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 PREFERENCES.
5 (a) IN GENERAL.—Section 505 of the Trade Act of
6 1974 (19 U.S.C. 2465) is amended by striking “December
7 31, 2020” and inserting “December 31, 2030”.
8 (b) EFFECTIVE DATE.—
9 (1) IN GENERAL.—The amendment made by
10 subsection (a) shall apply to articles entered on or
11 after the 30th day after the date of the enactment
12 of this Act.
13 (2) RETROACTIVE APPLICATION FOR CERTAIN
14 LIQUIDATIONS AND RELIQUIDATIONS.—
15 (A) IN GENERAL.—Notwithstanding sec-
16 tion 514 of the Tariff Act of 1930 (19 U.S.C.
17 1514) or any other provision of law and subject
to subparagraph (B), any entry of a covered article to which duty-free treatment or other preferential treatment under title V of the Trade Act of 1974 (19 U.S.C. 2461 et seq.) would have applied if the entry had been made on December 31, 2020, that was made—

(i) after December 31, 2020, and

(ii) before the effective date specified in paragraph (1),

shall be liquidated or reliquidated as though such entry occurred on the effective date specified in paragraph (1).

(B) REQUESTS.—A liquidation or reliquidation may be made under subparagraph (A) with respect to an entry only if a request therefor is filed with U.S. Customs and Border Protection not later than 180 days after the date of the enactment of this Act that contains sufficient information to enable U.S. Customs and Border Protection—

(i) to locate the entry; or

(ii) to reconstruct the entry if it cannot be located.

(C) PAYMENT OF AMOUNTS OWED.—Any amounts owed by the United States pursuant to
the liquidation or reliquidation of an entry of a covered article under subparagraph (A) shall be paid, without interest of any kind, not later than 90 days after the date of the liquidation or reliquidation (as the case may be).

(3) DEFINITIONS.—In this subsection:

(A) COVERED ARTICLE.—The term “covered article” means an article from a country that is a beneficiary developing country under title V of the Trade Act of 1974 (19 U.S.C. 2461 et seq.) as of the effective date specified in paragraph (1).

(B) ENTER; ENTRY.—The terms “enter” and “entry” include a withdrawal from warehouse for consumption.

SEC. 3. MODIFICATIONS TO DESIGNATIONS OF BENEFICIARY COUNTRIES.

(a) MODIFICATIONS TO DESIGNATION ELIGIBILITY.—Section 502 of the Trade Act of 1974 (19 U.S.C. 2462) is amended as follows:

(1) In subsection (b)(1), by adding at the end the following new subparagraph:

“(J) China.”.

(2) In subsection (b)(2)—
(A) by inserting after subparagraph (H) the following:

“(I) Such country has failed, in a manner affecting trade or investment—

“(i) to effectively enforce its environmental laws or regulations through a sustained or recurring course of action or inaction; or

“(ii) to adopt and maintain measures implementing its obligations under common multilateral environmental agreements.

“(J) Such country engages in gross violations of internationally recognized human rights in that country (including any designated zone in that country).”;

(B) in the text following subparagraph (J) (as inserted by subparagraph (A)), by striking “and (H) (to the extent described in section 507(6)(D))” and inserting “(H) (to the extent described in section 507(6)(D)), (I), and (J)”.

(3) In subsection (c)—

(A) in paragraph (6)(B), by striking “; and” and inserting a semicolon;

(B) in paragraph (7)—
(i) by striking “whether” and all that follows through “afford” and inserting “the extent to which such country is affording”; and

(ii) by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

“(8) the extent to which such country allows, after the date of the enactment of this paragraph, construction of military bases by a covered nation (as such term is defined in section 4872 of title 10, United States Code);

“(9) the extent to which such country—

“(A) provides open and equitable market access for United States agriculture, including through the adoption of science-based standards;

“(B) refrains from imposing unjustified trade restrictions that affect new agricultural technologies, including biotechnology;

“(C) refrains from providing domestic agricultural subsidies that decrease market opportunities for United States exports; and
“(D) refrains from imposing prohibitions on the generic use of common food and beverage terms;

“(10) the extent to which such country is deepening its economic, diplomatic, and military relations with covered nations (as such term is defined in section 4872 of title 10, United States Code);

“(11) the extent to which such country has established, or is making continual progress toward establishing—

“(A) the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;

“(B) economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs; and

“(C) a system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, done at Paris December 17,
1997, and entered into force February 15, 1999 (TIAS 99–215);

“(12) the extent to which such country provides equitable and non-discriminatory tax treatment for United States entities;

“(13) the extent to which such country is effectively enforcing its environmental laws and regulations and adopting and maintaining measures implementing its obligations under common multilateral environmental agreements;

“(14) the extent to which such country is achieving the goals described in section 3(b) of the Women’s Entrepreneurship and Economic Empowerment Act of 2018 (22 U.S.C. 2151–2(b));

“(15) whether such country engages in activities that undermine United States national security or foreign policy interests; and

“(16) the extent to which such country—

“(A) has imposed unreasonable digital trade barriers, such as unnecessary or discriminatory data localization or data transfer restrictions, discriminatory treatment of digital products, or forced disclosure of proprietary source code; and
“(B) has taken steps in the digital environment to support consumer protections, the privacy of personal information, and open digital ecosystems;”.

(b) CONFORMING AMENDMENTS.—Section 507 of the Trade Act of 1974 (19 U.S.C. 2467) is amended—

(1) in paragraph (4)—

(A) in subparagraph (D), by striking ‘‘; and’’ and inserting a semicolon;

(B) in subparagraph (E), by striking the period at the end and inserting ‘‘; and’’; and

(C) by adding at the end the following:

‘‘(F) the elimination of all forms of discrimination with respect to occupation and employment.’’; and

(2) by adding at the end the following:

‘‘(7) COMMON MULTILATERAL ENVIRONMENTAL AGREEMENT.—

“(A) IN GENERAL.—The term ‘common multilateral environmental agreement’, for purposes of determining the eligibility of a country for designation as a beneficiary developing country under this title, means any agreement specified in subparagraph (B) to which both the United States and that country are full parties,
including any current or future mutually agreed upon protocols, amendments, annexes, or adjustments to such an agreement.

“(B) AGREEMENTS SPECIFIED.—The agreements specified in this subparagraph are the following:


“(iv) The Convention on Wetlands of International Importance, Especially as Waterfowl Habitat, done at Ramsar February 2, 1971 (TIAS 11084).

“(v) The Convention on the Conservation of Antarctic Marine Living Resources,
done at Canberra May 20, 1980 (33 UST 3476).


SEC. 4. MODIFICATION OF PROVISIONS RELATING TO WITHDRAWAL, SUSPENSION, OR LIMITATION OF COUNTRY DESIGNATION.

Section 502(d)(1) of the Trade Act of 1974 (19 U.S.C. (2462(d)(1)) is amended—

(1) by striking “the President shall consider the factors” and inserting “the President—

“(A) shall consider—

“(i) the factors”;

(2) by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

“(ii) the likely impacts of any such action on working toward, or continuing to meet, the criteria and factors described in subsections (b) and (e) of this section; and
“(iii) the likely impacts of any such action on workers and populations in the country that such criteria and factors are intended to help;

“(B) take all available steps to facilitate continued duty-free treatment under this title for products with respect to which the imposition of duties is likely—

“(i) to have an adverse effect on meeting the criteria and factors described in subsections (b) and (c) of this section; or

“(ii) result in severe economic harm to the populations that such criteria and factors are intended to help; and”.

SEC. 5. PROCEDURAL ENFORCEMENT REFORMS.

Section 502 of the Trade Act of 1974 (19 U.S.C. 2462), as amended by sections 3 and 4, is further amended as follows:

(1) In subsection (d)(1), by adding at the end the following:

“(C) hold a public hearing or provide for a period of not less than 30 days for submission of comments by the public.”.

(2) In subsection (f)(2)—
(A) in the paragraph heading, by inserting “OR SUSPENSION” after “TERMINATION”;

(B) by inserting “or suspend” after “terminate” each place it appears; and

(C) by inserting “or suspension” after “termination”.

(3) By adding at the end the following:

“(g) PUBLICATION OF DETERMINATIONS RELATING TO PETITIONS FOR REVIEW.—The United States Trade Representative shall publish in the Federal Register a notice of, and the rationale for, any determination of the Trade Representative with respect to a petition for review of the eligibility of a country for designation as a beneficiary developing country, including a determination—

“(1) to accept or deny such a petition;  
“(2) to continue to review the eligibility of the country; or  
“(3) to withdraw, suspend, or limit the application of duty-free treatment under this title with respect to the country.”.

SEC. 6. ASSESSMENT AND REPORT ON COMPLIANCE WITH ELIGIBILITY REQUIREMENTS.

Section 502 of the Trade Act of 1974, as amended by sections 3 through 5, is further amended by adding at the end the following:
“(h) **Assessment and Report on Compliance With Eligibility Requirements.**—

“(1) **In General.**—The President shall—

“(A) on an annual basis—

“(i) conduct assessments of the compliance of an appropriate number of countries designated as beneficiary developing countries for purposes of this title in meeting or continuing to meet the eligibility requirements under this title; and

“(ii) make determinations with respect to whether to initiate full reviews of the practices of those countries to assess the continued eligibility of those countries for designation as beneficiary developing countries under this title; and

“(B) submit to Congress a report consisting of the results of such assessments and determinations.

“(2) **Frequency.**—The President shall conduct an assessment described in clause (i) of paragraph (1)(A) and make a determination described in clause (ii) of that paragraph with respect to each country designated as a beneficiary developing coun-
try for purposes of this title not less frequently than
once every 3 years.”.

SEC. 7. MODIFICATIONS TO RULES OF ORIGIN.

(a) In General.—Section 503(a)(2) of the Trade
Act of 1974 (19 U.S.C. 2463(a)(2)) is amended—

(1) in subparagraph (A), in the matter fol-
lowing clause (ii)(II), by striking “35 percent” and
inserting “the percentage described in subparagraph
(B)”;

(2) by redesignating subparagraph (B) as sub-
paragraph (C);

(3) by inserting after subparagraph (A) the fol-
lowing:

“(B) Percentage described.—The per-
centage described in this subparagraph is—

“(i) in the case of articles entered be-
fore January 1, 2027, 35 percent;

“(ii) in the case of articles entered on
or after January 1, 2027, and before Jan-
uary 1, 2029, 40 percent;

“(iii) in the case of articles entered on
or after January 1, 2029, and before Jan-
uary 1, 2031, 45 percent; and
“(iv) in the case of articles entered on
or after January 1, 2031, 50 percent.”;

and

(4) by adding at the end the following:

“(D) Pass-through and cost or value
of materials produced in the customs
territory of the United States.—

“(i) In general.—The duty-free
treatment provided under this title shall
apply to any article that meets the require-
ments of this paragraph.

“(ii) Exception with respect to
materials produced in the customs
territory of the United States.—To
the extent that the cost or value of mate-
rials produced in the customs territory of
the United States is included with respect
to an article, an amount not to exceed 15
percent of the appraised value of the arti-

cle at the time it is entered that is attrib-
uted to such United States cost or value
may be applied toward determining the ap-

licable percentage described in subpara-

graph (B).
“(iii) No pass-through to other programs.—Notwithstanding clause (i), duty-free treatment under any other program providing such treatment for an article, conditional on the eligibility of an article to be treated as originating for purposes of this paragraph, may only be extended to an article that is otherwise eligible for duty-free treatment under this title in a calendar year—

“(I) if the article would remain eligible for such treatment even if subparagraph (A) were applied by substituting ‘35 percent’ for ‘the percentage described in subparagraph (B)’ with respect to that calendar year; and

“(II) if no amount attributable to United States cost or value, as authorized by clause (ii) of this subparagraph, would be required to be applied in order to achieve such eligibility.”.

(b) Report.—

(1) In general.—Not later than January 1, 2026, the United States Trade Representative shall

(2) Matters to be included.—The report required under this subsection shall include recommendations regarding—

(A) new regional associations eligible for treatment as one country under the provisions of section 507(2) of the Trade Act of 1974 (19 U.S.C. 2467(2)); and

(B) updates to the rule of origin methodology under section 503 of such Act that would better maximize content from beneficiary developing countries and the United States.

SEC. 8. MODIFICATIONS TO COMPETITIVE NEED LIMITATION.

(a) In General.—Section 503 of the Trade Act of 1974 (19 U.S.C. 2463) is amended—

(1) in subsection (c)(2)—

(A) in subparagraph (A)(ii)—
(i) in subclause (I), by striking “for 1996, $75,000,000” and inserting “for calendar year 2023, $500,000,000”; and

(ii) in subclause (II), by striking “$5,000,000” and inserting “2.5 percent of such applicable amount”;

(B) in subparagraph (C), by striking “may, subject” and inserting “should, subject”;

and

(C) in subparagraph (F)(ii)—

(i) in subclause (I), by striking “for calendar year 1996, $13,000,000” and inserting “for calendar year 2023, $50,000,000”; and

(ii) in subclause (II), by striking “$500,000” and inserting “2.5 percent of such applicable amount”;

(2) in subsection (d)(4)(B), by adding at the end the following:

“(iii) Clause (ii)(II) shall not apply with respect to any article if a like or directly competitive article was not produced in the United States in any of the preceding 3 calendar years.”.

(b) Applicability.—
(1) **IN GENERAL.**—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) **RESTORATION OF DUTY-FREE TREATMENT.**—

(A) **LIST REQUIRED.**—Not later than 120 days after the date of the enactment of this Act, the President shall—

(i) list each article with respect to which duty-free treatment was eliminated (as of the date of the enactment of this Act) pursuant to subsection (e) of section 503 of the Trade Act of 1974 that is eligible for such treatment pursuant to such section 503 as amended by subsection (a) of this section; and

(ii) determine, with respect to each such article, whether the article is a potentially sensitive product that warrants review pursuant to subsection (c)(1) of such section 503 for the continued withholding of duty-free treatment.

(B) **PROMPT RESTORATION.**—Except for articles for which the President makes an affirmative determination pursuant to subpara-
graph (A)(ii), the President shall restore duty-
free treatment to each article included in the
list described in subparagraph (A)(i) on such
120th day after date of enactment.

(3) Expedited review of certain articles for exclusion from duty-free treatment.—
The President shall review, pursuant to section 503(c)(1) of the Trade Act of 1974 (19 U.S.C. 2463(c)(1)), whether duty-free treatment should continue to be withheld from each article for which the President makes an affirmative determination pursuant to paragraph (2)(A)(ii). Not later than 1 year after the date of the enactment of this Act, the President shall restore duty-free treatment to each article for which such review determines that such treatment should not be withheld.

(4) Reports.—Not later than 1 year after the date of the enactment of this Act, the President shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report containing—

(A) the results of the reviews conducted pursuant to paragraph (3); and

(B) justifications for the reasons for which duty-free treatment was withheld or restored
with respect to articles described in such paragraph.

SEC. 9. EXPEDITED PRODUCT COVERAGE PETITION PROCESS.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the United States International Trade Commission shall publish in the Federal Register and on a publicly available internet website of the Commission a notice requesting interested parties to submit to the Commission, during the 60-day period beginning on the date of such publication, a petition—

(1) to add one or more headings or subheadings of the Harmonized Tariff Schedule of the United States to, or remove one or more such headings or subheadings from, the list of articles that may not be designated as an eligible article for duty-free treatment pursuant to section 503(b) of the Trade Act of 1974 (19 U.S.C. 2463(b)); or

(2) to provide duty-free treatment to one or more headings or subheadings of the Harmonized Tariff Schedule under the Generalized System of Preferences that are—

(A) not restricted under such section 503(b) from designation as an eligible article; and
(B) not otherwise designated an eligible article by the President pursuant to section 501 or section 503(a) of such Act (19 U.S.C. 2461; 2463(a)).

(b) CONTENTS OF PETITION.—A petition submitted pursuant to subsection (a) shall be eligible for consideration under the process provided by this section only if such petition includes—

(1) the name and address of the petitioner;

(2) the 8-digit subheading level or levels under the Harmonized Tariff Schedule with respect to which the petition is submitted; and

(3) for a petition submitted pursuant to subsection (a), a certification that the petitioner is an interested party and a brief description of the manner and extent to which the petitioner is a likely beneficiary with respect to the addition or removal of the heading or subheading level concerned.

(c) PUBLICATION OF PETITIONS.—As soon as practicable after the 60-day period described in subsection (a), and not later than 30 days after the end of such period, the Commission shall publish on a publicly available internet website of the Commission the contents of each petition received.
(d) OPPORTUNITY FOR PUBLIC COMMENT.—During the 45-day period beginning on the date of the publication of petitions pursuant to subsection (c), the Commission shall publish in the Federal Register and on a publicly available internet website of the Commission a notice requesting members of the public to submit comments to the Commission with respect to the changes sought by the petitions.

(e) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Commission shall submit to the appropriate congressional committees a report on each eligible petition submitted pursuant to the process provided by this section that includes, with respect to the article or articles concerned in each such petition—

(1) data from the 5 most recent calendar years for which complete information is available on—

(A) sources of imports;

(B) values of imports;

(C) market share of imports (to the extent practical); and

(D) domestic production (to the extent practical);

(2) any information on whether the product is used as an input in United States manufacturing; and
(3) a summary of information provided in the form of comments rebutting or objecting to the petition.

(f) Authorities.—

(1) Procedures.—The Commission shall prescribe and publish in the Federal Register and on a publicly available internet website of the Commission all procedures to be complied with by members of the public submitting petitions.

(2) Judicial Review Precluded.—The exercise of functions under this section shall not be subject to judicial review.

(g) Interested Party Defined.—In this section, the term “interested party” has the definition given such term in section 771 of the Tariff Act of 1930 (19 U.S.C. 1677), except that an interested party under this section may not include—

(1) any person described in paragraph (9)(A) of such section, other than a person that is an importer or a business association of importers; or

(2) any person described in paragraph (9)(B) or (9)(G) of such section.
SEC. 10. EXTENSION OF CUSTOMS USER FEES.

(a) IN GENERAL.—Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended—

(1) in subparagraph (A), by striking “September 30, 2031” and inserting “September 30, 2033”; and

(2) in subparagraph (B)(i), by striking “September 30, 2031” and inserting “September 30, 2033”.

(b) RATE FOR MERCHANDISE PROCESSING FEES.—

Section 503 of the United States-Korea Free Trade Agreement Implementation Act (Public Law 112–41; 19 U.S.C. 3805 note) is amended by striking “September 30, 2031” and inserting “September 30, 2033”.