

J Forest Consulting
5604 Chevy Chase Parkway, NW
Washington, DC
jan@jforestconsulting.com

February 29, 2016

VIA EDIS & HAND DELIVERY

Honorable Lisa R. Barton,
Secretary to the Commission
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Generalized System of Preferences: Possible Modifications, 2015 Review (Inv. No. 332-556); Post-hearing Statement of Jan Forest on behalf of Global Mamas

This post-hearing statement is being submitted on behalf of Global Mamas in connection with Investigation No. 332-556, *Generalized System of Preferences: Possible Modifications, 2015 Review*, related to the possible designation of additional articles. In a letter dated December 30, 2015, the USTR requested advice concerning the probable economic effect of the elimination of U.S. import duties on certain handbags and travel goods for least-developed developing countries (LDBDCs) and certain African Growth and Opportunity Act (AGOA) countries, as identified in Table A of the Annex to the USTR request letter. The items in Table A are being considered as eligible articles for countries designated as LDBDCs and for AGOA countries and include HTSUS subheadings: 4202.22.45; 4202.32.40; 4202.92.15.

A petition on behalf of Global Mamas was submitted on October 16, 2015, in response to the *Federal Register* Notice published on August 19, 2015 (80 Fed. Reg. 50376) regarding the *Generalized System of Preferences (GSP): Notice of Initiation of the 2015 Annual GSP Product and Country Practices Review*. The petition filed on behalf of Global Mamas requested duty free treatment for various bags and wallets classified under HTSUS subheadings: 4202.22.45; 4202.32.40; 4202.92.15. While Global Mamas is specifically requesting this treatment for HTSUS subheadings: 4202.22.45; 4202.32.40; and 4202.92.15, we believe duty-free treatment for all of the articles listed in Table A to the Annex to the USTR request letter of December 30, 2015 should be granted. Because Global Mamas produces a unique product and focuses on U.S. consumers who value products that are made by workers who are paid a living wage by a company that provides additional benefits like education, training, and health care, it does not see competition from GSP countries, which is particularly coming from Asia, as a direct threat.

A public hearing in connection with Investigation No. 332-556 was held on February 24, 2016. A request to appear at the public hearing was filed on behalf of Global Mamas on February 1, 2016 and a pre-hearing statement was filed on February 3, 2016. Jan Forest and Anna Rose Ott appeared at the hearing in behalf of Global Mamas. This post-hearing statement is being filed in connection with the February 24 hearing.

The Global Mamas Story

Global Mamas was founded in 2003 (originally under the name “Women in Progress”) by Renae Adam and Kristin Johnson, former Peace Corps volunteers in Ghana. It was formed as a non-profit organization with the mission to transform the lives of women entrepreneurs in Ghana by helping them to grow their businesses. In the beginning, the co-founders provided one-on-one consulting on business and financial management for the six founding artisans (Alice, Elizabeth, Emma, Esther, Hannah and Florence), who were operating their own small businesses. The artisans decided to unite under the name “Global Mamas” to produce and export textile products under a common brand.

Global Mamas helps women entrepreneurs expand their businesses by training them in leadership, financial management, marketing, and merchandising. Workshops in health were recently added as well. Global Mamas also provides ongoing, personalized hands-on training to enhance the talents of the women and to help them to manage their expanding businesses and personal income. This requires tremendous human resources and expertise – accomplished through hosting international volunteers and interns who offer their expertise, mentorship, and encouragement. Since 2003, nearly 400 volunteers representing 24 countries have spent more than 100,000 hours in Ghana sharing their time and skills.

Global Mamas defines prosperity as going beyond financial well-being to include happiness and good health. The artisans achieve prosperity by creating and selling unique, handcrafted products of the highest quality, using traditional production methods. Global Mamas’ local staff manage production, ensure high quality and deliver personal customer service. The artisans realize their dreams of having the opportunity to support their families, send their children to school, improve their health, and save for the future. Global Mamas believes very strongly in paying a living wage that will cover (and even surpass) all basic needs (food, rent, utilities, education, clean drinking water, clothing, transportation, medical expenses and savings). The Living Wage Project involved the quantification by volunteers of the cost of living for the artisans in various locations through interviews with employees, as well as interviews with the Ghana Internal Revenue Service and the Ghana Trade Union Congress. The study resulted in an increase in salaries by an average of 12%.

The Global Mamas Market and Products

The market in the U.S. for Global Mamas’ textile products is unique because, at a wholesale level, Global Mamas must meet certain “price points” in order to make its products economically viable. Global Mamas’ competition includes anyone selling purses, handbags, wallets and sports bags. Because the market is so vast, Global Mamas has focused their marketing to wholesale boutiques and fair trade stores looking to purchase handmade and fair trade purses, bags and wallets. Their competition includes products from all over the world. The products are typically higher priced than products from South America and Asia because of the hardships they face in Africa including lack of raw materials and challenging infrastructure (especially irregular electricity). In the EU market, the bags and wallets are duty free, and, therefore, more competitive.

Price point refers to the price for which the product is sold. This could be a wholesale price point or a retail price point. For example, U.S. retailers, who are Global Mamas' direct customers, must be able to sell these products to end-customers at prices below a certain price point, or those retailers will purchase from other wholesalers. If Global Mamas could reduce its wholesale prices by up to 6.3%, it would make their products more attractive to U.S. retailers. U.S. retailers could then price Global Mamas' products at this more attractive level, which would increase sales volumes and provide additional jobs in the communities in Ghana, where it operates.

Global Mamas produces the subject articles in Ghana and exports them to the United States. The woven fabric is imported from China. It is bleached and is cut into 12-yd segments and sold in a bale containing 600 yards. Global Mamas sources some zippers and buttons locally and for their bags, they generally try to use hand-made beads made from recycled glass in Ghana as buttons.

The organization employs and contracts with artisans in its two production locations of Cape Coast and Ashaiman. Global Mamas has 15 full-time employees in the Cape Coast office and works with another 67 small, independently owned women-owned businesses to produce apparel, accessories, and home décor products. Each independent business employee has, on average, one additional worker. Global Mamas also produces batik products, including bags, in its Ashaiman location, which has 23 full-time employees. In addition, Global Mamas operates out of the following facilities:

- Krobo Odumase (Recycled Glass Beads and Weaving) – 25 Employees and 24 small, independently owned family businesses;
- Accra Office/Store – Seven Employees;
- Minneapolis, MN – Two full time and three part time employees;
- Ajumako – Global Mamas provides part-time orders to six weavers in Ajumako; and
- Contract Partners – Global Mamas provides a majority of orders for two additional women owned companies who produce bulk shea butter, packaged shea butter and soap. The company names are Naasakle and El Agbe.

Global Mamas has been shipping apparel products using AGOA since 2005. Global Mamas has been able to survive to-date in the U.S. market by focusing sales in the “fair trade” niche markets. It focuses on U.S. consumers who value products that are made by workers who are paid a living wage by a company that provides additional benefits like education, training, and health care. Global Mamas' sales include: US Retail (including online and direct sales like the state fair) - 7.5%; International Wholesale – 54.5%; and Accra Store – 38%. Although the import tariff rate paid by Global Mamas on the handbags and travel goods it exports to the U.S. appears small (*i.e.*, 6.3%), the impact on Global Mamas' sales volumes is significant.

Eligibility for GSP/AGOA

All of the goods for which Global Mamas is requesting duty-free treatment meet the legal requirements for GSP treatment under 19 U.S.C. section 2461 et seq., including that at least 35% of the appraised value of the goods is attributable to materials from and processing in the beneficiary developing country, in this case Ghana. Direct labor costs in Ghana are derived from two production operations – (1) the “batik” process, which involves hand stamping designs in wax onto the fabric and then applying dye to the whole cloth to create complex designs, and (2) sewing of the fabric by seamstresses into the final product. The direct labor costs range from 40% to 78% of the entered value of the goods, depending on the particular item. In addition to the labor costs incurred in Ghana, there are overhead costs tied to the operations in Ghana directly attributable to the production of the goods. For example, after each of the processes described above, first the fabric and then the completed articles are sent to Global Mama’s quality control department for inspection. Although overhead costs are also allowable costs under the GSP requirements, we did not factor them into the calculations because it was not necessary to do so to meet the 35% threshold for all of the goods. The raw materials used in the production of the goods are generally not of Ghana origin. Therefore, for purposes of our GSP eligibility calculations, we have assumed non-originating status for all materials used in the production of such goods.

Thus, even without considering possible raw materials costs attributable to Ghana or the overhead costs in Ghana that are attributable to the goods, it is clear that the 35% value-added requirement of 19 U.S.C. section 2463(2)(A)(ii) is easily met and that these goods qualify for GSP treatment.

AGOA History and Purpose

The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title I of the Trade and Development Act of 2000. It was intended to provide incentives for African countries to continue to open their economies and to build free markets. AGOA, which is unilateral and non-reciprocal, provides beneficiary Sub-Saharan African countries with liberal access to the U.S. market. In fact, access is the most liberal available to any country or region with which the United States does not have a Free Trade Agreement. In addition to its goal of encouraging reform efforts by African countries, AGOA is intended to provide improved access to U.S. credit and technical expertise.

AGOA is an expansion of the coverage of GSP. AGOA provides for preferential access to the U.S. market for all products eligible for GSP as well as additional footwear and apparel products, which are not eligible under GSP. The expansion of coverage to include apparel is particularly important to African countries, as apparel production is a sector with relatively low technological and investment barriers, providing employment opportunities for relatively low-skilled labor forces.

Imports into the U.S. from AGOA countries are a small portion of overall U.S. imports. For example, in 2014 slightly more than 1% of the \$2,314 billion in goods imported into the U.S. came from AGOA countries.¹ Of this, 56% received duty-free treatment under AGOA or GSP,

¹ Congressional Research Service Report 7-5700 (April 22, 2015), p. 9. Data obtained from U.S. ITC: <http://dataweb.usitc.gov/> and http://dataweb.usitc.gov/africa/trade_data.asp.

with a significant portion of this constituting crude oil imports. If crude oil is excluded from the data, 35% of U.S. imports from AGOA countries received duty-free treatment under AGOA or GSP.² Although imports of energy-related products (*e.g.*, crude oil) have dominated U.S. imports from Sub-Saharan Africa (69% in 2014), these imports have fallen over the past three years.³

With the recent extension of AGOA to September 30, 2025 by the Trade Preferences Extension Act of 2015 (H.R. 1295), it seems like a perfect time to rethink the way AGOA is being used. From the beginning, one of the stated purposes of AGOA has been to provide support to SME's, particularly those run by women entrepreneurs.

Reasons for Granting GSP Treatment to Global Mamas' Products

Granting GSP treatment for these products would generate an immediate effect that furthers the economic development of Ghana. Global Mamas' exports would increase, which would lead to increased employment, increased community support, and the improvement of the lives of the families of the women working with Global Mamas.

Furthermore, Global Mamas is unaware of any U.S. companies that are producing handbags and travel goods that are directly competing with the products that Global Mamas sells in the U.S. market. This is most likely because Global Mamas focuses its marketing and sales efforts on customers who value "fair trade" goods, meaning they value supporting companies who offer more to their employees and artisans than the lowest wage that can be paid.

Global Mamas has had amazing results. It has gone from providing opportunity to the six founding artisans to providing opportunity for over 400 women in nine locations in Ghana. Global Mamas has grown from one employee (Patience Essibu) to 70 employees on staff. Artisans and employees of Global Mamas have used their wages to do some incredible things. Batiker Aggie Cole put herself through college, and Cape Coast batiker Louisa Esi Dadzi was the first apprentice to open her own business. Wisdom Tamakloe rose from a quality control employee to general manager of the Cape Coast operation. In 2010, the first child of a Mama graduated from college with tuition paid with income made possible by Global Mamas.

Global Mamas has ambitions to expand its operations in Ghana in the future. Plans were initiated in 2012 to establish a new production facility (Fair Trade Zone) in order to meet increased demand for its products. The hope is to eventually employ 200 women full-time in the Ghanaian textile industry. In 2013, an international team of architecture students, led by Architecture Sans Frontieres (United Kingdom) (ASF-UK) spent nine weeks in Ghana to help design the new facility. They used a participatory design process focused on making international development issues integral to architecture. They worked with the artisans to ensure that they would take a leading role in the design of their new work environment. Concern for the environment has been

² Note that an additional 57% of non-oil imports came in duty-free because the tariff provisions did not impose a duty, regardless of country of origin.

³ Energy-related products refers to goods classified under HTS Chapter 27.

taken into consideration by the inclusion of bio-gas toilets.⁴ Global Mamas is continuing to collaborate with ASF-UK toward achievement of this dream and is having discussions with Ghana Ministry of Trade and Industry about the possibility of using some unused warehouse space at Tema Port. Global Mamas is positioned to increase jobs and increase production should demand for our product increase through more competitive pricing. Our Ashaiman location could immediately add up to 20 seamstress and batikers with no additional capital investment.

Classification under item 9819.11.27

The question of why Global Mamas does not make use of the duty-free treatment provided for “handloomed, handmade, folklore articles or ethnic printed fabrics, under the provisions of U.S. Note 4 to this subchapter” in item 9819.11.27, HTSUS, was raised at the hearing. U.S. Note 4 to Subchapter XIX of Chapter 98, HTSUS, requires certification by a competent authority of the beneficiary country, subject to requirements established by the President or his designee,⁵ that a particular product is eligible for classification under 9819.11.27, HTSUS. AGOA-eligible “folklore articles” have been defined by Customs and Border Patrol (CBP) as excluding articles made with modern features, such as zippers, elastic, snaps, hooks or buttons.⁶

U.S. Note 4 further provides for the definition of ethnic printed fabric permitted to be classified under 9819.11.27, HTSUS. Presumably, ethnic printed fabric must also be certified in accordance with OTEXA requirements, but this is not clear from the language of the HTSUS or the legislative history. Also not clear from the language of 9819.11.27 is whether articles made from ethnic printed fabric are eligible as are handloomed, handmade and folklore articles.⁷ At the present time, it is understood that ethnic printed fabric must be formed from U.S. yarn or yarn originating in SSA and this would seem to lead to the conclusion that Global Mamas’ articles that are made from ethnic printed fabric produced from fabric formed outside SSA do not qualify under 9819.11.27, HTSUS.

Conclusion

The grant of GSP eligibility to the products identified in this testimony is very important to the economic development of beneficiary eligible sub-Saharan African countries, including Ghana. This is particularly true for the urban and rural areas in Ghana where Global Mamas’ employees and artisans rely on the export of batik bags, wallets, and other personal items to provide a higher standard of living for themselves, their children, and their communities.

⁴ Methane gas from the toilets can be captured in a sealed tank and then used to heat the wax and water required for the batik process. This will result in the use of less coal, thus causing less pollution and lower costs.

⁵ This responsibility has been delegated to the Office of Textiles and Apparel (OTEXA) under the Deputy Assistant Secretary for Textiles, Consumer Goods, and Materials at the Department of Commerce.

⁶ http://www.cbp.gov/sites/default/files/documents/agoa_folklore_3.pdf

⁷ The question remains as to whether it might be argued in this case that ethnic printed fabric is actually “formed” by the batik process in Ghana and that articles made from it qualify under 9819.11.27, HTSUS. In that case, these products could have been entered duty-free from the time ethnic printed fabric was added to item 9819.11.27 in 2008.