

**BEFORE THE UNITED STATES
INTERNATIONAL TRADE COMMISSION**

INVESTIGATION No. 332-556

**HEARING TESTIMONY OF BOB CHESTNOV
JACLYN, INC.**

**POSSIBLE MODIFICATIONS TO THE U.S. GSP AND SUPPORT FOR THE
INCLUSION OF TRAVEL GOODS INTO THIS PROGRAM**

Travel Suitcases	4202.12.2020 and 4202.12.2050
Travel Bags	4202.92.15, 4202.92.20, 4202.92.3031, 4202.92.3091 and 4202.92.45
Handbags	4202.22.15, 4202.22.45, 4202.22.8050, 4202.31.60, 4202.32.40, 4202.32.80, 4202.32.9550 and 4202.32.9560
Backpacks	4202.92.3020
Other Travel Cases	4202.92.9026, 4202.92.9060 and 4202.99.90

October 16, 2015

Good Afternoon. First, let me thank the Commissioners for the opportunity to appear to testify before you today. My name is Bob Chestnov; I am President and CEO at Jaclyn, Inc. The purpose of my testimony this morning is to provide evidence to the Commission of the economic benefits for the U.S. and GSP developing countries of including travel goods in the Generalized System of Preferences.

Jaclyn is a U.S. based company engaged in the design, manufacture, distribution and sale of women's and children's apparel, fabric handbags, sport bags, backpacks, cosmetic bags, and related products. For the most part, the company's products are made to order and marketed and sold to a range of retailers, primarily national mass merchandisers, and cosmetics companies. The company is headquartered in Maywood, NJ, and it is a publicly owned company, with current annual sales of approximately \$175 million.

Jaclyn has been in business for almost 90 years and I have been privileged to be part of the company for approximately half of that time. During my time I have seen the industry change from being predominantly a U.S. manufacturing industry back in the 1960s to now being largely a private label, and brand and product design industry. I witnessed the changes in the industry when it first began moving production overseas, primarily China in the 1970s, as well as subsequent attempts to diversify production to other places in Asia and Central America. From my perspective, GSP eligibility for travel goods will once again generate significant changes to the U.S. industry, vastly positive ones that will incentivize the industry to diversify production into a wider array of GSP eligible countries.

As you know, the travel goods under investigation became eligible for GSP designation with the implementation of The Trade Preferences Extension Act of 2015. Section 204 of this law specifies a new set of tariff lines and product descriptions representing travel goods articles that the Congress has determined to no longer be considered "import-sensitive" products and that are therefore eligible for GSP designation. One important factor that led to Congressional approval of the potential inclusion of travel goods in the GSP is that there is no domestic manufacturing in the U.S.

today capable to meet the U.S. travel goods market demands. On the other hand, as I just mentioned, the U.S. is home to a significant number of bag designers and travel goods brand owner companies, such as Jaclyn and others represented at this hearing, who add significant U.S. value to goods manufactured abroad.

Jaclyn's testimony is unique in that we do not currently source products from GSP eligible countries. All of our current production is from China. However, the current tariffs on the travel goods products described in this investigation range from 5.7% to 20%, a margin large enough to create an incentive for U.S. buyers to source more goods from GSP eligible countries. In fact, Jaclyn has not only began exploring sourcing from GSP developing countries but the company is ready to move a large portion of our China sourcing to a GSP eligible country as soon as the products are eligible for GSP.

In addition to the tariff cost reduction, one other very important consideration for Jaclyn in starting production from GSP eligible countries is that it will enable the company to better compete with Chinese manufacturers. Currently, some local Chinese factories who were at first Jaclyn suppliers are gaining U.S. market share by undercutting Jaclyn's prices and going directly to U.S. customers. Such actions create a race to the bottom and affects product quality and reliability. By granting GSP benefits to travel goods, Jaclyn and other U.S. companies facing increased competition from former Chinese suppliers will be able to remain competitive with its U.S. buyers and preserve jobs in the U.S.

While GSP eligible countries do not have as large of a travel goods industry as China, they have made significant strides over the last few years. Production costs in China are increasing while the costs of production in GSP eligible countries such as Cambodia are becoming more competitive. Chinese workforce is generally more efficient, but in GSP countries that have started producing travel goods in the last five to ten years the factories are more modern and there is little to none subcontracting, an issue that when present often feeds into diminished workers' conditions for workers in the industry.

As stated earlier, the U.S. has no major production of travel goods that will compete or be affected due to the addition of travel goods to the list of GSP eligible products. What few producing companies exist in the U.S. are only capable of manufacturing small quantities at high costs, and they are producing goods for niche areas of the industry that will not be harmed by the outcome of this investigation.

When it comes to GSP developing countries, GSP eligibility will provide incentives for U.S. buyers to consider purchasing these goods from those countries, instead of China, where manufacturers are now attempting to undercut and compete directly with U.S. designers and buyers.

We encourage the Commission to consider the significant economic development impact that acceptance of this petition can have in GSP eligible countries in terms of increased jobs and economic stability in those countries. Jaclyn is only one example of one U.S. company making significant sourcing changes as a result of the possible GSP designation for travel goods, but imagine the potential of the bulk of the industry combined making similar decisions in the near future. Further, the Commission should take into consideration the fact that while the U.S. is not a major manufacturer of travel goods, there is significant added value to these products by U.S. companies such as Jaclyn. Therefore, decreased sourcing costs would have an additional boost on U.S. companies as well.

In short, Jaclyn believes that the United States Government should grant travel goods GSP eligibility as soon as possible. Thank you for your time and I look forward to answering any questions.