



## Generalized System of Preferences

### NACD Position

NACD supports legislation to renew the U.S. Generalized System of Preferences (GSP) program, which expired December 31, 2017.

NACD supports:

- Renewing immediately the U.S. Generalized System of Preferences program;
- Expanding the list of tariff lines permitted duty-free access and allowing some “import sensitive” products (in which developing countries often have a competitive advantage) to receive preferential access;
- Improving rule of origin requirements to provide more predictability. Current rules provide no measurable definition of “substantial transformation.” Thus, U.S. officials often make eligibility decisions on a case-by-case basis;
- Eliminating competitive need limitations for beneficiary developing countries (BDCs) or raising the thresholds that trigger them; and
- Revising and expanding eligibility requirements.

### Policy Background

The GSP program provides non-reciprocal, duty-free tariff treatment to certain products imported from designated BDCs. The United States, the European Union, and other developed countries have implemented similar programs since the 1970s. The GSP program was most recently extended until July 31, 2013, and has not yet been renewed. Imports under the GSP program in 2013 amounted to about \$18.5 billion — about 7% of all imports from GSP countries and about 1% of total U.S. imports.

U.S. importers of goods that import components, parts, or materials duty-free under the GSP maintain that the preference results in lower costs for these intermediate goods which, in turn, can make U.S. firms more competitive and be passed on to consumers. For example, the Coalition for GSP, a group of U.S. companies and associations in support of GSP, asserts the program saved American companies \$749 million on \$19.9 billion in imports in 2012. According to the same group, the expiration of GSP has cost American companies “nearly \$2 million per day in higher taxes while waiting for Congress to renew the program.”

### **Latest Action**

GSP renewal was among many bills, trade and otherwise, that Congress did not address before adjourning in 2017. Presumably thought to be included in end-of-the-year spending legislation, Congress passed a clean Continuing Resolution bill without any added provisions. Expiration went into effect January 1, 2018. On January 2, the Trump administration formally expressed support for a multi-year GSP renewal and stated that it hoped to see Congress act “early this year.” On the congressional front, we’ve received information that the trade committees are all looking at a three-year extension, though the legislative vehicle is still in question.

NACD has been actively involved in efforts to renew GSP as soon as possible and is taking necessary steps to ensure both a GSP lapse and retroactive reauthorization provide minimal disruption and that any eventual repayment of duties paid on GSP importations during a lapse is done in an automated, efficient, and expeditious manner.