

Ambassador Schwab Announces Process to Respond to Congressional Changes to GSP Program

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WASHINGTON - Today, President Bush signed legislation that continues the Generalized System of Preferences (GSP) program for two years until December 31, 2008. This is the first time since the GSP program was created in 1974 that it has been extended without a lapse. While reauthorizing the program for all current beneficiaries, the legislation includes new statutory thresholds to identify products that have reached a level of competitiveness suggesting that they no longer warrant duty-free benefits.

The current GSP statute includes two "competitive need limitations (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 monetary threshold (\$125 million in 2006); 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 grant a waiver to the limitations if certain statutory conditions are met. The legislation signed today amends the statute to provide that the President should revoke any existing CNL waiver that has been in effect for at least five years, 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 annual trade cap or comprises 75 percent of all U.S.

"The GSP program has proven to be very successful in creating U.S. trade with and development in developing countries," said Ambassador Susan C. Schwab. "Congress provided new guidance to address product competitiveness when it extended the program. We will ensure that the program adapts so that it continues to assist developing countries in becoming more active participants in the global trading system."

USTR expects to issue a Federal Register notice in late February 2007, when full-year 2006 data are available, that will identify those waivers that meet either of the new thresholds and thus subject to potential revocation.

Based on available January through October 2006 import data, a preliminary assessment of the CNL waivers meeting the new statutory thresholds are: Brazil - brakes and brake parts (\$242 million) and ferrozirconium (\$ 0.7 million); Cote d'Ivoire-kola nuts (\$4 million); India-gold jewelry (\$1.6 billion) and brass lamps (\$20 million); Philippines-wiring harnesses (\$329 million); Thailand-gold jewelry (\$611 million); and Venezuela-methanol (\$242 million).

Background

Congress created the GSP program as part of the Trade Act of 1974, in order to create economic opportunities in developing countries, while expanding the choices of American industry and consumers. The GSP program provides duty-free treatment for 3,400 products from 133 designated beneficiary developing countries and territories. Least-developed beneficiary developing countries (accounting for 42 of the 133 GSP beneficiaries) can export an additional 1,400 articles to the United States duty-free under GSP.

The United States imported \$26.7 billion of products under the GSP program in 2005, an 18 percent increase over 2004. From January through October 2006, the United States imported \$27.2 billion in GSP-eligible products, reflecting a 25.1 percent increase over GSP imports during the same period in 2005. U.S. imports under GSP have comprised 1.8 percent of total U.S. imports between January and October 2006, as

compared to 1.6 percent for the same period in 2005.