RILA
RETAIL INDUSTRY LEADERS ASSOCIATION
Retail's Future...Educate, Innovate, Advocate

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Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
1724 F Street, NW
Washington, D.C. 20508

Via Electronic Mail: FR0704@ustr.eop.gov

RE: Duty-Free/Quota-Free Market Access for Least-Developed Countries

Dear Ms. Blue:

On behalf of the Retail Industry Leaders Association (RILA), I am pleased to submit public comments regarding the implementation of the WTO commitment to provide duty-free, quota-free (DFQF) market access for least-developed countries (LDCs) adopted at the Sixth Ministerial Conference of the World Trade Organization (WTO) in December 2005. RILA and our member companies strongly support granting comprehensive DFQF treatment to LDCs as part of a successful WTO Doha Development Agenda agreement. U.S. preference programs are positive economic tools that promote development in developing countries, create jobs in the United States and in the nations of our poorest trading partners, and benefit U.S. consumers by allowing retailers to provide better quality and variety of products at affordable prices.

By way of background, RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Our members include the largest and fastest growing companies in the retail industry --retailers, product manufacturers, and service suppliers--which together account for more than $1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Benefits of Preference Programs

Many of RILA's retail and product manufacturer members currently use trade preference programs. Programs such as the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA), the Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Preferences and Drug Eradication Act (ATPDEA) serve as important tools to foster trade between the United States and developing countries to the benefit of all parties. Removing barriers to trade allows RILA's membership to bring high-quality, affordable goods into the U.S. market and create jobs in both the United

States and in some of the poorest countries in the world. Additionally, these preference programs are important foreign policy tools that can spread goodwill and share the benefits of trade to enable millions of people to work to provide a better life for themselves.

At the same time, the current patchwork of preference programs is not as effective as it could be because oftentimes the programs are extended for only short periods of time, they exclude a large number of products that would most benefit developing countries and U.S. consumers (particularly those at the lowest income levels), and they can have conflicting rules of origins and onerous requirements.

Policy Recommendations

RILA submits the following recommendations to be considered in granting DFQF preferential treatment to LDCs:

1) DFQF access should be available for all product lines from all LDCs.

Current beneficiary countries of GSP and other preference programs are limited in the product lines for which they receive preferential treatment. For example, GSP only covers 4,600 of the nearly 10,000 U.S. tariff lines. Further, the industries that stand to gain the most from increased access to the U.S. market are oftentimes excluded because they are deemed to be import sensitive. And some products that continue to be deemed import sensitive are no longer made in the United States. Meanwhile, developing countries are often competitive in some of these labor-intensive industries, such as the production of consumer goods like t-shirts, socks, leather goods, shoes, handicrafts, and jewelry. Any new DFQF initiative should consolidate all preferential treatment into one comprehensive program for all LDCs.

A comprehensive DFQF program would not only benefit LDCs, but also lower-income U.S. families. Many of the excluded products for which the highest tariffs are levied are goods that are purchased by lower-income U.S. families, including lower-end footwear and clothing. For example, tariffs on low-end sneakers range between 48 and 67 percent, but tariffs on higher-end sneakers are only 20 percent, and for leather dress shoes, the tariff is 8.5 percent. Eliminating the tariffs on these products from LDCs would benefit both the LDCs and U.S. consumers who purchase the goods.

RILA urges the United States to provide comprehensive DFQF market access treatment for all product lines from all LDCs.

2) *Rules of origin for a DFQF program should be as flexible as possible.*

It is important to promote a sustainable model that fosters long-term economic development in LDCs. The rules of origin for these goods should seek to promote both concrete benefits and sustainable economic development by being as flexible as possible.

For example, the rule of origin should allow cumulation among all beneficiary countries. Moreover, any U.S. preference program should also work to promote, and not undermine, current U.S. Free Trade Agreements (FTAs) by allowing eligibility for DFQF treatment for LDC products made from inputs produced in FTA partner countries.

3) *Any new DFQF program should provide long-term benefits and also include clear and predictable graduation criteria.*

RILA respectfully requests that any DFQF program for LDCs be in place for a minimum of ten years. Such a long-term program would allow for meaningful capital investments to be made in LDCs to create the infrastructure necessary for industries and economies to grow. Historically, Congress has only provided short-term extensions of preference programs. While this allows lawmakers to revisit these programs more often to review the successes and failures in achieving development goals, it is not conducive to the overall goal of sustainable development in the world's poorest countries. For example, in December 2006, Congress retroactively extended provisions of AGOA through 2012, extended GSP for two years, and extended the ATPDEA for six-months, with another extension for countries that have negotiated a free trade agreement (FTA) with the U.S. The current on-again, off-again environment does not lend itself well to long-term business planning and investment that LDCs so desperately need. Businesses often view investments in LDCs as high-risk, and investors need assurances of continued preferential treatment to spend the money to invest in much-needed infrastructure and manufacturing facilities.

RILA urges that DFQF preference program be enacted for at least ten years to allow for long term business planning and market stability.

While it is important to enact a DFQF program for a long-term time period, the program should also include clear and predictable graduation criteria to ensure that the benefits of the program continue to be focused toward LDCs. USTR should consider creating a multi-year phase-out of benefits after an LDC achieves a higher economic level, so that the economic activity fostered by the preferential treatment can adapt to clear criteria and plan for foreseeable changes in benefits. Finally, the criteria used to determine whether a country should be graduated from benefits should provide a comprehensive picture of the country's economic development and not simply rely on one economic indicator such as per capita income.

4) *A DFQF program should have flexible and practical suspension of concession tools.*

Under current U.S. trade preference programs, a determination that a beneficiary country has failed to meet an eligibility requirement would result in the withdrawal of all benefits for that country. This blunt instrument can have the unfortunate consequence of penalizing highly productive and good-performing sectors of the economy for actions in a different, underperforming sector. Thus the penalty for noncompliance is disproportionately high and rarely used. In implementing a

DFQF program for LDCs, USTR should develop a more flexible enforcement mechanism that would allow for targeted enforcement actions where appropriate.

Conclusion

RILA and our member companies strongly support granting comprehensive DFQF treatment to LDCs as part of the implementation of a successful WTO Doha Development Agenda agreement. A comprehensive, long-term program can provide the economic incentive and certainty necessary to foster desperately-needed investment in LDCs. Such a program should be crafted to: provide generous, long-term benefits to LDCs, include flexible rules of origin to maximize usage, have clear and predictable graduation criteria to ensure that the benefits of the program remain targeted to LDCs, and include practical and flexible suspension of concession tools when beneficiary countries fail to meet eligibility criteria.

Sincerely,

Stephanie Lester

Stephanie Lester
Vice President, International Trade