



U.S. Chamber of Commerce

John Murphy
Senior Vice President
for International Policy

February 5, 2024

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Adrian Smith
Chairman
Subcommittee on Trade
U.S. House of Representatives
Washington, DC 20515

The Honorable Earl Blumenauer
Ranking Member
Subcommittee on Trade
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen Smith and Smith and Ranking Members Neal and Blumenauer:

The U.S. Chamber of Commerce urges you to complete work and report legislation to reauthorize the Generalized System of Preferences (GSP), including provisions to ensure that this program is renewed on a fully retroactive basis. The lapse in this important trade program has now exceeded three years, leading to mounting costs for U.S. small businesses and incentivizing companies to source more imports from China rather than GSP-eligible countries in the developing world. This damaging situation has already persisted for far too long, and we look forward to Ways and Means acting to set the stage for expeditious action by the full Congress.

For more than four decades, GSP has promoted market-based economic growth in developing countries by waiving tariffs on a carefully vetted list of imports from approximately 120 developing countries. GSP helps advance U.S. foreign policy objectives, promotes international development and free enterprise, and helps American families stretch their budgets by reducing prices of a variety of consumer goods. Products imported under GSP generally do not compete with U.S.-made goods in any significant way.

The impact of the lapse in GSP on U.S. small businesses is particularly troublesome. The typical beneficiary company employs about 20 people, and GSP saves them between \$100,000 and \$200,000 in duties — big money for many small businesses. Officials regularly signal that these duties will be reimbursed upon retroactive renewal of the program, but extending a compulsory interest-free loan to the federal government is a burdensome proposition for American small businesses.

The long lapse in GSP is also incentivizing U.S. businesses to source from China goods that they had been acquiring from GSP beneficiary countries. Many of these smaller firms in particular shifted their supply chains out of China after Section 301 tariffs were imposed on many Chinese products in 2018 and 2019. However, the end of GSP's tariff preferences for developing countries has shifted the cost calculus back to China's favor for many products.

Debate over possible changes to the program's eligibility criteria and other issues has delayed GSP's renewal. The Chamber appreciates that these criteria provide leverage to encourage beneficiary countries to protect intellectual property, treat U.S. investors fairly, and improve labor practices. Members have been exploring additions to these criteria for several years. The Chamber supports a proposal championed by Rep. Darin LaHood to add a digital trade condition and another from Reps. Blake Moore and Suzan DelBene to update GSP's "competitive need limitation" rules. Above all, the Chamber encourages lawmakers to work together on any new GSP eligibility criteria under consideration and quickly reach a balanced approach that will allow the program to be reauthorized swiftly.

Finally, every time GSP expired previously, Congress applied duty-free treatment retroactively to GSP-eligible products that were imported during the lapse period, allowing importers to seek refunds of duties paid. Amid high prices and other cost constraints on American businesses of all sizes, it is important to make GSP benefits retroactive from December 31, 2020, and to refund duties paid on imports during the lapse. Failure to do so would not only harm many American businesses counting on refunds based on that precedent but would undermine confidence in GSP every time its authorization is set to expire in the future.

GSP has been an effective tool promoting market-based economic growth in developing countries, supporting the diversification of supply chains away from China, and expanding consumer choice. The Chamber urges Congress to renew this important program.

Sincerely,

A handwritten signature in black ink, appearing to read "John Murphy". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

John Murphy
Senior Vice President, Head of International
U.S. Chamber of Commerce

cc: Members of the House Committee on Ways and Means