AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 7986

OFFERED BY MR. SMITH OF MISSOURI

Strike all after the enacting clause and insert the following:

1	SECTION 1. SHORT TITLE.
2	This Act may be cited as the "Generalized System
3	of Preferences Reform Act".
4	SEC. 2. EXTENSION OF GENERALIZED SYSTEM OF PREF-
5	ERENCES.
6	(a) In General.—Section 505 of the Trade Act of
7	1974 (19 U.S.C. 2465) is amended by striking "December
8	31, 2020" and inserting "December 31, 2030".
9	(b) Effective Date.—
10	(1) In general.—The amendment made by
11	subsection (a) shall apply to articles entered on or
12	after the 30th day after the date of the enactment
13	of this Act.
14	(2) Retroactive application for certain
15	LIQUIDATIONS AND RELIQUIDATIONS.—
16	(A) In General.—Notwithstanding sec-
17	tion 514 of the Tariff Act of 1930 (19 U.S.C.
18	1514) or any other provision of law and subject

1	to subparagraph (B), any entry of a covered ar-
2	ticle to which duty-free treatment or other pref-
3	erential treatment under title V of the Trade
4	Act of 1974 (19 U.S.C. 2461 et seq.) would
5	have applied if the entry had been made on De-
6	cember 31, 2020, that was made—
7	(i) after December 31, 2020, and
8	(ii) before the effective date specified
9	in paragraph (1),
10	shall be liquidated or reliquidated as though
11	such entry occurred on the effective date speci-
12	fied in paragraph (1).
13	(B) Requests.—A liquidation or reliqui-
14	dation may be made under subparagraph (A)
15	with respect to an entry only if a request there-
16	for is filed with U.S. Customs and Border Pro-
17	tection not later than 180 days after the date
18	of the enactment of this Act that contains suffi-
19	cient information to enable U.S. Customs and
20	Border Protection—
21	(i) to locate the entry; or
22	(ii) to reconstruct the entry if it can-
23	not be located.
24	(C) Payment of amounts owed.—Any
25	amounts owed by the United States pursuant to

1	the liquidation or reliquidation of an entry of a
2	covered article under subparagraph (A) shall be
3	paid, without interest of any kind, not later
4	than 90 days after the date of the liquidation
5	or reliquidation (as the case may be).
6	(3) Definitions.—In this subsection:
7	(A) COVERED ARTICLE.—The term "cov-
8	ered article" means an article from a country
9	that is a beneficiary developing country under
10	title V of the Trade Act of 1974 (19 U.S.C.
11	2461 et seq.) as of the effective date specified
12	in paragraph (1).
13	(B) Enter; entry.—The terms "enter"
14	and "entry" include a withdrawal from ware-
15	house for consumption.
16	SEC. 3. MODIFICATIONS TO DESIGNATIONS OF BENE-
17	FICIARY COUNTRIES.
18	(a) Modifications to Designation Eligi-
19	BILITY.—Section 502 of the Trade Act of 1974 (19 U.S.C.
20	2462) is amended as follows:
21	(1) In subsection $(b)(1)$, by adding at the end
22	the following new subparagraph:
23	"(J) China.".
24	(2) In subsection $(b)(2)$ —

1	(A) by inserting after subparagraph (H)
2	the following:
3	"(I) Such country has failed, in a manner
4	affecting trade or investment—
5	"(i) to effectively enforce its environ-
6	mental laws or regulations through a sus-
7	tained or recurring course of action or in-
8	action; or
9	"(ii) to adopt and maintain measures
10	implementing its obligations under com-
11	mon multilateral environmental agree-
12	ments.
13	"(J) Such country engages in gross viola-
14	tions of internationally recognized human rights
15	in that country (including any designated zone
16	in that country)."; and
17	(B) in the text following subparagraph (J)
18	(as inserted by subparagraph (A)), by striking
19	"and (H) (to the extent described in section
20	507(6)(D))" and inserting "(H) (to the extent
21	described in section $507(6)(D)$, (I), and (J)".
22	(3) In subsection (c)—
23	(A) in paragraph (6)(B), by striking ";
24	and" and inserting a semicolon;
25	(B) in paragraph (7)—

1	(i) by striking "whether" and all that
2	follows through "afford" and inserting
3	"the extent to which such country is af-
4	fording"; and
5	(ii) by striking the period at the end
6	and inserting a semicolon; and
7	(C) by adding at the end the following new
8	paragraphs:
9	"(8) the extent to which such country allows,
10	after the date of the enactment of this paragraph,
11	construction of military bases by a covered nation
12	(as such term is defined in section 4872 of title 10,
13	United States Code);
14	"(9) the extent to which such country—
15	"(A) provides open and equitable market
16	access for United States agriculture, including
17	through the adoption of science-based stand-
18	ards;
19	"(B) refrains from imposing unjustified
20	trade restrictions that affect new agricultural
21	technologies, including biotechnology;
22	"(C) refrains from providing domestic agri-
23	cultural subsidies that decrease market oppor-
24	tunities for United States exports; and

1	"(D) refrains from imposing prohibitions
2	on the generic use of common food and bev-
3	erage terms;
4	"(10) the extent to which such country is deep-
5	ening its economic, diplomatic, and military relations
6	with covered nations (as such term is defined in sec-
7	tion 4872 of title 10, United States Code);
8	"(11) the extent to which such country has es-
9	tablished, or is making continual progress toward es-
10	tablishing—
11	"(A) the rule of law, political pluralism,
12	and the right to due process, a fair trial, and
13	equal protection under the law;
14	"(B) economic policies to reduce poverty,
15	increase the availability of health care and edu-
16	cational opportunities, expand physical infra-
17	structure, promote the development of private
18	enterprise, and encourage the formation of cap-
19	ital markets through micro-credit or other pro-
20	grams; and
21	"(C) a system to combat corruption and
22	bribery, such as signing and implementing the
23	Convention on Combating Bribery of Foreign
24	Public Officials in International Business
25	Transactions, done at Paris December 17.

1	1997, and entered into force February 15, 1999
2	(TIAS 99–215);
3	"(12) the extent to which such country provides
4	equitable and non-discriminatory tax treatment for
5	United States entities;
6	"(13) the extent to which such country is effec-
7	tively enforcing its environmental laws and regula-
8	tions and adopting and maintaining measures imple-
9	menting its obligations under common multilateral
10	environmental agreements;
11	"(14) the extent to which such country is
12	achieving the goals described in section 3(b) of the
13	Women's Entrepreneurship and Economic Empower-
14	ment Act of 2018 (22 U.S.C. 2151–2(b));
15	"(15) whether such country engages in activi-
16	ties that undermine United States national security
17	or foreign policy interests; and
18	"(16) the extent to which such country—
19	"(A) has imposed unreasonable digital
20	trade barriers, such as unnecessary or discrimi-
21	natory data localization or data transfer restric-
22	tions, discriminatory treatment of digital prod-
23	ucts, or forced disclosure of proprietary source
24	code; and

1	"(B) has taken steps in the digital environ-
2	ment to support consumer protections, the pri-
3	vacy of personal information, and open digital
4	ecosystems;".
5	(b) Conforming Amendments.—Section 507 of the
6	Trade Act of 1974 (19 U.S.C. 2467) is amended—
7	(1) in paragraph (4)—
8	(A) in subparagraph (D), by striking ";
9	and" and inserting a semicolon;
10	(B) in subparagraph (E), by striking the
11	period at the end and inserting "; and; and
12	(C) by adding at the end the following:
13	"(F) the elimination of all forms of dis-
14	crimination with respect to occupation and em-
15	ployment."; and
16	(2) by adding at the end the following:
17	"(7) Common multilateral environmental
18	AGREEMENT.—
19	"(A) IN GENERAL.—The term 'common
20	multilateral environmental agreement', for pur-
21	poses of determining the eligibility of a country
22	for designation as a beneficiary developing
23	country under this title, means any agreement
24	specified in subparagraph (B) to which both the
25	United States and that country are full parties,

1	including any current or future mutually agreed
2	upon protocols, amendments, annexes, or ad-
3	justments to such an agreement.
4	"(B) AGREEMENTS SPECIFIED.—The
5	agreements specified in this subparagraph are
6	the following:
7	"(i) The Convention on International
8	Trade in Endangered Species of Wild
9	Fauna and Flora, done at Washington
10	March 3, 1973 (27 UST 1087; TIAS
11	8249).
12	"(ii) The Montreal Protocol on Sub-
13	stances that Deplete the Ozone Layer,
14	done at Montreal September 16, 1987.
15	"(iii) The Protocol of 1978 Relating
16	to the International Convention for the
17	Prevention of Pollution from Ships, 1973,
18	done at London February 17, 1978.
19	"(iv) The Convention on Wetlands of
20	International Importance, Especially as
21	Waterfowl Habitat, done at Ramsar Feb-
22	ruary 2, 1971 (TIAS 11084).
23	"(v) The Convention on the Conserva-
24	tion of Antarctic Marine Living Resources,

1	done at Canberra May 20, 1980 (33 UST
2	3476).
3	"(vi) The International Convention for
4	the Regulation of Whaling, done at Wash-
5	ington December 2, 1946 (62 Stat. 1716).
6	"(vii) The Convention for the Estab-
7	lishment of an Inter-American Tropical
8	Tuna Commission, done at Washington
9	May 31, 1949 (1 UST 230).".
10	SEC. 4. MODIFICATION OF PROVISIONS RELATING TO
11	WITHDRAWAL, SUSPENSION, OR LIMITATION
12	OF COUNTRY DESIGNATION.
13	Section $502(d)(1)$ of the Trade Act of 1974 (19
14	U.S.C. (2462(d)(1)) is amended—
15	(1) by striking "the President shall consider the
16	factors" and inserting "the President—
17	"(A) shall consider—
18	"(i) the factors";
19	(2) by striking the period at the end and insert-
20	ing a semicolon; and
21	(3) by adding at the end the following:
22	"(ii) the likely impacts of any such ac-
23	tion on working toward, or continuing to
24	meet, the criteria and factors described in
25	subsections (b) and (c) of this section; and

1	"(iii) the likely impacts of any such
2	action on workers and populations in the
3	country that such criteria and factors are
4	intended to help;
5	"(B) take all available steps to facilitate
6	continued duty-free treatment under this title
7	for products with respect to which the imposi-
8	tion of duties is likely—
9	"(i) to have an adverse effect on
10	meeting the criteria and factors described
11	in subsections (b) and (c) of this section;
12	or
13	"(ii) result in severe economic harm
14	to the populations that such criteria and
15	factors are intended to help; and".
16	SEC. 5. PROCEDURAL ENFORCEMENT REFORMS.
17	Section 502 of the Trade Act of 1974 (19 U.S.C.
18	2462), as amended by sections 3 and 4, is further amend-
19	ed as follows:
20	(1) In subsection $(d)(1)$, by adding at the end
21	the following:
22	"(C) hold a public hearing or provide for
23	a period of not less than 30 days for submission
24	of comments by the public.".
25	(2) In subsection $(f)(2)$ —

1	(A) in the paragraph heading, by inserting
2	"OR SUSPENSION" after "TERMINATION".;
3	(B) by inserting "or suspend" after "ter-
4	minate" each place it appears; and
5	(C) by inserting "or suspension" after
6	"termination".
7	(3) By adding at the end the following:
8	"(g) Publication of Determinations Relating
9	TO PETITIONS FOR REVIEW.—The United States Trade
10	Representative shall publish in the Federal Register a no-
11	tice of, and the rationale for, any determination of the
12	Trade Representative with respect to a petition for review
13	of the eligibility of a country for designation as a bene-
14	ficiary developing country, including a determination—
15	"(1) to accept or deny such a petition;
16	"(2) to continue to review the eligibility of the
17	country; or
18	"(3) to withdraw, suspend, or limit the applica-
19	tion of duty-free treatment under this title with re-
20	spect to the country.".
21	SEC. 6. ASSESSMENT AND REPORT ON COMPLIANCE WITH
22	ELIGIBILITY REQUIREMENTS.
23	Section 502 of the Trade Act of 1974, as amended
24	by sections 3 through 5, is further amended by adding
25	at the end the following:

1	"(h) Assessment and Report on Compliance
2	WITH ELIGIBILITY REQUIREMENTS.—
3	"(1) In general.—The President shall—
4	"(A) on an annual basis—
5	"(i) conduct assessments of the com-
6	pliance of an appropriate number of coun-
7	tries designated as beneficiary developing
8	countries for purposes of this title in meet-
9	ing or continuing to meet the eligibility re-
10	quirements under this title; and
11	"(ii) make determinations with re-
12	spect to whether to initiate full reviews of
13	the practices of those countries to assess
14	the continued eligibility of those countries
15	for designation as beneficiary developing
16	countries under this title; and
17	"(B) submit to Congress a report con-
18	sisting of the results of such assessments and
19	determinations.
20	"(2) Frequency.—The President shall con-
21	duct an assessment described in clause (i) of para-
22	graph (1)(A) and make a determination described in
23	clause (ii) of that paragraph with respect to each
24	country designated as a beneficiary developing coun-

1	try for purposes of this title not less frequently than
2	once every 3 years.".
3	SEC. 7. MODIFICATIONS TO RULES OF ORIGIN.
4	(a) In General.—Section 503(a)(2) of the Trade
5	Act of 1974 (19 U.S.C. 2463(a)(2)) is amended—
6	(1) in subparagraph (A), in the matter fol-
7	lowing clause (ii)(II), by striking "35 percent" and
8	inserting "the percentage described in subparagraph
9	(B)";
10	(2) by redesignating subparagraph (B) as sub-
11	paragraph (C);
12	(3) by inserting after subparagraph (A) the fol-
13	lowing:
14	"(B) Percentage described.—The per-
15	centage described in this subparagraph is—
16	"(i) in the case of articles entered be-
17	fore January 1, 2027, 35 percent;
18	"(ii) in the case of articles entered on
19	or after January 1, 2027, and before Jan-
20	uary 1, 2029, 40 percent;
21	"(iii) in the case of articles entered on
22	or after January 1, 2029, and before Jan-
23	uary 1, 2031, 45 percent; and

1	"(iv) in the case of articles entered on
2	or after January 1, 2031, 50 percent.";
3	and
4	(4) by adding at the end the following:
5	"(D) Pass-through and cost or value
6	OF MATERIALS PRODUCED IN THE CUSTOMS
7	TERRITORY OF THE UNITED STATES.—
8	"(i) In General.—The duty-free
9	treatment provided under this title shall
10	apply to any article that meets the require-
11	ments of this paragraph.
12	"(ii) Exception with respect to
13	MATERIALS PRODUCED IN THE CUSTOMS
14	TERRITORY OF THE UNITED STATES.—To
15	the extent that the cost or value of mate-
16	rials produced in the customs territory of
17	the United States is included with respect
18	to an article, an amount not to exceed 15
19	percent of the appraised value of the arti-
20	cle at the time it is entered that is attrib-
21	uted to such United States cost or value
22	may be applied toward determining the ap-
23	plicable percentage described in subpara-
24	graph (B).

1	"(iii) No pass-through to other
2	PROGRAMS.—Notwithstanding clause (i),
3	duty-free treatment under any other pro-
4	gram providing such treatment for an arti-
5	cle, conditional on the eligibility of an arti-
6	cle to be treated as originating for pur-
7	poses of this paragraph, may only be ex-
8	tended to an article that is otherwise eligi-
9	ble for duty-free treatment under this title
10	in a calendar year—
11	"(I) if the article would remain
12	eligible for such treatment even if sub-
13	paragraph (A) were applied by sub-
14	stituting '35 percent' for 'the percent-
15	age described in subparagraph (B)'
16	with respect to that calendar year;
17	and
18	"(II) if no amount attributable to
19	United States cost or value, as au-
20	thorized by clause (ii) of this subpara-
21	graph, would be required to be applied
22	in order to achieve such eligibility.".
23	(b) Report.—
24	(1) In General.—Not later than January 1,
25	2026, the United States Trade Representative shall

1	submit to Congress a report on the impact of the
2	Generalized System of Preferences rule of origin re-
3	quirements under section 503(a)(2)(A)(ii)(I) of the
4	Trade Act of 1974 (19 U.S.C. 2463(a)(2)(A)(ii)(I))
5	in fostering regional economic integration through
6	program cumulation among regional associations.
7	(2) Matters to be included.—The report
8	required under this subsection shall include rec-
9	ommendations regarding—
10	(A) new regional associations eligible for
11	treatment as one country under the provisions
12	of section $507(2)$ of the Trade Act of 1974 (19
13	U.S.C. $2467(2)$; and
14	(B) updates to the rule of origin method-
15	ology under section 503 of such Act that would
16	better maximize content from beneficiary devel-
17	oping countries and the United States.
18	SEC. 8. MODIFICATIONS TO COMPETITIVE NEED LIMITA-
19	TION.
20	(a) In General.—Section 503 of the Trade Act of
21	1974 (19 U.S.C. 2463) is amended—
22	(1) in subsection $(c)(2)$ —
23	(A) in subparagraph (A)(ii)—

1	(i) in subclause (I), by striking "for
2	1996, \$75,000,000" and inserting "for cal-
3	endar year 2023, \$500,000,000"; and
4	(ii) in subclause (II), by striking
5	"\$5,000,000" and inserting "2.5 percent
6	of such applicable amount";
7	(B) in subparagraph (C), by striking
8	"may, subject" and inserting "should, subject";
9	and
10	(C) in subparagraph (F)(ii)—
11	(i) in subclause (I), by striking "for
12	calendar year 1996, \$13,000,000" and in-
13	serting "for calendar year 2023,
14	\$50,000,000"; and
15	(ii) in subclause (II), by striking
16	"\$500,000" and inserting "2.5 percent of
17	such applicable amount";
18	(2) in subsection (d)(4)(B), by adding at the
19	end the following:
20	"(iii) Clause (ii)(II) shall not apply with
21	respect to any article if a like or directly com-
22	petitive article was not produced in the United
23	States in any of the preceding 3 calendar
24	years.".
25	(b) Applicability.—

1	(1) In general.—The amendments made by
2	subsection (a) shall take effect on the date of the en-
3	actment of this Act.
4	(2) Restoration of Duty-free treat-
5	MENT.—
6	(A) List required.—Not later than 120
7	days after the date of the enactment of this
8	Act, the President shall—
9	(i) list each article with respect to
10	which duty-free treatment was eliminated
11	(as of the date of the enactment of this
12	Act) pursuant to subsection (c) of section
13	503 of the Trade Act of 1974 that is eligi-
14	ble for such treatment pursuant to such
15	section 503 as amended by subsection (a)
16	of this section; and
17	(ii) determine, with respect to each
18	such article, whether the article is a poten-
19	tially sensitive product that warrants re-
20	view pursuant to subsection (c)(1) of such
21	section 503 for the continued withholding
22	of duty-free treatment.
23	(B) PROMPT RESTORATION.—Except for
24	articles for which the President makes an af-
25	firmative determination pursuant to subpara-

1	graph (A)(ii), the President shall restore duty-
2	free treatment to each article included in the
3	list described in subparagraph (A)(i) on such
4	120th day after date of enactment.
5	(3) Expedited review of certain articles
6	FOR EXCLUSION FROM DUTY-FREE TREATMENT.—
7	The President shall review, pursuant to section
8	503(c)(1) of the Trade Act of 1974 (19 U.S.C.
9	2463(c)(1)), whether duty-free treatment should
10	continue to be withheld from each article for which
11	the President makes an affirmative determination
12	pursuant to paragraph (2)(A)(ii). Not later than 1
13	year after the date of the enactment of this Act, the
14	President shall restore duty-free treatment to each
15	article for which such review determines that such
16	treatment should not be withheld.
17	(4) Reports.—Not later than 1 year after the
18	date of the enactment of this Act, the President
19	shall submit to the Committee on Ways and Means
20	of the House of Representatives and the Committee
21	on Finance of the Senate a report containing—
22	(A) the results of the reviews conducted
23	pursuant to paragraph (3); and
24	(B) justifications for the reasons for which
25	duty-free treatment was withheld or restored

1	with respect to articles described in such para-
2	graph.
3	SEC. 9. EXPEDITED PRODUCT COVERAGE PETITION PROC-
4	ESS.
5	(a) In General.—Not later than 90 days after the
6	date of the enactment of this Act, the United States Inter-
7	national Trade Commission shall publish in the Federal
8	Register and on a publicly available internet website of
9	the Commission a notice requesting interested parties to
10	submit to the Commission, during the 60-day period be-
11	ginning on the date of such publication, a petition—
12	(1) to add one or more headings or subheadings
13	of the Harmonized Tariff Schedule of the United
14	States to, or remove one or more such headings or
15	subheadings from, the list of articles that may not
16	be designated as an eligible article for duty-free
17	treatment pursuant to section 503(b) of the Trade
18	Act of 1974 (19 U.S.C. 2463(b)); or
19	(2) to provide duty-free treatment to one or
20	more headings or subheadings of the Harmonized
21	Tariff Schedule under the Generalized System of
22	Preferences that are—
23	(A) not restricted under such section
24	503(b) from designation as an eligible article;
25	and

1	(B) not otherwise designated an eligible ar-
2	ticle by the President pursuant to section 501
3	or section 503(a) of such Act (19 U.S.C. 2461;
4	2463(a)).
5	(b) Contents of Petition.—A petition submitted
6	pursuant to subsection (a) shall be eligible for consider-
7	ation under the process provided by this section only if
8	such petition includes—
9	(1) the name and address of the petitioner;
10	(2) the 8-digit subheading level or levels under
11	the Harmonized Tariff Schedule with respect to
12	which the petition is submitted; and
13	(3) for a petition submitted pursuant to sub-
14	section (a), a certification that the petitioner is an
15	interested party and a brief description of the man-
16	ner and extent to which the petitioner is a likely
17	beneficiary with respect to the addition or removal
18	of the heading or subheading level concerned.
19	(c) Publication of Petitions.—As soon as prac-
20	ticable after the 60-day period described in subsection (a),
21	and not later than 30 days after the end of such period,
22	the Commission shall publish on a publicly available inter-
23	net website of the Commission the contents of each peti-
24	tion received.

1	(d) Opportunity for Public Comment.—During
2	the 45-day period beginning on the date of the publication
3	of petitions pursuant to subsection (c), the Commission
4	shall publish in the Federal Register and on a publicly
5	available internet website of the Commission a notice re-
6	questing members of the public to submit comments to
7	the Commission with respect to the changes sought by the
8	petitions.
9	(e) Report.—Not later than 1 year after the date
10	of the enactment of this Act, the Commission shall submit
11	to the appropriate congressional committees a report on
12	each eligible petition submitted pursuant to the process
13	provided by this section that includes, with respect to the
14	article or articles concerned in each such petition—
15	(1) data from the 5 most recent calendar years
16	for which complete information is available on—
17	(A) sources of imports;
18	(B) values of imports;
19	(C) market share of imports (to the extent
20	practical); and
21	(D) domestic production (to the extent
22	practical);
23	(2) any information on whether the product is
24	used as an input in United States manufacturing;
25	and

1	(3) a summary of information provided in the
2	form of comments rebutting or objecting to the peti-
3	tion.
4	(f) Authorities.—
5	(1) Procedures.—The Commission shall pre-
6	scribe and publish in the Federal Register and on a
7	publicly available internet website of the Commission
8	all procedures to be complied with by members of
9	the public submitting petitions.
10	(2) Judicial review precluded.—The exer-
11	cise of functions under this section shall not be sub-
12	ject to judicial review.
13	(g) Interested Party Defined.—In this section,
14	the term "interested party" has the definition given such
15	term in section 771 of the Tariff Act of 1930 (19 U.S.C.
16	1677), except that an interested party under this section
17	may not include—
18	(1) any person described in paragraph (9)(A) of
19	such section, other than a person that is an importer
20	or a business association of importers; or
21	(2) any person described in paragraph (9)(B)
22	or (9)(G) of such section.

1 SEC. 10. EXTENSION OF CUSTOMS USER FEES.

- 2 (a) IN GENERAL.—Section 13031(j)(3) of the Con-
- 3 solidated Omnibus Budget Reconciliation Act of 1985 (19
- 4 U.S.C. 58c(j)(3)) is amended—
- 5 (1) in subparagraph (A), by striking "Sep-
- 6 tember 30, 2031" and inserting "September 30,
- 7 2033"; and
- 8 (2) in subparagraph (B)(i), by striking "Sep-
- 9 tember 30, 2031" and inserting "September 30,
- 10 2033".
- 11 (b) Rate for Merchandise Processing Fees.—
- 12 Section 503 of the United States-Korea Free Trade
- 13 Agreement Implementation Act (Public Law 112–41; 19
- 14 U.S.C. 3805 note) is amended by striking "September 30,
- 15 2031" and inserting "September 30, 2033".

