



Opening Statement of Senator Chuck Grassley  
Hearing, “U.S. Preference Programs: Options for Reform”  
Tuesday, March 9, 2010

This is the third hearing in three years that this Committee is conducting to address the operation and potential reform of our trade preference programs. Now is the time for a more detailed discussion of potential reform ideas. The Chairman and I are engaged in detailed discussions with the aim of coming up with joint reform legislation. Hopefully we can achieve that. We’ll continue working hard on this, because it is a very important priority. Ideally, I would hope that we could introduce and markup a bill by the end of the second quarter this year. So, today’s hearing is timely, and the testimony that we receive from our witnesses, as well as any public comments submitted for the record, will inform our joint effort.

To begin, I would note that the Chairman and I are engaged in a separate, standalone, effort with our colleagues on the Ways and Means Committee to enact Haiti-specific trade preference legislation that will assist Haiti in its long-term recovery efforts. While that ongoing effort to help Haiti is urgent, it is not the focus of today’s hearing. Instead, our focus today is on our broader reform effort, which primarily involves the Generalized System of Preferences, or GSP. We are also examining how GSP operates in relation to the Andean Trade Preference Act, the African Growth Opportunity Act, and the Caribbean Basin Economic Recovery Act.

I want to reiterate some of the elements that I think are essential to a reform of our preference programs. A preference program should have firm graduation provisions, both on a product-specific and a country-specific basis. The point of graduation is two-fold. First, graduation creates opportunities for other beneficiary developing countries to take advantage of the preferences—perhaps not immediately, but down the road.

Second, at a certain point of development, preferences should not be extended to advanced developing economies—instead, we should expect and receive more reciprocity in our trading relationships with advanced developing economies.

In addition, preferences should be extended to a trading partner based upon clear eligibility criteria, which should be reviewed regularly and transparently.

And, preferences should be structured so that rules of origin and product coverage promote new trade flows to maximize the potential for economic development, particularly among least-developed countries.

I can appreciate calls for a more rationalized distribution of our trade capacity building funds, so that capacity building works hand-in-hand with our trade preferences. We should examine ways to accomplish that with our colleagues on the Foreign Relations Committee.

And, if we can craft a reform package that adequately addresses the elements I've outlined, I can appreciate calls for a longer-term authorization of our preference programs. As the Chairman and I proceed with our effort, I will continue to monitor the actions of advanced developing countries that benefit from our unilateral preference programs, particularly in the context of the Doha Round trade negotiations. If unilateral access to the U.S. market impedes progress in realizing meaningful reciprocal market access concessions in the Doha negotiations, we should reconsider the extension of such unilateral trade preferences.

In sum, the reform I have in mind is based on specific principles, such as simplifying the operation of our trade preference programs, expanding the number of eligible countries that actually benefit from our trade preference programs, and expecting more from the countries that benefit from our preference programs—particularly advanced developing countries. With these principles in mind, I look forward to hearing the testimony of today's witnesses.