

# ***The U.S. Generalized System of Preferences (GSP) Program***

**Jonathan McHale  
Office of the U.S. Trade Representative  
Executive Office of the President  
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# ***Summary***

- **The U.S. Generalized System of Preferences (GSP) is a program designed to expand the choices of American industry and consumers while promoting economic opportunities in developing countries.**
- **It provides preferential duty-free entry, at an eight-digit tariff number level, for more than 4,884 products from 131 designated beneficiary countries and territories.**
- **The GSP program was instituted on Jan. 1, 1976, as authorized under the Trade Act of 1974 for a 10-year period. It has been renewed periodically since then, most recently in 2006, when President Bush signed legislation that reauthorized the GSP program through December 31, 2008.**

# ***GSP Program***

- **Provides duty-free treatment to over 3,400 products**
- **Gives BDC exports an advantage in U.S. market – not charged tariffs so cost less to U.S. importers**
- **Major U.S. import program: \$30.8 billion in 2007**

# ***GSP Program***

- **First authorized by Trade Act of 1974: 131 beneficiaries (including 43 LDCs)**
- **Provides duty-free treatment to 3,400 types of exports from all beneficiaries; LDCs: an additional 1400 export types**
- **Gives U.S. imports an advantage in U.S. market – not charged tariffs so can compete more successfully**
- **Beneficiary eligibility encourages protection of intellectual property rights and worker rights**
- **Major U.S. import program: \$30.8 billion in 2007**

# ***Top Users of GSP - 2007***

## **Non-oil exporters**

- **India: \$4.7b (19.8% of exports to U.S.)**
- **Thailand: \$3.8b (16.8%)**
- **Brazil: \$3.4b (13.7%)**

## **LDCs (oil)**

- **Angola \$6.9b (56.7%)**
- **Equatorial Guinea \$1.3b (78%)**

# GSP Eligible Items

- Articles eligible for GSP treatment are identified in the current edition of the Harmonized Tariff Schedule of the United States, which is published by the U.S. International Trade Commission.
- Certain articles are prohibited by law (19 U.S.C. 2463) from receiving GSP treatment.
- These are articles that were not eligible for GSP on January 1, 1995, and include most textiles, watches, footwear, handbags, luggage, flat goods, work gloves, and other leather apparel. In addition, any other articles determined to be import-sensitive (e.g., steel, glass, and electronics) cannot be made eligible for GSP.

# Reviews of GSP Eligibility

- Competitive need limitations (CNLs) provide a ceiling on GSP benefits for each product and beneficiary country. A beneficiary country will automatically lose its GSP eligibility with respect to a product if the CNLs are exceeded and if no waiver is granted. All CNLs, however, are automatically waived for GSP beneficiaries designated as Least Developed Beneficiary Developing Countries.
- Other aspects of the GSP Annual Review include (sub-bullets): revocation of CNL waivers for statutorily identified “super-competitive” U.S. imports from specific beneficiaries; de minimis waivers, and redesignations.

# Regional Associations and GSP

- The GSP program contains special provisions for beneficiary developing countries that are members of a regional association.
- Articles produced in two or more eligible member countries of an association will be accorded duty-free treatment if the countries, together, meet the rules of origin.

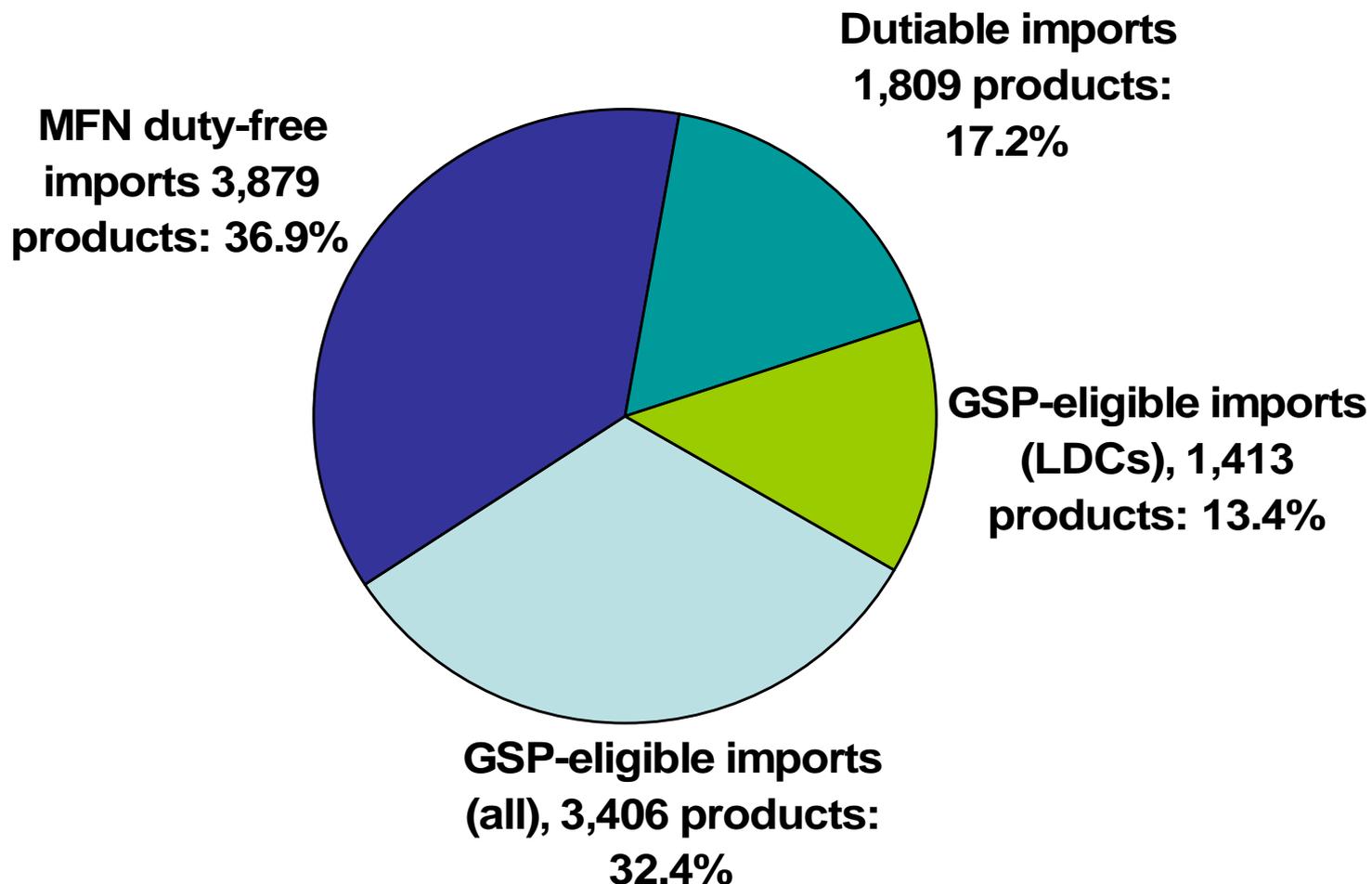
# Least-Developed Beneficiary Countries (LBDCs)

- A least-developed beneficiary in a recognized regional association can also work with a non-least developed beneficiary country in the regional association to produce one of the 1,400 products reserved for production by least-developed beneficiaries.
- The product will receive GSP duty-free treatment as long as it is shipped directly to the United States from the least-developed country.

# **GSP Petitions**

- **Petitions to modify the lists of GSP-eligible products and countries may be submitted for review on an annual basis.**
- **Once accepted for review, petitions are subject to public hearings and evaluation by the agencies with a role in U.S. trade policy.**
- **Approved modifications are implemented by executive order or Presidential proclamation and are published in the Federal Register.**

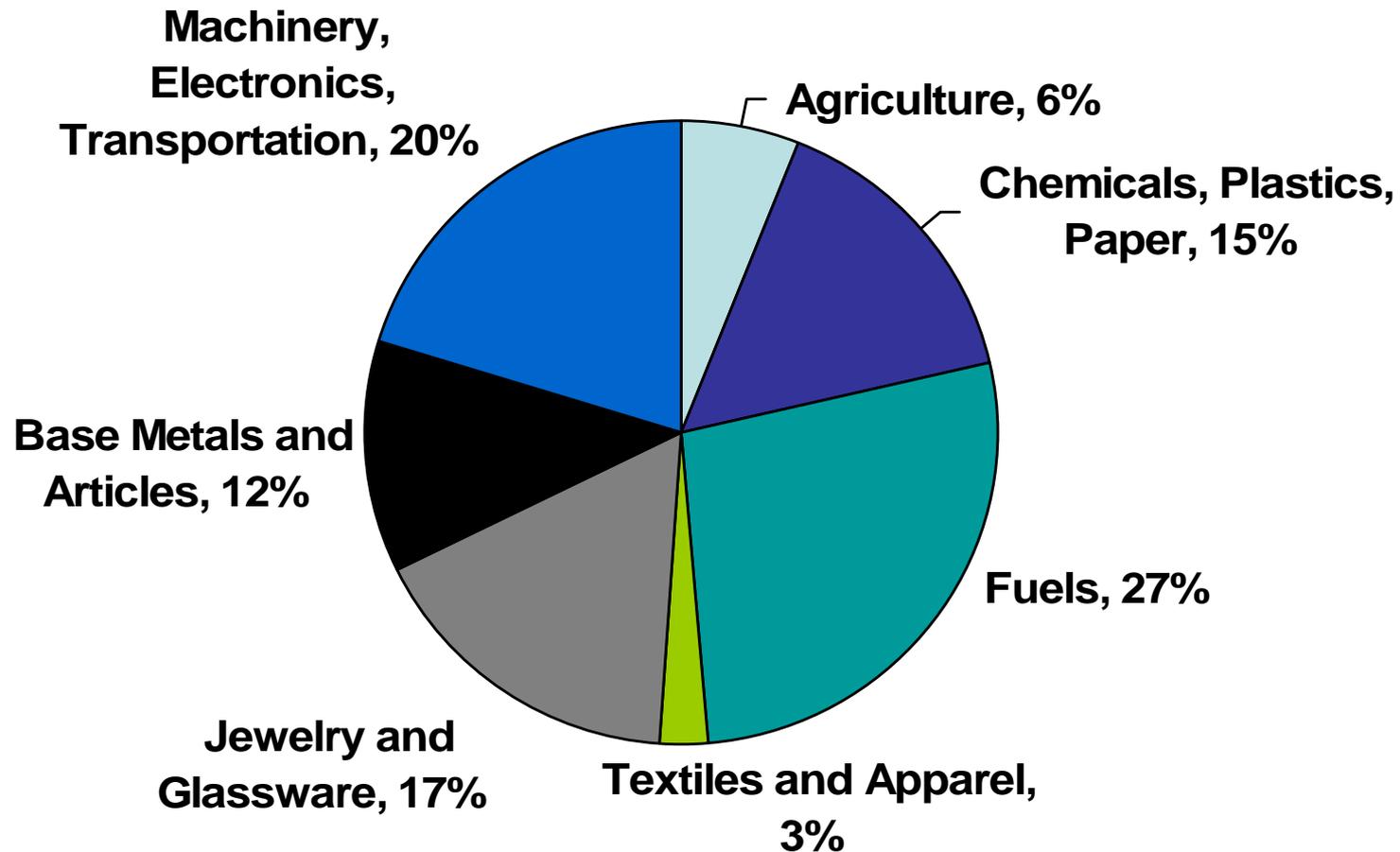
# *How many products are eligible for GSP duty-free treatment?*



# ***Which Products are Eligible for Duty-Free GSP Treatment?***

- **Eligible**: manufactured items and inputs, jewelry, skins, many carpets, certain agricultural products, chemicals, marble, and minerals
- **Not eligible**: most textiles and leather goods, footwear, home décor textiles

# *Types of U.S. imports that received GSP duty-free treatment in 2006*





# India



- 2<sup>nd</sup> largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$4,179,275,578
  - 2006: \$5,677,952,264
  - 2007: \$4,734,516,356 (down 16.6%)
- 19.85% of all 2007 imports from India entered duty-free under GSP



# Thailand



- 3rd largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$3,575,229,715
  - 2006: \$4,252,328,304
  - 2007: \$3,820,406,516 (down 10.2%)
- 16.84% of all 2007 imports from Thailand entered duty-free under GSP



# Philippines



- 8th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$1,008,191,835
  - 2006: \$1,141,467,026
  - 2007: \$1,165,344,401 (up 2.1%)
- 12.40% of all 2007 imports from the Philippines entered duty-free under GSP



# Pakistan



- 19th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$96,804,409
  - 2006: \$130,269,718
  - 2007: \$135,121,591 (up 3.7%)
- 3.78% of all 2007 imports from Pakistan entered duty-free under GSP



Fiji



- 25th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$59,380,082
  - 2006: \$52,808,096
  - 2007: \$69,733,195 (up 32.1%)
- 45.63% of all 2007 imports from Fiji entered duty-free under GSP



# Bangladesh



- 37th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$21,442,691
  - 2006: \$20,517,580
  - 2007: \$23,785,326 (up 15.9%)
- 0.69% of all 2007 imports from Bangladesh entered duty-free under GSP



# Nepal



- 52nd largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$3,411,300
  - 2006: \$3,957,718
  - 2007: \$4,574,506 (up 15.6%)
- 5.09% of all 2007 imports from Nepal entered duty-free under GSP



# Uzbekistan



- 59th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$12,109,830
  - 2006: \$2,829,417
  - 2007: \$2,705,329 (down 4.4%)
- 1.64% of all 2007 imports from Uzbekistan entered duty-free under GSP



# Mongolia



- 67th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$161,915
  - 2006: \$530,116
  - 2007: \$906,485 (up 71.0%!)
- 1.09% of all 2007 imports from Mongolia entered duty-free under GSP



# Afghanistan



- 89th largest user of GSP in 2007
- Imports under GSP:
  - 2005: \$11,487,004
  - 2006: \$242,520
  - 2007: \$98,113 (down 59.5%)
- 0.13% of all 2007 imports from Afghanistan entered duty-free under GSP

# ***How to Qualify for Duty-free Treatment under GSP***

- (1) Product included in list of GSP-eligible articles\***
- (2) Exported directly to U.S. or pass through another country under a “through bill of lading” to the U.S.**
- (3) Growth or product of Tunisia, or if imported input, local content & processing equal 35% of product value**
- (4) Importer must request duty-free treatment for item by writing an “A” on the U.S. Customs Entry Form (tariff refunds can be requested)**

**A GSP-eligible from all countries**

**A+ GSP-eligible from least-developed countries**

**A\* a country other than Tunisia not eligible**

# *How to qualify for duty-free treatment under GSP*

**(1) Product must be included in U.S. tariff list of GSP-eligible articles Free (A...) or Free (A+...) in last column on right**

6307.90.75	00	Toys for pets, of textile materials .....	No. .... kg	4.3%	Free (BH,CA, CL,E*,IL, J*,JO, MX, P,SG) 1.8% (MA)
6307.90.85	00	Wall banners, of man-made fibers .....	kg .....	5.8% <u>1/</u>	3% (AU) Free (A,BH,CA, CL,E,IL,J, CL,IL,JO, MX, P,SG)

# ***How to qualify for duty-free treatment under GSP***

**(2) Product must be imported directly to the United States or pass through another country on a “through bill of lading” with a U.S. destination.**

# ***3) Product origin***

- **Cost of local inputs and labor must equal 35% of product's FOB price to be from Kazakhstan**
- **If imported item, it must be “substantially transformed” in Kazakhstan and then used in product production**
- **“Substantially transformed” means the item's name, character, or use differs from when it was imported**

# ***4) GSP must be requested***

**U.S. importer (not exporter) MUST REQUEST  
duty-free treatment for the item**

- **Is NOT automatic**
- **Importer writes an “A” before tariff number on Customs entry form 7501**
- **If importer makes a mistake and does not request GSP: can file a “Post-Entry Amendment” to U.S. Customs within 294 days**

**Make sure importer marks an "A" before the tariff number on the form!**

DEPARTMENT OF HOMELAND SECURITY  
U.S. Customs and Border Protection  
**ENTRY SUMMARY**

1. Filer Code/Entry No. AWC 000		2. Entry Type 01 ABI/A		3. Summary Date 10/04/2006	
4. Surety No.		5. Bond Type 8		6. Port Code 2704	
7. Entry Date 09/24/2006		8. Importing Carrier		9. Mode of Transport 11	
10. Country of Origin TR		11. Import Date 09/24/2006		12. I.T. No.	
13. Manufacturer ID		14. Exporting Country TR		15. Export Date 08/30/2006	
16. I.T. No.		17. I.T. Date		18. Missing Docs	
19. Foreign Port of Lading 55735		20. U.S. Port of Unloading 2704		21. Location of Goods/G.O. No.	
22. Consignee No. SAME		23. Importer No.		24. Reference No.	
25. Ultimate Consignee Name and Address				26. Importer of Record Name and Address	
City		State IN		Zip	
City		State IN		Zip	
27. Line No.		28. Description of Merchandise		32. A. Entered Value B. CHGS C. Relationship	
29. A. HTSUS No. B. AD/CVD Case No.		30. A. Gross Weight B. Manifest Qty.		31. Net Quantity in HTSUS Units	
M W465000914		H B08CER1369LY		NOT RELATED	
01		INVOICE 00001		51840	
A		DISPOSBL SEAMLES RUBBER GL		FREE	
		15.19.1010 16940 112500 DPR		0.00	
		HARBOR MAINTENANCE FEE		0.125%	
		MERCHANDISE PROCESSING FEE		0.21%	
				64.80	
				108.86	
				<b>AS ENTERED</b>	
Other Fee Summary for Block 39		35. Total Entered Value		CBP USE ONLY	
MPT 489 108.86 EMP 501 64.80		\$ 51,840.00		A. LIQ CODE 359	
Total Other Fees		\$ 173.66		B. Ascertained Duty	
36. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT		REASON CODE		C. Ascertained Tax	
I declare that I am the <input type="checkbox"/> importer of record and that the actual owner, purchaser, or consignee for CBP purposes is as shown above, OR <input checked="" type="checkbox"/> owner or purchaser or agent thereof. I further declare that the merchandise <input checked="" type="checkbox"/> was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoices are true, OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoices as to value or price are true to the best of my knowledge and belief. I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed.		D. Ascertained Other		38. Tax	
I will immediately furnish to the appropriate CBP officer any information showing a different statement of facts.		E. Ascertained Total		39. Other	
41. DECLARANT NAME		TITLE		40. Total	
				173.66	
42. Broker/Filer Information (Name, address, phone number)		43. Broker/Importer File No. 6841		DATE 10/11/2006	

# ***Agricultural exports***

- **Ensure products are free from microbial contamination, foreign material, pests, diseases, and chemical residues**
- **Care must be taken during each step:**
  - **Production – Packing – Shipping (fresh products)**
  - **Production - Processing – Packaging – Packing – Shipping (processed products)**

# ***Producer required to keep records for five years***

- **Verification of 35 percent rule-of-origin:**
  - Dated invoices for materials used to produce good and from where
  - Description of product, quantity, and costs
- **If processing operations are involved:**
  - Description of processing and location
  - Direct costs of processing operations
- **For agricultural exports:**
  - Producer's statement verifying on which farm and town the product is grown
  - Description of product and quantity
  - Dated invoices for costs incurred

# ***How imports lose GSP eligibility***

- **Statutory limits, called “competitive need limitations,” provide a ceiling on GSP benefits for each product and beneficiary country.**
- **For example, Kazakhstan will automatically lose its GSP eligibility with respect to a product if the competitive need limitations are exceeded (and if no waiver is granted).**

# ***How imports lose GSP eligibility***

**The competitive need limitations in the GSP law require the termination of a country's GSP eligibility for a product if - during any calendar year - U.S. imports from that country:**

- 1. Account for 50 percent or more of the value of total U.S. imports of that product; or**
- 2. Exceed a certain dollar value (\$130 million in 2007; \$135 million in 2008, and will be \$140 million in 2009).**

# ***How imports lose GSP eligibility***

- **When its annual trade from a country exceeds one of the limits, an import is “sufficiently competitive”**
- **So, GSP treatment for that import then ends on July 1 of the next year.**
- **BUT – a petition can be submitted in mid-November and, if approved, a waiver of the limits is approved and GSP treatment continues**

# ***Super-competitive GSP imports?***

- **Congressional direction (2006) to revoke CNL 5-year-old waivers for super-competitive imports**
- **Thresholds: \$195 million in annual imports or >75% market share in 2007**

# ***Expanding Use of GSP Benefits***

- 1. Ensure products get GSP duty-free treatment when eligible**
- 2. Increase exports of current GSP-eligible products**
- 3. Identify exports to other countries that would get GSP if exported to U.S.**
- 4. Export handicrafts and home décor items**

# ***Outreach and Education***

- **Outreach tools**
  - seminars (in-person, via teleconference, videoconference);
  - **GSP guides and export analyses for Kazakhstani government, Chambers of Commerce, USAID and USAID contractors, artisan groups, and other organizations**
  - news articles and public service radio announcements
- **USTR also works with key U.S. importers**

# *Questions?*

## Office of the U.S. Trade Representative

**GSP guidebook, lists of GSP-eligible and ineligible products, notices:**

- [http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)
- Info in **(indicate what languages are imp to this region)**

## U.S. Tariff Schedule

- <http://www.usitc.gov/tata/hts>

# ***For Additional Information***

- **Department of Homeland Security: Customs & Border Protection:**

**<http://www.customs.gov/xp/cgov/import/>**

- **Customs Entry Form 7501:**  
**<https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-7501-form.xft>**
- **<http://www.customs.treas.gov/xp/cgov/toolbox/publications/>**

***Thank you!***

