# The U.S. Generalized System of Preferences Program

Prepared for

**The Coalition for GSP**

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# GSP: A Program that Works for Everyone

Under the U.S. Generalized System of Preferences (GSP) program, the United States does not collect tariffs on imports from certain developing countries of selected products. It is a special trade preference program indeed: it works for everyone.

- By eliminating U.S. tariffs on imports from certain developing countries, the program encourages the development of job-creating industries in countries plagued by poverty and a paucity of good employment opportunities.

- Lower-cost imported raw materials, components, and machinery keep U.S. manufacturers competitive 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.

- Lower-cost consumer goods help American families make ends meet.

- GSP's long list of eligibility criteria gives the United States a tool to encourage beneficiary countries to improve labor practices, protect intellectual property rights, treat U.S. investors fairly, steer clear of child labor, and open their markets to U.S. goods and services.

Consequently, GSP has long enjoyed support from American trading partners, companies, unions, and non-governmental organizations. It enjoys bipartisan support every time Congress renews it, which last occurred in October 2011. **GSP expires on July 31, 2013, and Congress must enact legislation to renew it.**

## Key U.S. Impact Facts

| | |
|---|---|
| Total Value of U.S. Imports under GSP in 2012: | $19.9 billion |
| Total Value of U.S. Duty Saving from GSP in 2012: | $749 million |
| Estimated Number of U.S. Jobs Linked to GSP: | 82,000 |

## GSP Country Eligibility

Approximately 130 countries and territories qualify for GSP benefits – a little more than half of the 230 countries from which the United States imports. In order to qualify as a "beneficiary developing country," or BDC, trading partners must meet a variety of eligibility criteria. Most importantly, a country must be classified as a "low" or "middle" income country by the World Bank to ensure that benefits are not given to wealthy countries like Canada or Japan.

Many other criteria exist, as shown in the box below. These eligibility criteria have been amended over the last 35 years to reflect U.S. changing economic and foreign policy concerns.

### GSP Eligibility Criteria

A developing country is not eligible for GSP benefits if:

- It is a country dominated or controlled by international **communism** (e.g., China);
- It is a member of the **European Union**;
- It is part of a **commodity cartel** that limits international supply or raises prices to "an unreasonable level" and that causes "serious disruption" of the world economy;
- It offers **preferential treatment** to products from other developed countries that might have an adverse effect on U.S. products;
- It has **seized property** of U.S. citizens or corporations without just compensation;
- It aids or abets any individual or group that has committed an act of international **terrorism**;
- It is not taking steps to afford internationally recognized **worker rights** to workers in the BDC; and
- It has not implemented its commitments to eliminate the worst forms of **child labor**.

In deciding whether to designate a country as eligible for GSP, the President also may consider:

- The extent to which the country has assured the United States that it will provide **"equitable and reasonable" access to its markets**;
- The extent to which the country is providing adequate and effective **protection of intellectual property rights**; and
- The extent to which the country has taken steps to reduce **trade-distorting investment practices and policies and services trade barriers.**

## GSP Country Eligibility (continued)

GSP provides additional duty-free access to countries designated as "least-developed" beneficiaries, or LDBDCs, by the Office of the U.S. Trade Representative (USTR). Designation as an LDBDC follows an official USTR review, although there are no formal statutory requirements. Currently, 43 countries qualify for least-developed benefits, as shown in the box below. South Sudan, the world's newest country, was named an LDBDC in June 2012.

### GSP Least-Developed Beneficiaries, 2013

- Afghanistan
- Angola
- Bangladesh
- Benin
- Bhutan
- Burkina Faso
- Burundi
- Cambodia
- Central African Republic
- Chad
- Comoros
- Congo (Kinshasa)
- Djibouti
- East Timor
- Ethiopia
- Gambia, The
- Guinea
- Guinea-Bissau
- Haiti
- Kiribati
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritania
- Mozambique
- Nepal
- Niger
- Rwanda
- Samoa
- Sao Tome & Principe
- Sierra Leone
- The Solomon Islands
- Somalia
- South Sudan
- Tanzania
- Togo
- Tuvalu
- Uganda
- Vanuatu
- Yemen, Rep. of
- Zambia

GSP benefits are not guaranteed in perpetuity: countries are automatically "graduated" if their per capita income surpasses a high-income threshold. Gibraltar, St. Kitts and Nevis, and Turks and Caicos will both lose benefits on January 1, 2014 for this reason, while Croatia and Equatorial Guinea lost benefits in 2011. A country may also lose GSP benefits if the President deems it to be a sufficiently competitive exporter across a range of exports. The four "Asian Tigers" (i.e., Hong Kong, Korea, Taiwan and Singapore) were graduated from GSP in 1989, followed by Malaysia in 1998, although none had reached the "high-income" threshold.

Finally, countries may lose their eligibility for GSP benefits, in whole or in part, if they violate any of statutory conditions. Argentina lost GSP benefits in May 2012 following a multi-year dispute over its refusal to pay arbitration awards to U.S. companies. In many cases, the threat of losing benefits is enough to encourage the beneficiary country to change the offending practices.

## GSP Product Eligibility

GSP preferences are available for about 3,400 products, or one third of all goods imported into the United States. GSP-eligible products are mostly manufactures and semi-manufactures – notably, machinery and parts and consumer goods – but also selected agricultural and primary industrial products. The program establishes rules of origin thresholds countries must meet to ensure that only goods produced by BDCs receive duty-free treatment when imported into the United States.

The GSP statute specifically excludes several product groups from benefits, shown in the box below. Unfortunately for both BDCs and American importers, the ineligible goods are often those of greatest economic interest to developing countries, and those that face the highest U.S. tariffs.

### Product Groups Excluded from GSP Benefits

- Most **textile and apparel** products;
- Certain **watches**;
- Import-sensitive **electronic** products;
- Import-sensitive **steel** products;
- Certain **footwear, handbags, luggage**, and other **import-sensitive leather** products;
- Import-sensitive **glass** products;
- Certain **agricultural** products in excess of a tariff-rate quota; and
- Products subject to any escape clause or national security action.

LDBDCs receive duty-free treatment for an additional 1,450 products, including certain food products, chemicals, steel, cases and chests, household porcelain, china or ceramic tableware, glassware, radios, clocks, fishing rods and reels, brooms and pens. Importantly, the African Growth and Opportunity Act (AGOA) extends GSP duty-free benefits (subject to a different – stricter – rule of origin) to certain textile and apparel products imported from eligible AGOA countries.

Just as no country is guaranteed that benefits will last indefinitely, the President may withdraw duty-free benefits for any individual product exported from any beneficiary country (excluding LDBDCs) if U.S. imports of that product exceed “competitive need limits” (CNLs). For calendar year 2011, a BDC was considered a “competitive” supplier of a given product if U.S. imports from that country of that product represented 50 percent of the value of total U.S. imports of the product or if they exceeded $150 million. The 2012 thresholds will be 50 percent of total U.S. imports or $155 million.

## GSP Program Administration

Congress assigned responsibility for GSP to the President, who relies on an inter-agency committee (the "GSP Subcommittee") chaired by the Office of the U.S. Trade Representative (USTR) to administer its day-to-day activities. Most notable is the Annual Review of the GSP program, in which the GSP Subcommittee considers a range of petitions submitted by foreign governments, or U.S. or foreign firms. In addition to the statutory Annual Review, the President has the authority to conduct general GSP reviews if he (or she) deems it necessary. It last conducted such a review in 2005/2006.

As part of the Annual Review, petitioners have a variety of options. They may seek to have a new product made eligible for GSP benefits, or existing product eligibility terminated. They may request a "waiver" for a product expected to surpass the CNL threshold (by allowing continued GSP benefits), or request that a product that previously lost GSP benefits for exceeding the competitive need limits have those benefits restored. Others may request that a particular country be removed from the program for violation of one or more eligibility criteria.

The review process typically extends over a year and entails hearings and briefs from petitioners and those who support or oppose the proposed changes. The U.S. International Trade Commission weighs in with an assessment of the U.S. economic effects of proposed changes. The box below highlights the results of the 2011 Annual Review.

### Results from the 2011 GSP Annual Review

- Eight products lost GSP benefits for surpassing the CNL for the first time, including certain alcohol, lysine, and leather from Brazil; brake parts from India; flavoring compounds from Indonesia; borax and aluminum alloys from Turkey, and aluminum coils from Venezuela;
- Three products lost GSP benefits for surpassing the "super" CNL waiver thresholds, including hand-hooked carpets from India and bus/truck tires and silver jewelry from Thailand;
- Four products were granted a new CNL waiver, including "Agarbatti" from India; monoamine chemicals from the Philippines, and air conditioner parts and rubber gloves from Thailand;
- Seven types of cotton products were granted GSP benefits for LDBDCs only, and
- Kola products from Cote d'Ivoire regained GSP benefits after losing them in a previous review.

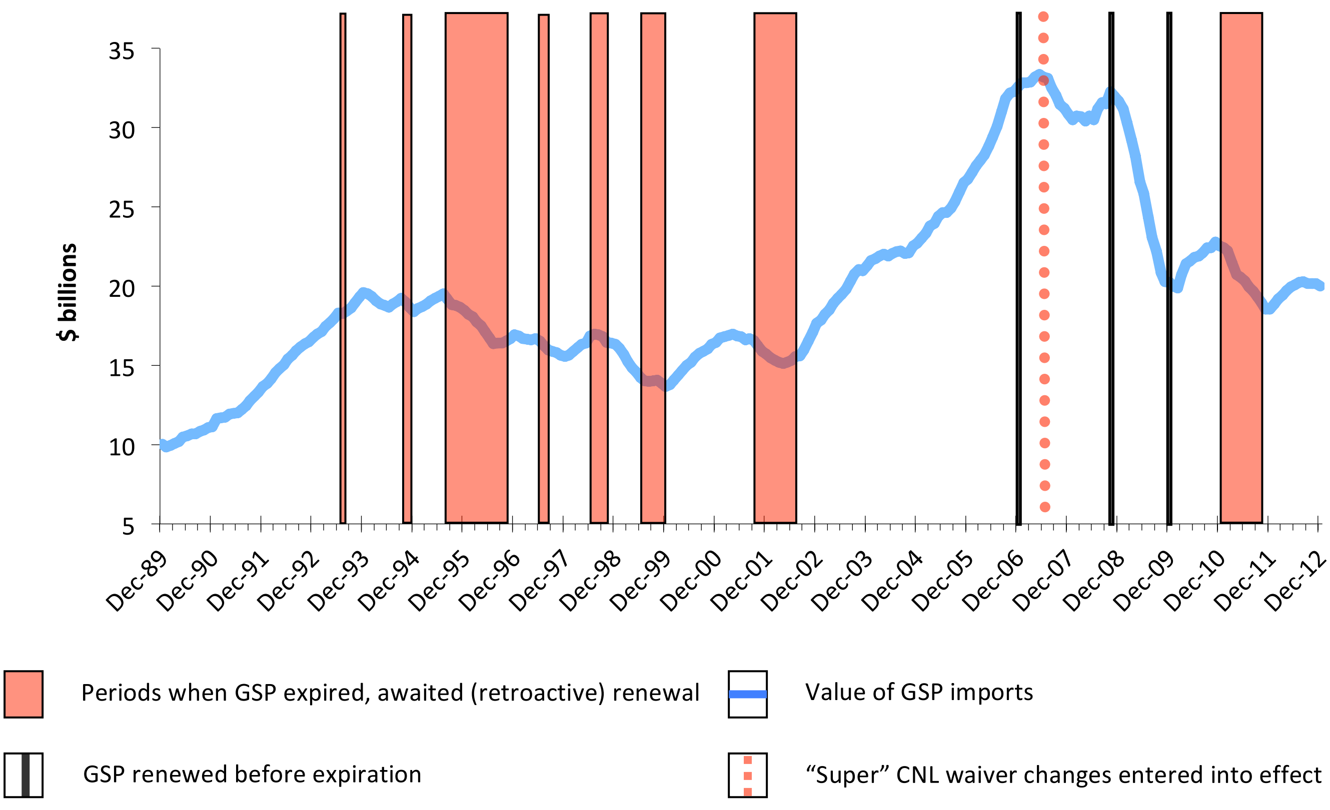
In addition, one country practice petition was closed, eight country petitions were continued, and four new country petitions were accepted.

## GSP Program Usage

GSP imports totaled $19.9 billion in 2012, up from $18.5 billion in 2011. Increases in GSP imports of machinery, iron products, and chemicals from India, oil from several African countries, tires from Indonesia, food products from Brazil, and electrical equipment from the Philippines were partially offset by the loss of GSP benefits for Argentina and products affected by the 2011 Annual Review.

In fact, U.S. imports under GSP fluctuate greatly over the years, and Congressional actions regarding length of renewal – or worse, expirations – seem to explain much of the usage patterns. Put simply: when Congress authorizes a long-term renewal of the GSP program, usage by American companies grows. When Congress passes only short-term renewals, or lets the program expire before renewing it retroactively, American companies look to other import sources. The chart below shows how the start-and-stop nature of the GSP program, in both the 1990s and since 2006, has negatively impacted usage of the GSP program. In contrast, when Congress reauthorized the program for five years in 2001, U.S. imports under GSP increased rapidly.

**Imports under GSP, 1989 - 2012**




Source: The Trade Partnership from U.S. Census data

# GSP Tariff Savings by State

Even though it was devised to be a program to promote economic development in low-income countries, over time GSP has become very important to American companies that directly benefit from tariff savings on imported goods. The Trade Partnership estimates that GSP saved American companies $749 million in 2012.

Companies in California led the way, saving more than $111 million on approximately $2.8 billion worth of GSP-eligible imports in 2012. GSP saved American companies in Texas, New Jersey, and New York $60 million to $65 million each, while every state imported at least $1.5 million of duty-free products under GSP in 2012.

Products benefiting from the GSP program differ greatly between the states. Indiana imported an estimated $148 million worth of ferrosilicon, a raw material used in the steelmaking process, and accounted for more than three-quarters of U.S. ferrosilicon imports under GSP last year. Tennessee accounted for more than 90 percent of GSP imports of manganese dioxide, which is used to manufacture batteries, while New York was the top importer of silver jewelry. Nearly 40 percent of Rhode Island companies' imports under GSP were costume jewelry with tariff rates around 11 percent. As a result, average tariff savings on GSP imports for Rhode Island were 7.0 percent in 2012, well above the national average of 3.9 percent. Conversely, Michigan companies imported nearly $190 million in auto parts under GSP in 2012, which normally face tariffs of 2.5 percent. While Michigan ranked among the top 10 states in both the value of GSP imports ($787 million) and tariff savings thanks to the program ($23.8 million), its 3.0 percent average tariff was below the national average.

**GSP Tariff Impacts by State, 2012***

*States with Highest Tariff Savings ($ million)*

| State | Tariff Savings |
|---|---|
| California | $111.2 |
| Texas | 64.6 |
| New Jersey | 64.3 |
| New York | 59.9 |
| Florida | 42.1 |
| Illinois | 38.6 |
| Georgia | 35.1 |
| Maryland | 32.3 |
| North Carolina | 24.5 |
| Michigan | 23.8 |

*States with Highest Average Tariff Savings Rates (%)*

| State | Average Tariff Savings Rate |
|---|---|
| Rhode Island | 7.0% |
| Colorado | 6.4 |
| Hawaii | 5.6 |
| Oregon | 5.2 |
| Maine | 5.1 |
| Montana | 4.7 |
| Utah | 4.6 |
| Arizona | 4.6 |
| West Virginia | 4.5 |
| Kentucky | 4.5 |

**Data for all 50 states (plus DC) available at http://renewgsptoday.com/gsp-state-reports/*

Source: The Trade Partnership from U.S. Census data

## GSP Tariff Savings by Country

The leading beneficiary country users of the GSP program are a mixed group regionally, located in Asia, Africa, Latin America, and even Europe. India was the top GSP supplier in 2012 at about $4.5 billion, followed by Thailand at $3.7 billion. Brazil and Indonesia each exported more than $2 billion to the United States under the GSP program last year.

As a result of the loss in 2007 of the eligibility of its jewelry products for GSP benefits, most of India's top exports are now industrial goods like flanges, valves, and camshafts. Thailand's top exports in 2012 were silver jewelry and rubber tires, but both of these goods lost benefits as part of the 2011 Annual Review process. Other top Thai exports included rubber gloves, parts for air conditioners, and food products. Brazil's top exports were a mixed bag, including camshafts, building stone, auto parts, dielectric transformers, food products, and leather.

The importance of the top supplier countries for American importers cannot be understated: the top four GSP source countries accounted for $511 million in tariff savings, or 68 percent of total tariff savings from the GSP program. As more and more products from top suppliers have lost GSP benefits because of the more stringent CNL waiver rules, imports from less-developed countries have not increased to fill the gap. Instead, program usage has declined from its 2006/2007 peak and importers have shifted sourcing to non-GSP eligible countries, including China, even though it means they must pay duties on those imports (*see previous chart on Imports under GSP*).

**GSP Imports and U.S. Tariff Savings by Country, 2012**

| Country | Import Value ($ million) | Tariff Savings ($ million) | GSP Share of BDC Imports |
|---|---|---|---|
| India | $4,453.9 | $184.0 | 11.1% |
| Thailand | 3,709.6 | 146.0 | 14.3 |
| Brazil | 2,317.1 | 86.4 | 7.3 |
| Indonesia | 2,208.1 | 94.3 | 12.3 |
| South Africa | 1,294.1 | 41.6 | 14.9 |
| Philippines | 1,239.2 | 48.6 | 13.0 |
| Turkey | 1,139.2 | 43.8 | 18.5 |
| Angola | 631.7 | 0.6 | 6.5 |
| Russia | 543.9 | 16.6 | 1.9 |
| Argentina* | 222.7 | 9.3 | 5.1 |
| Other | 2,097.2 | 77.8 | 1.4 |
| Total | 19,856.7 | 748.7 | 5.9 |

**Argentina lost GSP benefits in May 2012.*

Source: The Trade Partnership from U.S. Census data

# GSP Tariff Savings by Product

The nearly 3,000 products imported under the GSP program are diverse. From apricots from Afghanistan to wooden tableware from Zimbabwe and everything in between, many agricultural, consumer and industrial goods use GSP.

While it is generally believed that the United States is one of the most open economies in the world, it imposes duties on about 30 percent of all U.S. imports, and some of those duties are still quite high. For example, many tariffs on porcelain imports from least-developed GSP beneficiary Bangladesh would range from 20-26 percent without GSP benefits, providing significant savings for U.S. importers and a clear incentive for them to source these goods from one of the poorest countries in the world. The table below shows select tariff rates for products with GSP savings of at least $1 million in 2012.

**GSP Imports and U.S. Tariff Rates for Select Products, 2012**

| Product | Import Value ($ million) | Tariff Savings ($ million) | Average U.S. Tariff |
|---|---|---|---|
| Undenatured ethyl alcohol* | $18.7 | $7.1 | 37.8% |
| Certain nuts and seeds | 16.1 | 2.9 | 17.9 |
| Romano, Reggiano, and Parmesan cheeses | 16.4 | 2.5 | 15.0 |
| Telescopic sights for rifles | 62.8 | 9.4 | 14.9 |
| Preserved peppers | 9.4 | 1.4 | 14.9 |
| Headbands and ponytail holders | 14.8 | 2.2 | 14.6 |
| Certain silver jewelry | 27.4 | 3.7 | 13.5 |
| Ballpoint pens | 25.3 | 3.2 | 12.7 |
| Preserved vegetable mixtures | 30.4 | 3.4 | 11.2 |
| Parboiled Rice | 22.2 | 2.5 | 11.2 |
| Imitation jewelry | 95.4 | 10.5 | 11.0 |
| Bicycles | 9.2 | 1.0 | 11.0 |
| Ceramic coffee mugs | 14.8 | 1.5 | 10.0 |
| Ferrosilicon chromium | 36.5 | 3.6 | 10.0 |
| Cucumbers, pickles, and olives | 58.4 | 5.6 | 9.6 |
| Metal wrenches and parts | 14.4 | 1.3 | 9.0 |
| Iron and steel screws | 63.7 | 5.4 | 8.5 |
| Plywood | 183.5 | 14.7 | 8.0 |
| Christmas tree lights | 40.6 | 3.3 | 8.0 |
| Flags | 84.9 | 5.9 | 7.0 |
| Primary form PET | 71.6 | 4.7 | 6.5 |
| Building stone | 145.4 | 9.4 | 6.5 |

**Lost benefits in 2011 GSP Annual Review.*

# GSP Tariff Savings by Product (continued)

Motor vehicle parts were the largest category of GSP imports in 2012, accounting to 13.4 percent of total imports under the program. Given the low tariffs typically assessed on auto parts, GSP savings were greatest on imports of chemicals. The top categories are overwhelmingly industrial. With the exception of second-ranked agricultural food products, all of the top five GSP import categories are raw materials, machinery, and components used by U.S. manufacturers to remain competitive.

The table below shows the types of products imported under GSP and the tariff savings associated with those imports in 2012.

**GSP Imports and Tariff Savings by Product Group, 2012**

| Country | Import Value ($ million) | Share of GSP Imports (%) | U.S. Tariff Savings ($ million) |
|---|---|---|---|
| Motor vehicle parts | 2,670.3 | 13.4 | 83.0 |
| Meats, fruits, vegetables & other agricultural foods | 2,060.0 | 10.4 | 77.9 |
| Chemicals | 1,898.5 | 9.6 | 92.6 |
| Industrial & service machinery | 1,458.9 | 7.3 | 46.1 |
| Electric & electric-generating equipment | 1,322.8 | 6.7 | 38.4 |
| Household goods (e.g., kitchenware, appliances) | 1,222.5 | 6.2 | 51.3 |
| Steelmaking & ferroalloying materials | 1,044.0 | 5.3 | 28.4 |
| Jewelry, gems, coins & collectibles | 955.0 | 4.8 | 57.7 |
| Nonferrous metals & materials | 765.1 | 3.9 | 25.6 |
| Finished nonmetal durable goods | 761.8 | 3.8 | 26.7 |
| Metal shapes & manufactures (excl. steel) | 759.8 | 3.8 | 25.6 |
| Petroleum and products (excl. gas) | 723.6 | 3.6 | 0.7 |
| Apparel, footwear & accessories | 504.2 | 2.5 | 22.3 |
| Recreational equipment & materials | 500.3 | 2.5 | 26.4 |
| Building materials, unfinished (e.g., lumber) | 477.9 | 2.4 | 30.7 |
| Other agricultural materials (e.g., cotton, hides) | 386.9 | 1.9 | 9.9 |
| Iron & steel products, non-advanced | 359.4 | 1.8 | 18.9 |
| Sugar, cocoa, and coffee beans | 259.5 | 1.3 | 5.8 |
| Other consumer nondurables | 253.9 | 1.3 | 16.2 |
| Building materials, finished | 237.0 | 1.2 | 11.8 |
| Textile supplies & related materials | 236.3 | 1.2 | 7.2 |
| Iron & steel products, advanced | 187.0 | 0.9 | 9.2 |
| Grains & feeds | 167.0 | 0.8 | 3.5 |
| Non-agricultural foods (e.g., seafood, alcohol) | 159.2 | 0.8 | 14.9 |
| Scientific, hospital & medical machinery | 157.7 | 0.8 | 6.3 |
| Total, Leading Products | 19,528.6 | 98.3 | 737.1 |
| Total | 19,856.7 | 100.0 | 748.7 |

Source: The Trade Partnership from U.S. Census data

## GSP and American Jobs

As shown above, American companies use the GSP program to import a wide variety of products from numerous countries. The majority of these imports are raw materials, components, parts, and machinery used by U.S. manufacturers in their American production facilities. Although the GSP program benefits only a small slice of the U.S. import pie, lower prices for these inputs reduce production costs and help keep American manufacturers competitive – and thus able to hire American workers.

Furthermore, someone needs to both move the goods around the country and then sell the final product. In fact, a study done by The Trade Partnership for the U.S. Chamber of Commerce estimated that moving "GSP imports from the docks to the retail shelves" alone supported 82,000 jobs – a figure that did not count any jobs at companies using the program.

GSP clearly helps American workers when in effect, but has been plagued by short-term renewals and even expirations in the recent past, including a 10-month expiration from January to November 2011. That expiration period, during which importers had to pay tariffs, hit American workers hard. These unforeseen cost increases forced companies, from including many manufacturers and small businesses, to postpone investments and even lay off workers.

### Impact of GSP Expiration on Three American Companies*

**Besa Lighting** in Blacklick, Ohio manufactures light fixtures. It imports glass from Turkey under GSP because the European style of glass blowing is integral to its products. Yet with GSP expiration at the end of 2010, the cost of its glass – usually the most expensive part of the product – jumped by 12 percent. Faced with higher tariffs, the housing slowdown, and other cost pressures, the small manufacturer had to lay off 10 percent of its employees.

**Mullican Flooring**, based in Johnson City, Tennessee (with facilities in New York, Virginia, and West Virginia), manufactures wood flooring. About 80 percent of Mullican's products are made in the United States, but the company imports tropical woods from Indonesia under GSP to ensure it offers customers a complete package of options at a competitive price. As a result of the higher tariffs and lost business, Mullican laid off workers. The uncertainty caused by GSP expiration also threatened a multi-million dollar investment that was expected to create 35 new jobs.

**Decotone Surfaces** in Garwood, New Jersey, is a small importer of building products. New tariffs resulting from GSP expiration turned a slightly profitable year into a losing one and forced the company to cut expansion plans. Furthermore, the company was forced to hold off on all new investments, including an expected large equipment purchase from a local supplier, showing the negative impacts of GSP expiration were felt beyond just the direct importers.

**Numerous other company stories can be found at http://renewgsptoday.com*

## GSP and Economic Development

While the GSP program clearly benefits the American users, it continues to be important to fueling export-related economic growth in developing countries. Despite major strides in recent years, many of the top beneficiary countries continue to struggle with poverty. For example, per capita income for India, the top GSP beneficiary, was just $1,420 in 2011. Thailand, a close second in terms of U.S. imports under the program, has a per capita income of $4,420. Indonesia and Philippines, which ranked 4th and 6th in imports under the program in 2011, both have per capita incomes between $2,000 and $3,000. By making their exports more competitive in the U.S. market, GSP helps to support manufacturing jobs in economies that clearly need to find employment opportunities for workers that pay well and enable them to support their families.

**Per Capita Income for Top GSP Beneficiaries**

| Country | 2012 Import Value ($ million) | 2012 Tariff Savings ($ million) | 2011 Per Capita Income |
|---|---|---|---|
| India | $4,453.9 | $184.0 | $1,420 |
| Thailand | 3,709.6 | 146.0 | 4,420 |
| Brazil | 2,317.1 | 86.4 | 10,720 |
| Indonesia | 2,208.1 | 94.3 | 2,940 |
| South Africa | 1,294.1 | 41.6 | 6,960 |
| Philippines | 1,239.2 | 48.6 | 2,210 |
| Turkey | 1,139.2 | 43.8 | 10,410 |
| Angola | 631.7 | 0.6 | 3,830 |
| Russia | 543.9 | 16.6 | 10,400 |
| Argentina* | 222.7 | 9.3 | 9,740 |
| | | | |
| High-Income Threshold | na | na | 12,476 |
| United States | na | na | 48,450 |

**Argentina lost GSP benefits in May 2012.*

Source: The Trade Partnership from U.S. Census data; World Bank's World Development Indicators

The United States is not alone in providing these benefits; developed countries like Canada, the EU, Japan, and New Zealand have offered similar GSP programs for decades. More recently, developing countries like Brazil, China, India, and Turkey – themselves beneficiaries of certain GSP program – have begun offering their own duty-free programs, particularly for least-developed countries.

By offering access instead of direct aid, the GSP program offers a hand up, not a handout, to the benefit of all.

# GSP Program Status

In October 2011, Congress enacted legislation extending the GSP program through July 31, 2013. The legislation renewed GSP retroactively to its expiration date, and duties paid by importers were refunded to them.

Unfortunately, GSP is set to expire again on July 31, 2013 and Congress must pass legislation to renew it. As Congress considers its options, several key points from this report should prove helpful:

- Long-term renewals of GSP enable U.S. importers to better incorporate low-income countries into their sourcing networks. While duty savings are important, at some point uncertainty over whether GSP will be renewed, and when, can force an importer to give up on the program. Indeed, many have decided that "when all was said and done," it was better for the "bottom line" to pay higher direct costs for products from non-GSP countries like China than to gamble that imports from GSP countries would remain duty free.

- Expiration of GSP is particularly painful to U.S. small businesses. They do not have the capital reserves to pay import duties indefinitely, waiting for Congress to renew the program (hopefully retroactively to the expiration date). The additional costs they bear paying duties must come from someplace within the company. In the past, some small businesses have eliminated worker bonuses; others have dropped employer matches to 401K plans, and others have been forced to lay off workers.

GSP was developed to expand trade with low-income countries and promote their development, but it has become much more over the last 37 years. Today, in addition to its development benefits, it also undergirds U.S. company competitiveness and supports employment across the United States. It is no wonder the program enjoys widespread and bipartisan support in Congress, and its renewal is, justifiably, a priority for many.

## GSP's Legislative Journeys

| Action | Term | Legislative Vehicle |
|---|---|---|
| -Enacted | 10 years, 1/3/75-1/3/85 | Trade Act of 1974 |
| -Renewed | 8 years, 6 months, 1/4/85-7/3/93 | Trade and Tariff Act of 1984 |
| | *(Expiration period of just over one month in summer of 1993)* | |
| -Renewed* | 15 months, 7/4/93-9/30/94 | FY 94 Budget Reconciliation Act |
| | *(Expiration period of just over two months, October and November 1994)* | |
| -Renewed* | 10 months, 10/1/94-7/31/95 | Uruguay Round Agreements Act |
| | *(Expiration period of 15 months, August 1995 to October 1996)* | |
| -Renewed* | 22 months, 8/1/95-5/31/97 | Small Business Job Protection Act of 1996 |
| | *(Expiration period of just over two months, June-August 1997)* | |
| -Renewed* | 13 months, 6/1/97-6/30/98 | Taxpayer Relief Act of 1997 |
| | *(Expiration period of four months, July-October 1998)* | |
| -Renewed* | 12 months, 7/1/98-6/30/99 | Tax and Trade Relief Extension Act of 1998 |
| | *(Expiration period of five and a half months, July-December 1999)* | |
| -Renewed* | 27 months, 7/1/99-9/30/01 | Work Incentives Improvement Act of 1999 |
| | *(Expiration period of 10 months, October 2001-July 2002)* | |
| -Renewed* | 5 years, 10/01/01-12/31/06 | The Trade Act of 2002 |
| -Renewed | 2 years, 1/1/07-12/31/08 | Tax Relief and Health Care Act of 2006 |
| -Renewed | 1 year, 1/1/09-12/31/09 | Andean Trade Preference Extension Act of 2008 |
| -Renewed* | 1 year, 1/1/10-12/31/10 | GSP/ATPA Extension of 2009 |
| | *(Expiration period of 10 months, January-October 2011)* | |
| -Renewed | 2 years, 7 months, 1/1/11-7/31/2013 | TAA Extension Act of 2011 |

**The renewal was made retroactive to the date of expiration, and duties paid by importers were ultimately refunded.*