

COALITION FOR GSP
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GSP Expired...Now What?

On December 31, 2010, the Generalized System of Preferences (GSP) expired for the first time in nearly 10 years. What can we expect now that Congress has allowed GSP to expire?

American manufacturers and importers will face hundreds of millions of dollars in new costs.

- GSP saves American companies [throughout the country](#) approximately \$2 million per day. These costs will continue to snowball until Congress renews GSP.
- [Tens of thousands of American jobs](#) supported by GSP could be at risk because of new costs on domestic industries. At a time of high unemployment, loss of GSP takes money out of the hands of companies that might otherwise hire new employees and help lead the economic recovery.
- American manufacturers will face higher costs for vital raw materials and industrial supplies, which make up two-thirds of all GSP imports. For example, GSP provided duty-free access to 100 percent of the [lithium carbonates imports from Argentina](#) that entered the United States in 2010.

Small businesses, many of which rely on GSP to compete with larger companies, will be hurt the most from expiration.

- The expiration of GSP creates uncertainty that hits small businesses particularly hard. Not knowing for how long they have to absorb the higher duties wreaks havoc on planning by any business, and it is especially painful for small businesses, many of which depend on GSP duty-savings to keep their costs under control. Companies must guess how long they can go before they risk losing customers by raising prices to cover the higher costs from the duty loss.
- The expiration of GSP imposes a disproportionately larger financial burden on small businesses than on other businesses. The need to pay import duties creates cash-flow problems for small businesses that do not have large cash reserves. Small businesses that exhaust their savings may require loans if they hope to cover new costs and avoid painful cuts, like layoffs. Since banks will not give loans on the “possibility” that Congress will renew GSP, they will require hard collateral (e.g., the owner’s home) from small businesses seeking the loans.

For more information, please contact the **Coalition for GSP** at **202-347-1085**.