

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

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 in developing countries. The GSP program provides preferential duty-free treatment for 3,400 products from 134 designated beneficiary developing countries (BDCs) and territories. In 1996, an additional 1,450 articles from least-developed beneficiary developing countries (LDBDCs) were made eligible for duty-free treatment. There are currently 43 least-developed GSP beneficiaries. U.S. imports under GSP in 2006 from all beneficiaries totaled \$32.6 billion, an increase of 22 percent over 2005.

The combined GSP-eligible product lists include most dutiable manufactures and semi-manufactures, and certain agricultural, fishery, and primary 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.

How does an import receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- It must be included in the list of GSP-eligible articles.¹
- It must be imported into the United States directly from the GSP beneficiary or pass through another country in a sealed container.
- The article must be the growth, product, or manufacture of the GSP beneficiary.
- When product inputs are imported from outside of the GSP beneficiary country, the sum of the cost or value of materials produced in the beneficiary country, plus the direct costs of processing, must equal at least 35 percent of the product's appraised value when the product is sold for export into the United States. Imported materials can be counted toward the 35 percent value-added requirement only if they are "substantially transformed" into new and different constituent materials which are then used to produce or manufacture the eligible article to be exported. "Substantially transformed" means that U.S. customs would classify the constituent materials as different items.
- The exporter/importer must request duty-free treatment under GSP by placing an "A," "A+," or "A*" before the U.S. tariff line (HTSUS) number that identifies the imported article on the customs entry form.

Statutory competitive need limitations

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 LDBDCs.

Inputs from GSP beneficiaries in regional associations can pool inputs

¹ The Harmonized Tariff System of the United States is available at www.usitc.gov/tata/hts. Published classification rulings are available at <http://rulings.cbp.gov>. Additional information about customs procedures and importing into the United States is available at www.cbp.gov.

The GSP program contains special provisions for beneficiary developing 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 member countries of an association will be accorded duty-free treatment if the countries, together, meet the rules of origin. 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 1400 products reserved for production 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 arrangements

Thirteen GSP beneficiary countries can also export several certified handicraft items duty-free under GSP because the countries have “certified textile handicraft arrangements” with the United States. The agreement allows the United States to give duty-free treatment to U.S. imports, that have been certified by the beneficiary country, of hand-loomed and folklore wall hangings; hand-loomed and folklore pillow covers; and certain hand-woven textile floor coverings. Duties saved range from 3.8 percent to 4.3 percent.

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