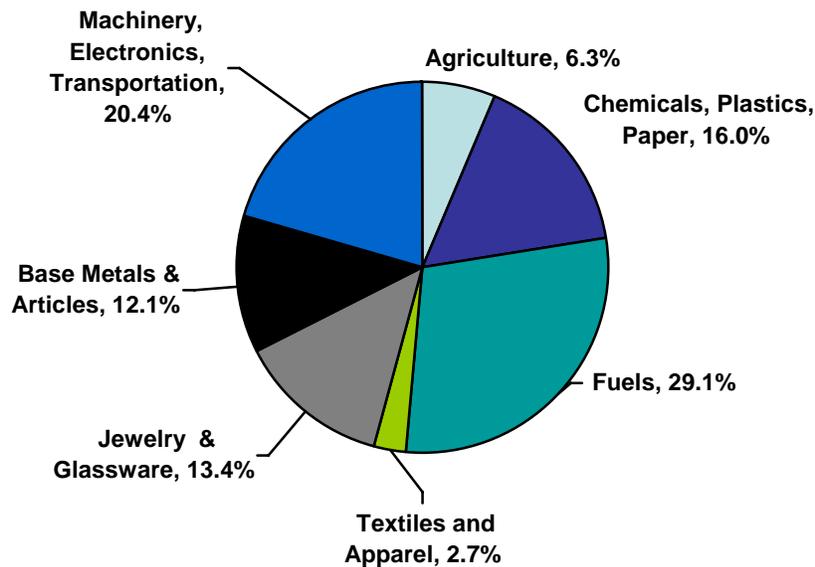


The U.S. Generalized System of Preferences (GSP) Program:
Increasing Exports from 131 Countries

Congress created the U.S. GSP program in 1974, with broad bipartisan support, to expand the choices of American industry and consumers while creating economic opportunities through increased exports from developing countries. The GSP program provides duty-free entry into the U.S. market for over 3,400 exports from designated beneficiary developing countries and about 1,500 additional exports from least-developed beneficiary countries. The GSP program extends this opportunity for enhanced access to the U.S. market to 131 countries and territories (including 44 least-developed countries). U.S. imports under GSP in 2007 from all beneficiary countries totaled over \$30.8 billion.

The combined GSP-eligible product lists include most dutiable manufactures and semi-manufactures, jewelry, and certain agricultural, fishery, and industrial products. Some articles are prohibited by the GSP statute from receiving GSP treatment, including textiles produced with cotton, wool, manmade fiber, other vegetable fiber (linen and ramie); watches; certain footwear and handbags; luggage; flat goods not made of silk; work gloves; and other leather items.

TYPES OF EXPORTS THAT RECEIVED DUTY-FREE ENTRY INTO THE UNITED STATES IN 2007
(BY PERCENTAGE OF ALL EXPORTS ENTERING DUTY-FREE UNDER GSP)



How does an export receive GSP duty-free treatment?

1. It must be included in the list of GSP-eligible articles.¹

¹ Found at either www.usitc.gov/tata/hts or at http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/2007_GSP-Eligible_Products/Section_Index.html.

2. It must be imported into the United States directly from the GSP country or pass through another country in a sealed container and addressed to a location in the United States.
3. The article must be the growth, product, or manufacture of the GSP country.
4. If product inputs are imported into the GSP country, the sum of the cost of the materials produced in the beneficiary country, plus the costs of processing, must equal at least 35 percent of the product's value when the product is sold for export into the United States.
5. For the imported materials to be counted toward the 35 percent requirement, they must be "substantially transformed" in the GSP country into new and different materials, which are then used to produce or manufacture the article to be exported. "Substantially transformed" means that U.S. customs would classify the article as a different item from when it first entered the GSP country before further processing.
6. The U.S. importer must request duty-free treatment under GSP on the customs entry form (form 7501) by placing an "A" in column 27 in front of the U.S. tariff number that identifies the imported article².

Statutory competitive need limitations

Competitive need limitations (CNLs) are an annual trade ceiling affecting each export from each beneficiary country. A country will automatically lose the GSP eligibility for an export if the product's annual level of exports into the United States exceeds the CNLs, and no waiver has been granted. All CNLs, however, are automatically waived for exports from least-developed GSP beneficiaries.

GSP countries within recognized regional associations can pool an export's inputs

The GSP program contains special provisions for GSP countries that are members of a regional association. The regional association is considered as one country for purposes of GSP rules of origin. Articles produced in two or more eligible countries of an association will be given duty-free entry into the U.S. market if the article meets the GSP rules of origin, even if the input come from more than one GSP country. 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 nearly 1500 products reserved for production only by least-developed beneficiaries. The product will received GSP duty-free treatment as long as it is shipped directly to the United States from the least-developed country.

GSP certified textile handicraft agreements

Fifteen GSP beneficiary countries can also export several certified handicraft items duty-free under GSP because the countries have "certified textile handicraft agreements" with the United States. The agreement allows the United States to give duty-free treatment to two exports from GSP countries, when they have been certified and stamped by the country that they are have been hand-loomed and are of a folklore nature. These two exports are wall hangings and pillow covers, each saving a duty of 3.8 percent because of the agreement.

Need more information?

For more information about the GSP program, including a guidebook and eligible products, go to: http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

² Additional information about customs procedures and importing into the United States is available at www.cbp.gov.