families. Lower costs spur demand and allow companies to create good-paying American jobs.

However, GSP expired on July 31, 2013 and Congress has not yet passed legislation to renew it. As a result, American companies have paid nearly \$2 million a day – and more than \$1 billion to date – in higher taxes while awaiting congressional reauthorization of the GSP program. The mounting costs and uncertainty surrounding when GSP might be renewed have had a chilling effect on companies' ability to grow and compete in the competitive global marketplace.

American companies are impacted in a number of ways – sales fall if companies try to raise prices to compensate for the higher taxes, while margins are squeezed if they do not. Some companies with locked-in, long-term contracts actually lost money on every sale because of the imposition of new import taxes. All aspects of GSP importers' operations feel the effects of this negative business environment.

The Coalition for GSP surveyed hundreds of U.S. GSP program users in 2014 and found that:

- **44% of companies have delayed planned hires.** For example, Kona Bicycle in Washington has been unable to hire new R&D and product development personnel, while Varaluz in Nevada and McGuire Manufacturing in Connecticut cannot afford to replace workers that have left voluntarily because of higher costs resulting from GSP expiration.
- **40% of companies have delayed or canceled job-creating investments.** B&C Technologies bought a facility to begin manufacturing in Florida by April 2015, but it cannot afford the necessary building upgrades to create those American manufacturing jobs as planned because of higher costs imposed by GSP expiration.
- **22% of companies have cut employee wages and benefits.** The cost of import duties has cut into the monies available to Stackhouse Athletic in Oregon to pay for health care, forcing the company to cut health care benefits for its nine workers.
- **13% of companies have laid off workers.** Matrix Metals laid off 75 workers at facilities in Iowa and Texas, while Vispak LLC in Minnesota is going out of business completely because higher production costs resulting from GSP expiration have made the companies uncompetitive.

The full report, which includes many other company-specific examples, can be downloaded at <http://bit.ly/GSP1Year>.

Congress can stop this bleeding, and quickly, by passing legislation that provides for an immediate, retroactive GSP reauthorization. Renewal has bipartisan support in both the House and the Senate. Renewing the GSP program is “low-hanging fruit” for the 2015 trade agenda. It should be a priority because it would have an immediate positive impact on U.S. jobs and competitiveness.

More than 660 American companies and associations have joined the Coalition for GSP’s call for Congress to do just that. The ever-growing list of organizations can be viewed at <http://bit.ly/GSPsupporters>. Nearly three dozen of them have provided brief statements (below, grouped by state) for this submission on the negative job impacts of GSP expiration and/or the potential jobs benefits of a retroactive renewal.

If you have further questions about the impacts of GSP expiration on American companies, or would like to speak with any of the companies that provided statements below, please contact Daniel Anthony at the Coalition for GSP at [Anthony@tradepartnership.com](mailto:Anthony@tradepartnership.com) or 202-347-1085.

The Coalition for GSP looks forward to working with the Finance Committee leadership on a bipartisan basis to pass an immediate, retroactive GSP renewal.

**Zack Stenger, Owner of Blackbeam LLC in San Francisco, California:** The GSP renewal would allow us to hire three sales and office-related employees for our growing small business.

**Bruce Marlin, Purchasing Manager at Circa Corporation in San Francisco, California:** As a rare, surviving U.S. manufacturer of leather goods, it is essential to us that GSP be renewed. Our competitors manufacture primarily in China and India, and we need as level a playing field as possible to remain viable as a U.S. domestic manufacturer.

**Shaun Shroff, Vice President of DuraBrake Co. in Santa Clara, California:** We would be able to reduce dependence on production in China and would be able to increase business on the East Coast. We would be able to hire two sales people on the East Coast as pricing would be competitive.

**William Rebich, Owner of Pegasus Imports in Santa Rosa, California:** Failure to new GSP has resulted in us being unable to hire new a new shipping and receiving person and has created mounting debt with declining sales. It is creating a condition where business expansion is almost impossible.

**Peggy Altfater, Owner of Peggy V Designs in Petaluma, California:** My business is a sole proprietorship. My sales have declined because I have needed to raise my prices on my product that no longer has GSP status. My job is in dire straits at this time because of price increases so I am asking you to please renew the GSP.

**Jeffrey Tunstall, Vice President at Port Plastics in Chino Hills, California:** Our company imports a substantial amount of materials from qualified GSP countries. Our total sales were down 7% in 2014 while the economy grew an estimated 2.4%. We believe the downturn in our business is solely due to the higher costs of our products as a result of the GSP program not being renewed. This downturn in our business has resulted in our being forced to reduce a number of employees.

**Jeni Tjoeng, Import Manager at Shamrock Manufacturing Co. in Chino, California:** With the delayed renewal of GSP, we have seen the reduction of our sales in the past year because we have come uncompetitive. Instead of expanding our business, we are struggling to stay afloat.

**William Dull, President of Triad Magnetics in Perris, California:** Much of our industry produces in China.[With a GSP renewal], we could easily double our business - hire more workers and have the financial strength to invest in higher technology manufacturing here in California.

**Fred Cohen, Owner of Omicron Granite & Supplies in Pompano Beach, Florida:** The failure to renew the GSP has cost my company over \$100,000 per year in additional taxes, which has kept me from hiring at least two more workers. Please renew the GSP and make it retroactive.

**Peter Allen, President of Royal Tropics, Inc. in McCall, Idaho:** The GSP expiration and the uncertain return has caused my small company a hardship in the sense that the extra funds we have paid in duties has caused us to hold back on some planned expansion of our business. With the needed expansion we would be able to hire additional employees as well as fund some additional equipment. The GSP program is very important for small business in the U.S.

**Brendan Naulty, Senior Vice President at Ajinomoto North America Inc in Itasca, Illinois:** The impact of non-renewal of GSP impact for 2014 on Ajinomoto North America has been \$690,678. This has put this business segment into a red figure for 2014. Therefore we could not expand our workforce or reinvest profits into other businesses. We would greatly welcome retroactive renewal, which would enable us to initiate capital projects that have been postponed due to availability of funds and uncertainty about the stability of this business segment.

**Kelly Weinberger, Owner at WorldFinds Fair Trade in Westmont, Illinois:** Our fair trade organization has been badly hurt by the non-renewal of GSP. A retroactive renewal would help create jobs in our US office, as well as to provide more work to our low-income women artisan groups in the developing world.

**Jim Angers, Partner at K2 Coolers LLC in New Iberia, Louisiana:** We paid \$79,000 in duties in 2014. We need to hire an additional warehouse worker and the duties are impacting our margins to the point of causing us to delay hiring.

**Damian Jones, Designer & Founder at Aid Through Trade in Annapolis, Maryland:** Our 22 year old fair trade company has depended on GSP since our inception. The current lapse and uncertainty makes it hard for me to have the confidence I need to invest and hire. Retroactive GSP renewal would give me cash and confidence to hire and invest.

**Lisa Johnson, Vice President at COLE-TUVE, Inc. in White Marsh, Maryland:** We sorely need renewal of the GSP so that our company has the chance to get back on track. Among other penalizing set-backs (such as limiting labor), we have not been able to raise our prices to account for this increase as we could not do that and stay competitive. Our capital is just about gone, and getting the GSP retroactively approved will allow us to reinvest resources back in to the business, to get beyond playing catch up and grow along with the prospects of a growing manufacturing sector.

**Richard Harris, President of Accessories Unlimited in North Harwich, Massachusetts:** Since the cancellation of GSP we have had our fixed margins reduced between 5 and 6 %. We cannot raise our prices as they are set by our suppliers. We can cut corners where we can. We need employees on a full time basis, but have had to hire them on a part time basis and not hire the type of personnel we need to improve our business.

**Steve Hill, Vice President at Polysource in Pleasant Hill, Missouri:** The most damaging result of nonrenewal is the impact it has on U.S. manufacturers of global consumer goods. GSP allows U.S. manufacturers to take advantage of certain raw materials throughout the world that allows them to sell worldwide resulting in jobs and tax revenue. The impact on Polysource has limited our ability to compete and hire. We could easily justify the inability to hire for two new professional positions with full benefits if we had not experienced a loss of over \$500k in the last 18 months.

**Robert J. Murray, Operations Manager at General Carbon Corporation in Paterson, New Jersey:** The lack of renewal of the GSP has caused General Carbon to limit its search for new hires. If the GSP was renewed and the duties refunded we would be in a much better position concerning new hires and improving the overall future of General Carbon. It may also lead us to make capital improvements to our facilities that we have been delaying to make pending the GSP renewal.

**Gert van Manen, President of iTi Tropicals Inc. in Lawrenceville, New Jersey:** We have paid \$800,000 in duties since GSP expired and we are not charging our customers for this for various reasons, mainly we believe that it will be reinstated retroactively as it always has been. If this is not the case it will have serious consequences for our company. We are a small business with 25 people on payroll in business for 26 years.

**Janis P. Rich-Gutierrez, Compliance Officer at Kalustyan Corporation in Union, New Jersey:** We import materials from various countries around the world and have approximately 80 hard-working employees that further finish the product here. We value our employees and wish to keep them employed. However, due to GSP cancellation and the uncertainty of it being reinstated retroactively, we can purchase finished product for less money overall.

**Joseph Kay, CEO of Biltmore Corporation in Manhasset, New York:** We have lost business to foreign companies, for being unable to manufacture goods in the U.S.

**Benny Nabavian, President of EORC in Farmingdale, New York:** We are a very small company and the GSP expiration is really hurting our cash flow and income. Every penny counts in our business, especially in the current economic conditions. It is a question of survival for us.

**Gabriel Khezrie, President of Fremada Gold Inc. in New York, New York:** Due to the softness of the jewelry business in general, there has been tremendous pushback by our customers. They will not accept the additional price increases to accommodate the 5.71% tariffs that were never part of our pricing equation. This has led to less billings at our company. Accordingly we have had to let some staff go.

**Donna O’Sullivan, U.S. Sales and Customer Service Manager at Janice Girardi Designs in Stone Ridge, New York:**

The non-renewal of the GSP has cost our company over \$90,000. Unfortunately, we're not able to raise our prices to compensate for the duties we're now paying because it's already challenging to stay competitive in this economy. We've had to lay off a few people because of this and it's vital for us to have the GSP renewed.

**Benjamin Justman, Royal Chain in New York, New York:** Restoration of GSP will have a huge positive effect on our company. We will be able to reinstate some of the business lost to competition. Some customers have stuck with us based on our promise that we will refund the duty paid if GSP is renewed retroactively. Going forward, we will be able to rehire personnel that were laid off, as well as expand our business.

**Nenad Milinkovic, Vice President at Vail International Corp. in New York, New York:** Lack of GSP Renewal has precluded our company from hiring additional personnel, and we are now at a point facing layoffs for some of our workforce. We have been trying to hang in there in anticipation of the renewal, but this prolonged expiration has now placed a very serious financial strain on our business.

**Scott Ferguson, President of CCS USA, Inc. in Hickory, North Carolina:** To date, the expiration of GSP has cost my company over \$125,000. It has cost jobs, investment and has crippled us competitively with lost business. Please retroactively renew this critical trade program!

**Fred Starr, President of Thompson Traders in Greensboro, North Carolina:** Thompson Traders is a start-up company, and after seven years of trial and tribulation, made it to a break-even in 2013. Then the GSP was allowed to expire, and due to our financial position and our inability to pass this charge onto our customers, we had to slow down growth, including hiring. We would be a different company today without this totally unanticipated tariff.

We've reduced our payroll by eight people, a 40% reduction and will not be adding people, until we have a better government environment, including the renewing of GSP. The renewal of GSP will allow us to grow, creating new job opportunities. Moreover, since we share profits with our employees, each job will become a better paying job whether salaried or hourly.

Most important, the return of our tariff payments, paid out since August 2013, will help Thompson Traders enter new domestic and foreign markets and build a much larger company, including domestic manufacturing investment - more jobs and better-paying jobs.

**Greg H. Kirkland, President of Kirkland Associates, Ltd. in McMinnville, Oregon:** In 2014 our small import company paid over \$50,000 in import duty charges on products imported from India. We currently desperately need to hire two additional employees. However, we simply can't afford to do that as the company profits will not support two new employees and continued import duty charges. If we were to see GSP passed, especially retroactively, we would immediately move toward the new employee additions. I know we are not a big deal to Washington, D.C. but this move would really help our company now and in the future.

**Burak Cezik, Account Manager at Kervan USA LLC in Bethlehem, Pennsylvania:** We ended up with a net loss in fiscal year 2014 due to GSP expiration. Accordingly, we are working on ways to cut jobs and holding off on our strategy of hiring regional sales managers. We would definitely hire new positions in the case of retroactive GSP renewal.

**Amy Campbell, Founder of Brilliant Imports in Austin, Texas:** Brilliant Imports has experienced, what is significant to a budding business, cash outflow due to GSP expiration...for a company that is less than three years old, this has been a hard blow to handle. In addition, there is extreme uncertainty on GSP renewal going forward therefore I'm keeping 'predictable' cash outflows as tight as possible. As the Founder and Owner, I've let go of my PR firm, my Virtual Assistant (VA) as well as cut back on advertising (these are a few examples). There is no projection to hire any help going forward. Retroactive GSP renewal would be a nice boost to keep a relatively new business like Brilliant Imports afloat as well as lead to a hire of a VA and placement of Brilliant Imports in a fulfillment center...both of these are detrimental to my company's success.

**Cathy Korndorffer, Chief Operating Officer at Chantal Cookware Corp in Houston, Texas:** We are a small, privately owned company in the housewares industry. We struggle every year to compete on a global scale with huge conglomerates and every penny that our product cost increases counts. We have not laid anyone off because of GSP non-renewal, but we cannot pass this along to our retailers. What happens? Our employees do not get raises. There is no money going into their 401K plan. There is no Christmas bonus. There is a reduction in our medical insurance contribution from Chantal. Is it painful? YES!

**Wajih Rekik, President of CHO America in Baytown, Texas:** Importing olive oil from Tunisia and bringing a Tunisian olive oil to the U.S. consumer is a big challenge that was supported by the GSP advantage. Since GSP expiration, we froze hiring, gave up a plan to expand into a new warehouse. A retroactive renewal will be vital to us and will be translated into expansion of warehouse and at least three new hires.

**Allan Zadik, Owner of FAZ Marketing in Houston, Texas:** I had to close the import business as my selling price became uncompetitive. I did have to let go of two people as there was no way to keep sales up. I'm currently not importing products where GSP has affected my business.

**Abe Shaheen, Owner of Shaheen Import Export Co. in Virginia Beach, Virginia:** The GSP expiration and uncertainty about renewal has resulted in laying off three of workers at our company, and not being able to hire new employees. Retroactive GSP renewal would lead to more jobs at our company, and will enable us to expand our business.

**Daniel Hamilton, President of Vortex Optics in Middleton, Wisconsin:** If GSP is renewed with tariffs refunded, we could purchase new equipment needed for our US manufacturing plans, move forward on building plans for expansion, and hire additional employees. All of the money would go right back into the local economy.