

Trade Policy

Asian Countries Fight to Maintain Duty-Free Status for Imports

BNA Snapshot

- India, Thailand, Indonesia, and Kazakhstan's eligibility in the Generalized System of Preferences questioned
- U.S. trade associations warn of more China imports should tariff exemptions be revoked

By Dave Sebastian

Four countries jostled to maintain duty-free exports into the U.S. during a hearing June 19.

Representatives from India, Thailand, Indonesia, and Kazakhstan responded to business and labor groups that called for the countries' removal from the Generalized System of Preferences, a program that lets 129 countries export 4,800 products without tariffs to the U.S. GSP is a part of the Trade Act of 1974 and is meant to promote growth in developing countries.

The accusations of unfair trade practices from U.S. dairy and pharmaceutical business groups against India are "discriminatory, arbitrary, and detrimental," Puneet Kundal, minister of commerce at the Indian embassy in Washington, said in a hearing at the Office of the U.S. Trade Representative.

"The issue is not of market access, but of certification, given the religious, moral, and cultural sensitivities," Kundal said.

Dairy products imported into India must be sourced from animals that had not consumed internal organs and meat—a condition related to Indian religious practices.

India's dairy restrictions are "uniquely restrictive" and "do not have scientific basis in addressing either food safety or animal health risk," and its duty-free privileges should be suspended, Shawna Morris, vice president of trade policy at the National Milk Producers Federation, said at the hearing.

The Advanced Medical Technology Association, a group representing U.S. medical device manufacturers, said India's price control on medical devices—reducing as much as 85 percent of their price—has translated into a loss for U.S. exporters.

"Nearly all companies reported that as a result of the price cuts, they have no incentive to launch new products in India," Abby Pratt, the association's vice president for global strategy and analysis, said at the hearing. "Other companies report that while they are committed to stay in India to serve patients, any prospects for investment and expansion are on hold."

The National Pork Producers Council called for Thailand's removal from the GSP program for its restriction of pork imports containing ractopamine, a substance that enhances animals' leanness and growth rates.

The council's claims are "mischaracterized," as other countries have also banned ractopamine in their livestock, Pisan Pongsapitch, a Thailand Ministry of Agriculture and Cooperatives official, said.

Of the four countries, only Indonesia was singled out for its services trade, in addition to criticisms of its goods trade.

The Council of American Life Insurers said in a statement that Indonesia has walled off its domestic insurance companies from competition with the "near monopoly" of state-owned insurers.

Buy From China?

U.S. trade associations came to Thailand and India's defense, citing the two countries' role in supplying raw and intermediate goods. Without the two countries, companies would need to pivot their supply chain to China, which is embroiled in a trade war with the U.S. over tariffs.

U.S. manufacturers depend on Indian raw and intermediate goods, such as leather, which might not be found in the U.S., Daniel Anthony, vice president of the lobbying firm Trade Partnership Worldwide, LLC, said.

Should Thailand's GSP privileges be revoked, the U.S. travel goods industry would need to pivot even more to China, which supplied 81 percent of U.S. travel goods imports before the GSP program, according to Nate Herman, director of government relations at the Travel Goods Association.

"With the addition of travel goods to the GSP program" last year, Herman said, "the travel goods industry has the first real opportunity to diversify its products away from China."

Kazakhstan officials testified in opposition to claims by the AFL-CIO and Human Rights Watch, both of which accused the country of misusing corruption and administrative charges to persecute Kazakh union leaders.

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