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Bush Administration Completes 2007 Annual Review of Generalized System of Preferences Program

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Ambassador Susan C. Schwab announced today the outcome of the Bush Administration's 2007 Annual Review of the Generalized System of Preferences (GSP), a program created in 1974 that provides duty-free treatment for nearly 5,000 products exported to the United States from 132 beneficiary developing countries.

As a result of this year's review, duty-free treatment for the vast majority of products covered by GSP will continue. In addition, the Administration will continue GSP eligibility for 99 exports from specific countries, even though the quantities of those exports exceeded statutory thresholds in 2007. As authorized by the GSP statute, the Administration will waive those thresholds known as "competitive need limitations" (CNLs). In keeping with the goals of the program and Congressional intent, GSP eligibility will be terminated for 25 products from specific beneficiary countries in order to advance a more targeted and effective program to promote economic development.

"Congress created the GSP program to serve as a bridge for developing countries as they increase their participation in the global trading system," U.S. Trade Representative Susan C. Schwab said today. "The GSP program has helped to promote development and reduce poverty in the developing countries while expanding our bilateral trade. It has also helped make the United States one of the world's most open economies to products of developing countries."

In this year's review, the Administration granted waivers of the CNLs to ensure continued GSP duty-free benefits to 99 products from 15 beneficiary countries, with an approximate import value of \$422 million in 2007. In addition, three types of aluminum products were added to the list of GSP-eligible products from all beneficiary countries.

Consistent with statutory provisions concerning product competitiveness and after extensive analysis, the Administration determined that 25 products from beneficiary countries can compete effectively in the U.S. market without duty-free treatment and will no longer be eligible under the GSP program. In 2007, these imports were valued at approximately \$1.4 billion. This group includes 21 products that exceeded the statutory CNLs and four products that have had waivers to the CNLs for the past five years and are now subject to statutory "super-competitiveness" thresholds.

Concurrent with the 2007 Annual Review, the Administration completed a review of the steps taken by GSP countries to eliminate the worst forms of child labor, including bonded labor, in the production of seven categories of handmade carpet imported under the U.S. GSP program. Since becoming eligible for GSP in 2005, U.S. imports of these carpets from 23 GSP beneficiaries have grown from \$11 million in 2004 to \$119 million in 2007. As a result of the review, the Administration made no changes to the GSP eligibility of the carpets under review, but will continue to monitor these countries.

The Annual Review also involved an analysis of petitions to withdraw or limit a country's GSP benefits for not meeting GSP eligibility criteria. These criteria include the extent to which a country provides adequate and effective protection of intellectual property rights (IPR) and whether a country is taking steps to ensure internationally recognized worker rights. Several beneficiaries remain under active scrutiny because of such concerns, including: Lebanon, Russia and Uzbekistan regarding their lack of IPR protection, and Bangladesh, Niger, the Philippines and Uzbekistan regarding worker rights. With respect to a petition from the International Intellectual Property Alliance on Russia's IPR protection, the Administration continues to monitor closely the Russian government's progress in meeting the commitments it undertook in the November 2006 Agreement with the United States on IPR and to seek further progress in the context of ongoing WTO accession negotiations.

Background

Congress created the GSP program in the Trade Act of 1974. Under the program, 132 beneficiary developing countries, including 44 least-developed beneficiary developing countries, currently export approximately 5,000 products duty-free to the United States.

In 2007, the United States extended GSP duty-free treatment to imports worth \$30.8 billion from eligible beneficiary countries. The majority of products imported from beneficiary countries are eligible for GSP benefits, with a significant exception being textile and apparel products. U.S. imports under GSP constituted a significant share of total U.S. imports from a number of beneficiary countries, including Macedonia, Fiji, Lebanon and Georgia.

Each year, the United States conducts an annual review to determine if there are certain imports currently eligible for GSP benefits that could compete effectively in the U.S. market if imported at tariff rates applicable to goods of non-GSP beneficiary countries. In making decisions on product eligibility, the Administration considers petitions to continue duty-free treatment, holds public hearings, and reviews analyses prepared by the U.S. International Trade Commission of the economic impact of eligibility decisions on domestic industries.

The GSP statute includes two CNLs on the eligibility of a product for benefits under GSP: (i) if the annual trade of a product from a specific country exceeds a value-based threshold (\$130 million in 2007); or (ii) if the annual trade of a product from a specific country exceeds 50 percent of total U.S. imports of that product. The statute also authorizes the President to waive the application of these limitations if certain statutory conditions are met.

Any CNL waiver granted remains in effect until the President determines that such waiver is no longer warranted due to changed circumstances. In December 2006, Congress amended the GSP statute when it renewed the program to provide that the President should revoke any existing CNL waiver that has been in effect for five years or more if a GSP-eligible product from a specific country has an annual trade level in the previous calendar year that exceeds 150 percent of the value-based threshold or 75 percent of all U.S. imports of that product.

The GSP Annual Review focused on several key areas, including consideration of: 1) whether to continue GSP eligibility for products from specific countries that exceeded CNLs; 2) whether to add products that can be imported from all GSP beneficiaries; 3) whether to terminate GSP eligibility for products that could be found competitive or meet other pertinent statutory criteria; and 4) petitions challenging the continued eligibility of certain beneficiary countries for the GSP program.

The results of the annual review are available at http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/GSP_2007_Annual_Review/Section_Index.html

USTR will also publish further details on the results of the annual review in the Federal Register.

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