



Highlights of [GAO-08-443](#), a report to the Chairman, Committee on Finance, U.S. Senate, and Committee on Ways and Means, House of Representatives

Why GAO Did This Study

U.S. trade preference programs promote economic development in poorer nations by providing export opportunities. 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, three of these programs expire partially or in full this year, and Congress is exploring options as it considers renewal.

GAO was asked to review the programs' effects on the United States and on foreign beneficiaries' exports and development, identify policy trade-offs concerning these programs, and evaluate the overall U.S. approach to preference programs. To address these objectives, we analyzed trade data, reviewed trade literature and program documents, interviewed U.S. officials, and did fieldwork in six countries.

What GAO Recommends

GAO recommends that USTR periodically review beneficiary countries that have not been considered under the regional programs. Additionally, USTR should periodically convene relevant agencies to discuss the programs jointly.

Congress should consider whether trade preference programs' review and reporting requirements may be better integrated to facilitate evaluating progress in meeting shared economic development goals.

To view the full product, including the scope and methodology, click on [GAO-08-443](#). For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

INTERNATIONAL TRADE

U.S. Trade Preference Programs Provide Important Benefits, but a More Integrated Approach Would Better Ensure Programs Meet Shared Goals

What GAO Found

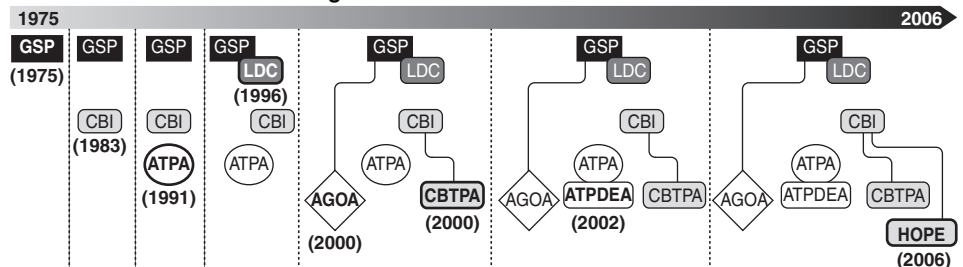
Overall, trade preference programs have a small effect on the U.S. economy. Some U.S. industries have shared-production arrangements with foreign producers that depend on preference benefits, while others compete with preference imports. Preference programs are used to advance U.S. goals, such as intellectual property rights protection.

Developing countries extensively use preferential access to boost exports to the United States. Preference imports have grown faster than overall U.S. imports, and recent changes in product coverage have expanded beneficiaries' export opportunities. Gaps in duty-free access continue for sectors such as agriculture and apparel. Preference exports remain concentrated in a few countries and products, but trends indicate greater diversification and increased use by the poorest countries. Those GAO interviewed in beneficiary countries also stressed the benefits derived from preferences.

Preference programs balance two key policy trade-offs. First, programs offer duty-free access to the U.S. market to increase beneficiaries' trade, while attempting not to harm U.S. industries. Second, Congress faces a trade-off between longer program renewals, which may encourage investment, and shorter renewals, which may provide more opportunities to change the programs to meet evolving priorities. Finally, some beneficiary countries' concerns over the eroding value of preferences must be weighed against the likely greater economic benefits of broader trade liberalization.

Trade preference programs have proliferated over time, becoming more complex (as shown below), but neither Congress nor the interagency Trade Policy Staff Committee that manages the programs has formally considered 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 reporting on some countries and issues. Separate reporting and examination also hinder measuring programs' contribution to economic development.

Growth of Trade Preference Programs



Source: GAO analysis of USTR documents on Generalized System of Preferences, African Growth and Opportunity Act, Andean Trade Preference Act, and Caribbean Basin Initiative.