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(Original Signature of Member)

118TH CONGRESS  
2D SESSION

# **H. R. 7986**

To modify and reauthorize the Generalized System of Preferences, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. SMITH of Nebraska introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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## **A BILL**

To modify and reauthorize the Generalized System of Preferences, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Generalized System  
5 of Preferences Reform Act”.

1 **SEC. 2. EXTENSION OF GENERALIZED SYSTEM OF PREF-**  
2 **ERENCES.**

3 (a) IN GENERAL.—Section 505 of the Trade Act of  
4 1974 (19 U.S.C. 2465) is amended by striking “December  
5 31, 2020” and inserting “December 31, 2030”.

6 (b) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendment made by  
8 subsection (a) shall apply to articles entered on or  
9 after the 30th day after the date of the enactment  
10 of this Act.

11 (2) RETROACTIVE APPLICATION FOR CERTAIN  
12 LIQUIDATIONS AND RELIQUIDATIONS.—

13 (A) IN GENERAL.—Notwithstanding sec-  
14 tion 514 of the Tariff Act of 1930 (19 U.S.C.  
15 1514) or any other provision of law and subject  
16 to subparagraph (B), any entry of a covered ar-  
17 ticle to which duty-free treatment or other pref-  
18 erential treatment under title V of the Trade  
19 Act of 1974 (19 U.S.C. 2461 et seq.) would  
20 have applied if the entry had been made on De-  
21 cember 31, 2020, that was made—

22 (i) after December 31, 2020, and

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

1 shall be liquidated or reliquidated as though  
2 such entry occurred on the effective date speci-  
3 fied in paragraph (1).

4 (B) REQUESTS.—A liquidation or reliqui-  
5 dation may be made under subparagraph (A)  
6 with respect to an entry only if a request there-  
7 for is filed with U.S. Customs and Border Pro-  
8 tection not later than 180 days after the date  
9 of the enactment of this Act that contains suffi-  
10 cient information to enable U.S. Customs and  
11 Border Protection—

12 (i) to locate the entry; or

13 (ii) to reconstruct the entry if it can-  
14 not be located.

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

22 (3) DEFINITIONS.—In this subsection:

23 (A) COVERED ARTICLE.—The term “cov-  
24 ered article” means an article from a country  
25 that is a beneficiary developing country under

1 title V of the Trade Act of 1974 (19 U.S.C.  
2 2461 et seq.) as of the effective date specified  
3 in paragraph (1).

4 (B) ENTER; ENTRY.—The terms “enter”  
5 and “entry” include a withdrawal from ware-  
6 house for consumption.

7 **SEC. 3. MODIFICATIONS TO DESIGNATIONS OF BENE-**  
8 **FICIARY COUNTRIES.**

9 Section 502 of the Trade Act of 1974 (19 U.S.C.  
10 2462) is amended as follows:

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

13 “(J) China.”.

14 (2) In subsection (b)(2)—

15 (A) by inserting after subparagraph (H)  
16 the following:

17 “(I) Such country engages in gross viola-  
18 tions of internationally recognized human rights  
19 in that country (including any designated zone  
20 in that country).”; and

21 (B) in the text following subparagraph (I)  
22 (as inserted by subparagraph (A)), by striking  
23 “and (H) (to the extent described in section  
24 507(6)(D))” and inserting “(H) (to the extent  
25 described in section 507(6)(D)) and (I)”.

1 (3) In subsection (e)—

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

4 (B) in paragraph (7), by striking the pe-  
5 riod at the end and inserting a semicolon; and

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

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

13 “(9) the extent to which such country—

14 “(A) provides open and equitable market  
15 access for United States agriculture, including  
16 through the adoption of science-based stand-  
17 ards;

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

21 “(C) refrains from providing domestic agri-  
22 cultural subsidies that decrease market oppor-  
23 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) whether such country engages in activi-  
7 ties that undermine United States national security  
8 or foreign policy interests; and

9 “(14) the extent to which such country—

10 “(A) has imposed unreasonable digital  
11 trade barriers, such as unnecessary or discrimi-  
12 natory data localization or data transfer restric-  
13 tions, discriminatory treatment of digital prod-  
14 ucts, or forced disclosure of proprietary source  
15 code; and

16 “(B) has taken steps in the digital environ-  
17 ment to support consumer protections, the pri-  
18 vacy of personal information, and open digital  
19 ecosystems;”.

20 **SEC. 4. MODIFICATION OF PROVISIONS RELATING TO**  
21 **WITHDRAWAL, SUSPENSION, OR LIMITATION**  
22 **OF COUNTRY DESIGNATION.**

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

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

3 “(A) shall consider—

4 “(i) the factors”;

5 (2) by striking the period at the end and insert-  
6 ing a semicolon; and

7 (3) by adding at the end the following:

8 “(ii) the likely impacts of any such ac-  
9 tion on working toward, or continuing to  
10 meet, the criteria and factors described in  
11 subsections (b) and (c) of this section; and

12 “(iii) the likely impacts of any such  
13 action on workers and populations in the  
14 country that such criteria and factors are  
15 intended to help;

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

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



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

4 **SEC. 5. PROCEDURAL ENFORCEMENT REFORMS.**

5           Section 502 of the Trade Act of 1974 (19 U.S.C.  
6 2462), as amended by sections 3 and 4, is further amend-  
7 ed as follows:

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

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

13           (2) In subsection (f)(2)—

14                   (A) in the paragraph heading, by inserting  
15                   “OR SUSPENSION” after “TERMINATION”;

16                   (B) by inserting “or suspend” after “ter-  
17                   minate” each place it appears; and

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

20           (3) By adding at the end the following:

21                   “(g) PUBLICATION OF DETERMINATIONS RELATING  
22 TO PETITIONS FOR REVIEW.—The United States Trade  
23 Representative shall publish in the Federal Register a no-  
24 tice of, and the rationale for, any determination of the  
25 Trade Representative with respect to a petition for review

1 of the eligibility of a country for designation as a bene-  
2 ficiary developing country, including a determination—

3 “(1) to accept or deny such a petition;

4 “(2) to continue to review the eligibility of the  
5 country; or

6 “(3) to withdraw, suspend, or limit the applica-  
7 tion of duty-free treatment under this title with re-  
8 spect to the country.”.

9 **SEC. 6. ASSESSMENT AND REPORT ON COMPLIANCE WITH**  
10 **ELIGIBILITY REQUIREMENTS.**

11 Section 502 of the Trade Act of 1974, as amended  
12 by sections 3 through 5, is further amended by adding  
13 at the end the following:

14 “(h) ASSESSMENT AND REPORT ON COMPLIANCE  
15 WITH ELIGIBILITY REQUIREMENTS.—

16 “(1) IN GENERAL.—The President shall—

17 “(A) on an annual basis—

18 “(i) conduct assessments of the com-  
19 pliance of an appropriate number of coun-  
20 tries designated as beneficiary developing  
21 countries for purposes of this title in meet-  
22 ing or continuing to meet the eligibility re-  
23 quirements under this title; and

24 “(ii) make determinations with re-  
25 spect to whether to initiate full reviews of

1 the practices of those countries to assess  
2 the continued eligibility of those countries  
3 for designation as beneficiary developing  
4 countries under this title; and

5 “(B) submit to Congress a report con-  
6 sisting of the results of such assessments and  
7 determinations.

8 “(2) FREQUENCY.—The President shall con-  
9 duct an assessment described in clause (i) of para-  
10 graph (1)(A) and make a determination described in  
11 clause (ii) of that paragraph with respect to each  
12 country designated as a beneficiary developing coun-  
13 try for purposes of this title not less frequently than  
14 once every 3 years.”.

15 **SEC. 7. MODIFICATIONS TO RULES OF ORIGIN.**

16 (a) IN GENERAL.—Section 503(a)(2) of the Trade  
17 Act of 1974 (19 U.S.C. 2463(a)(2)) is amended—

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

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

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

1           “(B) PERCENTAGE DESCRIBED.—The per-  
2           centage described in this subparagraph is—

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

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

8                   “(iii) in the case of articles entered on  
9                   or after January 1, 2029, and before Jan-  
10                  uary 1, 2031, 45 percent; and

11                  “(iv) in the case of articles entered on  
12                  or after January 1, 2031, 50 percent.”;  
13                  and

14           (4) by adding at the end the following:

15                   “(D) PASS-THROUGH AND COST OR VALUE  
16                   OF MATERIALS PRODUCED IN THE CUSTOMS  
17                   TERRITORY OF THE UNITED STATES.—

18                   “(i) IN GENERAL.—The duty-free  
19                   treatment provided under this title shall  
20                   apply to any article that meets the require-  
21                   ments of this paragraph.

22                   “(ii) EXCEPTION WITH RESPECT TO  
23                   MATERIALS PRODUCED IN THE CUSTOMS  
24                   TERRITORY OF THE UNITED STATES.—To  
25                   the extent that the cost or value of mate-

1           rials produced in the customs territory of  
2           the United States is included with respect  
3           to an article, an amount not to exceed 15  
4           percent of the appraised value of the arti-  
5           cle at the time it is entered that is attrib-  
6           uted to such United States cost or value  
7           may be applied toward determining the ap-  
8           plicable percentage described in subpara-  
9           graph (B).

10           “(iii) NO PASS-THROUGH TO OTHER  
11           PROGRAMS.—Notwithstanding clause (i),  
12           duty-free treatment under any other pro-  
13           gram providing such treatment for an arti-  
14           cle, conditional on the eligibility of an arti-  
15           cle to be treated as originating for pur-  
16           poses of this paragraph, may only be ex-  
17           tended to an article that is otherwise eligi-  
18           ble for duty-free treatment under this title  
19           in a calendar year—

20           “(I) if the article would remain  
21           eligible for such treatment even if sub-  
22           paragraph (A) were applied by sub-  
23           stituting ‘35 percent’ for ‘the percent-  
24           age described in subparagraph (B)’

1 with respect to that calendar year;  
2 and

3 “(II) if no amount attributable to  
4 United States cost or value, as au-  
5 thorized by clause (ii) of this subpara-  
6 graph, would be required to be applied  
7 in order to achieve such eligibility.”.

8 (b) REPORT.—

9 (1) IN GENERAL.—Not later than January 1,  
10 2026, the United States Trade Representative shall  
11 submit to Congress a report on the impact of the  
12 Generalized System of Preferences rule of origin re-  
13 quirements under section 503(a)(2)(A)(ii)(I) of the  
14 Trade Act of 1974 (19 U.S.C. 2463(a)(2)(A)(ii)(I))  
15 in fostering regional economic integration through  
16 program cumulation among regional associations.

17 (2) MATTERS TO BE INCLUDED.—The report  
18 required under this subsection shall include rec-  
19 ommendations regarding—

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

24 (B) updates to the rule of origin method-  
25 ology under section 503 of such Act that would

1 better maximize content from beneficiary devel-  
2 oping countries and the United States.

3 **SEC. 8. MODIFICATIONS TO COMPETITIVE NEED LIMITA-**  
4 **TION.**

5 (a) IN GENERAL.—Section 503 of the Trade Act of  
6 1974 (19 U.S.C. 2463) is amended—

7 (1) in subsection (c)(2)—

8 (A) in subparagraph (A)(ii)—

9 (i) in subclause (I), by striking “for  
10 1996, \$75,000,000” and inserting “for cal-  
11 endar year 2023, \$500,000,000”; and

12 (ii) in subclause (II), by striking  
13 “\$5,000,000” and inserting “2.5 percent  
14 of such applicable amount”;

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

18 (C) in subparagraph (F)(ii)—

19 (i) in subclause (I), by striking “for  
20 calendar year 1996, \$13,000,000” and in-  
21 serting “for calendar year 2023,  
22 \$50,000,000”; and

23 (ii) in subclause (II), by striking  
24 “\$500,000” and inserting “2.5 percent of  
25 such applicable amount”;

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

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

8           (b) APPLICABILITY.—

9                   (1) IN GENERAL.—The amendments made by  
10                  subsection (a) shall take effect on the date of the en-  
11                  actment of this Act.

12                  (2) RESTORATION OF DUTY-FREE TREAT-  
13                  MENT.—

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

17                           (i) list each article with respect to  
18                           which duty-free treatment was eliminated  
19                           (as of the date of the enactment of this  
20                           Act) pursuant to subsection (c) of section  
21                           503 of the Trade Act of 1974 that is eligi-  
22                           ble for such treatment pursuant to such  
23                           section 503 as amended by subsection (a)  
24                           of this section; and



1 (ii) determine, with respect to each  
2 such article, whether the article is a poten-  
3 tially sensitive product that warrants re-  
4 view pursuant to subsection (c)(1) of such  
5 section 503 for the continued withholding  
6 of duty-free treatment.

7 (B) PROMPT RESTORATION.—Except for  
8 articles for which the President makes an af-  
9 firmative determination pursuant to subpara-  
10 graph (A)(ii), the President shall restore duty-  
11 free treatment to each article included in the  
12 list described in subparagraph (A)(i) on such  
13 120th day after date of enactment.

14 (3) EXPEDITED REVIEW OF CERTAIN ARTICLES  
15 FOR EXCLUSION FROM DUTY-FREE TREATMENT.—  
16 The President shall review, pursuant to section  
17 503(c)(1) of the Trade Act of 1974 (19 U.S.C.  
18 2463(c)(1)), whether duty-free treatment should  
19 continue to be withheld from each article for which  
20 the President makes an affirmative determination  
21 pursuant to paragraph (2)(A)(ii). Not later than 1  
22 year after the date of the enactment of this Act, the  
23 President shall restore duty-free treatment to each  
24 article for which such review determines that such  
25 treatment should not be withheld.

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

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

8                   (B) justifications for the reasons for which  
9                   duty-free treatment was withheld or restored  
10                  with respect to articles described in such para-  
11                  graph.

12 **SEC. 9. EXPEDITED PRODUCT COVERAGE PETITION PROC-**  
13 **ESS.**

14           (a) IN GENERAL.—Not later than 90 days after the  
15           date of the enactment of this Act, the United States Inter-  
16           national Trade Commission shall publish in the Federal  
17           Register and on a publicly available internet website of  
18           the Commission a notice requesting interested parties to  
19           submit to the Commission, during the 60-day period be-  
20           ginning on the date of such publication, a petition—

21                   (1) to add one or more headings or subheadings  
22                   of the Harmonized Tariff Schedule of the United  
23                   States to, or remove one or more such headings or  
24                   subheadings from, the list of articles that may not  
25                   be designated as an eligible article for duty-free

1 treatment pursuant to section 503(b) of the Trade  
2 Act of 1974 (19 U.S.C. 2463(b)); or

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

7 (A) not restricted under such section  
8 503(b) from designation as an eligible article;  
9 and

10 (B) not otherwise designated an eligible ar-  
11 ticle by the President pursuant to section 501  
12 or section 503(a) of such Act (19 U.S.C. 2461;  
13 2463(a)).

14 (b) CONTENTS OF PETITION.—A petition submitted  
15 pursuant to subsection (a) shall be eligible for consider-  
16 ation under the process provided by this section only if  
17 such petition includes—

18 (1) the name and address of the petitioner;

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

22 (3) for a petition submitted pursuant to sub-  
23 section (a), a certification that the petitioner is an  
24 interested party and a brief description of the man-  
25 ner and extent to which the petitioner is a likely

1 beneficiary with respect to the addition or removal  
2 of the heading or subheading level concerned.

3 (c) PUBLICATION OF PETITIONS.—As soon as prac-  
4 ticable after the 60-day period described in subsection (a),  
5 and not later than 30 days after the end of such period,  
6 the Commission shall publish on a publicly available inter-  
7 net website of the Commission the contents of each peti-  
8 tion received.

9 (d) OPPORTUNITY FOR PUBLIC COMMENT.—During  
10 the 45-day period beginning on the date of the publication  
11 of petitions pursuant to subsection (c), the Commission  
12 shall publish in the Federal Register and on a publicly  
13 available internet website of the Commission a notice re-  
14 questing members of the public to submit comments to  
15 the Commission with respect to the changes sought by the  
16 petitions.

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

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

25 (A) sources of imports;

1 (B) values of imports;

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

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

6 (2) any information on whether the product is  
7 used as an input in United States manufacturing;  
8 and

9 (3) a summary of information provided in the  
10 form of comments rebutting or objecting to the peti-  
11 tion.

12 (f) AUTHORITIES.—

13 (1) PROCEDURES.—The Commission shall pre-  
14 scribe and publish in the Federal Register and on a  
15 publicly available internet website of the Commission  
16 all procedures to be complied with by members of  
17 the public submitting petitions.

18 (2) JUDICIAL REVIEW PRECLUDED.—The exer-  
19 cise of functions under this section shall not be sub-  
20 ject to judicial review.

21 (g) INTERESTED PARTY DEFINED.—In this section,  
22 the term “interested party” has the definition given such  
23 term in section 771 of the Tariff Act of 1930 (19 U.S.C.  
24 1677), except that an interested party under this section  
25 may not include—

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

4           (2) any person described in paragraph (9)(B)  
5           or (9)(G) of such section.

6 **SEC. 10. EXTENSION OF CUSTOMS USER FEES.**

7           (a) IN GENERAL.—Section 13031(j)(3) of the Con-  
8           solidated Omnibus Budget Reconciliation Act of 1985 (19  
9           U.S.C. 58c(j)(3)) is amended—

10           (1) in subparagraph (A), by striking “Sep-  
11           tember 30, 2031” and inserting “September 30,  
12           2033”; and

13           (2) in subparagraph (B)(i), by striking “Sep-  
14           tember 30, 2031” and inserting “September 30,  
15           2033”.

16           (b) RATE FOR MERCHANDISE PROCESSING FEES.—  
17           Section 503 of the United States-Korea Free Trade  
18           Agreement Implementation Act (Public Law 112–41; 19  
19           U.S.C. 3805 note) is amended by striking “September 30,  
20           2031” and inserting “September 30, 2033”.