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HOUSE OF REPRESENTATIVES

REPORT
107–245

EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES

OCTOBER 16, 2001.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3010]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3010) to amend the Trade Act of 1974 to extend the Generalized System of Preferences until December 31, 2002, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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I. INTRODUCTION

A. Purpose and Summary

H.R. 3010 would reinstate, without further change, the Generalized System of Preferences (GSP) through December 31, 2002, and retroactively to October 1, 2001.

B. Background

Title V of the Trade Act of 1974, as amended, grants authority to the President to provide duty-free treatment on imports of eligible articles from designated beneficiary developing countries (BDCs), subject to certain conditions and limitations. To qualify for GSP privileges, each beneficiary country is subject to various mandatory and discretionary eligibility criteria. Section 505(a) of the Trade Act of 1974, as amended, provides that no duty-free treatment under Title V shall remain in effect after September 30, 2001.

The purpose of the GSP program is to promote three broad policy goals: (1) to foster economic development in developing economies through increased trade rather than foreign aid; (2) to promote U.S. trade interests by encouraging beneficiary countries to open their markets and comply more fully with international trading rules; and (3) to help maintain U.S. international competitiveness by lowering costs for U.S. business, as well as lowering prices for American consumers.

Statutorily-exempt articles

Under section 503(a)(1), the President may not designate any article as GSP-eligible within the following categories:

(1) Textiles and apparel articles which were not eligible articles for purposes of this title on January 1, 1994;

(2) Watches, except watches entered after June 30, 1989 that the President determines will not cause material injury to watch or watch band, strap or bracelet manufacturing and assembly operations in the United States or U.S. insular possessions;

(3) Import-sensitive electronic articles;

(4) Import-sensitive steel articles;

(5) Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not GSP-eligible articles on January 1, 1995;

(6) Import-sensitive semimanufactured and manufactured glass products; and

(7) Any other articles the President determines to be import-sensitive in the context of GSP.

Least-developed developing countries

Under section 502(a)(2), the President is authorized to designate any article that is the growth, product, or manufacture of a least-developed beneficiary developing country (LDBDC) as an eligible article with respect to imports from LDBDCs, if the President determines the article is not import-sensitive in the context of imports from the LDBDCs.

Sub-Saharan African countries

Section 114 of The Africa Growth and Opportunity Act (P.L. 106–200) enacted on May 18, 2000, amended section 506 of the Trade Act of 1974, as amended, by extending GSP benefits through September 30, 2008, for qualified sub-Saharan African countries. The extension applies to sub-Saharan African countries receiving either regular or LLDC GSP benefits.

C. LEGISLATIVE HISTORY

Committee action

H.R. 3010 was introduced on October 3, 2001, by Representative Crane and referred to the Committee on Ways and Means.

Legislative hearing

None.

II. EXPLANATION OF THE BILL

Expired law

Section 505 of the Trade Act of 1974, as amended, provides that no duty-free treatment under Title V (the Generalized System of Preferences) shall remain in effect after September 30, 2001.

Explanation of the provision

H.R. 3010 amends section 505 of the Trade Act of 1974 to authorize an extension through December 31, 2002. It also provides retroactive relief in that, notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, the entry of any article to which duty-free treatment under Title V of the Trade Act of 1974 would have applied if the entry had been made on September 30, 2001, and was made after September 30, 2001, and before the enactment of this Act, shall be liquidated or reliquidated as free of duty and the Secretary of the Treasury shall refund any duty paid, upon proper request filed with the appropriate Customs officer, within 180 days after the date of enactment.

Reasons for the provision

The Committee believes GSP has been a highly effective program in meeting its goals of fostering development in developing economies through trade, promoting U.S. trade interests by encouraging beneficiary countries to open their markets and comply with international trade rules, and maintaining U.S. competitiveness by lowering costs for U.S. businesses and lowering prices for U.S. consumers. The Committee also believes that short-term extensions of the program are highly disruptive to U.S. companies who rely on GSP products and the economic development of beneficiary countries. Further, to prevent an unintended gap in duty-free treatment, the Committee provides for a retroactive extension of the program.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of H.R. 3010.

MOTION TO REPORT THE BILL

The resolution, H.R. 3010, was ordered favorably reported, by voice vote, with a quorum being present.

IV. BUDGET EFFECTS

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this resolution, H.R. 3010 as reported: The Committee agrees with the estimate prepared by CBO which is included below.

B. Statement Regarding New Budget Authority and Tax Expenditures

In compliance with subdivision 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 3010 would reduce customs duty receipts due to lower tariffs imposed on goods from beneficiary countries under the Generalized System of Preferences.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, October 11, 2001.

Hon. William "Bill" M. Thomas,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3010, a bill to amend the Trade Act of 1974 to extend the Generalized System of Preferences until December 31, 2002.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Erin Whitaker.

Sincerely,

Barry B. Anderson
(For Dan L. Crippen, Director).

Enclosure.

H.R. 3010—A bill to amend the Trade Act of 1974 to extend the Generalized System of Preferences until December 31, 2002

Summary: H.R. 3010 would extend the period in which preferential treatment provided to certain products of countries under the Generalized System of Preferences (GSP) is in effect. Under current law, GSP treatment expired on September 30, 2001. The bill would allow imports under the program to enter the United States free of duty until December 31, 2002. Any imports made after September 30, 2001, and before the date of enactment would be eligible for duty-free treatment and refunds of any duty paid. The Congressional Budget Office estimates that enacting the bill would reduce revenues by $332 million in 2002 and by $419 million over the 2002–2003 period. Because enacting H.R. 3010 would affect receipts, pay-as-you-go procedures would apply. CBO has determined that H.R. 3010 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3010 is shown in the following table

	By fiscal year, in millions of dollars—				
	2002	2003	2004	2005	2006
CHANGES IN REVENUES					
Estimated Revenues	−332	−87	0	0	0

Basis of estimate: The estimated impact of this extension is based on recent data on imports from GSP beneficiary countries. With enactment of H.R. 3010, CBO expects that GSP imports would enter the U.S. duty-free, generating a loss in customs duties. In addition, CBO expects that extension of GSP treatment would displace imports from other countries that would occur in the absence of such treatment. In the absence of specific data on this substitution effect, CBO assumes that an amount equal to one-half of the future imports from GSP beneficiary countries would displace imports from other countries. The losses of revenues from customs duties are projected using a trade-weighted duty rate with respect to beneficiary countries adjusted for tariff reductions scheduled by the World Trade Organization (WTO). Certain imports from sub-Saharan Africa will continue to receive GSP treatment under the African Growth and Opportunity Act (AGOA). Based on information from the International Trade Commission and other trade sources, CBO estimates that enacting H.R. 3010 would reduce revenues by $332 million in 2002 and by $419 million over the 2002–2003 period.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table.

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	−332	−87	0	0	0	0	0	0	0	0
Changes in outlays	Not applicable									

Intergovernmental and private-sector impact: The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Revenues: Erin Whitaker. Impact on State, Local, and Tribal Governments: Elyse Goldman. Impact on Private Sector: Cecil McPherson.

Estimate approved by: Roberton Williams, Deputy Assistant Director for Tax Analysis.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee, based upon information from the Administration, concluded that it is appropriate and timely to consider the resolution as reported.

B. Summary of Findings and Recommendations of the Committee on Government Reform and Oversight

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Reform and Oversight with respect to the subject matter contained in H.R. 3010.

C. Constitutional Authority Statement

With respect to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States * * *").

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 505 OF THE TRADE ACT OF 1974

SEC. 505. DATE OF TERMINATION.

No duty-free treatment provided under this title shall remain in effect after ⟦September 30, 2001⟧ *December 31, 2002.*

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