United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

The Generalized System of Preferences (GSP) Reform Act

Summary:

The GSP Reform Act, introduced by Rep. Adrian Smith, would reauthorize the GSP program until December 31, 2030.

The legislation proposes the largest reforms to the GSP program since inception, permanently bans China, and sets new **country eligibility** for participation to ensure:

- Fair treatment for U.S. agricultural exports
- Fair digital and tax treatment of U.S. companies and workers
- Democracy, good governance, and anti-corruption standards
- National security and foreign policy interests of the United States, including removing countries growing military and economic ties with China

Additionally, the legislation includes reforms related to the criteria affecting **product eligibility** for the GSP program including:

- Amendments to increase the GSP rule of origin (ROO) from 35 to 50 percent over time while incentivizing additional U.S. content in GSP products. These changes are designed to ensure both developing beneficiary counties and the United States benefit from the program, not third countries like China.
- Updates to GSP's competitive needs limitations (CNLs), increasing the dollar threshold from $215 million to $500 million and indexing to it inflation, to improve the program's usefulness to incentivize supply chain shifts out of China.
- A new economic analysis for Congress from the International Trade Commission regarding potential changes to products eligible for duty-free treatment under the GSP program.

Background:

GSP is the largest and oldest U.S. trade preference program. Initially established by the Trade Act of 1974, GSP seeks to promote both the competitiveness of U.S. companies and economic development throughout the world by eliminating duties on a set list of products, not generally produced in the U.S. in commercially meaningful quantities, when imported from one of 119 designated beneficiary countries. It also serves as an important enforcement tool (one utilized by the Trump Administration) allowing USTR to suspend some or all a beneficiary country's GSP benefits if it fails to comply with the eligibility criteria Congress has enacted, creating significant leverage. The program expired on December 31, 2020.