June 5, 2018

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: Initiation of Country Practice Reviews of India, Indonesia, and Kazakhstan, Dockets No. USTR-2018-0006, USTR-2018-0007, USTR-2008-0008

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 Dockets No. USTR-2018-0006, USTR-2018-0007, USTR-2008-0008, Initiation of Country Practice Reviews of India, Indonesia, and Kazakhstan.

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." GSP is intended to allow for the duty-free import of manufactured goods and select agricultural products.

USTR has proposed to remove India, Indonesia, and Kazakhstan from the list of designated beneficiary countries under the GSP program. India was petitioned for removal by the

Advanced Medical Technology Association (AdvaMed), the National Milk Producers Federation (NMPF), and the U.S. Dairy Export Council (USDEC). Indonesia is undergoing a country practice review as determined by the GSP Subcommittee. USTR states that it is conducting the reviews to "determine where the current laws and practices of India, Indonesia, and Kazakhstan meet the GSP eligibility criteria."

NACD is concerned about the impact the removal of GSP benefits would have generally in the case of Indonesia, and the impact it would have upon several other industries beyond dairy and medical devices in the case of India. Many of our member companies import chemicals from India and Indonesia, 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 India and Indonesia 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 India and Indonesia that are then re-exported to other customers around the world, which further expands the potential negative impacts of the removal of beneficiary countries.

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 India and Indonesia from GSP eligibility would also disproportionately impact small businesses. The average NACD member has approximately 26 employees and one NACD member estimates that removal of India from GSP preferential status could decrease exports from India by 50% in the chemical sector. This could be an enormous impact as India is the number one beneficiary country of the GSP and exports approximately $4.71 billion worth of articles under the program.[2] USTR should not hold sway to the demands of one or two industries but should instead consider the overall impact of removing India and Indonesia from GSP eligibility upon the U.S. economy.

<u>GSP Eligibility Is Important to Developing Countries</u>

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 India and Indonesia from GSP could have upon these countries and their global competitiveness.

The Indian and Indonesian chemical sectors are 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.

[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)

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 India and Indonesia 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 India and Indonesia as GSP Beneficiary Countries

The petitions filed by AdvaMed, NMPF, and USDEC are an attempt to punish every sector of the market because India will not meet their demands. NACD strongly recommends that USTR deny the petition to remove India as a beneficiary country for GSP and continue to give Indonesia beneficiary country status for GSP.

USTR should not bow to the demands of two industries when it has the potential to harm hundreds, if not thousands, of U.S. businesses in other markets. The affected medical device and dairy industries 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

NACD appreciates the opportunity to submit feedback on USTR's request for comment. Removing India and Indonesia as designated GSP beneficiary countries would harm businesses in the U.S., India, and Indonesia and would particularly impact small businesses. USTR should keep India and Indonesia on the list of GSP beneficiary countries.

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

Sincerely,

Jennifer C. Gibson
Vice President, Regulatory Affairs