



**Written Comments of Consumers for World Trade  
Submitted to the United States Trade Representative  
November 10, 2005**

Subject: Changes to the Administration's Operation of the Generalized System of Preferences (GSP)

Consumers for World Trade (CWT) is a national, non-profit, non-partisan organization, established in 1978. CWT is the only U.S. public interest organization with the sole mission of speaking for the interest of consumers in international trade policy. CWT's goal is to create and maintain an open and equitable international trading system in which the interests of consumers are represented and heard and where consumers enjoy the widest selection of products at the lowest possible prices.

On behalf of CWT, I am writing to urge you to support timely renewal and expansion of the Generalized System of Preferences (GSP), a duty-free program that has existed in U.S. law for more than 27 years. GSP is due to expire at the end of 2006 and CWT encourages timely renewal and expansion of the program to include additional countries for a number of reasons:

First, GSP reduces consumer prices for a wide range of products, not just finished products imported duty free under the program, but also products made in the U.S. using inputs imported under the program. Consumer goods comprise 26.3 percent of GSP imports while raw materials comprise another two-thirds. Savings on duties are passed on to American consumers. Consumers pay substantially less for items such as plywood, stone, electrical gear, auto parts, jewelry, roof shingles and light fixtures thanks to GSP.

Second, GSP improves the economies of many low-income nations. Being able to export goods duty-free increases the appeal of developing country exports, thereby enabling some of the poorest producers to increase their output, creating jobs for their citizens. Economic growth facilitates political stability and furthers the goals of American foreign policy. In addition, countries must follow certain rules and procedures to qualify for GSP eligibility. These rules have proven to be effective in compelling developing country beneficiaries to change their labor practices, increase intellectual property protections, and repeal other policies that hinder U.S. access to overseas markets.

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Finally, many small American businesses count on the GSP program to remain competitive. Not having to pay duties on imports can mean the difference between remaining viable or going out of business. Americans lose jobs when their employers cannot compete.

For these same reasons, CWT believes that larger GSP beneficiaries such as India and Brazil should *not* be excluded from the program. The American economy and consumers benefit enormously from tariff-free imports from these nations. Furthermore, keeping these countries within the GSP program supports the U.S. goal of liberalized trade currently being negotiated in the Doha Round.

Failure to renew GSP before it lapses contributes to cost, and therefore, price instability. Unable to predict whether GSP benefits will be renewed in advance forces importers to either absorb the cost of tariffs when they are not, or increase prices to protect themselves from potential loss of tariff-free inputs and products. Either way importers and/or consumers lose. We therefore urge the Administration and Congress to work together to renew this important program before it expires at the end of 2006.

Thank you for the opportunity to present these comments.

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