

# THE LANGUAGE OF TRADE

## **Generalized System of Preferences (GSP)**

The Generalized System of Preferences is a U.S. trade program designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 4,800 products from 129 designated beneficiary countries and territories. GSP was instituted on January 1, 1976, by the Trade Act of 1974. The program is subject to periodic reauthorization by Congress.

## **Sanitary and Phytosanitary Measures (SPS)**

All governments accept the fact that some trade restrictions may be necessary to ensure food safety and animal and plant health protection. Collectively, these rules are known as SPS measures. However, governments are sometimes pressured to go beyond what is needed for health protection and to use sanitary and phytosanitary restrictions to shield domestic producers from economic competition.

## **Tariff**

Customs duties on merchandise imports are called tariffs. Tariffs give a price advantage to locally-produced goods over similar goods which are imported, and they raise revenues for governments.

## **Free Trade Agreement (FTA)**

An FTA is an agreement between two or more countries where the countries agree on certain behaviors that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics. For the United States, the main goal of trade agreements is to reduce barriers to U.S. exports, and protect U.S. interests and enhance the rule of law in the FTA partner country.



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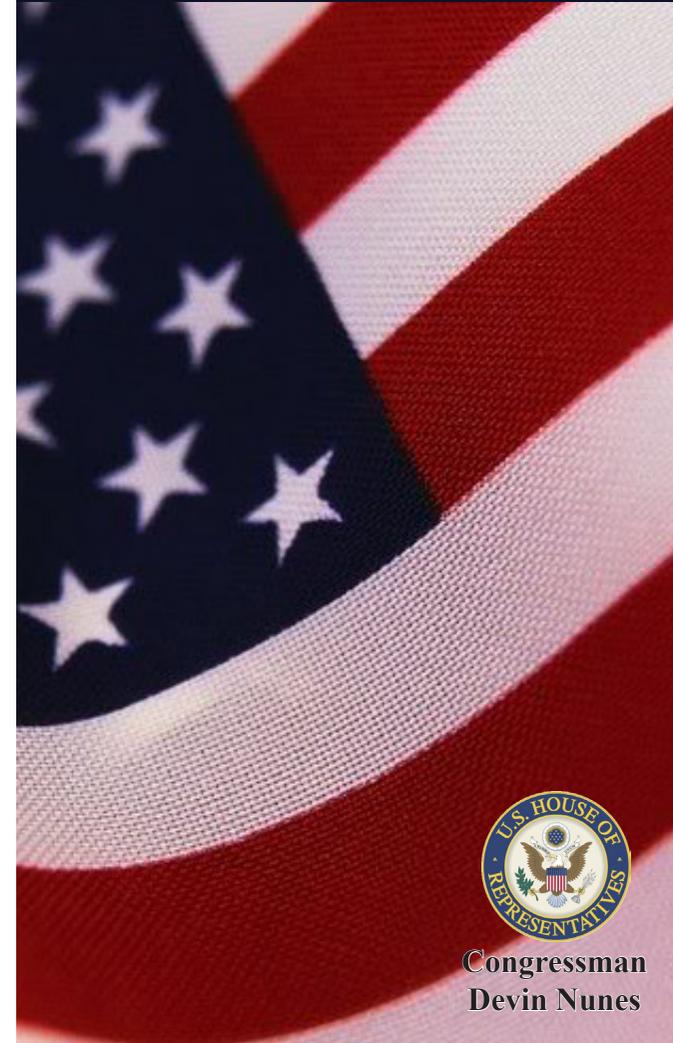
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# Generalized System of Preferences Improvement Act



Congressman  
Devin Nunes

# THE GSP IMPROVEMENT ACT

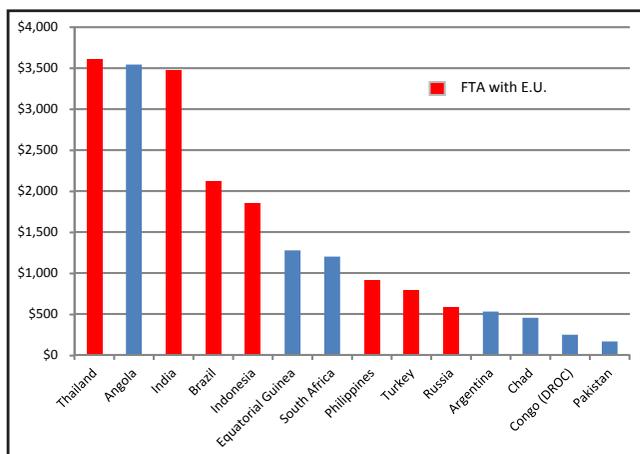


The U.S. Generalized System of Preferences (GSP) program authorizes the President to extend duty-free treatment to goods from certain developing nations imported into the United States.

Although they represent a small share of total U.S. imports, GSP imports under this system have grown sharply since 2002 and constitute a significant share of beneficiary countries' exports to the United States.

Trade preference programs have been used by developed countries since the 1970s to promote economic growth in developing countries by stimulating trade. Although intended to be temporary, they are protected under the current international legal framework and may continue indefinitely, subject to continued Congressional authorization as well as the eligibility requirements established under the GSP.

## TOP TRADE PREFERENCE BENEFICIARIES (from 2010 in millions of dollars)



Seven of the top 14 beneficiaries of U.S. trade preferences have negotiated Free Trade Agreements with the European Union.

## GSP BENEFICIARIES USING NON-TARIFF BARRIERS AGAINST U.S. PRODUCTS

(2011)

GSP NATION	TRADE BARRIERS
Thailand	pork, beef and beef products
Brazil	pork, cattle, beef and beef products
Argentina	cattle, beef and beef products
India	dairy, pork, poultry, wheat, and barley
Philippines	vegetables, frozen and chilled meat
Turkey	biotechnology, beef, cattle, sheep
Indonesia	animal derived products
South Africa	beef and beef products and pork
Ecuador	cattle, beef, beef products, and poultry
Venezuela	cattle, beef, beef products, poultry

### GSP Transition Needed

There is no question that the GSP program has had a positive impact throughout the developing world. However, the program is also benefiting trading partners with growing economic and global trade influence. In some instances, those trading partners have negotiated preferential trade agreements (FTAs) with other highly developed nations, placing American exporters at a disadvantage.

The GSP Improvement Act will transition the United States away from the GSP's one-way preferential treatment to a more mature trading relationship. That transition will occur when a developing country negotiates trade preferences with any of our highly developed global competitors. Current GSP beneficiaries that have established such agreements include *India, Thailand, Brazil and Indonesia.*

### Stop Rewarding Bad Behavior

In addition, seven of the top fourteen nations benefiting from GSP access to the U.S. are listed by the United States Trade Representative as having prevented access to American businesses by using unfair sanitary and phytosanitary measures

(SPS). In some instances, these non-tariff trade barriers are years old, representing a pattern of non-compliance with international standards.

The GSP Improvement Act would alter the eligibility rules to preclude the President from offering preferential status to nations that do not abide by international standards concerning SPS, technical barriers and other non-tariff trade barriers.

## WHY THE GSP IMPROVEMENT ACT?

### Abuse of Program Ended:

The GSP program is a voluntary one-way benefit offered to developing countries. GSP beneficiaries found to be abusing that relationship by treating American products unfairly through non-tariff barriers should be excluded from the program.

### Global Competition:

American exporters face fierce competition from other highly developed countries. They are unfairly disadvantaged when GSP beneficiaries establish free trade agreements (FTAs) with other highly developed countries but not the United States. The GSP Improvement Act ends GSP under these circumstances.

### Recognition of a Changing World:

The President retains the ultimate authority to extend GSP to any country. However, he must report to Congress if he over-rides eligibility criteria. USTR must also report to Congress on how GSP nations are performing concerning non-tariff trade barriers.