
President Announces Suspension of GSP Benefits for Bangladesh

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In brief

President Obama recently announced the suspension of Bangladesh's designation as a beneficiary developing country under the GSP program.

In detail

Due to a lack of progress by Bangladesh's government in recognizing basic worker rights and worker safety, President Obama announced suspension of beneficiary developing country designation under the Generalized System of Preferences ("GSP") program. The suspension is to take effect 60 days after its July 2nd publication in the Federal Register.

While the U.S. government has worked with the government of Bangladesh for some time to encourage reforms, the government has not seen sufficient progress towards reform after recently concluding a review that started in 2007.

The recent Rana Plaza building collapse, having highlighted the serious shortcomings in Bangladesh's worker rights and workplace safety, prompted the government to suspend GSP preferences for Bangladesh.

GSP imports from Bangladesh totalled \$34.7 million in 2012 compared to \$4.9 billion in total imports from Bangladesh in that period.

Implications of GSP Suspension

Because GSP-eligible goods make up less than 1% of Bangladesh's exports to the US, GSP suspension is not expected to have a substantial impact on Bangladeshi exports to the US. The GSP suspension will affect

imports such as tobacco, sports equipment, porcelain china, and plastic products. Bangladesh's garment industry, which accounts for a substantial share of that country's imports to the US, is ineligible for GSP benefits and so it will likely be largely unaffected by the suspension.

U.S. Trade Representative Michael Froman commented that the GSP suspension could be rescinded, with full GSP benefits reinstated, if the U.S. government determines that the Bangladeshi government is taking adequate steps to improve working conditions and workplace safety.

Let's talk

For more information about any of the issues discussed in this Newsalert, please contact Domenick Gambardella or your local contact in PwC's Customs and International Trade Practice. Please see the complete list of contact details below.

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