

118TH CONGRESS
2D SESSION

H. R. 7986

To modify and reauthorize the Generalized System of Preferences, and for
other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2024

Mr. SMITH of Nebraska introduced the following bill; which was referred to
the Committee on Ways and Means

A BILL

To modify and reauthorize the Generalized System of
Preferences, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Generalized System
5 of Preferences Reform Act”.

6 **SEC. 2. EXTENSION OF GENERALIZED SYSTEM OF PREF-**
7 **ERENCES.**

8 (a) IN GENERAL.—Section 505 of the Trade Act of
9 1974 (19 U.S.C. 2465) is amended by striking “December
10 31, 2020” and inserting “December 31, 2030”.

1 (b) EFFECTIVE DATE.—

2 (1) IN GENERAL.—The amendment made by
3 subsection (a) shall apply to articles entered on or
4 after the 30th day after the date of the enactment
5 of this Act.

6 (2) RETROACTIVE APPLICATION FOR CERTAIN
7 LIQUIDATIONS AND RELIQUIDATIONS.—

8 (A) IN GENERAL.—Notwithstanding sec-
9 tion 514 of the Tariff Act of 1930 (19 U.S.C.
10 1514) or any other provision of law and subject
11 to subparagraph (B), any entry of a covered ar-
12 ticle to which duty-free treatment or other pref-
13 erential treatment under title V of the Trade
14 Act of 1974 (19 U.S.C. 2461 et seq.) would
15 have applied if the entry had been made on De-
16 cember 31, 2020, that was made—

17 (i) after December 31, 2020, and

18 (ii) before the effective date specified

19 in paragraph (1),

20 shall be liquidated or reliquidated as though
21 such entry occurred on the effective date speci-
22 fied in paragraph (1).

23 (B) REQUESTS.—A liquidation or reliqui-
24 dation may be made under subparagraph (A)
25 with respect to an entry only if a request there-

1 for is filed with U.S. Customs and Border Pro-
2 tection not later than 180 days after the date
3 of the enactment of this Act that contains suffi-
4 cient information to enable U.S. Customs and
5 Border Protection—

6 (i) to locate the entry; or

7 (ii) to reconstruct the entry if it can-
8 not be located.

9 (C) PAYMENT OF AMOUNTS OWED.—Any
10 amounts owed by the United States pursuant to
11 the liquidation or reliquidation of an entry of a
12 covered article under subparagraph (A) shall be
13 paid, without interest of any kind, not later
14 than 90 days after the date of the liquidation
15 or reliquidation (as the case may be).

16 (3) DEFINITIONS.—In this subsection:

17 (A) COVERED ARTICLE.—The term “cov-
18 ered article” means an article from a country
19 that is a beneficiary developing country under
20 title V of the Trade Act of 1974 (19 U.S.C.
21 2461 et seq.) as of the effective date specified
22 in paragraph (1).

23 (B) ENTER; ENTRY.—The terms “enter”
24 and “entry” include a withdrawal from ware-
25 house for consumption.

1 **SEC. 3. MODIFICATIONS TO DESIGNATIONS OF BENE-**
2 **FICIARY COUNTRIES.**

3 Section 502 of the Trade Act of 1974 (19 U.S.C.
4 2462) is amended as follows:

5 (1) In subsection (b)(1), by adding at the end
6 the following new subparagraph:

7 “(J) China.”.

8 (2) In subsection (b)(2)—

9 (A) by inserting after subparagraph (H)
10 the following:

11 “(I) Such country engages in gross viola-
12 tions of internationally recognized human rights
13 in that country (including any designated zone
14 in that country).”; and

15 (B) in the text following subparagraph (I)
16 (as inserted by subparagraph (A)), by striking
17 “and (H) (to the extent described in section
18 507(6)(D))” and inserting “(H) (to the extent
19 described in section 507(6)(D)) and (I)”.

20 (3) In subsection (c)—

21 (A) in paragraph (6)(B), by striking “;
22 and” and inserting a semicolon;

23 (B) in paragraph (7), by striking the pe-
24 riod at the end and inserting a semicolon; and

25 (C) by adding at the end the following new
26 paragraphs:

1 “(8) the extent to which such country allows,
2 after the date of the enactment of this paragraph,
3 construction of military bases by a covered nation
4 (as such term is defined in section 4872 of title 10,
5 United States Code);

6 “(9) the extent to which such country—

7 “(A) provides open and equitable market
8 access for United States agriculture, including
9 through the adoption of science-based stand-
10 ards;

11 “(B) refrains from imposing unjustified
12 trade restrictions that affect new agricultural
13 technologies, including biotechnology;

14 “(C) refrains from providing domestic agri-
15 cultural subsidies that decrease market oppor-
16 tunities for United States exports; and

17 “(D) refrains from imposing prohibitions
18 on the generic use of common food and bev-
19 erage terms;

20 “(10) the extent to which such country is deep-
21 ening its economic, diplomatic, and military relations
22 with covered nations (as such term is defined in sec-
23 tion 4872 of title 10, United States Code);

1 “(11) the extent to which such country has es-
2 tablished, or is making continual progress toward es-
3 tablishing—

4 “(A) the rule of law, political pluralism,
5 and the right to due process, a fair trial, and
6 equal protection under the law;

7 “(B) economic policies to reduce poverty,
8 increase the availability of health care and edu-
9 cational opportunities, expand physical infra-
10 structure, promote the development of private
11 enterprise, and encourage the formation of cap-
12 ital markets through micro-credit or other pro-
13 grams; and

14 “(C) a system to combat corruption and
15 bribery, such as signing and implementing the
16 Convention on Combating Bribery of Foreign
17 Public Officials in International Business
18 Transactions, done at Paris December 17,
19 1997, and entered into force February 15, 1999
20 (TIAS 99–215);

21 “(12) the extent to which such country provides
22 equitable and non-discriminatory tax treatment for
23 United States entities;

1 “(13) whether such country engages in activi-
 2 ties that undermine United States national security
 3 or foreign policy interests; and

4 “(14) the extent to which such country—

5 “(A) has imposed unreasonable digital
 6 trade barriers, such as unnecessary or discrimi-
 7 natory data localization or data transfer restric-
 8 tions, discriminatory treatment of digital prod-
 9 ucts, or forced disclosure of proprietary source
 10 code; and

11 “(B) has taken steps in the digital environ-
 12 ment to support consumer protections, the pri-
 13 vacy of personal information, and open digital
 14 ecosystems;”.

15 **SEC. 4. MODIFICATION OF PROVISIONS RELATING TO**
 16 **WITHDRAWAL, SUSPENSION, OR LIMITATION**
 17 **OF COUNTRY DESIGNATION.**

18 Section 502(d)(1) of the Trade Act of 1974 (19
 19 U.S.C. (2462(d)(1)) is amended—

20 (1) by striking “the President shall consider the
 21 factors” and inserting “the President—

22 “(A) shall consider—

23 “(i) the factors”;

24 (2) by striking the period at the end and insert-
 25 ing a semicolon; and

(3) by adding at the end the following:

“(ii) the likely impacts of any such action on working toward, or continuing to meet, the criteria and factors described in subsections (b) and (c) of this section; and

“(iii) the likely impacts of any such action on workers and populations in the country that such criteria and factors are intended to help;

“(B) take all available steps to facilitate continued duty-free treatment under this title for products with respect to which the imposition of duties is likely—

“(i) to have an adverse effect on meeting the criteria and factors described in subsections (b) and (c) of this section; or

“(ii) result in severe economic harm to the populations that such criteria and factors are intended to help; and”.

SEC. 5. PROCEDURAL ENFORCEMENT REFORMS.

Section 502 of the Trade Act of 1974 (19 U.S.C. 2462), as amended by sections 3 and 4, is further amended as follows:

1 (1) In subsection (d)(1), by adding at the end
2 the following:

3 “(C) hold a public hearing or provide for
4 a period of not less than 30 days for submission
5 of comments by the public.”.

6 (2) In subsection (f)(2)—

7 (A) in the paragraph heading, by inserting
8 “OR SUSPENSION” after “TERMINATION”;

9 (B) by inserting “or suspend” after “ter-
10 minate” each place it appears; and

11 (C) by inserting “or suspension” after
12 “termination”.

13 (3) By adding at the end the following:

14 “(g) PUBLICATION OF DETERMINATIONS RELATING
15 TO PETITIONS FOR REVIEW.—The United States Trade
16 Representative shall publish in the Federal Register a no-
17 tice of, and the rationale for, any determination of the
18 Trade Representative with respect to a petition for review
19 of the eligibility of a country for designation as a bene-
20 ficiary developing country, including a determination—

21 “(1) to accept or deny such a petition;

22 “(2) to continue to review the eligibility of the
23 country; or

1 “(3) to withdraw, suspend, or limit the applica-
 2 tion of duty-free treatment under this title with re-
 3 spect to the country.”.

4 **SEC. 6. ASSESSMENT AND REPORT ON COMPLIANCE WITH**
 5 **ELIGIBILITY REQUIREMENTS.**

6 Section 502 of the Trade Act of 1974, as amended
 7 by sections 3 through 5, is further amended by adding
 8 at the end the following:

9 “(h) ASSESSMENT AND REPORT ON COMPLIANCE
 10 WITH ELIGIBILITY REQUIREMENTS.—

11 “(1) IN GENERAL.—The President shall—

12 “(A) on an annual basis—

13 “(i) conduct assessments of the com-
 14 pliance of an appropriate number of coun-
 15 tries designated as beneficiary developing
 16 countries for purposes of this title in meet-
 17 ing or continuing to meet the eligibility re-
 18 quirements under this title; and

19 “(ii) make determinations with re-
 20 spect to whether to initiate full reviews of
 21 the practices of those countries to assess
 22 the continued eligibility of those countries
 23 for designation as beneficiary developing
 24 countries under this title; and

1 “(B) submit to Congress a report con-
2 sisting of the results of such assessments and
3 determinations.

4 “(2) FREQUENCY.—The President shall con-
5 duct an assessment described in clause (i) of para-
6 graph (1)(A) and make a determination described in
7 clause (ii) of that paragraph with respect to each
8 country designated as a beneficiary developing coun-
9 try for purposes of this title not less frequently than
10 once every 3 years.”.

11 **SEC. 7. MODIFICATIONS TO RULES OF ORIGIN.**

12 (a) IN GENERAL.—Section 503(a)(2) of the Trade
13 Act of 1974 (19 U.S.C. 2463(a)(2)) is amended—

14 (1) in subparagraph (A), in the matter fol-
15 lowing clause (ii)(II), by striking “35 percent” and
16 inserting “the percentage described in subparagraph
17 (B)”;

18 (2) by redesignating subparagraph (B) as sub-
19 paragraph (C);

20 (3) by inserting after subparagraph (A) the fol-
21 lowing:

22 “(B) PERCENTAGE DESCRIBED.—The per-
23 centage described in this subparagraph is—

24 “(i) in the case of articles entered be-
25 fore January 1, 2027, 35 percent;

“(ii) in the case of articles entered on or after January 1, 2027, and before January 1, 2029, 40 percent;

“(iii) in the case of articles entered on or after January 1, 2029, and before January 1, 2031, 45 percent; and

“(iv) in the case of articles entered on or after January 1, 2031, 50 percent.”; and

(4) by adding at the end the following:

“(D) PASS-THROUGH AND COST OR VALUE OF MATERIALS PRODUCED IN THE CUSTOMS TERRITORY OF THE UNITED STATES.—

“(i) IN GENERAL.—The duty-free treatment provided under this title shall apply to any article that meets the requirements of this paragraph.

“(ii) EXCEPTION WITH RESPECT TO MATERIALS PRODUCED IN THE CUSTOMS TERRITORY OF THE UNITED STATES.—To the extent that the cost or value of materials produced in the customs territory of the United States is included with respect to an article, an amount not to exceed 15 percent of the appraised value of the arti-

1 cle at the time it is entered that is attrib-
2 uted to such United States cost or value
3 may be applied toward determining the ap-
4 plicable percentage described in subpara-
5 graph (B).

6 “(iii) NO PASS-THROUGH TO OTHER
7 PROGRAMS.—Notwithstanding clause (i),
8 duty-free treatment under any other pro-
9 gram providing such treatment for an arti-
10 cle, conditional on the eligibility of an arti-
11 cle to be treated as originating for pur-
12 poses of this paragraph, may only be ex-
13 tended to an article that is otherwise eligi-
14 ble for duty-free treatment under this title
15 in a calendar year—

16 “(I) if the article would remain
17 eligible for such treatment even if sub-
18 paragraph (A) were applied by sub-
19 stituting ‘35 percent’ for ‘the percent-
20 age described in subparagraph (B)’
21 with respect to that calendar year;
22 and

23 “(II) if no amount attributable to
24 United States cost or value, as au-
25 thorized by clause (ii) of this subpara-

1 graph, would be required to be applied
2 in order to achieve such eligibility.”.

3 (b) REPORT.—

4 (1) IN GENERAL.—Not later than January 1,
5 2026, the United States Trade Representative shall
6 submit to Congress a report on the impact of the
7 Generalized System of Preferences rule of origin re-
8 quirements under section 503(a)(2)(A)(ii)(I) of the
9 Trade Act of 1974 (19 U.S.C. 2463(a)(2)(A)(ii)(I))
10 in fostering regional economic integration through
11 program cumulation among regional associations.

12 (2) MATTERS TO BE INCLUDED.—The report
13 required under this subsection shall include rec-
14 ommendations regarding—

15 (A) new regional associations eligible for
16 treatment as one country under the provisions
17 of section 507(2) of the Trade Act of 1974 (19
18 U.S.C. 2467(2)); and

19 (B) updates to the rule of origin method-
20 ology under section 503 of such Act that would
21 better maximize content from beneficiary devel-
22 oping countries and the United States.

1 **SEC. 8. MODIFICATIONS TO COMPETITIVE NEED LIMITA-**
2 **TION.**

3 (a) IN GENERAL.—Section 503 of the Trade Act of
4 1974 (19 U.S.C. 2463) is amended—

5 (1) in subsection (c)(2)—

6 (A) in subparagraph (A)(ii)—

7 (i) in subclause (I), by striking “for
8 1996, \$75,000,000” and inserting “for cal-
9 endar year 2023, \$500,000,000”; and

10 (ii) in subclause (II), by striking
11 “\$5,000,000” and inserting “2.5 percent
12 of such applicable amount”;

13 (B) in subparagraph (C), by striking
14 “may, subject” and inserting “should, subject”;
15 and

16 (C) in subparagraph (F)(ii)—

17 (i) in subclause (I), by striking “for
18 calendar year 1996, \$13,000,000” and in-
19 serting “for calendar year 2023,
20 \$50,000,000”; and

21 (ii) in subclause (II), by striking
22 “\$500,000” and inserting “2.5 percent of
23 such applicable amount”;

24 (2) in subsection (d)(4)(B), by adding at the
25 end the following:

“(iii) Clause (ii)(II) shall not apply with respect to any article if a like or directly competitive article was not produced in the United States in any of the preceding 3 calendar years.”.

(b) APPLICABILITY.—

(1) IN GENERAL.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) RESTORATION OF DUTY-FREE TREATMENT.—

(A) LIST REQUIRED.—Not later than 120 days after the date of the enactment of this Act, the President shall—

(i) list each article with respect to which duty-free treatment was eliminated (as of the date of the enactment of this Act) pursuant to subsection (c) of section 503 of the Trade Act of 1974 that is eligible for such treatment pursuant to such section 503 as amended by subsection (a) of this section; and

(ii) determine, with respect to each such article, whether the article is a potentially sensitive product that warrants re-

1 view pursuant to subsection (c)(1) of such
2 section 503 for the continued withholding
3 of duty-free treatment.

4 (B) PROMPT RESTORATION.—Except for
5 articles for which the President makes an af-
6 firmative determination pursuant to subpara-
7 graph (A)(ii), the President shall restore duty-
8 free treatment to each article included in the
9 list described in subparagraph (A)(i) on such
10 120th day after date of enactment.

11 (3) EXPEDITED REVIEW OF CERTAIN ARTICLES
12 FOR EXCLUSION FROM DUTY-FREE TREATMENT.—
13 The President shall review, pursuant to section
14 503(c)(1) of the Trade Act of 1974 (19 U.S.C.
15 2463(c)(1)), whether duty-free treatment should
16 continue to be withheld from each article for which
17 the President makes an affirmative determination
18 pursuant to paragraph (2)(A)(ii). Not later than 1
19 year after the date of the enactment of this Act, the
20 President shall restore duty-free treatment to each
21 article for which such review determines that such
22 treatment should not be withheld.

23 (4) REPORTS.—Not later than 1 year after the
24 date of the enactment of this Act, the President
25 shall submit to the Committee on Ways and Means

1 of the House of Representatives and the Committee
2 on Finance of the Senate a report containing—

3 (A) the results of the reviews conducted
4 pursuant to paragraph (3); and

5 (B) justifications for the reasons for which
6 duty-free treatment was withheld or restored
7 with respect to articles described in such para-
8 graph.

9 **SEC. 9. EXPEDITED PRODUCT COVERAGE PETITION PROC-**
10 **ESS.**

11 (a) IN GENERAL.—Not later than 90 days after the
12 date of the enactment of this Act, the United States Inter-
13 national Trade Commission shall publish in the Federal
14 Register and on a publicly available internet website of
15 the Commission a notice requesting interested parties to
16 submit to the Commission, during the 60-day period be-
17 ginning on the date of such publication, a petition—

18 (1) to add one or more headings or subheadings
19 of the Harmonized Tariff Schedule of the United
20 States to, or remove one or more such headings or
21 subheadings from, the list of articles that may not
22 be designated as an eligible article for duty-free
23 treatment pursuant to section 503(b) of the Trade
24 Act of 1974 (19 U.S.C. 2463(b)); or

1 (2) to provide duty-free treatment to one or
2 more headings or subheadings of the Harmonized
3 Tariff Schedule under the Generalized System of
4 Preferences that are—

5 (A) not restricted under such section
6 503(b) from designation as an eligible article;
7 and

8 (B) not otherwise designated an eligible ar-
9 ticle by the President pursuant to section 501
10 or section 503(a) of such Act (19 U.S.C. 2461;
11 2463(a)).

12 (b) CONTENTS OF PETITION.—A petition submitted
13 pursuant to subsection (a) shall be eligible for consider-
14 ation under the process provided by this section only if
15 such petition includes—

16 (1) the name and address of the petitioner;

17 (2) the 8-digit subheading level or levels under
18 the Harmonized Tariff Schedule with respect to
19 which the petition is submitted; and

20 (3) for a petition submitted pursuant to sub-
21 section (a), a certification that the petitioner is an
22 interested party and a brief description of the man-
23 ner and extent to which the petitioner is a likely
24 beneficiary with respect to the addition or removal
25 of the heading or subheading level concerned.

1 (c) PUBLICATION OF PETITIONS.—As soon as prac-
2 ticable after the 60-day period described in subsection (a),
3 and not later than 30 days after the end of such period,
4 the Commission shall publish on a publicly available inter-
5 net website of the Commission the contents of each peti-
6 tion received.

7 (d) OPPORTUNITY FOR PUBLIC COMMENT.—During
8 the 45-day period beginning on the date of the publication
9 of petitions pursuant to subsection (c), the Commission
10 shall publish in the Federal Register and on a publicly
11 available internet website of the Commission a notice re-
12 questing members of the public to submit comments to
13 the Commission with respect to the changes sought by the
14 petitions.

15 (e) REPORT.—Not later than 1 year after the date
16 of the enactment of this Act, the Commission shall submit
17 to the appropriate congressional committees a report on
18 each eligible petition submitted pursuant to the process
19 provided by this section that includes, with respect to the
20 article or articles concerned in each such petition—

21 (1) data from the 5 most recent calendar years
22 for which complete information is available on—

23 (A) sources of imports;

24 (B) values of imports;

1 (C) market share of imports (to the extent
2 practical); and

3 (D) domestic production (to the extent
4 practical);

5 (2) any information on whether the product is
6 used as an input in United States manufacturing;
7 and

8 (3) a summary of information provided in the
9 form of comments rebutting or objecting to the peti-
10 tion.

11 (f) AUTHORITIES.—

12 (1) PROCEDURES.—The Commission shall pre-
13 scribe and publish in the Federal Register and on a
14 publicly available internet website of the Commission
15 all procedures to be complied with by members of
16 the public submitting petitions.

17 (2) JUDICIAL REVIEW PRECLUDED.—The exer-
18 cise of functions under this section shall not be sub-
19 ject to judicial review.

20 (g) INTERESTED PARTY DEFINED.—In this section,
21 the term “interested party” has the definition given such
22 term in section 771 of the Tariff Act of 1930 (19 U.S.C.
23 1677), except that an interested party under this section
24 may not include—

1 (1) any person described in paragraph (9)(A) of
2 such section, other than a person that is an importer
3 or a business association of importers; or

4 (2) any person described in paragraph (9)(B)
5 or (9)(G) of such section.

6 **SEC. 10. EXTENSION OF CUSTOMS USER FEES.**

7 (a) IN GENERAL.—Section 13031(j)(3) of the Con-
8 solidated Omnibus Budget Reconciliation Act of 1985 (19
9 U.S.C. 58c(j)(3)) is amended—

10 (1) in subparagraph (A), by striking “Sep-
11 tember 30, 2031” and inserting “September 30,
12 2033”; and

13 (2) in subparagraph (B)(i), by striking “Sep-
14 tember 30, 2031” and inserting “September 30,
15 2033”.

16 (b) RATE FOR MERCHANDISE PROCESSING FEES.—
17 Section 503 of the United States-Korea Free Trade
18 Agreement Implementation Act (Public Law 112–41; 19
19 U.S.C. 3805 note) is amended by striking “September 30,
20 2031” and inserting “September 30, 2033”.

○