

# USTR announces suspension of some of Thailand's GSP benefits, other GSP actions

November 1, 2019

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## In brief

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The United States Trade Representative (USTR) announced October 25 that President Trump is suspending \$1.3 billion in trade preferences for Thailand under the Generalized System of Preferences (GSP), citing Thailand's failure to adequately provide internationally recognized worker rights. The USTR further announced that President Trump is restoring some GSP benefits for Ukraine following passage of legislation aimed at addressing shortcomings in its intellectual property (IP) regime.

The USTR also announced that it is opening new GSP eligibility reviews for South Africa and Azerbaijan, as well as closing GSP eligibility reviews with no loss of GSP eligibility for Bolivia, Iraq, and Uzbekistan.

For prior coverage of GSP developments, see PwC Insights, [President Trump terminates India's preferential status under the GSP program](#), June 10, 2019.

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## In detail

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### Outcomes of ongoing country eligibility reviews

#### Thailand

The USTR stated that despite six years of engagement, Thailand has yet to take steps to provide internationally recognized worker rights in a number of important areas identified in a 2015 petition from the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), such as protections for freedom of association and collective bargaining.

Thailand's GSP eligibility therefore will be revoked effective six months from the announcement date (April 25, 2020) for approximately one-third of Thailand's GSP trade, which totaled \$4.4 billion in 2018. The list of Thai products to be excluded from GSP is focused on products for which the United States is a relatively important market for Thailand, but for which Thailand accounts for a relatively small share of US imports. Further, due to long-standing worker rights issues in the seafood and shipping industries, GSP eligibility will be revoked for all Thai seafood products.

The full list of Thai products to be excluded from GSP is available [here](#). The GSP market access eligibility review of Thailand will remain open.

#### Ukraine

The USTR in 2012 opened a GSP review of Ukraine in response to a petition from the International Intellectual Property Alliance. In December 2017, the Trump Administration announced the partial suspension of Ukraine's GSP benefits for failure to provide adequate and effective protection of IP rights, specifically referencing the importance of improving Ukraine's system for collective management organizations (CMOs), which are responsible for collecting and distributing royalties to rights holders.

Ukraine in 2018 passed new legislation aimed at improving the governance of CMOs. The USTR stated that, despite shortcomings with this legislation, it provides a framework to address concerns covered by the GSP review. In recognition of this step, the United States is restoring approximately one-third (\$12 million estimated trade value) of the \$36 million (estimated trade value) GSP benefits originally removed for Ukraine.

This limited reinstatement of GSP benefits reflects the continued significant concerns with Ukraine's protection and enforcement of IP rights. The full list of the Ukrainian products to be restored to GSP eligibility is available [here](#).

#### Bolivia

The USTR is closing without incident the GSP worker rights eligibility review of Bolivia following that country's passage of legislation raising the minimum age of work to 14, in line with international standards. The Trump Administration self-initiated this review in 2017, after passage of an earlier law lowering the national minimum working age below the internationally recognized standard.

#### Iraq

The USTR is closing without incident a GSP worker rights eligibility review of Iraq opened in 2012 following Iraq's passage of legislation that expands collective bargaining rights, further limits child labor, provides improved protections against discrimination and sexual harassment at work, and dramatically expands coverage of labor protections to more workers.

#### Uzbekistan

The USTR is closing without incident the GSP IP eligibility review of Uzbekistan opened in 1999, following Uzbekistan's accession to the Geneva Phonograms Convention, the World Intellectual Property Organization (WIPO) Copyright Treaty, and the WIPO Performances and Phonograms Treaty. The GSP worker rights eligibility review of Uzbekistan will remain open.

### **New GSP eligibility reviews**

#### Azerbaijan

The USTR in October 2017 announced a new triennial process to assess GSP beneficiary country eligibility compliance with GSP eligibility criteria. This year's assessment period covered GSP beneficiary countries in the Western Hemisphere and Europe. Based on this process, the USTR is self-initiating a GSP eligibility review of Azerbaijan based on concerns with its compliance with the GSP worker rights criterion.

#### South Africa

The USTR is accepting a petition from the International Intellectual Property Alliance based on concerns with South Africa's compliance with the GSP IP criterion, in the area of copyright protection and enforcement.

#### Hearing, comments

The USTR will announce dates for a public hearing and comment period for the new and existing GSP country eligibility reviews in an upcoming Federal Register notice.

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## The takeaway

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American companies engaging in business with Thai manufacturers may experience significant duty exposure when Thailand's GSP eligibility terminates on April 25, 2020. Affected US businesses should prepare for the increased exposure by taking inventory of their current stock and reassessing supply chains on the basis of potential duty exposure and overall cost.

Companies also might wish to examine their business models and evaluate potential opportunities or risks in light of the USTR's restorations of, and new process for reviewing, GSP eligibility in several beneficiary countries.

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## Let's talk

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For a deeper discussion regarding the GSP program and how your business may be able to mitigate risks in the changing trade environment, please contact the following:

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