



Sandler Trade LLC

***U.S. Generalized System of  
Preferences:  
The Disruptive Consequences  
of Program Interruptions***

May, 2013

# Overview

- ▶ Importance of the GSP program;
- ▶ 2011 Renewal Effort; and
- ▶ 2013 Renewal Effort.

# Summary of U.S. GSP program

- ▶ GSP promotes economic growth in the developing world and provides less expensive inputs for U.S. companies;
- ▶ The Trade Act of 1974 created the U.S. GSP program. The program went into effect on January 1, 1976;
- ▶ Products that are eligible for duty-free treatment under GSP include: most manufactured items; many types of chemicals, minerals and building stone; jewelry; many types of carpets; and certain agricultural and fishery products;
- ▶ GSP expires on July 31, 2013, and Congress must pass legislation to renew it;
- ▶ This will be the 13<sup>th</sup> time since 1976 that GSP authorization will expire.

# Summary of U.S. GSP program

- ▶ 127 countries and territories are eligible for GSP;
- ▶ This is 2/3 of the world's economies and more than 40 percent of global population;
- ▶ 83 non-LDC countries can export 3,511 different products into the U.S. market duty-free under GSP;
- ▶ 44 LDCs are eligible to export a total of 4,975 different products duty-free into the U.S. market under GSP;
- ▶ U.S. businesses imported \$19.9 billion worth of products under the GSP in 2012, including many inputs used in U.S. manufacturing.

**U.S. Imports Under GSP, 2012**  
**Total: \$19.9 Billion**

Jewelry,  
Ceramics, Glass,  
Stone, Wood  
Items, Veg.  
Products, Metals,  
Optical, Textiles  
and Apparel,  
Eligible Leather,  
Luggage, etc.,  
24%

Vehicles,  
Aircraft, Vessels  
and Associated  
Transport  
Equipment, 6%

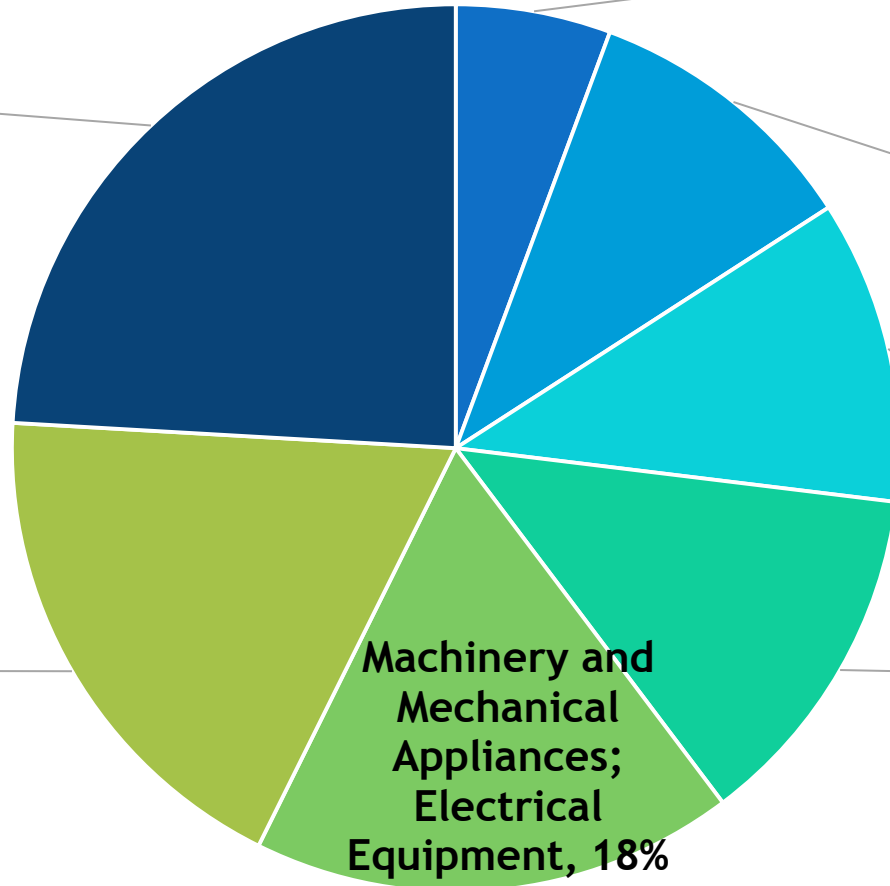
Products of the  
Chemical or  
Allied Industries,  
10%

Prepared  
Foodstuffs, 11%

Plastics and  
Articles of  
Rubber, 13%

Base Metals and  
Articles of Base  
Metal, 19%

Machinery and  
Mechanical  
Appliances;  
Electrical  
Equipment, 18%



# Summary of U.S. GSP Program - Top 10 Products, by Value, for 2012

1. Petroleum oils and oils from bituminous mineral
2. Rubber Radial Tires (cars)
3. Aluminum alloy, plates/sheets/strip
4. Ferrochromium (>4% carbon)
5. Silver jewelry (>\$18 per dozen)
6. Ferrosilicon Manganese
7. Seamless gloves of vulcanized rubber (not surgical or medical gloves)
8. Food preparations (not canned or frozen)
9. Rubber radial tires (buses/trucks)
10. Ferrosilicon (55% to 80% silicon)

# Summary of U.S. GSP Program - Benefits to U.S. Importers/Consumers

- ▶ U.S. companies from all sectors of the economy support seamless GSP renewal;
- ▶ GSP is particularly important for U.S. small businesses;
- ▶ GSP saved U.S. importers almost \$750 million dollars in duties in 2012;
- ▶ California had the highest value of GSP imports (\$2.8 billion) and tariff savings (\$111 million) in 2012;
- ▶ Rhode Island imports would have faced the highest average tariffs (7%) without GSP;
- ▶ Estimated number of U.S. jobs linked to GSP: 82,000.

## GSP's Legislative Journeys

<b>Action</b>	<b>Term</b>	<b>Legislative Vehicle</b>
-Enacted	10 years, 1/3/75-1/3/85	Trade Act of 1974
-Renewed	8 years, 6 months, 1/4/85-7/3/93 <i>(Expiration period of just over one month in summer of 1993)</i>	Trade and Tariff Act of 1984
-Renewed*	15 months, 7/4/93-9/30/94 <i>(Expiration period of just over two months, October and November 1994)</i>	FY 94 Budget Reconciliation Act
-Renewed*	10 months, 10/1/94-7/31/95 <i>(Expiration period of 15 months, August 1995 to October 1996)</i>	Uruguay Round Agreements Act
-Renewed*	22 months, 8/1/95-5/31/97 <i>(Expiration period of just over two months, June-August 1997)</i>	Small Business Job Protection Act of 1996
-Renewed*	13 months, 6/1/97-6/30/98 <i>(Expiration period of four months, July-October 1998)</i>	Taxpayer Relief Act of 1997
-Renewed*	12 months, 7/1/98-6/30/99 <i>(Expiration period of five and a half months, July-December 1999)</i>	Tax and Trade Relief Extension Act of 1998
-Renewed*	27 months, 7/1/99-9/30/01 <i>(Expiration period of 10 months, October 2001-July 2002)</i>	Work Incentives Improvement Act of 1999



# GSP's Legislative Journeys (cont.)

-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 <i>(Expiration period of 10 months, January-October 2011)</i>	GSP/ATPA Extension of 2009
-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.*

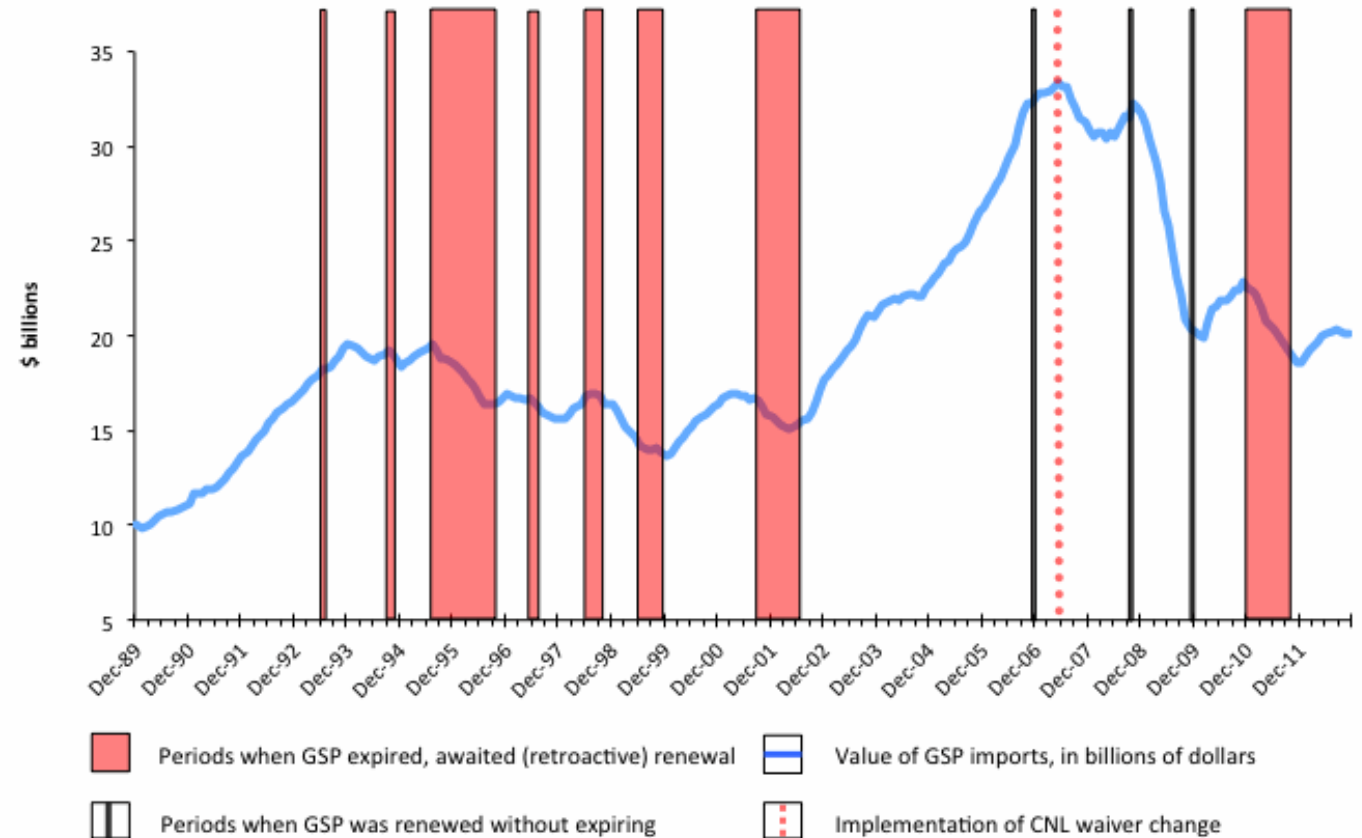
Source: Trade Partnership

## After July 31, 2013 - ????

# Summary of U.S. GSP program - Imports vs. Lapses

- ▶ The longer GSP is in effect without disruption, the more imports under GSP grow
- ▶ Lapses in GSP have an adverse impact on import levels as do short-term extensions
- ▶ Other country GSP programs are usually renewed for longer periods of time
- ▶ Canada proposing to renew its GSP program for 10 years
- ▶ Longer renewal terms decrease uncertainty which benefits trade flows

Imports under GSP, 1989 - November 2012



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

# 2011 Renewal Effort - Coalition of GSP Countries - Last Time Around

- ▶ Collected stories of how GSP benefited real people;
- ▶ Expiration of GSP was Dec. 31, 2010; renewed Oct. 21, 2011;
- ▶ Coalition of GSP Countries formed in March 2011;
- ▶ Organized a Hill Education Campaign:
  - Ambassador letters sent to the Hill;
  - Meetings held with senior Congressional staff;
  - Coordinated with U.S. companies' Coalition for GSP.
- ▶ In 2013 the A-GSPC will do its utmost to successfully renew this effort.

# GSP Conversations with Members of Congress

- ▶ Members of Congress and staff found helpful the following:
  - **Real stories of how GSP has helped specific countries and SMEs;**
  - How many people globally are positively affected by GSP;
  - Extent of countries' reliance on the U.S. market as a top export destination;
  - Share of the world population that the A-GSP accounts for; and
  - Large diversity of products and countries benefiting.

## 2013 Effort - Alliance of GSP Countries (A-GSPC)

- ▶ **Objective: Advocate for seamless GSP renewal for as long as possible - this is also the stated Obama Administration goal;**
- ▶ **Sandler Trade LLC and the A-GSPC invite all GSP Beneficiary Countries to join the renewal effort.**

**For more information  
contact Ms. Yasmine Rouai at  
[yrouai@sandlertrade.com](mailto:yrouai@sandlertrade.com) or at  
1.202.776.0650**



**Sandler Trade LLC**