June 12, 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 Thailand, Docket No. USTR-2018-0012

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-2018-0012, Generalized System of Preferences (GSP): Notice Regarding the 2018 GSP Annual Product Review and Initiation of Country Practice Review of Thailand.

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 when 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 Thailand from the list of designated beneficiary countries under the GSP program. Thailand was petitioned for removal by the National Pork Producers Council on the grounds that Thailand is not meeting its requirement to assure the U.S. that it will provide equitable and reasonable access to its market. USTR stated that Thailand's country practice review will be added to the previously announced GSP country practice reviews of India, Indonesia, and Kazakhstan.

NACD is concerned about the impact of removing Thailand from the list of designated beneficiary countries. Many of our member companies import chemicals from Thailand, 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 Thailand 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 Thailand that are then re-exported to other customers around the world, which further expands the potential negative impacts of the removal of GSP benefits.

Removing Thailand 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 that the removal of Thailand from GSP eligibility would also disproportionately impact small businesses. The average NACD member has approximately 26 employees and many qualify as small businesses. This could be an enormous impact to small and other businesses as the U.S. imports approximately $4 billion worth of articles from Thailand under the GSP program.[2]

According to a report from John Dunham & Associates, an economic consulting firm, commissioned by NACD, the overall impact of removing Thailand, India, Indonesia, and Kazakhstan from GSP eligibility would mean that a total of $2.2 billion in additional chemical products would be subject to tariffs. [3] These products would be subject to an annual tariff of $112.9 million, which would be equal to a price increase of 4.9% on these products. This cost would be passed from importer to distributor and ultimately to the final consumer of the product. Removing Thailand from GSP eligibility would harm American companies, workers, and families. USTR should not hold sway to the demands of one or two industries but should instead consider the overall impact of removing Thailand from GSP eligibility upon the U.S. economy.

---

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

[2] Vivian C. Jones, *Generalized System of Preferences (GSP): Overview and Issues for Congress* (Congressional Research Service, 2017)

[3] John Dunham, *Economic Impact of Elimination of Generalized System of Preferences for Imports from India, Indonesia, Kazakhstan and Thailand on the Chemical Distribution Industry*, June 8, 2018

GSP Eligibility Is Important to Developing Countries Like Thailand

GSP is a nonreciprocal tariff preference that assists developing countries and offers preferential benefits as a form of foreign assistance. USTR should consider the impact that removing Thailand from GSP could have upon the Thailand market and its global competitiveness. The Thailand 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.

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 Thailand 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 Thailand as a GSP Beneficiary Country

NACD strongly recommends that USTR deny the petition to remove Thailand as a beneficiary country for GSP and continue to give Thailand beneficiary country status for GSP. USTR should not bow to the demands of one industry when it has the potential to harm hundreds, if not thousands, of U.S. businesses in other markets. The pork industry should be encouraged to seek to redress their concerns by other methods, including by submitting petitions to remove duty-free status for certain products on the list of eligible articles when coming from a specific country.

Conclusion

Removing Thailand as a designated GSP beneficiary country would harm businesses in the U.S. and Thailand. USTR should keep Thailand on the list of GSP beneficiary countries.

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

Sincerely,

Jennifer C. Gibson
Vice President, Regulatory Affairs