October 17, 2018

Mr. Erland Herfindahl
Deputy Assistant U.S. Trade Representative for GSP
Office of the United States Trade Representative
600 17th St, NW
Washington, DC 20006

Via Electronic Filing at http://www.regulations.gov

RE: Generalized System of Preferences (GSP): Notice Regarding the 2018 GSP Annual Product Review and Initiation of Country Practice Review of Turkey, Docket No. USTR-2018-0031

Dear Mr. Herfindahl:

The National Association of Chemical Distributors (NACD) submits the following comments in response to the Office of the United States Trade Representative (USTR) request for public comment regarding Docket No. USTR-2018-0031, Generalized System of Preferences (GSP): Notice Regarding the 2018 GSP Annual Product Review and Initiation of Country Practice Review of Turkey.

About NACD

NACD is an international association of nearly 440 chemical distributors and their supply-chain partners. NACD members represent more than 85% of the chemical distribution capacity in the nation and generate 93% of the industry's gross revenue. NACD members, operating in all 50 states through nearly 1,800 facilities, are responsible for more than 155,000 direct and indirect jobs in the United States. NACD members are predominantly small regional businesses, many of which are multi-generational and family owned.

NACD members meet the highest standards in safety and performance through mandatory participation in NACD Responsible Distribution®, the association's third-party-verified environmental, health, safety, and security program. Through Responsible Distribution, NACD members demonstrate their commitment to continuous performance improvement in every phase of chemical storage, handling, transportation, and disposal operations.

NACD Members Use GSP to Import Chemicals to Meet U.S. Customer Demand

The Generalized System of Preferences (GSP) program provides duty-free treatment of designated articles imported from beneficiary developing countries. GSP has long been considered an economic development tool for the U.S. to assist developing countries through "trade, not aid."

USTR has proposed to remove Turkey from the list of designated beneficiary countries under the GSP program. USTR stated that Turkey's review will focus on whether Turkey is meeting the GSP eligibility criterion requiring a GSP beneficiary country to assure the U.S. it will provide equitable and reasonable access to its market.

NACD is concerned about the impact of removing Turkey from the list of designated beneficiary countries. Some of our member companies import chemicals from Turkey, and the GSP program contributes to the cost efficiency of those imports. Frequently, these imports are made with longstanding suppliers; and should the GSP status of Turkey be revoked, it would be extremely time consuming to identify new suppliers with the same quality and price point.

Several of our member companies have businesses that are structured to rely on purchasing imported chemicals to meet customer demand. These chemical imports go into agricultural, industrial, food, cosmetic, medical applications, and other manufacturing fields. Additionally, some chemical distributors import chemicals from Turkey that are then re-exported to other customers around the world, which further expands the potential negative impacts of the removal of GSP benefits and could potentially result in making U.S. companies less competitive globally.

Removing Turkey from GSP Benefits Would Harm American Consumers

A report from The Coalition for GSP, a group of American companies and trade associations dedicated to educating policymakers about the importance of GSP to American companies, workers, and consumers, shows that many U.S. businesses impacted by the expiration of GSP in 2013 were small businesses.[1] It's likely the removal of Turkey from GSP eligibility would also disproportionately impact small businesses. The average NACD member has approximately 26 employees and many qualify as small businesses under various regulatory programs. This action by USTR could result in a significant financial burden to small and other businesses as the GSP program saves American companies about $63 million on $1.7 billion worth of articles imported annually from Turkey.[2] Removing Turkey from GSP eligibility would harm American companies, workers, and families. USTR should consider the extended impact that removing Turkey from GSP eligibility could have upon the entire U.S. economy.

GSP Eligibility Is Important to Developing Countries Like Turkey

GSP is a nonreciprocal preferential tariff system that assists developing countries and offers preferential benefits as a form of foreign assistance. USTR should consider the impact that removing Turkey from GSP could have upon the Turkish market and its global competitiveness. The Turkish chemical sector is still developing and should be allowed to take advantage of GSP benefits that provide their products with a price advantage compared to chemical products from other more developed countries.

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[1] Coalition for GSP, *Lost Sales, Investments and Jobs: Impact of GSP Expiration After One Year,* September 16, 2014

[2] GSP Action Committee, *Comments Regarding GSP Country Eligibility Review: Turkey*, September 12, 2018

Some countries that have been classified as beneficiary countries under GSP for a considerable time are likely to have built up entire industries or subsections of industries that are based on receiving tariff advantages like GSP. Overall, it simply doesn't add up for USTR to remove Turkey from GSP eligibility if it will hurt the bottom line of small U.S. businesses and reduce the global competitiveness of exports from developing countries.

NACD Recommends that USTR Keep Turkey as a GSP Beneficiary Country

NACD strongly recommends that USTR allow Turkey to remain as a beneficiary country for GSP. Removing Turkey as a designated GSP beneficiary country would ultimately harm businesses in the U.S. and Turkey.

Conclusion

Thank you for the opportunity to comment on USTR's initiation of country practice review for Turkey. If you have questions or need additional information, please do not hesitate to contact me.

Sincerely,

Jennifer C. Gibson
Vice President, Regulatory Affairs