

**Comments Regarding GSP Country Eligibility Review: Thailand**  
**Docket No. USTR-2018-0012**

**Submitted by GSP Action Committee**  
**June 12, 2018**

## **Introduction**

The GSP Action Committee (“Action Committee”) welcomes the opportunity to submit comments for the country eligibility review for Thailand 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 workers. 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 Thailand. 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 the GSP eligibility for Thailand.** Recent experiences with temporary GSP lapses and retroactive

reauthorizations clearly demonstrate the importance of GSP for American companies and workers.

2. **Thailand’s continued GSP eligibility is in the U.S. national interest.** Thailand’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 Thailand 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 Thailand were suspended. We believe the GSP Subcommittee should place great weight on these factors as it undertakes this review and decides 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 Thailand (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

<b>Impact</b>	<b>August 2014 Survey<sup>A</sup></b> (after 1 year of GSP expiration)	<b>August 2016 Survey<sup>B</sup></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

<sup>A</sup> Survey; 230 respondents (Fall 2014); <sup>B</sup> Survey; 135 respondents; Fall 2016

One small business that imports ceramic mugs from Thailand was among the respondents. The company supports American jobs by customizing the mugs in North Carolina, while competing primarily against finished mugs from China. When GSP was expired, it could not invest in new

equipment to expand capacity due to nearly \$700,000 in extra tariffs paid from August 2013 to July 2015. Additionally, it relied upon temporary workers until GSP was renewed and it could depend on stable product costs. Reinstated GSP benefits allowed the company to hire 17 new workers – growth of over 60 percent – while making new capital investments and increasing worker benefits.<sup>1</sup>

It is not isolated an example: 23 percent of respondents from the Fall 2016 survey that import from Thailand 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 Thailand 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 Thai exporters do not benefit from GSP eligibility, but program coverage is limited: just 13.3 percent of U.S. imports from Thailand in 2017 received GSP benefits. In fact, the U.S. government collected \$3 in tariffs on imports of non-GSP eligible products from Thailand in 2017 for every \$1 in tariffs waived due to GSP.

### **Thailand's continued GSP eligibility is in the U.S. national interest**

Thailand's continued GSP eligibility is in the U.S. national interest for a number of reasons. Duty-free treatment for Thailand saves American companies over \$100 million annually, helping manufacturers remain competitive. While GSP benefits for imports from Thailand are shared broadly across the United States, suspending such GSP benefits would have a disproportionate negative impact on several states. GSP imports from Thailand are particularly important for small businesses that can least afford significant tax hikes. Finally, GSP benefits for Thailand help support U.S. exports throughout the world.

*Savings Impacts* – As the second-largest source country of GSP imports by value, Thailand is very important to American beneficiaries of the GSP program. In 2017, GSP benefits for Thailand saved American companies about \$149 million on \$4.1 billion in imports. In the first four months of 2018, GSP benefits for Thailand saved American companies about \$49 million, a 6 percent increase over 2017.

*Competitiveness Impacts* – Like the program overall, most GSP imports from Thailand are raw materials, components, and machinery. In 2017, 57 percent of GSP imports were such capital goods and parts that help American manufacturers remain competitive. Travel goods have

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<sup>1</sup> <http://renewgsptoday.com/2017/04/17/gsp-company-profile-xpres-llc-in-winston-salem-north-carolina/>

accounted for a growing share of GSP imports from Thailand since the Trump administration's positive decision to grant duty-free preferences to all GSP-eligible countries.<sup>2</sup>

*Geographic Impacts* – The American benefits of GSP eligibility for Thailand are geographically diverse. In terms of tariff savings under GSP, Thailand was the most important GSP-eligible country for 10 states in 2017 and among the top three for 27 more. Imports from Thailand accounted for more than 25 percent of all GSP savings for 11 states: Rhode Island (48%), Hawaii (47%), South Dakota (35%), Washington (32%), Massachusetts (32%), Indiana (32%), Mississippi (31%), Tennessee (30%), Maine (30%), Kentucky (29%), and California (28%).

Imports from Thailand into specific states are often indicative of dominant local industries. In 2017, specialty food products were the top import from Thailand under GSP into California and New Jersey. Michigan's top import was engines and parts, while Tennessee's top import was fuel pumps.

*Business Impacts* – Thailand is the third-most frequently cited source country for companies that have signed up for the "GSP Supporter List."<sup>3</sup> 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. Twenty-four percent of companies report importing from Thailand, below only India (41 percent) and Indonesia (26 percent).

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 Thailand – and conversely would be hurt by any suspension of such eligibility. For example:

- 74 percent of GSP importers from Thailand are small businesses with fewer than 100 employees;
- The typical GSP importer from Thailand has 28 employees and saves \$183,000 from GSP annually, and
- 33 percent of GSP importers from Thailand export some of their GSP-eligible products (or derivative products made thereof).

*Export Impacts* – Though few GSP importers report exporting directly to Thailand, about one third export some of the products that benefit from GSP *somewhere* in the world. That includes 29 percent of small businesses, nearly 6 times higher than the U.S. Small Business Administration's estimate for share of total small businesses that export.<sup>4</sup>

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<sup>2</sup> <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/june/ustr-announces-new-trade-preference>

<sup>3</sup> See: <http://renewgsptoday.com/gsp-supporter-list/>

<sup>4</sup> <https://www.sba.gov/blogs/big-impact-if-small-businesses-would-export>

Companies importing from Thailand under GSP report using those products in exports to more than 25 individual countries, including: Argentina, Australia, Bahamas, Belgium, Brazil, Canada, Chile, China, Colombia, France, Germany, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Panama, Poland, Romania, Singapore, South Africa, and the United Kingdom. Removing GSP benefits for Thailand 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 Thailand. GSP supports American companies, workers, and exports, and many of those benefits are tied directly to Thailand'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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