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Developing Countries**

by

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Kara M. Reynolds**

Abstract

The Generalized System of Preferences (GSP), the program instituted in 1976 that allows developing countries to export thousands of products to the United States duty-free, is an important element of U.S. efforts to promote economic growth in the developing world. However, since the program's inception U.S. tariff rates have fallen significantly, thus potentially reducing the ability of the GSP program to encourage U.S. imports from beneficiary countries. This paper estimates the impact of U.S. tariff reductions on imports from the developing world using a panel of import data from 76 countries and 2,389 GSP-eligible products between 1998 and 2001. It finds that reductions in U.S. tariff rates have diminished imports from developing countries significantly, although some countries have been impacted more than others.

Key words: Generalized System of Preferences, Trade Diversion, Preferential Tariffs

JEL classification: F13, F15, O1

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