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It's Time to Renew GSP

ISSUE: The United States uses the Generalized System of Preference (GSP) program to grant duty-free preferences to selected developing countries to promote development through trade, not aid. Duty-free benefits are available only for products that are not import sensitive. Beneficiary countries must meet eligibility criteria, which include adhering to international labor standards, providing access for U.S. exports to their markets, and protecting intellectual property rights, among others. Today, 131 countries and territories get GSP benefits (China is not eligible for GSP benefits).

But GSP expires on December 31, 2010 and Congress must pass legislation to reauthorize the program for at least five years if not longer.

WHY DO IT?

- GSP matters to American companies, many of them small businesses. The duty savings granted by GSP affect raw materials as well as finished consumer goods. Duty savings lower costs of production for manufacturers in the United States, and they lower the costs of consumer goods sold to American families.
- While overall U.S. tariffs are relatively low, for many products they remain quite high. GSP duty savings frequently make the difference between profitability and survival of American companies in a highly competitive U.S. marketplace. They also help smaller producers compete with much larger companies.
- GSP provides a cost rationale for sourcing from otherwise uncompetitive foreign producers in lieu of producers in China. The GSP duty savings frequently are the cost reduction needed to put developing country suppliers on a level playing field with much lower-cost producers in China.
- A long-term renewal of the GSP program is imperative. Past short-term renewals of the program actually discouraged its use because it made sourcing plans uncertain and potentially costly. Long-term renewals also give American companies the time they need to work with suppliers in non-traditional GSP countries to establish new production and sourcing partnerships.