COALITION FOR GSP

HOW GSP TERMINATION WOULD HURT AMERICAN BUSINESSES & WORKERS

SURVEY & PROFILES OF AMERICAN COMPANIES THAT WOULD BEAR THE BURDEN OF TARIFF INCREASES FROM GSP TERMINATION

Executive Summary

On March 4, The Trump administration announced its intent to terminate eligibility for India and Turkey under the Generalized System of Preferences (GSP) program. These decisions, if implemented, would increase tariffs (*i.e.,* taxes) paid on imports from those countries by hundreds of millions of dollars annually. Similar "country practice reviews" are underway for other major GSP supplier countries such as Thailand and Indonesia. There is no statutory deadline for decisions in those reviews.

While GSP often is viewed as a benefit to foreign countries, American companies – and their workers – would bear the burden of these new tax costs. **This report, based on survey responses from about 125 companies that import under GSP, details the many ways companies would be harmed by loss of GSP.**

But first it looks at what companies have done over the last year, their expectations for the coming year with GSP in place, and the impacts on both sourcing and domestic operations from lost GSP. In addition to summarized survey data, the report profiles about 30 individual companies.

The report finds:

- **GSP importers are thriving**. About 70% of survey respondents have hired new workers or increased wages and benefits in the past year. Warehouse Associates in Indianapolis, Indiana has doubled employment from 20 to 40 workers as it invests in final-stage manufacturing, while Ritika's Global Grains in Lexington, Massachusetts has gone from 2 to 10 workers as its products find their way onto shelves at more retailers.

- **GSP importers are poised for future growth**. Most survey respondents expect further growth in the coming year, including 60%-70% of respondent that expect to hire more workers, increase pay and benefits, and make capital investments. HSV Automotive tentatively plans to invest in a heat-treatment facility in South Carolina or Texas, while Galaxy Sourcing in Addison, Illinois is adding a small manufacturing, testing and assembly facility.

- **GSP termination would disrupt supply chains, with China the most likely beneficiary.** About one-third of respondents expect to source more from China if GSP benefits are terminated – about the same percentage that expected to shift to any of the approximately 120 GSP countries and significantly more than "other" countries (NAFTA, EU, Japan) combined. Many companies simply would import less, limiting growth potential. Tyoga Container in Tioga, Pennsylvania would struggle to compete with bags from China, so it would likely increase its purchases from China too.

- **GSP loss would cost American jobs.** About 90% of survey respondents expect sales to fall if GSP is terminated, making it difficult to move ahead with current planned expansions. As a result, about 40% expect to lay off currents workers, and even more expect planned hires and investments to be put on hold. Con-Tech International in New Orleans may shut down divisions selling GSP-eligible products, while World Confections in Maplewood, New Jersey said losing GSP for Turkey could put it out of business.

- **Companies with increasing GSP imports create more jobs**. Despite the frequent narrative that imports destroy jobs, companies with rising imports outperformed companies whose imports were flat or declined in every "desirable" category, including new hires, increasing compensation, making investment, increasing domestic production, and even growing exports.

Table of Contents / Company Profile List

About the Survey Respondents

The report is based on survey responses from 124 companies that import under the GSP program. Companies answered a series of questions, including demographic info (locations, employees), import info (products, GSP source countries, GSP savings), recent and planned actions with GSP in place (hires, wage increases, output/export increases, capital expenditures), and expected impacts of lost GSP on sourcing and domestic operations. Aggregated data reflect all survey responses. Profiles include only those that gave explicit permission to publish company-specific info.

The typical respondent company…

employs 12 people and **saved $154,000** from GSP in 2018

Among respondents…

- **27% have multiple facilities** in the US
- **45% export** some of their GSP imports
- **30% import from multiple** GSP countries

Top reported GSP supplier countries were…

India
49%

Turkey
26%

Thailand
23%

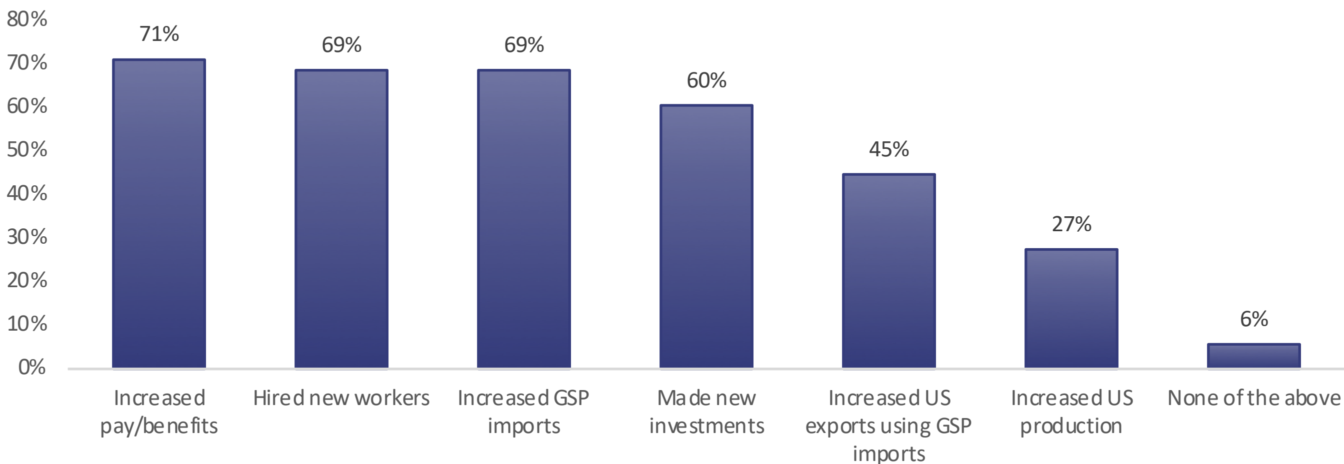
Indonesia
23%

About a quarter of respondent companies reported imports from other GSP countries, either instead of or in addition to the countries above.

GSP importers are creating more – and better – jobs

Survey respondents exemplify the types of constituents elected officials at all levels want to represent: they are adding workers, increasing wages and benefits, and investing to ensure long-term competitiveness at home and abroad. Few look like the employers they were just a year ago. GSP benefits have played a crucial role in their recent growth. Some pass along tariff savings to customers to spur demand. For others, GSP savings improve margins and provide the necessary resources to invest in workers – both new and old – and make capital expenditures.

Survey Respondents Reporting Each Action in Past Year



* N=124, except for export-related questions, where N=56

Increased wages and benefits: Over 70% of companies reported increasing wages and/or benefits in the past year, such as A Simpler Time in Morrisville, North Carolina (*see page 15).*

Hired new workers: 69% of companies reported hiring new workers, such as Ritika's Global Grains in Lexington, Massachusetts (*see page 17).*

Increased GSP imports: 69% of companies reported increasing GSP-eligible imports – making everything else possible – such as Salonika Imports in Pittsburgh, Pennsylvania (*see page 18).*

Made new investments: 60% of companies reported new capital investments, such as NAECO, LLC in Peachtree City, Georgia (*see page 13).*

Increased US exports: 45% of companies reported increased US exports of products using GSP imports, such as HSV Automotive in Spring, Texas (*see page 16).*

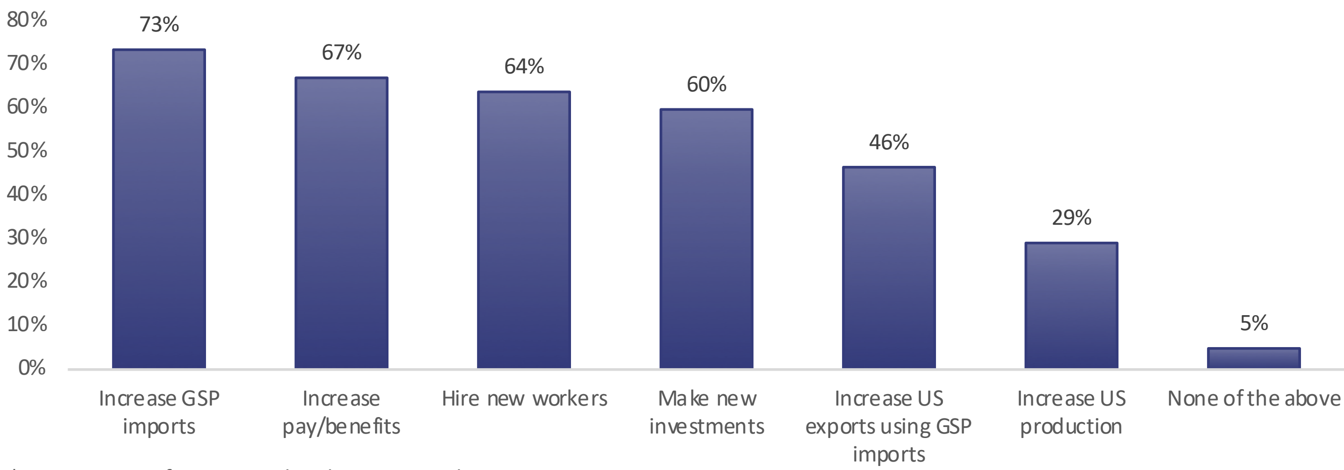
Increased US production: 27% of companies reported increased US production in the past year, such as Kishek Interntional in Costa Mesa, California (*see page 18).*

GSP importers are poised for continued growth

As successful as respondent companies have been at creating new and better jobs in the past year, most see further growth on the horizon in jobs, wages, investments, and output. Very few report no expected growth across any of the operational categories.

Shares reporting planned actions for next year closely follow responses for actions taken last year, but company responses are often quite different. For example, about 15% reported new hires last year but no new hiring plans, 53% said yes for both years, and 10% reported only future new hires.

Survey Respondents Expecting Each Action in Next Year With Continued GSP



* N=124, except for export-related questions, where N=56

Increasing GSP imports: 73% of companies expect GSP-eligible imports to increase in the next year, such as Primetac Corporation in Little Ferry, New Jersey (*see page 22).*

Increasing wages and benefits: 67% of companies expect wages and/or benefits to increase, such as Pak Group in Pasadena, California (*see page 18*)

Hiring new workers: 64% of companies expect to hire new US workers, such as Karran USA in Vincennes, Indiana (*see page 11).*

Making new investments: 60% of companies expect to make new US investments, such as Galaxy Sourcing in Addison, Illinois (*see page 15.*

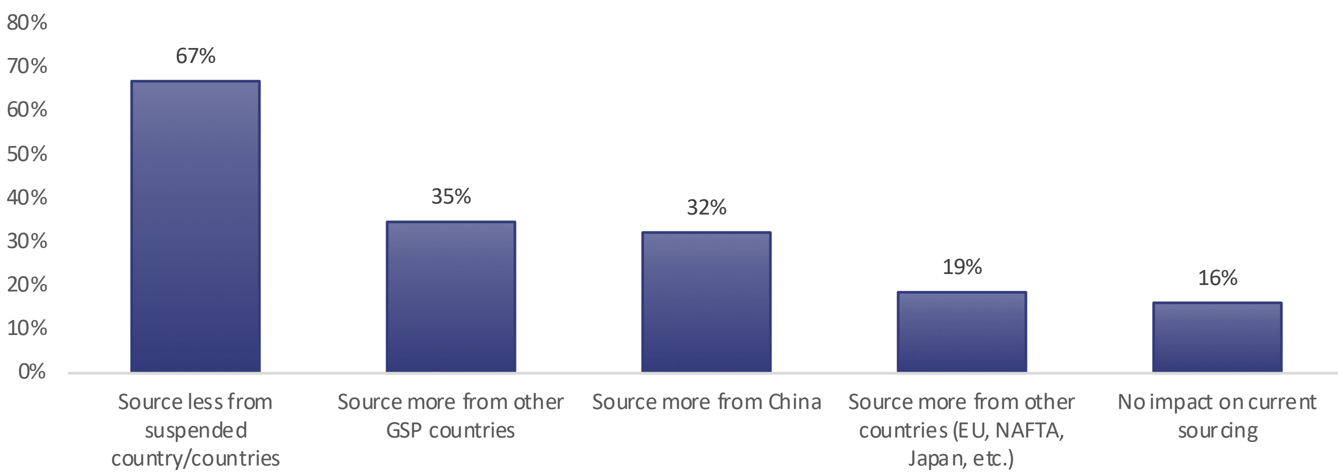
Increasing US exports: 46% of companies expect to increase exports that contain GSP-eligible imports, such as PolySource in Independence, Missouri (*see page 21).*

Increasing US production: 29% of companies expect to increase US production, such as Warehouse Associates in Indianapolis, Indiana (*see page 13).*

GSP termination would disrupt sourcing…

Nearly all companies – five out of six – expected GSP termination to affect their sourcing decisions. Most expect imports from any country that loses GSP to decline. Beyond that, things get complicated since companies often import from more than one GSP country under review, and alternate plans depend on what else might happen after any loss of GSP for a specific country. One recurring comment was that finding and qualifying new sources took time – well beyond the 60 days' notice required by statute for termination – meaning short-term problems even if long-term shifts are available.

Survey Respondents Expecting Each Sourcing Impact If GSP Is Terminated



* N=124, except for export-related questions, where N=56

Reduced sourcing: 67% of companies expect to reduce imports from any country that loses GSP. Over one-third of those do not expect to source more from any other country, such as Babco Foods in Piscataway, New Jersey (*see page 17).*

Source more from other GSP countries: 35% of companies would try to offset lost GSP for one country with more imports from others, such as Halsted Bag in Cranbury, New Jersey (*see page 16).*

Source more from China: 32% of companies expect to buy more from China – almost as many as would look to *any* of the 120 other GSP countries – such as Tyoga Container in Tioga, Pennsylvania (*see page 10).*

Source more from other countries: 19% of companies expect to look for suppliers in other countries, such as Tesoros Foods in Las Vegas, Nevada (*see page 20).*

No impact on sourcing: Only 16% of companies said a decision to suspend GSP would not impact their sourcing.

Only one company mentioned trying to buy more US products. However, it noted there are few US suppliers and "many times over the last 20 years we have had US suppliers tell us they do not want to sell to us" for competitive reasons. Even those that want to buy American may not have that option.

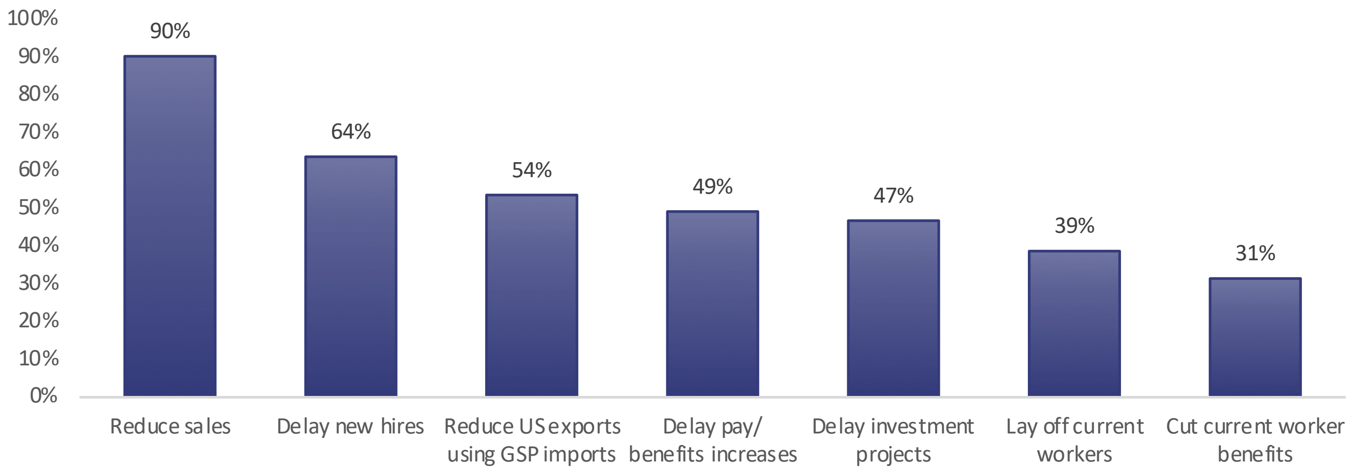
GSP TERMINATION WILL MEAN MORE IMPORTS FROM CHINA

32% OF U.S. COMPANIES EXPECT TO **BUY MORE FROM CHINA** IF GSP FOR INDIA AND TURKEY ARE TERMINATED

…and put US jobs and growth at risk

Nearly all companies expect sales to fall if GSP benefits are lost, leading to slowdowns or reversals of current plans. Not surprisingly, companies first put growth plans – either in terms of hiring or compensating current employees, or investments – on hold. Cuts to the current employment or wages were cited less often. However, given the strong growth expectations if GSP benefits remain in place, a high percentage of companies expect to freeze hiring and/or lay off workers. Cuts also may be more likely beyond the one year window, especially if companies struggle to find alternative sources.

Survey Respondents Expecting Each Action in Next Year If GSP is Terminated



* N=124, except for export-related questions, where N=56

Lower sales: 90% of companies expect sales of GSP imports to fall, such as dZi Handmade in Easthampton, Massachusetts (*see page 12).*

Delaying new hires: 64% of companies expect to delay planned hires, such as Green Boy Group in Redondo Beach, California (*see page 10).*

Decreasing US exports: 54% of companies expect lower exports due to high tariffs, such as Power & Energy USA in Doral, Florida (*see page 18)*.

Delaying wages and benefits increases: 49% of companies expect GSP termination to prevent compensation increases, such as World Confections in Maplewood, New Jersey (*see page 19)*.

Delaying investment projects: 47% of companies expect GSP termination to delay investments, such as Kervan USA in Whitehall, Pennsylvania (*see page 19)*.

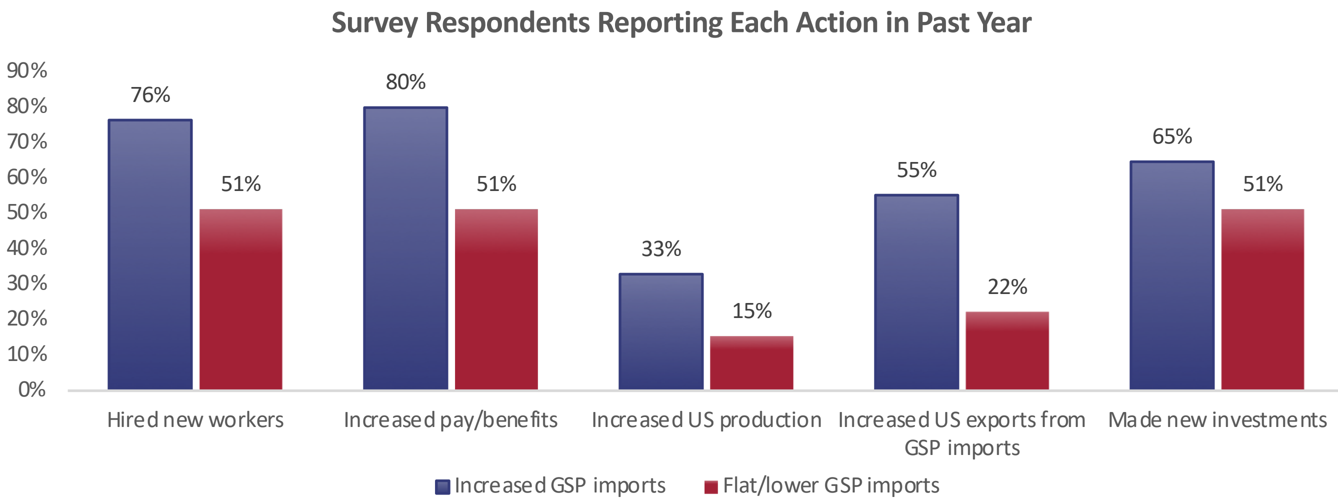
Laying off workers: 39% of companies expect to lay off current workers, such as Randa Accessories in New York, New York (*see page 14)*.

Cut workers wages and benefits: 31% of companies expect to cut current compensation, such as Shamrock Manufacturing in Chino, California *(see page 22).*

Job-killing imports?

The narrative story on trade, particularly as told by those supporting higher U.S. tariffs, often says exports create jobs but imports destroy them. The survey provides the opportunity to compare the performance between companies that increased imports and those that did not.

Overall, about two-thirds of respondents increased imports and one-third did not. Not only were there no negative impacts on US employment, output, or investments – companies with rising imports outperformed companies whose imports were flat or declined in every "desirable" category.



* N=124, except for export-related questions, where N=56

Creating more jobs? Companies with rising imports were about 1.5 times as likely (76% to 51%) to have hired new workers in the past year.

Creating better jobs? Companies with rising imports were about 1.6 times as likely (80% to 51%) to increase wages or benefits than those with flat or declining imports.

Increasing US production? Companies with rising imports were more than twice as likely (33% to 15%) to increase domestic production. (These figures likely understate actual production increases since they include wholesalers and retailers with no domestic "production" to increase, but impacts should be similar for both company groups).

Exporting more? The most lopsided result: companies with rising imports were 2.5 as likely (55% to 22%) to increase their exports from the United States.

Investing more? Companies with rising imports were about 1.25 times as likely (65% to 51%) to report new capital investments in the past year..

American companies that would be hurt by GSP termination for both India and Turkey

Tyoga Container Company in Tioga, Pennsylvania provides customized packaging and shipping solutions, including boxes, packaging supplies, bulk bags, and transit protection products. Between its headquarters and its warehouse in Houston, Texas, the company employs about 125 American workers.

Tyoga saved about $400,000 in 2018 on GSP-eligible imports of dunnage air bags and polywoven metal wrap fabric. Unfortunately, all of those savings came on imports from India and Turkey, and the Trump administration announced its intent to terminate GSP for both of those countries on March 4. As a result, Tyoga could face an extra $1,000 per day in new tariffs in just a few weeks.

How losing GSP will impact Tyoga is clear: “We will be less competitive against companies importing from China,” reported Division Manager Randy Cleveland. For many companies, GSP benefits are the difference between the ability to be price-competitive against China – or not. So Tyoga likely will buy more from China too.

Green Boy Group in Redondo Beach, California is a start-up supplying non-GMO and organic food ingredients, primarily to specialty food manufacturers in the Los Angeles area. Most of its imports, which include non-GMO, organic corn starches, maltodextrin, and syrups from India, Turkey, and/or Thailand, are not available in the United States.

In 2018, GSP eliminated around $100,000 in tariffs for Green Boy. A majority of these savings came on imports from India and Turkey, whose benefits could be terminated as soon as May 4. The rest came on imports from Thailand, which similarly is under review and could be subject to an announcement at any time.

Demand for Green Boy’s products has increased, but uncertainty from the GSP reviews makes the company reluctant to expand at this time. “If the GSP stays as it is, it would give us the security to hire new workers for customer service, sales and R&D, rent new space, and take more credit lines,” says President Peter van Dijken.

Loss of GSP “would kill our small business” added van Dijken. Green Boy has invested significant resources to build up suppliers over the past few years. Some of those could become immediately non-competitive with tariffs in place, making it difficult to recoup those investments.

American companies that would be hurt by GSP termination for both India and Turkey (continued)

Karran USA in Vincennes, Indiana is an 18-employee company that designs and develops kitchen sinks. From its 200,000 square foot sales, manufacturing, and distribution center in central Indiana, it ships sinks throughout the United States, Canada, and Europe. It imports stainless steel and quartz sinks from both India and Turkey. It also produces some of its own sinks at the Indiana facility.

2018 was a great year: sales of GSP-eligible products grew 14% and it hired 2 new warehouse staff and 1 new marketing person. It rolled out a new product line – imported under GSP – that generated significant new sales.

Its plans for 2019 are similarly ambitious: rolling out more new stainless steel and quartz sink products imported under GSP that would lead to hiring another sales manager and additional production staff at its warehouse for packaging, quality control, and shipping.

Loss of GSP would force Karran to pass on the tariffs to its distributor partners, who in turn raise their prices to their dealer partners, who in turn will raise their prices to end consumers: American homeowners.

> ***"A seemingly simple increase of $10 in our cost because of duties will result in the homeowner paying in excess of $40 more for our product."***

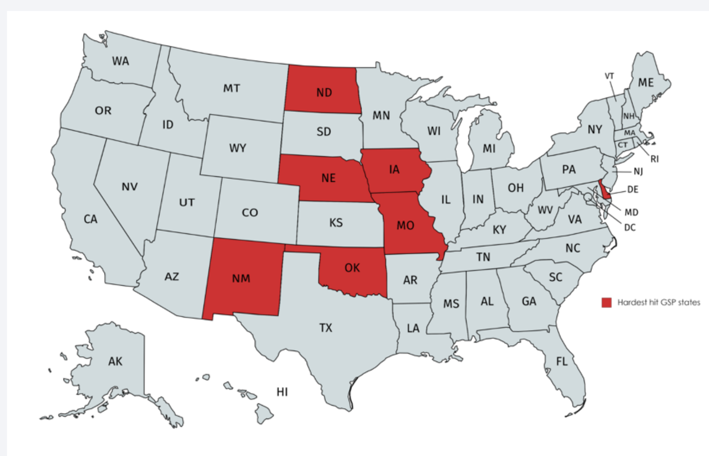
"A seemingly simple increase of $10 in our cost because of duties will result in the homeowner paying in excess of $40 more for our product" says Mark Webster, Karran's Marketing Manager. "Alternatively customers can choose a cheaper Chinese-sourced alternative instead of buying our sinks."

Seven states that will be hit hardest by India and Turkey termination

Companies in every state will face higher taxes if GSP benefits for India and Turkey are terminated. But such decisions would wipe out the vast majority of GSP benefits enjoyed by companies in those states.

India and Turkey combined to account for more than 60% of GSP savings for companies in **Nebraska** (77%), **New Mexico** (70%), **North Dakota** (64%), **Missouri** (64%), **Iowa** (63%), **Delaware** (63%), and **Oklahoma** (61%).

House Members from those states voted 25-0 in support of the 2018 GSP renewal bill – 2 were not present – but their reauthorization support on behalf of constituents could be undermined by the Administration's actions.



American companies that would be hurt by GSP termination for India

dZi Handmade in Easthampton, Massachusetts is a founding member of the Fair Trade Federation. For over 25 years, dZi has worked directly with over 1,000 Tibetan, Indian and Nepalese artisans to create, import and market designs that celebrate the beauty of the natural world.

dZi's GSP imports include brass and silver jewelry, brass bowls and wind chimes, wall decorations, and wood and bone bead rosaries. GSP saves the 10-person company tens of thousands of dollars annually. Nearly a quarter of those savings come on imports from India.

The small business is experiencing significant growth: sales are up 30% over 2018, mainly due to new jewelry designs created for producers in India. To handle the increased business, it just hired a new customer service person and a new Sales and Marketing Manager – both starting in May.

Employment benefits are not limited to dZi: to support rising sales, it has product displays manufactured locally in Western Massachusetts. dZi also contracts with other local manufacturers such as printers to provide it with marketing materials.

If GSP continues, dZi believes it will increase imports and sales of Indian jewelry, in turn leading to more new hires in Massachusetts. But the uncertainty around GSP for India is putting those plans on the back burner for now.

"Our U.S. customers always ask what's new, but they also want a competitively priced and unique product," says dZi CEO and Founder Mac McCoy. "Keeping product and import costs down while increasing sales means we can continue supporting artisans in India, providing health care for our employees in Massachusetts, and investing in new display and office systems produced in the US."

Because the success of its products rely on artisan craftwork that is specific to India, dZi cannot simply shift sourcing to other countries. It can take years to develop new relationships and confirm production abilities and capacities with new artisan groups, so dZi resists moving production. As a result, its imports – and therefore its sales – would simply fall.

dZi's GSP savings from India may be small in the scheme of US trade policy, but loss of GSP would raise product costs. McCoy says this would have two effects: "Our profit margins and sales strength will both fall. Together these will make the company less profitable, leading to possible layoffs, a stall in providing improved benefits, and reduced spending with local vendors in Western Massachusetts."

American companies that would be hurt by GSP termination for India (continued)

Warehouse Associates in Indianapolis, Indiana is a small but growing business that would be severely hurt by the loss of GSP for India. Its automotive parts and fluid transmission lines are used by American engine manufacturers such as Cummins and manufacturers of off-highway equipment such as Caterpillar and John Deere.

While traditionally an importer of finished goods, Warehouse has made significant investments in recent years to complete final-stage manufacturing in Indiana using components from India.

Since late 2017, Warehouse's Indiana workforce has doubled from 20 to 40 employees. In the past year alone, Warehouse added positions in materials management and quality inspection, customer service, finance and accounting, and engineering. Two engineers were hired to interface with clients designing new products.

With GSP in place for India, Warehouse expects strong growth to continue. Additional investments for facility infrastructure and expansions are planned, which in turn would create even more new jobs as Warehouse's American manufacturing capabilities increase.

Terminating GSP for India would halt Warehouse's U.S. manufacturing growth. "If GSP is withdrawn, we would reduce our staffing and change our investment strategy" says Warehouse Associates Managing Director Tom Snyder.

Unlike many other companies, Warehouse does not anticipate changing its sourcing in event of GSP loss. It would still import from India – but its imports would revert back to finished products instead of components for domestic manufacturing.

"Many people assume imports replace American jobs," says Snyder. "For us, the GSP tariff savings on components from India are what made American manufacturing possible in the first place."

Since 2017, **Warehouse Associates in Indianapolis, Indiana** has doubled their workforce, including adding new positions in:

- Materials management
- Quality inspection
- Customer service
- Finance and accounting
- Engineering

Loss of GSP could reduce Warehouse's staffing as it shifts from importing parts to finished goods.

NAECO, LLC in Peachtree City, Georgia was founded in 1999. Since then, it has been recognized multiple times by Inc. 5000® as one of America's Fastest Growing Private Companies and has been nominated four times as a Georgia Manufacturer of the Year in the small manufacturer category. Today, NAECO employs 35 workers and serves nearly 100 customers across North America, Europe and Asia.

NAECO imports certain materials and sub-components used as the raw material for its Georgia manufacturing from India. Since 2017, GSP savings for key components have helped NAECO invest over $2.5 million in buildings and equipment and create 8 good-paying jobs. Current plans include more new hires, more domestic manufacturing, and expanded exports to countries such as Canada, Mexico, and France.

But those expectations are based partly on its continued ability to import sub-components duty-free from India under GSP. Loss of GSP for India could force NAECO to reassess some of its investment plans.

American companies that would be hurt by GSP termination for India (continued)

Randa Accessories is one of the world's largest accessories companies. It makes products such as belts and wallets for a portfolio of 50 brands including Dockers, Levi's, Nautica, and Tommy Hilfiger.

In addition to its global headquarters in New York City, it has offices in Rosemont, Illinois and Bloomfield, New Jersey and distribution centers in Reno, Nevada and Saint Rose, Louisiana, which employ nearly 1,000 full-time associates and over 4,000 part-time associates.

GSP for India is a compelling and positive benefit for Randa and its partner retailers, brands, suppliers and consumers. The company's customers are looking for high quality products at low costs, and GSP provides that metric by eliminating US tariffs of up to 8%, placed on belts and wallets. Increased business over the past year has led to growth in Randa's US marketing, design, and merchandising operations. The company projects further growth in 2019.

Terminating GSP for India would have the opposite effect. Randa would increase its exploration of sourcing from other low-cost, non-GSP countries with an expected twelve to eighteen month period to qualify and develop this new supply-chain. During this period Randa would need to pass along cost increases to the company's customers, which in turn would generate higher retail prices leading to decreased sales and reduced employment across Randa's US locations.

WorldFinds in Westmont, Illinois is a fair-trade business with 9 employees that imports handmade jewelry, bags, and scarves from India.

Over the past year, higher sales associated with a 30% increase in GSP-eligible imports allowed WorldFinds to hire a new customer relations/inside sales person and make office and equipment upgrades for its Chicago-area office. Current plans to hire a new operations employee depend on further import increases.

Terminating GSP for India will hurt both WorldFinds' US operations and the lives of the marginalized women in India it works with as a project for poverty elimination. "We'd need to increase prices by 11% and that likely will affect our sales" says Kelly Weinberger, WorldFinds' Founder and President. "We may need to delay a new hire and put other expansion plans on hold if sales decline because of higher prices."

American companies that would be hurt by GSP termination for India (continued)

Galaxy Sourcing in Addison, Illinois imports machine tool accessories (e.g., tool holders, work-holding chucks, etc.) from India. GSP eliminated tens of thousands of dollars in tariffs on Galaxy's imports in 2018, reducing costs for its customers: American manufacturers.

The past year has been incredibly successful for the (previously) 3-person company: based on a 25% increase in imports, it scaled the business by adding 2 part-time workers and one full-time employee. It also moved into a new building that had been vacant for more than 10 years, which required significant rehabbing and improvements.

Its current growth plans are aggressive: it is adding a new product line, preparing a new catalog, and adding a small manufacturing, testing and assembly facility. It also intends to add additional inside sales staff and continue expanding its building infrastructure to handle new business.

The GSP termination announcement puts that at risk. "Loss of GSP savings will severely slow down or reverse our current trajectory" says Vice President of Operations Shayan Merchant. "GSP is critical in allowing our higher-quality products to compete against cheaper imports from China."

Without GSP for India, Galaxy itself is likely to increase sourcing from China to remain competitive.

Based on a 25% increase in imports, **Galaxy Sourcing in Addison, Illinois**:

- Added 1 full-time employee
- Added 2 part-time employees
- Moved into a larger building that was vacant for 10 years
- Plans to add a manufacturing, testing and assembly facility

A Simpler Time/Brass Bell in Morrisville, North Carolina imports brass items from India. In addition to its Raleigh-area warehouse, it has a retail store in New Orleans, Louisiana – about 50 yards from the historic St. Louis Cathedral. GSP saves the 12-person company tens of thousands of dollars annually in eliminated tariffs.

A Simpler Time reports everything policymakers want to hear from a small business. In the past few years it purchased a $40,000 US-made machine to engrave the brass imported from India and hired a graphic designer to create even more new products. With its best sales year ever in 2018, it was able to give substantial raises and bonuses.

It expects new investments to continue in 2019, including spending $40,000 with US vendors for website upgrades and $20,000 for database upgrades. It is considering another US-made printer that would cost between $30,000 and $50,000, as well as opening a new location in Charleston, South Carolina that would employ 4 to 6 people and pay nearly $10,000 per month in rent.

But all that is based on continued GSP. Termination would lead to lower sales, which would cause A Simpler Time to delay or cancel its investments such as the new location in South Carolina. Salary or benefit cuts may similarly be required to make up for extra tariff costs.

Based on risings imports and GSP savings, **A Simpler Time in Morrisville, North Carolina:**

- Bought a $40K US-made machine for engraving brass from India
- Hired a new US graphic designer
- Plans up to $100K in capex on US services vendors and machinery
- Plans to open a 2nd retail location

American companies that would be hurt by GSP termination for India (continued)

Halsted Corporation in Cranbury, New Jersey has been family-owned and operated since 1876. It provides a full range of woven polypropylene bulk bags, mesh bags, wholesale sandbags and agricultural bags, including sandbags (used in emergency situations) from India.

GSP saves the company tens of thousands of dollars annually, and sales of GSP-eligible products have been increasing by about 10% year-over-year. That helped Halsted hire 2 people for sales and 1 for supply chain in the past year.

Should GSP continue, Halsted expects sales to increase at a similar pace, which would lead to continued hiring and investments. If GSP for India is terminated, Halsted's products would become less competitive. This would put expansion plans on hold and possibly lead Halsted to reduce employment while seeking new suppliers in China and/or remaining GSP countries.

Con-Tech International in New Orleans, Louisiana imports metal and plastic closures for the metal and plastic drum industry as well as plastic spouts. The 14-person company imports primarily from India under GSP, which eliminates tens of thousands of dollars on its imports annually.

Con-Tech's sales of GSP-eligible products have been growing, allowing it to hire new workers. As long as GSP for India continues, it expects continued increases in both imports and jobs. But terminating GSP could have a very negative impact.

"If Con-Tech starts to pay tariffs on our Indian products, we'd need to increase prices and would not be too competitive in the market," reports Vice President of Sales Delmy Orellana Pasa. "Our sales would probably go down and we'd be forced to lay off workers or even reconsider whole divisions."

HSV Automotive in Spring, Texas imports brake components, fittings, and transmission parts from India that are manufactured into larger assemblies. GSP saved the company around $200,000 in 2018, helping HSV to increase employment, imports, and exports (to Brazil).

Tentative plans include investing in heat-treatment facility in Texas or South Carolina; Increasing its assembly operations in South Carolina, and looking for new export opportunities.

GSP termination for India would put these plans on hold as HSV looks for new suppliers in southeast Asia, which could take 6-12 months.

Americans are the <u>real</u> beneficiaries of India's GSP eligibility

It is often said the India is the largest beneficiary of the GSP program, but this has it backwards: American companies and workers benefit more from India's GSP eligibility than from eligibility for any other country. GSP for India saved American companies $260 million in 2018 – about a quarter of all savings under the GSP program.

For 31 states, India was the top source for GSP savings in 2018. India was among the top three sources of GSP savings for all but 5 states.

American companies that would be hurt by GSP termination for India (continued)

Babco Foods in Piscataway, New Jersey is a distributor of foods including ready-to-eat snacks, rice, spices, and pickles. The family-owned company has 32 employees, split between its New Jersey headquarters and distribution centers in Dallas, Texas and Hayward, California (near San Francisco). GSP eliminates hundreds of thousands of dollars annually for Babco's imports.

Introducing new GSP-eligible product lines and expanding its distribution area has led to a large increase in imports – and US jobs to support them. In the past year, it has hired 2 new sales executives, 1 new back office staff, 4 new warehouse associates (across locations), and one new driver.

With GSP for India in place, it has big plans for the coming year, including opening a Chicago branch to cater to stores in the Midwest. That would require renting a warehouse, hiring sales executives and warehouse staff, obtaining trucks, and investing in other infrastructure necessary for the growth.

Without GSP for India, the growing company could struggle to survive. "Nearly all of our products come from India, so we have no option but continue to source from India at a higher cost" reported Olivia Vaz, Babco's CFO. Profit margins for distributors like Babco are already very low due to competition and the perishable nature of the products, which can lead to expiration and returns. "To a large extent, increase in cost has to be passed on to the consumer," added Vaz.

Additional tariff costs have other impacts that often are not considered. They require increased bank borrowing to support cash flow, leading to higher interest expenses. Higher costs and lower sales would squeeze in already-low profit margins. Reductions in employees and benefits are one of the few viable options for companies like Babco that need to find ways to recoup costs associated with higher tariffs.

In the past year, Babco Foods has grown from 25 to 32 employees, and plans to open another location that would require even new hires. Ritika's Global Grains has grown from 2 to 10 employees, and more new retailers want to sell its products.

Nearly all of their sales come from GSP-eligible goods from India, and termination would prevent many of their growth plans.

Ritika's Global Grains in Lexington, Massachusetts provides similar products from India: primarily quick-heating (60-90 second) rice, grains, pastas, and sauces. As American consumers seek new foods, Ritika's has helped retailers expand their product lines with products that otherwise would not be available.

Over the last year, Ritika's has grown from just 2 to 10 US employees – a fivefold increase – and continued growth is expected. "We have new product lines and more retailers wanting to do business with us, so we will certainly hire more US workers," reported CEO Ritika Bowry. "Our long-term goal is to bring this manufacturing technology to the United States by opening our own factory since we cannot currently find a US manufacturer able to produce our quality products at the same competitive price."

Terminating GSP for India would have devastating effects on that growth. Added Bowry: "Our profits will suffer considerably. We will have to raise prices. Our sales will drop. We may have to lay off some workers, and definitely will not be able to hire more US workers or grow at the expected rate."

American companies that would be hurt by terminating GSP for Turkey

Power & Energy Usa Inc. in Doral, Florida distributes lead acid batteries to customers and distributors in more than 20 countries worldwide. It both imports batteries into the United States and exports American-made batteries around the world. In 2010, it created a battery-exporting joint venture with Superior Battery Manufacturing (SBM) Company. That same year, SBM was recognized with the Governor's Award for International Trade Excellence by the Kentucky World Trade Center and the following year it received an Exporter of the Year award from the US Department of Commerce.

In 2015, Power & Energy became the exclusive distributor of certain batteries from Turkey for the US and Canadian markets. Sales growth for GSP-eligible batteries from Turkey exceeded 10% in 2018, and even higher increases are expected in 2019. With the help of GSP savings, Power & Energy has hired new workers while simultaneously exporting more throughout the Americas.

"It will affect our competitiveness dramatically," says President Juan Sierra. "The battery market is very competitive and losing 3.5% mark-up will affect our revenues and future growth."

Pak Group in Pasadena, California produces baking ingredients such as yeasts and dough conditioners used by North American bakeries. The company imports yeasts from Turkey under GSP, while eliminated hundreds of thousands of dollars in tariffs in 2018.

Over the past year, Pak Group's imports have risen by about 20%, allowing it to grow its employment from 13 to 15 workers. According to President Walter Postelwait, continued GSP for Turkey would lead to similar growth in both import volumes and employment in 2019, while also allowing Pak Group to offer improved employee benefits. Without GSP, it is likely to focus on products from other countries, forgoing the planned growth associated with its current imports from Turkey.

Kishek International in Costa Mesa, California imports fine gold jewelry, mostly from Turkey but also Indonesia. GSP led to 7-figure tariff savings for the 7-person company in 2018. GSP-eligible Imports increased 20%, as Kishek imported more finished jewelry and materials used for new product lines that we manufacture here in the United States.

Lower tariffs drive sales and enable Kishek to reinvest savings into the business. It recently invested in a new manufacturing facility to increase future US production and hired a new accountant. But domestic manufacturing depends on obtaining duty-free materials under GSP.

Losing GSP for Turkey or Indonesia could stop its American manufacturing plans. Instead of making more jewelry here with imported materials, Kishek may be forced to relocate all production overseas.

Salonika Imports in Pittsburgh, Pennsylvania is an importer, wholesaler, and distributor of Mediterranean food products. That includes specialties such roasted red peppers, pepperoncini, roasted eggplant, stuffed grape leaves, capers, and olive oil from Turkey. Salonika also has a retail storefront and will even deliver lunch via Grubhub.

GSP saved the 10-person company tens of thousands of dollars in 2018. Salonika's GSP imports increased 20% last year and were expected to increase again this year. It was among the many GSP importers that reported hiring new workers in the past year. Salonika also planned to hire 2 new workers to support the increased business.

Terminating GSP for Turkey would have an immediate impact on Salonika. It could shift sourcing to Greece or Bulgaria, but switching to new suppliers takes up to 6 months – well beyond the 60-day minimum notice required for removing countries from GSP. Since increased costs are expected to reduce sales in the interim, Salonika may need to put its current hiring plans on hold.

American companies that would be hurt by terminating GSP for Turkey (continued)

Hamilton Retail Solutions in Jeffersonville, Indiana is a small importer poised for big growth. The company imports confectionary, chocolate, and cookies from Turkey. After years of hard work, sales have quadrupled, helped by six-figure annual tariff savings due to GSP. The 3-person company planned to hire 1-2 new workers in 2019 and hoped to hire 3 more by the end of 2020.

And without GSP for Turkey? "Most of this will now go away," says President/Founder Corey Hamilton. "GSP benefits for Turkey make the difference a company with exploding growth and one that will be lucky to stay in business." It is far from alone as an importer of candies and confections from Turkey.

World Confections, Inc. in Maplewood, New Jersey has been family owned and operated for three generations since it was established in 1952. Its brands, alongside an extensive list of premier Character Licenses (e.g., Spiderman, Batman, Avengers), are available throughout the United States and in over 40 countries worldwide.

GSP for Turkey saved the nine-person company hundreds of thousands of dollars in 2018. It hired a new worker and expects to increase its workforce further to match the rising demand for its GSP-eligible products in the coming year. But loss of GSP would be a blow to World Confections and the eight U.S. families its imports from Turkey support.

"There is a chance that our company will go out of business without the support of GSP benefits," says Vice President Scott Cohen. "Without the ability to competitively purchase from our GSP supplier, imports would decrease, job creation would halt, and worker pay would stagnate. It is dire for our company that Turkey retain GSP benefits."

Kervan USA in Whitehall, Pennsylvania has a similar story. GSP for Turkey saved the 8-person company hundreds of thousands of dollars on gummy candies of well-known US brands and licensed characters (e.g., Crayola, Sunkist, Curious George, Peanuts Snoopy). While the candies are from Turkey, Kervan is promoting – and adding value to – these US brands.

Growth has been strong enough that Kervan is considering opening its own warehouse that would provide jobs for 10+ people. Kicking Turkey out of GSP would put expansion plans on hold as Kervan looks for new suppliers, likely in China.

American companies that would be hurt by GSP termination for Thailand

Vogt Power International in Louisville, Kentucky specializes in the manufacture and delivery of Heat Recovery Steam Generators (HRSGs) meeting today's stringent environmental standards while maintaining operational and performance excellence. Its customers are utility companies in the US and around the world.

Vogt imports steam drums, steam boilers, and boiler parts under GSP. Most of its GSP-eligible imports come from Thailand, but some come from India. Vogt was able to win two major projects in the United States by using GSP-eligible countries for fabrication. GSP allows Vogt to maintain employment and benefits while keeping costs lower for US ratepayers.

"There are a limited number of fabricators of our product due to the specialized welding and overall size of the equipment," says Chris Turner, Vogt's CEO. "Without GSP, several of our premier fabricators would not be competitive, which would make Vogt less competitive in the US market and could lead to a reduction in staff."

Tesoros Trading Company in Las Vegas, Nevada is a growing importer of specialty foods such as edamame, chocolate-coated fruit, organic retort rice, and ready-meals. About 95% of Tesoros' products come from Thailand – generally unique/authentic Thai products – that would face tariffs of up to 15% without GSP.

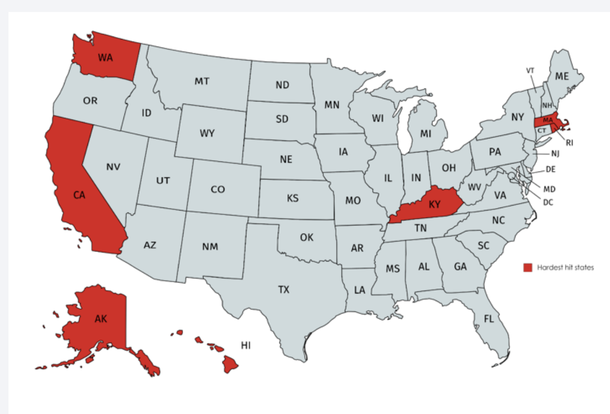
Tesoros has expanded both its branded business and sales for private-label customers, and expects strong growth to continue in 2019 and beyond. But GSP is critical to its future success. "There is a lot of pressure to lower retail prices for foods in the US in order to compete," says Tesoros President Quinn Barnes. "We would not be able to pass along 14.9% tariffs without pricing ourselves out of the market."

GSP suspension would hurt the company's top and bottom line financials – both by reducing sales and its margins or remaining sales. One possible solution would be transitioning co-production to other low-cost, non-GSP countries such as Vietnam. If that is not possible, Tesoros would be forced to make some very hard financial decisions.

Seven states that would be hurt most by Thailand termination

GSP for Thailand saved American companies $163 million in 2018, making it the second largest source of GSP savings.

GSP eliminated an estimated $43 million on imports from Thailand into California alone last year. For California and six other states – Alaska, Hawaii, Kentucky, Massachusetts, Rhode Island, and Washington – it was the top source for GSP savings in 2018.



American companies that would be hurt by terminating GSP for Thailand (continued)

PolySource, LLC in Independence, Missouri is a thermoplastic resin and compound distributor. Its primary GSP imports are ABS copolymers – a type of plastic resins – from Thailand. GSP eliminated hundreds of thousands of dollars in tariffs, allowing PolySource to offer lower prices to its customers: American manufacturers in industries ranging from agriculture to aerospace.

GSP benefits for Thailand helped PolySource hire 4 new workers in 2018, all with above market wages and full benefits. They also helped the company increase its exports, primarily to Canada, Mexico, and the European Union. PolySource expects that growth to continue, but such projections are based on continued duty-free treatment for imports from Thailand under GSP.

Since plastic resins are commodities where individual firms have little ability to set prices, imports from Thailand would struggle to compete without GSP. PolySource would seek new sources, likely in Taiwan and/or China. But current expectations could be put on hold while the company reconfigures longstanding supply chains.

Performance Radiator in Seattle, Washington offers consumers, professional installers, and fleet managers a complete selection of aftermarket automobile parts. It operates 40 stores throughout the United States and Canada.

GSP saves Performance Radiator hundreds of thousands of dollars annually on imports of radiators and condensers from Thailand, Indonesia, and India. Among those, Thailand is its most important GSP supplier. GSP savings helped the company hire new workers last year.

Like many survey respondents, Performance Radiator is exploring ways to shift more of its sourcing out of China. It expects GSP-eligible imports to rise in the coming year as it moves supply from China to other Asian markets. However, those shifts become less feasible without GSP benefits in place.

Not only would Performance Radiation buy more from China if Thailand, Indonesia, or India lose GSP. It also expects to delay both hiring and planned capital investments.

American companies that would be hurt by GSP termination for Indonesia

Primetac Corporation in Little Ferry, New Jersey is a family-owned business supplying industrial packaging materials. It has a nationwide network of distributors, including additional distribution centers in California, Florida, Texas, and Washington.

GSP for Indonesia saves the 20-person company hundreds of thousands of dollars annually on tapes – especially plastic film backed tapes for carton sealing and masking tapes – and stretch films.

The competitiveness provided by GSP for Indonesia has helped Primetac create more, good jobs in the United States. In 2017 and 2018, it hired 2 new salespeople with high base salaries and full benefits packages. It opened a warehouse in Houston to support one of the new salespeople, while also completing upgrades to its New Jersey warehouse, among other investments.

Primetac expects four new hires in the coming year, including a CFO, a national sales manager, a salesperson, and inside operations assistant in billing or logistics. Loss of GSP for Indonesia would put *at least* two of those jobs at risk. It also could jeopardize other investments under consideration such a new software packages.

Shamrock Manufacturing Company (SMC) in Chino, California is a vertically integrated manufacturer of medical and industrial rubber gloves. The 13-person company saved about $200,000 in 2018 due to GSP, all of which came on imports of rubber gloves from Indonesia.

While tariffs on rubber gloves are generally low – 3% – the GSP savings greatly improve SMC's profit margins, which has a direct and positive impact on its ability to provide good benefits for its workers. For example, employees used to have to pay out of pocket for part of their healthcare costs. However, based on profitability including the GSP savings, SMC decided to bear the burden of those previously out-of-pocket costs. Employees also received annual bonuses last year because of the company's strong profitability.

If GSP benefits continue, SMC will maintain its current healthcare benefits and may look to hire new workers. Without GSP for Indonesia, either SMC's margins or its sales (if tariffs passed along) would decline. In either scenario, lower overall profits would force SMC to cut back its healthcare benefits and delay any potential new hires or other investments.

Contact us:

Coalition for GSP
1701 K Street NW, Suite 575
Washington, DC 20006
202-347-1041

https://renewgsptoday.com/

@RenewGSPToday

COALITION FOR GSP