



**U.S. Trade Preference Programs: How well do they work?
Oral Testimony by Katrin Kuhlmann
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Before the U.S. Senate Finance Committee**

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Good Morning Chairman Baucus, Ranking Member Grassley and members of the Committee. Thank you for having me here today. My name is Katrin Kuhlmann, and I am the Senior Vice President for Global Trade at the Women's Edge Coalition, a non-profit non-partisan organization dedicated to promoting economic policies that improve the lives of women in the developing world. The majority of poor people in the world are women. Travel to almost any small village in any country, and you will see women eking out a living for themselves and their families through tireless, backbreaking work.

The potential of international trade to improve the lives of these women is enormous. Congress has recognized the power of trade as a development tool through various policies, including trade preference programs. In my travels to the developing world, I've met craftswoman with beautiful wares who could not access the market and factory workers in Sri Lanka fearful that low cost production in China would send them back to gripping poverty. For these women, secure access to markets can literally mean the difference between surviving and starving.

AGOA, for example, has generated thousands of apparel jobs in sub-Saharan Africa — 45,000 in Swaziland, 26,000 in Lesotho, and 30,000 in Kenya — and up to 90 percent of these jobs have gone to impoverished women who had few other economic opportunities.



In India and Thailand, American preference programs have given rise to a new wave of businesses geared towards producing jewelry for the international market. In India alone, the opportunity to sell into the U.S. market duty-free has directly created 325,000 jobs in jewelry production and has encouraged the development of another 600,000 related jobs. That is almost one million employed because of GSP. In Thailand, a country with a much smaller population, another million jobs have been created in the jewelry industry. For women, these jobs are often the only alternative to subsistence farming. Keep in mind that giving one woman a job sends ripples throughout the developing world. Studies have found that one woman with a job in an export-related field can support up to 15 family members.

It would be a shame if all of these jobs and all of this hope that has arisen from U.S. policies were to simply disappear if these programs were allowed to expire. If Congress doesn't act before the end of June, preferences for the Andean countries will expire and waivers that have created millions of jobs in India, Thailand, the Philippines and Brazil will be put in jeopardy. We urge Congress to address these issues as soon as possible.

While preference programs have been a tremendous success, there are areas that can be improved. Here are four concrete suggestions.

First, the world's poorest countries should receive complete access to the U.S. market, free of duties and quotas. There are so many product exclusions built into the statutes – textiles, apparel, footwear, luggage, and certain agricultural products – that many



products are still subject to duties and quotas even when they come from those countries that are meant to be benefiting from our preference programs. These exclusions can have absurd results. For example, Bangladesh pays more in import duties on its \$3.3 billion in exports to the United States than the United Kingdom does on its \$54 billion in exports. Cambodia pays as much on its \$2 billion in exports as France does on its \$37 billion in exports. With annual per capita incomes of less than \$500, these are poor countries that can ill afford these disproportionate tariff burdens.

Our second recommendation is that African countries receive special consideration to build upon the successes of AGOA and create lasting, sustainable change in the African economy. In addition to 100 percent duty-free quota-free market access, AGOA countries should receive more permissible rules of origin, significant dedicated capacity building and increased attention from U.S. trade and development agencies.

Third, the current programs are difficult to navigate, both for beneficiary countries and American businesses. Preference programs should be made permanent and simplified through one set of clear criteria and rules.

Fourth, due to trade capacity constraints, in many developing countries the poorest populations can't take advantage of the opportunities created by trade and U.S. preference programs. More trade capacity building assistance is desperately needed

I recognize that no discussion of trade is complete without a discussion of the impact on America and American workers. Take the textiles and apparel industry, for example.



Congress is rightly concerned that jobs in the American industry have disappeared in recent decades. However, driving apparel manufacturers in Bangladesh out of business and throwing thousands of women who have just begun to bring themselves out of poverty back into the desperation of subsistence farming – or much worse -- is not going to revive the American industry. Boosting labor standards abroad is something we support, and I hope that better labor standards, such as those recently agreed upon by Congress and the Administration, will help bring standards up around the world, improving the lives of women and partially allay concerns with the impact of freer trade on America. Without American preference programs, whether it is apparel in Bangladesh or Africa, jewelry in India or Thailand or agriculture in the Andean countries, jobs in the developing world will move to China -- and not to Charlestown. It is in our own national interest as Americans that the promise of trade be spread more equitably throughout the developing world.

I thank the Committee for your time and for all that you have done to create and preserve these programs. I urge you to extend and improve the trade preference programs and would be happy to answer any questions you might have.