

Generalized System of Preferences Program Reauthorization Will Avert Tax Increases, Job Losses

Summary

Background

The Generalized System of Preferences (GSP) program eliminates import taxes on designated products from 122 developing countries around the world. GSP was instituted on January 1, 1976, by the Trade Act of 1974 and is designed to promote economic growth in the developing world by providing preferential duty-free entry for products from designated beneficiary countries and territories. GSP was reauthorized on June 29, 2015 (effective July 29, 2015) for a period of two and a half years. The program is set to expire on December 31, 2017.

Impact

GSP is an important tool for boosting economic growth and job creation. Many U.S. companies source raw materials and other inputs from GSP countries, and the duty-free treatment of these imports reduces the production costs of these U.S. manufacturers, making them more competitive.

The renewal of GSP in June 2015 led to \$1.3 billion in refunds in the United States, with California receiving the most money in refunds—more than any other state. In 2015, GSP waived tariffs in California on \$2.7 billion worth of imports and saved California companies \$103 million. Of the \$633 million saved by American companies in 2015, more than 15.5% went to California.

Products eligible for duty-free treatment under GSP, according to the Office of the U.S. Trade Representative, include most manufactured items; many types of chemicals, minerals and building stone; jewelry; many types of carpets; and certain agricultural and fishery products.

Since it was renewed, GSP waived about \$580 million in additional import taxes from August 2015-May 2016, leading to an additional \$2 billion at the disposal of U.S. companies over the last year.

Anticipated Action

It is hoped that the U.S. Congress will consider legislation in 2017 to extend the authorization of GSP. The California Chamber of Commerce is among more than 600 companies and associations that join the U.S. Chamber of Commerce in participating in a nationwide GSP Coalition. Members represent businesses ranging in size from single-person sole proprietorships to some of the largest corporations in the world. Industries represented include apparel, footwear, food, consumer electronics, fashion jewelry and accessories, wood products, fisheries, retail, recreational vehicles, rug importers, sports and fitness, wood products and travel goods. The businesses are headquartered in 46 states and 290 congressional districts, and the District of Columbia.

CalChamber Position

The CalChamber, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business. The CalChamber supports reauthorization of the GSP program so that companies throughout the United States can save hundreds of millions of dollars in taxes, funds that could be used to support future growth.

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