

April 22, 2009

The Honorable Charles Rangel
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Dave Camp
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Rangel, Chairman Baucus, Ranking Member Camp, and Ranking Member Grassley:

We are writing about an issue of great importance to us: U.S. trade preferences for developing countries. As non-governmental organizations working to reduce poverty around the world and representatives of U.S. businesses interested in including developing countries in our sourcing plans, we can attest to the contribution preference programs, when properly structured, can have on the creation of economic opportunities, both in developing countries and in the United States.

We urge you to seek timely renewal of expiring preference programs for those countries found to fulfill each program's eligibility criteria and to initiate review and reform of existing U.S. preference programs. These actions, combined with a successful conclusion of the WTO Doha Development Agenda that opens major markets for both developed and developing countries and fulfills the round's original development objectives, will spur much-needed economic development and opportunity in the world's poorest countries. We ask you to pursue policies that will benefit as many of the world's poorest countries as possible, without giving an advantage to one country or region at an expense to another. Looking forward, this will include addressing the unmet needs of some very poor countries while preserving the successes of current programs, such as the opportunities created under the African Growth and Opportunity Act.

These issues are more urgent than ever. America's imports from sub-Saharan Africa have dropped from \$8 billion per month to about \$3 billion per month and Cambodia has lost one fifth of its garment industry since last fall. Many of these countries have few resources and institutions to cushion the impact declines in trade will have on workers and the poor. Swift and ambitious action on preferences renewal and reform can at least help shield them from a crisis they did not cause.

We know that you want to take a close look at how our preference programs are working, particularly for least developed countries, as well as ways to improve their effectiveness. We hope to help you with that important effort. We urge you to schedule hearings on the subject as soon as possible. We also urge you to renew the expiring

preferences for eligible countries well before they lapse so that current sourcing relationships are not damaged by uncertainty and the discussion on reform is not hurried to meet the year-end deadline. Such expiration, or removal of more advanced developing countries from eligibility, effectively increases U.S. barriers to trade in violation of the April 2, 2009 G-20 pledge “to refrain from raising new barriers to investment or to trade in goods and services... [until] the end of 2010.”

To that end, we would like to take the opportunity of your keen interest in preferences reform to offer our suggestions for a new program that would, we believe, preserve the best of existing programs and repair those provisions that have not been effective. Attached is a proposal outlining key elements for reform that we agree are necessary to ensure that preferences deliver meaningful benefits to developing countries and the United States. It represents a consensus among us that reflects several years of discussions and hard work. We hope that you find it useful.

We look forward to working with you on renewing expiring preference programs this year and to participating in what we anticipate will be a robust discussion on how to reform those and other programs. Such reforms are needed to ensure that these programs more effectively meet the development challenges of countries facing extreme poverty in ways that are consistent with our growing economic needs, including the needs of our companies and workers.

Sincerely,

Max Finberg, *Director*
Alliance to End Hunger

Kevin Burke, *President & CEO*
American Apparel and Footwear Association

Gabrielle Trebat, *Executive Director*
Brazil - U.S. Business Council

Bread for the World

Claude G.B. Fontheim, *Senior Advisor*
Business Council for Global Development

John J. Castellani, *President*
Business Roundtable

Randall Soderquist, *Senior Trade Program Associate*
Center for Global Development

Laura Baughman, *Executive Director*
Coalition for GSP

Stephen Hayes, *President*
Corporate Council on Africa

Calman J. Cohen, *President*
Emergency Committee for American Trade (ECAT)

Sara Mayes, *President*
Fashion Accessories Shippers Association (FASA)

Jim Kolbe, *Senior Transatlantic Fellow*
The German Marshall Fund of the United States

Bill Lane
The HELP Commission

Jill Lester, *President & CEO*
The Hunger Project

Jennifer Potter, *President & CEO*
Initiative for Global Development

International Food & Agricultural Trade Policy Council

William A. Reinsch, *President*
National Foreign Trade Council

Tracy Mullin, *President*
National Retail Federation

Raymond C. Offenheiser, *President*
Oxfam America

Will Marshall, *President & Founder*
Progressive Policy Institute

Sandy Kennedy, *President*
Retail Industry Leaders Association

Katrin A. Kuhlmann, *President*
Trade, Aid & Security Coalition (GlobalWorks Foundation)

Michele Marini Pittenger, *President*
Travel Goods Association (TGA)

Laura E. Jones, *Executive Director*
U.S. Association of Importers of Textiles and Apparel

Shamarukh Mohiuddin, *Executive Director*
U.S. Bangladesh Advisory Council

U.S. Chamber of Commerce

Ron Somers, *President*
U.S. - India Business Council

Ritu Sharma, *President & Co-founder*
Women Thrive Worldwide

World Vision

Joint Proposal for U.S. Preference Program Reform

For decades, the United States has extended preferential, duty-free market access to imports from selected developing countries through a growing number of preference programs. These programs have contributed to economic development around the world and improved the livelihoods of people living in poverty. In many cases, jobs created under preference programs have provided opportunities for women and low-skilled workers who otherwise have relatively few economic alternatives in many countries yet are responsible for supporting entire families and communities.

American businesses and employees also benefit from trade preferences, with many relying on goods imported duty-free as manufacturing inputs. American families benefit from an ability to purchase a variety of high quality products at affordable prices. Finally, the requirements for participation in these programs bring about economic and legal reforms, which lead to improvements in the rights of workers, enhanced rule of law, and better local business climates, thereby building potential new markets for U.S. exports and regional trade. As such, U.S. preference programs have become key components of both U.S. development strategy and broader U.S. foreign and economic policy.

Despite existing gains, the aims of the various U.S. trade preference programs could be better achieved if they were replaced with a single, comprehensive trade preference program that increases opportunities for *all* developing countries to benefit as much as possible from global trade while, at the same time, creating certainty for exporters, importers and investors. To this end, we support the establishment of a new program with the following elements:

1) One simple, unified U.S. trade preference program that:

- Extends benefits to *all* developing countries, including advanced developing countries, that meet clear eligibility criteria;
- Contains consistent, transparent, predictable and enforceable rules for termination of country and product eligibility that also, when possible, are sensitive to opportunities to expand U.S.-beneficiary, and beneficiary-beneficiary trade;
- Includes a mechanism for public comment and a clear review process for continued participation with regular reporting to Congress on performance and trends in meeting eligibility criteria;
- Uses a simple rule of origin common to all products; and
- Remains in effect for a period long enough to encourage long-term investment and sourcing.

2) Enhanced benefits for least developed countries, sub-Saharan Africa and designated low middle-income countries, including:

- Extension of duty-free, quota-free market access for all products;
- A less restrictive rule of origin for eligible sub-Saharan African countries;
- Targeted trade capacity building assistance for countries in need, including programs to help producers take advantage of preferences and resources dedicated to building local and regional capacity in sub-Saharan Africa; and
- A requirement that all U.S. government foreign assistance policies and tools be aligned to support the development of strong economies and regional integration, where appropriate, to increase participation in local, regional and international trade. U.S. assistance providers would work with private sector and civil society representatives to identify opportunities to most effectively promote economic development in impoverished countries.