

November 18, 2013

Dear Member of Congress:

The Generalized System of Preferences (GSP) expired at the end of July, and Congress has not yet acted to renew it. This program was first implemented in 1976 with the commendable goal of promoting economic growth in developing countries by offering tariff-free treatment to many of their products. Last year, around 130 countries received such benefits on some 5,000 products shipped to the United States.

The program has proved largely beneficial to all sides by helping expand exports of poorer nations and by making available lower cost inputs to U.S. manufacturers. But it has also been exploited by some beneficiary countries, and in one important respect, it has failed to fulfill the intent of Congress when it established the program.

U.S. law pertaining to the GSP program (19 U.S.C. 2462(c)(4)) requires that the president take into account whether or not a country is providing “equitable and reasonable access to markets” as a factor in deciding whether, and the extent to which, that country should be a recipient of GSP benefits. Moreover, in reporting the original GSP bill, the Senate Finance Committee said that “the Committee feels strongly that the beneficiary developing countries should reduce and eliminate their own barriers to U.S. commerce before they should be granted preferential treatment in the U.S. market.”<sup>1</sup> In implementing the GSP program, Congress clearly saw it as a tool that should be used to ensure the compliance of our trading partners with their international trade obligations.

Unfortunately, barriers to U.S. exports in GSP beneficiary countries are widespread and are often in flagrant violation of international obligations. Some of these are in the attached document. The undersigned food and agricultural organizations, therefore, urge Congress to establish clearer eligibility requirements that would revoke GSP privileges partially or fully from nations that fail to accord U.S. products treatment consistent with international rules. Special emphasis should be placed on more advanced developing countries, which have a particular obligation to validate the privilege of receiving and retaining GSP benefits.

The barriers U.S. products face in many GSP recipient nations are by no means trivial. They frequently rely on non-science-based sanitary or phytosanitary measures that have the effect of restricting or blocking access of U.S. products to their markets. In the past GSP has been revoked from countries for non-compliance with certain aspects of GSP eligibility criteria (Argentina, most recently), and we are aware of one instance where the final resolution of a dispute hinged on “equitable and reasonable access” for U.S. products to a beneficiary country.

Attached are examples of barriers imposed by some of the top 10 GSP countries. Most are included in USTR’s annual reports on foreign trade barriers and SPS measures. The fact that these countries may maintain these restrictions on U.S. goods while benefitting from unilateral preferential treatment for their products in the U.S. market – and with little apparent concern

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<sup>1</sup> S. Rep. No. 1298, 93rd Congress, 2nd Session, reprinted in 1974 U.S.C.C.A.N 7186, 7352.

about losing those tariff benefits – is clearly inconsistent with the intent of Congress, and we believe this must change.

Sincerely,

American Feed Industry Association  
American Meat Institute  
Animal Health Institute  
Corn Refiners Association  
Distilled Spirits Council of the United States  
National Chicken Council  
National Confectioners Association  
National Council of Farmer Cooperatives  
National Fisheries Institute  
National Milk Producers Federation  
National Oilseed Processors Association  
National Pork Producers Council  
National Turkey Federation  
North American Equipment Dealers Association  
North American Meat Association  
Northwest Horticultural Council  
U.S. Dairy Export Council  
USA Poultry & Egg Export Council  
USA Rice Federation