U.S. Chamber of Commerce

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June 5, 2024

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo:

The U.S. Chamber of Commerce welcomes the opportunity to offer testimony for the record for the Senate Finance Committee's June 5 hearing on "Revitalizing and Renewing GSP, AGOA and Other Trade Preference Programs."

Renewal of the trade programs on the hearing's agenda — the Generalized System of Preferences (GSP), the Miscellaneous Tariff Bill (MTB), and the African Growth and Opportunity Act (AGOA) — is important to a wide range of American businesses of every size, sector, and state. These programs foster market-based economic growth in developing countries and advance U.S. strategic interests in key regions. They give U.S. consumers and companies duty-free access to select goods from beneficiary countries, helping families stretch their budgets and companies enhance their competitiveness. Imports eligible for these benefits generally do not compete with U.S.-made goods in significant ways.

These programs have traditionally passed with overwhelming bipartisan support, and we encourage this Congress to follow suit. The Chamber urges Committee members to expedite their work and avoid using these programs as political bargaining chips in debates over other matters.

Generalized System of Preferences

For more than four decades, GSP has been an effective tool promoting market-based economic growth in developing countries. The program suspends tariffs on a pre-approved list of imports from approximately 120 developing countries. GSP helps advance U.S. foreign policy objectives, promotes international development and free enterprise, and helps American families stretch their budgets by reducing prices of a variety of consumer goods. It also supports the diversification of supply chains away from China.

The lapse in this important trade program is now approaching three and a half years, leading to mounting costs for U.S. small businesses and incentivizing companies to source more imports from China rather than GSP-eligible developing countries. GSP beneficiaries are often natural alternative suppliers to China. The program's elimination of duties on China's competitors often makes GSP countries a better choice than low-cost Chinese producers.

Many U.S. small businesses shifted their supply chains out of China after Section 301 tariffs were imposed on many Chinese products in 2018 and 2019. However, the lapse in the GSP program in December 2020 has shifted the cost calculus back in China's favor for many products.

The impact of the lapse in GSP on U.S. small businesses is particularly galling. The typical beneficiary company employs about 20 people, and GSP saves them between $100,000 and $200,000 in duties — big money for many small businesses. This damaging situation has already persisted for far too long, and we urge Congress to prioritize reauthorization of GSP on a fully retroactive basis as soon as possible.

Miscellaneous Tariff Bill

The MTB temporarily suspends tariffs on a carefully vetted list of imported goods, most of which are inputs used by U.S. manufacturers. Fundamentally, it helps U.S. companies maintain their competitive edge by sparing them needless extra costs. However, the last iteration of the MTB lapsed in 2020, when duty suspensions and reductions on more than 3,000 imported products expired.

The range of goods covered is scrutinized with great care. The U.S. International Trade Commission leads a rigorous vetting process established by Congress to confirm that products proposed for tariff relief are not made in the United States or are unavailable in sufficient quantities to meet U.S. businesses' needs. In order to be considered for inclusion, each proposed duty suspension must be considered "noncontroversial" — meaning it has forgone tariff revenues of a maximum of $500,000 per product and no domestic producer or member of Congress objects. According to the U.S. International Trade Commission, tariff relief under the previous MTB boosted U.S. GDP annually by as much as $3.3 billion and output annually by as much as $6.3 billion.

Since the previous MTB expired in December 2020, manufacturers and other businesses have paid more than $1.4 billion in tariffs, or $1.3 million per day, on goods that are generally not available in the United States. The harm has been especially significant for small and medium-sized manufacturers, often limiting the ability of such firms to expand production, hire additional workers, or invest in new cost-saving equipment.

The last MTB (in 2018) passed Congress without a single vote in opposition. We urge this Congress to expeditiously re-up this commonsense program and, in the process, to reauthorize the American Manufacturing Competitiveness Act, which establishes the MTB petition process.

African Growth and Opportunity Act

With AGOA due to expire in September 2025, the Chamber urges Congress to begin work immediately to reauthorize the program and avoid a damaging lapse similar to those seen with the GSP and MTB programs.

AGOA has represented a shift from the traditional aid-based approach to the African continent to one that favors free enterprise and market-based economic growth. Similar to GSP, it provides duty-free and quota-free access to the U.S. market for qualifying products from sub-Saharan African countries meeting certain eligibility requirements. These requirements focus on market-based economy principles; rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; and protection of human rights and worker rights, among other points. In return, the legislation provides an opportunity to forge new trade and investment partnerships with African countries, while allowing the U.S. to pursue its strategic and global security interests on the continent.

AGOA has been critical in facilitating strong trade and investment ties between the U.S. and sub-Saharan Africa. According to USTR's 2022 Biennial Report on the program's implementation, total two-way goods trade with sub-Saharan Africa totaled $44.8 billion in 2021. That same year, non-oil imports under AGOA — representing the main source of AGOA's job-creating value — were roughly $4.8 billion, the largest annual figure since 2013.

Currently, 32 countries are eligible for AGOA benefits. The current review period provides an opportunity to examine options to improve the effective utilization of AGOA by more African countries and to discuss AGOA's long-term prospects in the context of the implementation of the African Continental Free Trade Area (AfCFTA) agreement.

As the business community contemplates ways the program can be modernized, the Chamber encourages Congress to examine how the program can enhance trade in ways that reinforce African efforts to spur economic growth, expand commercial linkages to the United States, and support supply chain connectivity. Additionally, the program should play a key role in identifying and addressing investment barriers preventing U.S. companies from expanding in Africa.

All in all, African governments should be incentivized to examine policies that impede trade and investment with the United States. To enhance economic growth and development, AGOA should encourage efforts to promote trade facilitation, expand market access, protect intellectual property, extend fair treatment to foreign investors, and improve the business climate in African countries. The Chamber also supports the addition of eligibility criteria relating to digital trade similar to a proposal included in the GSP bill recently reported out by the House Ways & Means Committee.

Furthermore, the AGOA program excludes many products that could be of great value for trade with sub-Saharan Africa. The Administration should consider adding additional products that promote economic diversification. The Chamber also supports the extension of AGOA's third-country fabric provisions.

The expiry of AGOA in September 2025 creates uncertainty for the business community, and it threatens to dampen investment and depress trade well in advance of the actual expiration of the program. Continued cooperation between the U.S. and the African Union beyond AGOA will also be critical in facilitating African partner country aspirations to deepen regional integration, develop plans to engage the U.S. in bilateral and multilateral trade agreements, and support growth in regional trade.

Indeed, it is notable that trade policy's "Four Corners" in the Congress — the chairs and ranking members of the House Ways and Means and Senate Finance Committees — have all urged the Biden administration to pursue a more ambitious, market-opening trade agreement with Kenya. The Chamber strongly agrees (and has for years). Nothing about such an initiative with one or more African countries should be seen as impeding the swift reauthorization of AGOA.

The Chamber appreciates the opportunity to submit these comments, and we look forward to continuing to engage with the Committee on these critically important programs.

Sincerely,

John Murphy
Senior Vice President and
Head of International
U.S. Chamber of Commerce

cc: Members of the Senate Finance Committee