Comments Regarding GSP Country Eligibility Review: India
Docket No. USTR-2018-0006

Submitted by GSP Action Committee
June 5, 2018

Introduction

The GSP Action Committee ("Action Committee") welcomes the opportunity to submit comments for the country eligibility review for India under the Generalized System of Preferences (GSP) by the Office of the U.S. Trade Representative (USTR) and the GSP Subcommittee of the Trade Policy Staff Committee (TPSC). The Action Committee is a new initiative from the Coalition for GSP, which since 1992 has been the predominant U.S. business community voice advocating for GSP renewal. The Action Committee is a group of American companies and trade associations organized to help policy makers and others fully appreciate the important benefits to American companies, workers, and consumers of the GSP program as they administer the program on a daily basis.

Members of the Action Committee know first-hand the benefits of the GSP program to American companies and worker. By lowering costs for raw materials, components, and machinery, GSP helps American manufacturers and workers compete in a tough global economy, where they face competition not only in the U.S. market from imported finished products, but also in international markets to which they export. In 2017, approximately 64 percent of U.S. imports under GSP were raw materials, components and machinery. GSP eliminated $492 million in U.S. tariffs on such products in 2017.

By lowering costs for consumer goods and food products, many of which are not available in the United States, GSP increases product choices and helps American families stretch paychecks further. In 2017, approximately 36 percent of U.S. imports under GSP were consumer goods and food products. GSP eliminated $372 million in tariffs on such products in 2017.

The broader the scope of the GSP program, the greater the benefits for American companies, workers, and families.

Summary of comments

The Action Committee's comments focus on specific benefits and opportunities to American workers, manufacturers, farmers, and ranchers created by the GSP program, and in particular continued duty-free treatment under GSP for imports from India. Using information about GSP use and other business characteristics provided by our members, along with data from official U.S. government trade statistics, we demonstrate two key points:

1. **American companies and workers are the primary "beneficiaries" of GSP eligibility for India.** Recent experiences with temporary GSP lapses and retroactive reauthorizations clearly demonstrate the importance of GSP for American companies and workers.
2. **India's continued GSP eligibility is in the U.S. national interest.** India's inclusion in the GSP program promotes U.S. competitiveness in all 50 states, in particular at small businesses, as well as U.S. exports to the world.

While we strongly encourage the Governments of India and the United States to work constructively to resolve any alleged violations of the GSP country eligibility criteria, we are concerned about the real, negative impacts to American companies, workers, and the U.S. national interest that would result if those discussions are unfruitful and GSP benefits for India were suspended. We believe the GSP Subcommittee should place great weight on these factors as it undertakes this review and decides on the appropriate course of action.

American companies are the primary "beneficiaries" of the GSP program

As the GSP Subcommittee undertakes its country eligibility review for India (and others), an important fact to keep in the forefront of your review is that American companies – not foreign governments – are the primary beneficiaries of continued GSP eligibility for major supplier countries. When GSP is in place, American companies' costs decrease and workers gain. When GSP benefits go away, either because of lapsed authorization or Administrative decisions, American companies face higher taxes and workers suffer.

Recent experiences with temporary GSP lapses and retroactive reauthorizations clearly demonstrate the importance of GSP for American companies and workers. Table 1, based on surveys of hundreds of GSP importers in August 2014 and August 2016, show the impact that GSP benefits have on employment, employee benefits, investments, and sales.

TABLE 1: IMPACTS OF GSP EXPIRATION AND RENEWAL ON U.S. COMPANIES AND WORKERS

Impact	**August 2014 Survey**[A] (after 1 year of GSP expiration)	**August 2016 Survey**[B] (after 1 year of GSP reauthorization)
Employment	13% laid off workers / 44% delayed new hires	46% hired new workers
Benefits	22% cut employee wages or benefits	23% provided new (or reinstated) employee benefits
Investments	40% delayed or canceled capital investments	41% made new capital investments
Sales	77% lost sales due to price increases or reduced volumes	56% increased sales of GSP-eligible products

Source: Coalition for GSP survey data
[A] Survey; 230 respondents (Fall 2014); [B] Survey; 135 respondents; Fall 2016

One North Carolina-based small business that imports copper sinks from India was among such respondents. While GSP was expired from August 2013 to July 2015, it laid off eight of its 20 employees. Reinstated GSP benefits allowed the company to introduce a major new product line and roll out stocking programs with its biggest customers. Employment more than doubled to 25 workers by late fall 2016.[1] The company is far from alone: 36 percent of respondents from the Fall 2016 survey that import from India indicated that they both: 1) laid off workers or delayed new hires during the expiration, and 2) hired new workers after GSP benefits were reinstated.

We believe the impacts of suspending GSP benefits for India would be even worse for American companies than expiration of the program, since suspensions traditionally have lasted much longer than short-term renewal lapses. Additionally, American companies' investments and employment would be less likely to bounce back following any future reinstatement of GSP benefits lost to a suspension, since tariffs paid during suspensions are not eligible for refunds.

This is not to suggest that Indian exporters do not benefit from GSP eligibility. However, product coverage is limited: just 11.6 percent of U.S. imports from India in 2017 received GSP benefits. In fact, the U.S. government collected about $5 in tariffs on imports of non-GSP eligible imports from India in 2017 for every $1 in tariffs waived due to GSP.

India's continued GSP eligibility is in the U.S. national interest

India's continued GSP eligibility is in the U.S. national interest for a number of reasons. Duty-free treatment for India saves American companies hundreds of millions of dollars annually, helping manufacturers remain competitive. While GSP benefits for imports from India are shared broadly across the United States, suspending such GSP benefits would have a disproportionate negative impact on several states. GSP imports from India are particularly important for small businesses that can least afford significant tax hikes. Finally, GSP benefits for India help support U.S. exports throughout the world.

Savings Impacts – As the largest source country of GSP imports by value and savings, India is the most important country for American beneficiaries of the GSP program. In 2017, GSP benefits for India saved American companies about $227 million on $5.6 billion in imports. (GSP benefits for Thailand, the next largest source country, saved American companies about $150 million on $4.1 billion in imports). In the first quarter of 2018, GSP benefits for India saved American companies about $58 million, a 14 percent increase over 2017.

Competitiveness Impacts – Like the program overall, most GSP imports from India are raw materials, components, and machinery. In 2017, approximately three-quarters of GSP imports were such capital goods and parts that help American manufacturers remain competitive. In fact, American companies saved more on components and parts from India than on all GSP-eligible imports from any other country.

[1] https://renewgsptoday.com/2017/05/15/gsp-company-profile-thompson-traders-in-greensboro-north-carolina/

Geographic Impacts – The American benefits of GSP eligibility for India are geographically diverse. In terms of tariff savings under GSP, India was the most important GSP-eligible country for 28 states (plus Puerto Rico) in 2017. Imports from India accounted for more than half of all GSP tariff savings for seven states: Nebraska (62%), West Virginia (61%), Iowa (61%), Vermont (54%), Oklahoma (54%), Arkansas (53%), and New Mexico (52%).

Imports from India into specific states are often indicative of dominant local industries. In 2017, Iowa's top import from India under GSP was chemicals to manufacture pesticides; Michigan's top import was steering columns, and Oklahoma's top import was valves used by the oil and gas industry.

Business Impacts – India is also the most frequently cited source country for companies that have signed up for the "GSP Supporter List."[2] Since early 2017, officials from nearly 400 U.S. companies have provided information about company demographics and locations, imported products, source countries, GSP savings, and other topics when signing up for the list. Forty-one percent of companies report importing from India, far exceeding Indonesia (26 percent) and Thailand (24 percent), the next most frequently cited countries.

The information, submitted on a confidential basis unless companies explicitly choose to allow information sharing, provides useful insights into the types of American companies that benefit from GSP eligibility for India – and conversely would be hurt by any suspension of such eligibility. For example:

- 80 percent of GSP importers from India are small businesses with fewer than 100 employees;
- The typical GSP importer from India has 14 employees and saves $100,000 from GSP annually, and
- 41 percent of GSP importers from India export some of their GSP-eligible products (or derivative products made thereof).

Export Impacts – Though few GSP importers report exporting directly to India, more than 40 percent export some of the products benefits from GSP *somewhere* in the world. That includes 38 percent of small businesses, about 7 to 8 times higher than the U.S. Small Business Administration's estimate for share of total small businesses that export.[3]

Companies importing from India under GSP report using those products in exports to more than 40 individual countries, including: Argentina, Australia, Bahamas, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Denmark, Dominican Republic, Ecuador, El Salvador, France, Germany, Guyana, Haiti, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Peru, Philippines, Saudi Arabia, Singapore, Spain, Sri Lanka, Sweden, Trinidad & Tobago, United Arab Emirates, United Kingdom, and

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[2] See: http://renewgsptoday.com/gsp-supporter-list/
[3] https://www.sba.gov/blogs/big-impact-if-small-businesses-would-export

Vietnam. Removing GSP benefits for India would in turn make U.S. exports to all of these countries less competitive.

Conclusion

The GSP Action Committee appreciates the opportunity to contribute to the GSP Subcommittee's review of country eligibility for India. GSP supports American companies, workers, and exports, and many of those benefits are tied directly to India's inclusion in the program. Suspending those benefits would have real, negative impacts on U.S. competitiveness at businesses throughout the country – impacts to which the GSP Subcommittee should give great weight as it moves ahead with the eligibility review.

I look forward to working with the Administration to promote – and improve upon – trade policies such as GSP with a proven track record of benefiting American companies, workers, and families.

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