



Highlights of [GAO-10-262T](#), a testimony before the Subcommittee for Trade, 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 duty-free export opportunities in the United States. 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, two of these programs expire partially or in full this year, and Congress is exploring options as it considers renewal. This testimony describes the growth in preference program imports, identifies policy trade-offs, and summarizes GAO recommendations and options suggested by a panel of experts on the African Growth and Opportunity Act (AGOA). The testimony is based on studies issued in September 2007, March 2008, and August 2009. For those studies, GAO analyzed trade data, reviewed trade literature and program documents, interviewed U.S. officials, did fieldwork in nine countries, and convened a panel of experts.

What GAO Recommends

In the March 2008 report, GAO recommended that the U.S. Trade Representative review beneficiary countries that have not been considered under the regional programs, and periodically consider preference programs jointly. In response, USTR officials told us that the relevant agencies will meet at least annually. USTR also changed its annual report to discuss the preference programs in one place.

View [GAO-10-262T](#) or key components. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

INTERNATIONAL TRADE

Options for Congressional Consideration to Improve U.S. Trade Preference Programs

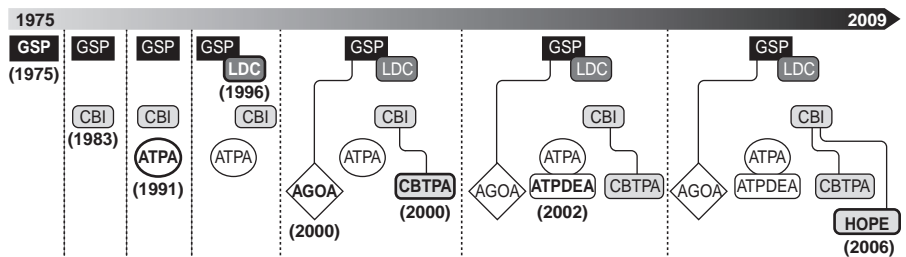
What GAO Found

Total U.S. preference imports grew from \$20 billion in 1992 to \$110 billion in 2008, with most of this growth taking place since 2000. The increases from preference program countries primarily reflect the addition of new eligible products, increased petroleum imports from some African countries, and the rapid growth of exports from countries such as India, Thailand, and Brazil.

Preference programs give rise to three critical policy trade-offs. First, opportunities for beneficiary countries to export products duty free must be balanced against U.S. industry interests. Some products of importance to developing countries, notably agriculture and apparel, are ineligible by statute as a result. Second, some developing countries, such as Bangladesh and Cambodia, are not included in U.S. regional preference programs; however, there is concern that they are already competitive in marketing apparel to the United States and that giving them greater duty-free access could harm the apparel industry in Africa and elsewhere. Third, Congress faces a trade-off between longer preference program renewals, which may encourage investment, and shorter renewals, which may provide leverage to encourage countries to act in accordance with U.S. interests such as trade liberalization.

GAO reported in March 2008 that preference programs have proliferated and become increasingly complex, which has contributed to a lack of systematic review. Moreover, we found that there was little to no reporting on the impact of these programs. In addition, GAO solicited options from a panel of experts in June 2009 for improving the competitiveness of the textile and apparel sector in AGOA countries. Options they suggested included aligning trade capacity building with trade preference programs, modifying rules of origin to facilitate joint production among trade preference program beneficiaries and free trade partners, and creating non-punitive and voluntary incentives to encourage the use of inputs from the United States or its trade preference partners to stimulate investment in beneficiary countries.

Growth of Trade Programs over Time



- AGOA African Growth and Opportunity Act
- ATPA Andean Trade Preference Act
- ATPDEA Andean Trade Promotion and Drug Eradication Act
- CBI Caribbean Basin Initiative
- CBTPA Caribbean Basin Trade Partnership Act
- GSP Generalized System of Preferences
- HOPE Haitian Hemispheric Opportunity through Partnership Encouragement Act
- LDC Expanded GSP for Least-developed Country

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