

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

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GENERALIZED SYSTEM OF PREFERENCES

Notification by the United States

Addendum

The delegation of the United States has provided the following summary of the provisions regarding GSP in the Trade and Tariff Act of 1984. Under the new legislation the United States GSP scheme will be extended until 4 July 1993 with some modifications.

RENEWAL OF THE U.S. GENERALIZED SYSTEM OF PREFERENCES (GSP)

1. On October 30, 1984 President Reagan signed the Trade and Tariff Act of 1984 containing authority to revise and extend the U.S. Generalized System of Preferences (GSP) through July 4, 1993. The effective date for the new GSP legislation is January 3, 1985.

2. Country eligibility. The GSP's current provisions relating to country eligibility will remain unchanged with two exceptions. First, a new mandatory criterion was established with respect to "internationally recognized worker rights." Second, Hungary was deleted from the list of countries excluded by statute. The designation of Hungary would not be automatic, however. The President would be required to evaluate several discretionary criteria. These changes, which were not requested by the Administration, were contained in the House bill.

3. Product eligibility. The GSP's current provisions excluding certain products from eligibility will remain unchanged with one exception. The President will be barred from designating as GSP-eligible any new products in the leather-related product sector (i.e., footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel). It should be noted that the specification of footwear is largely redundant; virtually all footwear was excluded under the GSP's original authorization.

4. Graduation. As specified in the Senate bill, the President will be required to complete within two years a general review in which he will determine which products from which countries are "sufficiently competitive." In those instances where the determination is affirmative, lower competitive need limits (see paragraph 11) set at 25 percent and \$25 million will be applied. Otherwise, the current limits (50 percent and \$57.7 million) will continue to apply. The \$25 million limit, like the current \$57.7 million limit, will be indexed to changes in the nominal U.S. gross national product (GNP). In making these determinations, the President will be required to take into consideration a number of factors including (1) the competitiveness of the beneficiary in the particular product; (2) the general level of development of the beneficiary and; (3) the market access considerations described in paragraph 7. If a country's per capita GNP exceeds \$8,500, its GSP benefits will be terminated after a two-year phase-out period. The \$8,500 figure will be indexed to one-half the increase in nominal U.S. GNP.

5. Least-developed developing countries. All least-developed countries will be fully exempted from all competitive need limits.

6. Waiver. It will be possible for other beneficiaries to obtain a full waiver of competitive need limits on a product-specific basis. In deciding whether to grant the waiver, the President is directed to give great weight to the market access factors

described in paragraph 7. The value of beneficiary country trade benefiting from the waiver cannot exceed 30 percent of the value of GSP free imports in any calendar year (GSP free imports totaled \$10.8 billion in 1983). No more than half of this 30 percent can consist of trade from countries having a per capita GNP in excess of \$5,000 (not indexed) or which account for 10 percent or more of total GSP imports.

7. Market access considerations. In all GSP determinations, the President will be required to take into account, inter alia, several discretionary criteria relating to market access. Specifically, he will be required to examine: (1) the extent to which the country provides reasonable access to its markets and the extent to which it is refraining from unreasonable export practices; (2) the extent to which it is providing adequate protection to U.S. intellectual property rights (e.g., patents, copyrights and trademarks); (3) the extent to which it is reducing trade-distorting investment practices (e.g., export performance requirements) and barriers to trade in services; and (4) the extent to which it is affording internationally recognized worker rights to its workers.

8. De minimis waiver. The de minimis limit will be increased from \$1 million to \$5 million (in both instances, 1979 is the base year). Whenever the value of total U.S. imports of a product is below this limit, the President can waive the 50-percent competitive need limit without having to exercise the waiver authority described in paragraph 8.

9. Effective date for annual changes. Changes resulting from the operation of the GSP's competitive need limits must be implemented by July 1 of the following year. The original statute required such changes to be in place within 90 days of the close of the calendar year (e.g., March 31).

10. Agricultural exports. Executive branch agencies are directed to assist beneficiary countries in ensuring that their agricultural exports are not undermining the production of food for domestic consumption.

11. As noted earlier, many of the renewal bill's changes involve the operation of the GSP's "competitive need" limits. Under the original statute's competitive need provisions, a country loses GSP duty-free treatment for a product if its shipments of a product in the preceding calendar year exceeded: (1) 50 percent of the value of total U.S. imports of the product; and/or (2) a certain dollar value. This dollar value, which is adjusted annually in accordance with changes in the nominal U.S. GNP, was \$57.7 million in 1983.