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# Highlights

# INTERNATIONAL TRADE

## The United States Needs an Integrated Approach to Trade Preference Programs

## Why GAO Did This Study

U.S. trade preference programs promote economic development in poorer nations by providing duty-free export opportunities in the United States. The Generalized System of Preferences, Caribbean Basin Initiative, Andean Trade Preference Act, and African Growth and Opportunity Act unilaterally reduce U.S. tariffs for many products from over 130 countries. However, two of these programs expire partially or in full this year, and Congress is exploring options as it considers renewal.

This testimony describes the growth in preference program imports since 1992, identifies policy trade-offs concerning these programs, and evaluates the overall U.S. approach to preference programs. The testimony is based on two recent studies on trade preference programs, issued in September 2007 and March 2008. For those studies, GAO analyzed trade data, reviewed trade literature and program documents, interviewed U.S. officials, and did fieldwork in six trade preference beneficiary countries.

### What GAO Recommends

In the March 2008 report, GAO made a number of recommendations to the U.S. Trade Representative, including to review beneficiary countries that have not been considered under the regional programs, and periodically consider preference programs jointly. In response, USTR indicated that it would undertake an interagency review of the programs and consolidate discussion of them in its annual report.

To view the full product, including the scope and methodology, click on GAO-08-907T. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.
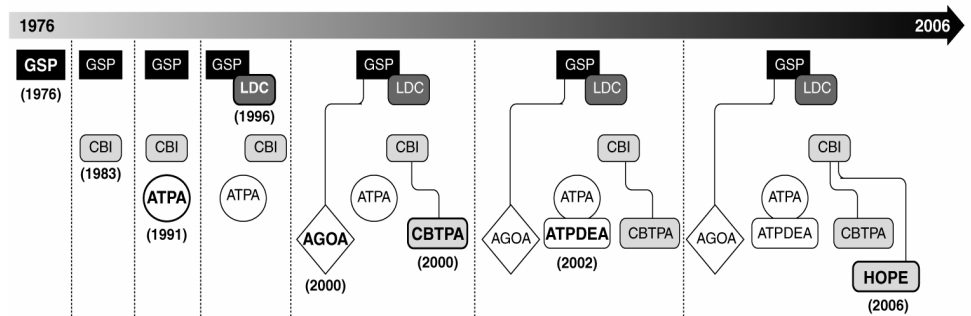
## What GAO Found

Total U.S. preference imports grew from $20 billion in 1992 to $92 billion in 2006, with most of this growth taking place since 2000. The increases from preference program countries reflect legislation passed by Congress in 1996 and 2000 that enhanced preference programs and added new eligible products.

Preference programs give rise to three critical policy trade-offs. First, preferences entail a trade-off to the extent opportunities for beneficiary countries to export products duty free must be balanced against U.S. industry interests. Some products of importance to developing countries, notably agriculture and apparel, are ineligible by statute as a result. Secondly, certain developing countries have been given additional preferential benefits for such import-sensitive products under regional programs. But some of the poorest countries, outside targeted regions, do not qualify. Third, Congress faces a trade-off between longer program renewals, which may encourage investment and undermine support for the likely greater economic benefits of broader trade liberalization, a key U.S. goal, and shorter renewals, which may provide opportunities to leverage the programs to meet evolving priorities.

Trade preference programs have proliferated over time, becoming more complex (as shown below), but neither Congress nor the administration formally considers them as a whole. Responsive to their legal mandates, the Office of the U.S. Trade Representative (USTR) and other agencies use different approaches to monitor compliance with program criteria, resulting in disconnected review processes and gaps in addressing some countries and issues. Disparate reporting makes it difficult to determine progress on programs' contribution to economic development in beneficiary countries.

**Growth of Trade Programs over Time**



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| AGOA | African Growth and Opportunity Act |
| ATPA | Andean Trade Preference Act |
| ATPDEA | Andean Trade Promotion and Drug Eradication Act |
| CBI | Caribbean Basin Initiative |
| CBTPA | Caribbean Basin Trade Partnership Act |
| GSP | Generalized System of Preferences |
| HOPE | Haitian Hemispheric Opportunity through Partnership Encouragement Act |
| LDC | Expanded GSP for Least-developed Country |

Source: GAO anaysis of official U.S. trade statisitcs.

**United States Government Accountability Office**