



Testimony

of

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for the

House Ways and Means Committee

Trade Subcommittee Hearing

on

**Reforming the Generalized System of Preferences to
Safeguard U.S. Supply Chains and Combat China**

September 20, 2023

Chairman Smith, Ranking Member Blumenauer, thank you for the opportunity to testify at today's hearing, and USW International President Thomas Conway gives his regards. As this committee begins the process of potentially renewing the Generalized System of Preferences (GSP), a unilateral tariff cut program, it is the union's hope that this body will take a more sophisticated approach to what we ask in return for that benefit.

The GSP program was developed during a cold war and two super-power era, before China became the second largest economy in the world. It is a program that does not account for modern multi-national corporations and state-owned enterprises. In 2022, U.S. imports claimed under GSP were \$21.5 billion, up 15 percent from 2021 and 26.7 percent from 2020.¹ GSP lacks sophistication, and when the data shows that the largest beneficiaries of a U.S. unilateral tariff cut are importers of jewelry made of precious metals and high-end handbags, the USW believes we should demand more from the countries that benefit off this program.

This testimony will focus on a few key issues for the USW, which will ensure that we are actually meeting the goals of diversifying economically developing countries and growing trade without undercutting the American worker. This includes updating the import sensitive list, improving the GSP rules of origin, aligning labor and environmental standards to reflect modern trade agreements, and restarting Trade Adjustment Assistance (TAA).

Import Sensitive List

We need to recognize the threats to American workers if Congress does not take a more active role in managing the GSP program. USW, which represents over 20,000 tire workers, has previously raised before the committee how the GSP program lowers a 4 percent tariff on tires.² Our union has spent millions of dollars defending American workers, both union and non-union, against dumped and subsidized tires from foreign producers, many of whom are based in the People's Republic of China (PRC). We've highlighted that GSP countries are now the sites of China's Belt and Road Initiative (BRI) tire plants. One country, Serbia, saw a \$13.5 million tire plant built, and imports into the U.S. have since doubled.³ Cambodia, another GSP country, saw a five-million-unit tire plant constructed, and it is stated in the press that the plant is built mostly to export into the U.S. and European countries.⁴ Congress should not pad Chinese company profit margins by another 4 percent at the expense of American workers. USW calls on Congress to add pneumatic tires to the import sensitive list.

¹ [Office of the USTR](#), "2023 Trade Policy Agenda and 2022 Annual Report", March 2023.

² [United Steelworkers](#), "Local Union President Testifies on Behalf of Workers at Congressional Hearing on Trade", May 9, 2023.

³ [U.S. International Trade Commission DataWeb](#), Accessed September 17, 2023.

⁴ [Khmer Times](#), "Chinese-invested car tire factory in Cambodia set to export close to 6 million tires per year", May 23, 2023.

Rules of Origin

Updating the GSP program to ensure that less Chinese and Russian content goes into goods is common sense to meet our democratic goals. The Rules of Origin Standards in the GSP program are set at an absurdly low 35 percent. A GSP country can assemble a product with 65 percent of the materials coming from China or Russia, and then send it into our country tariff free. U.S. content does not even get a preference in this program. Personally, I would rather see an American rancher from my home state of Montana benefit from selling leather to a GSP country handbag manufacturer than customs tracing the supply chain to find forced labor leather coming from Xinjiang. USW urges Congress to raise the Rule of Origin in the GSP program to at least 60 percent, and incorporate American content into that threshold.

Labor and Environmental Standards

USW believes our values are an important export too. That is why the union and American labor movement see it as necessary to update the GSP program, so as to encourage democratic labor rights. The AFL-CIO has written extensively on the deficiencies related to labor in the GSP program. A 2010 proposal to update the GSP program provides detailed descriptions of issues that still need to be addressed 13 years later.⁵ Some of these provisions have now been adopted in the bipartisan passed United States-Mexico-Canada Agreement. We cannot backtrack on progress related to concepts included in modern trade agreements, like requiring countries to “effectively afford” internationally recognized workers’ rights.

Multinational tire corporations also take advantage of inadequate labor protections and stand to benefit from weak labor standards in the GSP. USW recently completed a report after working with researchers in Indonesia on conditions at a massive tire plant in the country. Around 17,000 Gajah Tunggal workers experience abysmal room conditions with bad air and a foul sewer smell radiating from the nearby river. Workers claim that the union was “controlled by management” and a labor contract was agreed to without worker input.

While there are successful examples of the U.S. Trade Representative’s (USTR) enforcement of GSP’s labor provisions, such as the review of Bolivia’s child labor laws in 2017⁶, the criteria needs to be strengthened in order to ensure that labor rights are protected both to the fullest extent possible and in a timely manner. For example, GSP reform should not include loopholes to enforcement. There should be no requirements that violations of GSP’s labor and environmental eligibility provisions be “sustained or recurring” and shown to have occurred in a manner “affecting trade” in order to be actionable in a GSP review. These examples showcase how these requirements would allow unconscionable behavior to go unchecked:

⁵ [AFL-CIO](#), “The Labor Provisions of a Future, Consolidated Generalized System of Preferences”, Accessed September 18, 2023.

⁶ [Office of the USTR](#), “USTR Announces GSP Enforcement Actions and Successes for Seven Countries”, October 25, 2019.

- The murder of a trade unionist, like the tragic loss of Dandy Miguel in the Philippines, may be a one-time killing, but the fear created by the act is long lasting.⁷ However, attorneys will argue otherwise, and the union hopes the Congress of the most powerful democracy in the world would see through these sorts of democracy stifling events and raise the bar on countries that want access to our powerful consumer market.
- In 2017, there was a dispute between the U.S. and Guatemala under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). After nine years of what the union sees as delays, it was the first instance in which a labor law complaint was completed under the arbitration mechanisms of a free trade agreement. An arbitration panel's narrow focus of the "affecting trade" requirement in the CAFTA-DR proved that labor issues continue to remain secondary in trade enforcement. Only workers have to prove this "affecting trade" stipulation affirmatively – a hurdle not placed in front of companies seeking to remedy violations of the financial services or other chapters of the agreement.⁸

That is why USW joins the AFL-CIO in supporting these labor concepts in Ranking Member Blumenauer's American Worker and Trade Competitiveness Act. GSP reforms will help to improve labor standards abroad, and support workers organizing in developing nations, including those who face intimidation, harassment, or even violence for exercising their rights on the job.

Trade Adjustment Assistance

USW strongly urges Congress to renew Trade Adjustment Assistance with a GSP renewal. Congress has made a choice to enter into 14 comprehensive free trade agreements with 20 countries, and these agreements have created winners and losers. A renewal of GSP, even with every reform our union has requested, will still create some losers, and we should provide a robust benefit for those workers. Over 500 workers at Republic Steel are losing their jobs because the company is moving most of its production to Mexico. Since Congress voted to renew our free trade agreement with that country, the least you can do is offer benefits that have been available in one form or another since the Kennedy Administration. Finally, cutting tariffs and forgoing federal revenue on gold chains and high-end handbags, while withholding job training benefits to American workers impacted by bad trade, is about as out of touch with working people as you can get.

⁷ [IndustriALL Global Union](#), "Trade unionist killed in the Philippines", March 31, 2021.

⁸ [AFL-CIO](#), "U.S. Trade Policy Fails Workers", June 26, 2017.

Conclusion

USW recognizes the power and potential of this committee to modernize the GSP program and provide robust benefits to workers impacted by trade. We urge this committee to update the import sensitive list, improve the Rules of Origin, bring in 21st century labor and environmental standards, and renew TAA if you move on GSP. It is an honor to represent our union before the oldest committee of the United States Congress. You have the power to balance American interests in global trade, and USW workers urge you to adopt our policy requests to make the GSP program a bit more balanced. Thank you.

Additional Trade Policies for Consideration if Congress Considers Renewing GSP

- **H.R. 3882, the Leveling the Playing Field 2.0 Act:** USW strongly supports Representatives Terri Sewell and Bill Johnson’s Leveling the Playing Field 2.0 Act. The legislation would:
 - **Target Cross-Border Subsidies:** Right now, China is spending billions to build factories that will dump products into the U.S. and other markets through a funding strategy called BRI. This global infrastructure development strategy, adopted by the Chinese government in 2013, includes plans to invest in nearly 70 countries and international organizations. This measure will give the U.S. government the authority to call out and account for those subsidies in trade cases.
 - **Allow Rapid Successive Trade Remedy Investigations:** American workers and producers are often successful in bringing trade cases against dumped and subsidized imports, but then imports shift to a third country as producers attempt to avoid duties. This legislation would provide an expedited system to address surges in third-country imports of the same product following a successful trade remedy.
 - **Strengthen Enforcement:** Importers constantly pull tricks to try and lower or evade duties. This legislation will clarify processes and timelines making government more efficient in stopping dumped and illegally subsidized goods.
- **H.R. 4148, the Import Security and Fairness Act (de minimis):** Another trade tool that would realign our de minimis threshold to reduce direct trade from China should be a priority. Currently, individual shipments into the U.S. are exempt from duties and tariffs, so long as they are valued below the “de minimis” threshold of \$800. This threshold is far too high, and has allowed a new model of direct-to-consumer imports, particularly from China which allows circumvention of the Uyghur Forced Labor Prevention Act.
- **H.R. 3136, the National Critical Capabilities Defense Act of 2023 (NCCDA):** This legislation would establish a statutory approved review process over the potential offshoring of critical United States’ supply chains to foreign adversaries, such as China and Russia. While the Biden Administration has taken steps to better address U.S. investments in certain national security technologies and products in countries of concern, the NCCDA would create a permanent committee to monitor critical industries and make recommendations to the President. A form of this legislation has been included as a Senate passed amendment in the National Defense Authorization Act.
- **H.R. 2667, the Fighting Trade Cheats Act of 2023:** Led by Representatives Mike Bost and Terri Sewell, this legislation would take aim at companies dumping foreign-made goods in U.S. markets by allowing U.S. manufacturers to sue foreign producers for customs fraud.