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Highlights

Highlights of [GAO-07-1209](#), a report to the Chairman, Committee on Finance, U.S. Senate, and the Chairman, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Goods imported into the United States under trade preference programs, which extend unilateral tariff reductions to over 130 developing countries to assist their economies, totaled approximately \$92 billion in 2006. The United States offers four primary trade preference programs—the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI), the Andean Trade Preference Act (ATPA), and the African Growth and Opportunity Act (AGOA). Some economists and others have raised concerns about the programs; for example, because the beneficiaries may lose interest in reciprocal multilateral or bilateral trade liberalization. In addition, the global trade context in which the programs operate is changing. Most U.S. trade preference programs will need to be renewed over the next several years. As a result, Congress needs to reexamine the programs and explore options for improvement. To provide information for such a reexamination, at your request we (1) identified and compared key features of U.S. preference programs, (2) analyzed use of U.S. preference programs by beneficiaries, and (3) examined U.S. agency administrative reviews of preference programs.

www.gao.gov/cgi-bin/getrpt?GAO-07-1209.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

INTERNATIONAL TRADE

An Overview of Use of U.S. Trade Preference Programs by Beneficiaries and U.S. Administrative Reviews

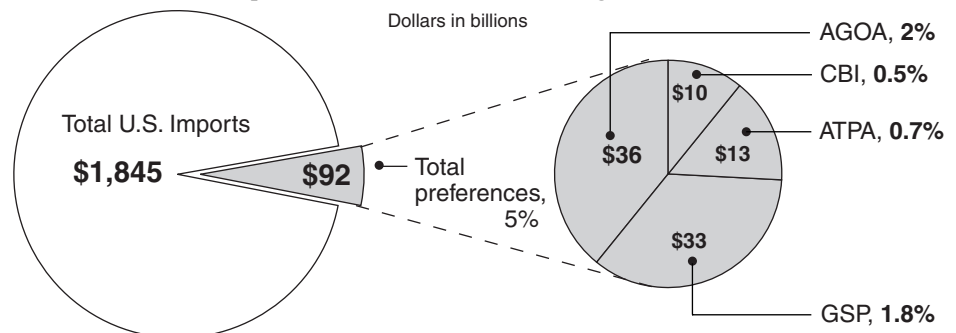
What GAO Found

U.S. trade preference programs have notable similarities and differences. In general, their goal is to promote economic development in poorer nations by supporting exports. GSP provides a basic level of product coverage available to all beneficiaries, with added products for least-developed beneficiaries. The three regional programs cover additional products and generally have more liberal conditions for product entry than GSP. On the other hand, regional beneficiaries are held to more extensive criteria for participation. Further, the regional programs serve specific foreign policy interests—for example, ATPA complements counternarcotics efforts.

Although they represent a small share of total U.S. imports (see figure), imports under U.S. preference programs have grown sharply since 2002 and constitute a significant share of many beneficiary countries' exports to the United States. For example, fuel imports under preference programs have grown rapidly and, by 2006, accounted for over half of preference imports in terms of value. Other growing sectors include machinery, electronics, jewelry, and agriculture. About 10 countries accounted for over 75 percent of preference imports in 2006. The largest suppliers are Nigeria and Angola, primarily because of fuel imports; India, Thailand, and Brazil are the three largest non-fuel suppliers. Countries that have the highest share of their exports to the United States benefiting from preferences tend to be lower income countries.

U.S. administrative reviews vary in frequency and scope, but have resulted in few changes to country and product eligibility. GSP has annual reviews based on petitions (requests). Between 2001 and 2006, one country was removed from eligibility because of intellectual property rights concerns but was later reinstated after it addressed them. In addition, duty-free imports of products from particular countries above import share or value thresholds are excluded by statute unless a waiver is requested and received. Legislation passed in 2006 required a review of existing GSP waivers above specified competitiveness thresholds; of the nine reviewed, eight were revoked. ATPA has an annual review of country eligibility practices, based on petitions filed, which has not withdrawn or suspended benefits from any country. The reviews of AGOA and CBI are not based on petitions; all AGOA countries are reviewed annually, while CBI countries are reviewed biennially. From 2001 to 2007, four countries lost AGOA eligibility, largely due to concerns about lack of economic reform, rule of law, and human rights.

Five Percent of U.S. Imports Enter under Preference Programs



Source: GAO analysis of official U.S. Import Statistics for 2006.