

OFFICE OF THE U.S. TRADE REPRESENTATIVE
U.S. Generalized System of Preferences (GSP) Program - India

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 131 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. Top U.S. imports under GSP from January through August in 2007 were petroleum, gold jewelry, aluminum alloy products, refined copper cathodes, methanol, and silver jewelry. Top U.S. imports from India under GSP in 2006 included gold and silver jewelry, wind-powered generators, polyethylene terephthalate in primary forms, carpets, and parts for motor vehicles.

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 through a bill of lading.
- 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. (see Attachment C)
- The exporter must make sure the importer requests duty-free treatment under GSP by placing an "A," before the U.S. tariff line (HTSUS) number that identifies the import on the customs entry form. (See Attachment B)

The producer should retain the following documents for at least five years in order to ensure GSP duty-free treatment:

To verify the 35 percent rule of origin rule:

1. Dated invoices for materials used to produce good and from where
2. Description of product and quantity

If processing operations are involved:

1. Description of processing and location

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.

2. Direct costs of processing operations

For agricultural exports:

1. Producer's statement verifying which town and farm the product is grown on
2. Description of product and quantity
3. Dated invoices for costs incurred

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 certain U.S. imports, certified by the beneficiary country, of hand-loomed and folklore wall hangings, and hand-loomed and folklore pillow covers. Duties from both products are 3.8 percent. India has not yet entered into such an arrangement with the United States.

U.S. Imports from India under the GSP Program (January-August 2007)

- India is the leading supplier of exports under the GSP program (\$3.4 billion), supplying 16.4 percent of all GSP exports. Its exports under GSP to the United States have increased 1.2 percent year-to-date 2007 as compared to one year ago.
- India's exports under GSP comprise 22 percent of its total exports to the United States.
- Gold jewelry accounted for more than 32 percent (\$1.1 billion) of India's GSP exports.
- Gold jewelry (other than neck chains and clasps) is also the product most exported to the United States under the GSP program (other than the petroleum products exported only by LDCs).
- Other leading products exported by India under GSP were wind powered electric generating sets (\$109 million), gold necklaces and neck chains (\$76 million), hand-hooked carpets and other textile floor coverings carpets (\$72 million), silver jewelry (\$49 million), auto and truck parts (\$47 million), and worked monumental or building stone (\$46 million).

Regarding the June 2007 revocation of India's waivers to the competitive need limitations for certain gold jewelry and brass lamps

- Consistent with the statutory provisions concerning product competitiveness and after extensive analysis, the Administration determined in June 2007 that 21 products from eight beneficiary countries could compete effectively in the U.S. market and would no longer be eligible for duty-free treatment under the GSP program. This includes certain gold jewelry from India as well as non-electrical brass lamps and lighting fixtures. The President revoked the competitive need limitation (CNL) waivers for these products and as of July 1, 2007, U.S. imports became subject to duties of 5.5% and 5.7%, respectively.
- Regarding the Administration's decision to revoke the CNL waivers that have afforded GSP preferences to India and other globally competitive foreign suppliers, the eligibility determinations made in this year's review fulfill the intent of the recent Congressional amendment that GSP continue to serve as a powerful development tool, particularly for the world's poorest countries.
- For India, U.S. imports of gold jewelry in 2006 (at more than \$2.2 billion) were more than 17 times the CNL level for 2006 (\$125 million) and exceeded the 150 percent annual trade "super-competitiveness" threshold by a wide margin. Since revocation of the CNL waiver for gold jewelry, India continues to be the number one user of GSP benefits in 2007.

- The CNL waiver for gold jewelry from India was approved in 2001. Congress intended that the GSP benefits are not a permanent entitlement. With this determination, the President has deemed the product competitive. This is a testament both to the success of India’s gems and jewelry industry and to the success of the GSP program.

How was the revocation decision made and what role did public input play?

- A CNL waiver remains in effect until the President determines that it is no longer warranted due to changed circumstances.
- The evaluation of changed circumstances takes into account a number of considerations in the GSP statute, such as the country’s competitiveness with respect to the product subject to the waiver, the impact on other GSP beneficiaries that export the product, the market access provided by the beneficiary to U.S. exports, its provision of internationally recognized workers rights, and protection of intellectual property rights.
- Input into that evaluation included public comments that were received as well as additional data pertinent to the statutory determination of “changed circumstances.”

Can the government or industry petition for reinstatement of the CNL waiver?

- Both products have lost GSP eligibility.
- The products can only regain GSP eligibility by following the statutory GSP redesignation process.
- For a product to be redesignated, its U.S. import level must be below the annual competitive need limitations for 2007 of either \$130 million or less than 50 percent market share.
- The U.S. imports of this category of gold jewelry already exceeds \$130 million and the non-electrical brass lamps and lighting fixtures currently stands at 62 percent market share of all U.S. imports, so neither product is eligible for GSP redesignation.

Opportunities for increasing India’s Use of GSP duty-free benefits

- Ensure that the entry forms of all GSP-eligible products are properly marked with an A before the product tariff number so that U.S. Customs does not assess unnecessary duties for GSP-eligible exports from India. (see Attachment A)
- Conclude a certified textile handicraft arrangement with the United States so that certain wall hangings and pillow covers can enter duty-free.

Top 15 Import Commodities: Customs Value by HTS Number and Customs Value For GSP For India (Annual and YTD (January through August))

| HTS Number | 2005 | 2006 | 2006 YTD | 2007 YTD | Percent Change YTD2006 - YTD2007 |
|--|--------------------------|---------------|---------------|---------------|----------------------------------|
| | <i>In Actual Dollars</i> | | | | |
| 71131950 Precious metal (o/than silver) articles of jewelry and parts thereto, whether or not plated or clad with precious metal, nesoi | 1,594,212,535 | 2,197,263,162 | 1,178,817,632 | 1,085,429,686 | -7.9% |
| 85023100 Wind-powered electric generating sets | 12,481,930 | 212,077,052 | 53,599,454 | 109,429,188 | 104.2% |
| 71131929 Gold necklaces and neck chains (o/than of rope or mixed links) | 59,676,268 | 88,082,567 | 51,912,414 | 76,398,615 | 47.2% |
| 57031020 | 37,325,159 | 97,751,211 | 61,935,956 | 72,066,194 | 16.4% |

| | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|-------------|
| Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair | | | | | |
| 71131150 Silver articles of jewelry and parts thereof, nesoi, valued over \$18 per dozen pieces or parts | 53,063,273 | 69,759,822 | 46,118,168 | 49,394,495 | 7.1% |
| 84099991 Parts nesi, used solely or principally with piston engines of for trucks, buses, passenger vehicles, and motor homes. | 55,327,609 | 81,981,398 | 58,460,039 | 47,191,147 | -19.3% |
| 68029900 Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi | 53,789,069 | 71,854,034 | 48,465,469 | 45,740,063 | -5.6% |
| 73079150 Iron or steel (o/than stainless), not cast, flanges for tubes/pipes, not forged or forged and machined, tooled & processed after forging | 34,212,926 | 48,315,111 | 29,992,149 | 45,581,184 | 52.0% |
| 84818030 Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand operated, of iron or steel, nesi | 34,960,593 | 53,064,117 | 36,191,239 | 41,879,917 | 15.7% |
| 73239300 Stainless steel, table, kitchen or o/household arts. and parts thereof | 54,180,843 | 62,806,035 | 37,862,602 | 41,595,571 | 9.9% |
| 87089475 Pts. & access., nesoi, of motor vehicles of 8701, nesoi, and 8702-8705, parts of steering wheels/columns/boxes, nesoi | 0 | 0 | 0 | 37,214,545 | N/A |
| 84831030 Camshafts and crankshafts nesi | 5,095,719 | 35,291,230 | 20,430,756 | 36,852,486 | 80.4% |
| 73269085 Iron or steel, articles, nesoi | 48,805,119 | 53,620,697 | 36,432,241 | 35,842,487 | -1.6% |
| 84839050 Parts of gearing, gear boxes and other speed changers | 44,763,950 | 42,715,074 | 30,604,183 | 35,380,386 | 15.6% |
| 87089981 Parts and accessories of the motor vehicles of headings 8701 to 8705, not classified elsewhere | 0 | 0 | 0 | 35,199,348 | N/A |
| | | | | | |
| Subtotal : | 2,087,894,993 | 3,114,581,510 | 1,690,822,302 | 1,795,195,312 | 6.2% |
| All Other: | 2,091,380,585 | 2,563,370,754 | 1,686,956,078 | 1,622,696,331 | -3.8% |
| Total | 4,179,275,578 | 5,677,952,264 | 3,377,778,380 | 3,417,891,643 | 1.2% |

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Need more information?

To learn more about the GSP program, including reading a guidebook and identifying GSP-eligible products, go to: http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html. We are also available by phone at 202-395-6971 or by email: contactustr@ustr.eop.gov.

Attachment A: Customs Entry Form

16-J.1-2006 10:58am From: Trade Customs 2023441206 1 187 P 003/002 F-026

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. Country of Origin TR | | 9. Import Date 09/24/2006 | |
| 10. Expiring Country TR | | 11. Date of Loading 09/30/2006 | | 12. U.S. Port of Loading 2704 | |
| 13. Importer No. | | 14. Reference No. | | 15. U.S. Port of Unloading | |
| 16. I.T. No. | | 17. I.T. Date | | 18. Missing Docs | |
| 19. Location of Goods/6.D. No. | | 20. Consignee No. SAME | | 21. Importer No. | |
| 22. Ultimate Consignee Name and Address | | 23. Number of Record Manifestations | | 24. Reference No. | |
| City State IN Zip | | City State IN Zip | | City State IN Zip | |
| 25. Description of Merchandise | | 26. A. Entered Value | | 27. B. HTSUS Rate | |
| Line No. A. HTSUS No. B. ADICVD Case No. | | C. CHGS | | D. IRC Rate | |
| 30. A. Gross Weight B. Manifest Qty. C. Net Quantity in HTSUS Units | | D. Relationship | | E. Duty Rate | |
| M W465000914 II B03CER136SLY | | NOT RELATED | | 2700 CABES | |
| INVOICE 00001 | | 51840 | | FREE | |
| DISPOSED SHAMLES RUBBER GL | | 03959 | | 0.125% | |
| #015.19.1010 16940 112500 DPR | | AS ENTERED | | 0.21% | |
| HARBOR MAINTENANCE FEE | | | | 64.00 | |
| MERCHANDISE PROCESSING FEE | | | | 108.86 | |
| Other Fee Summary for Block 39 | | 34. Total Entered Value | | 35. CBP USE ONLY | |
| \$ 173.66 | | \$ 51,840.00 | | A. UN 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 the statements in this document herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rates, drawbacks, fees, commissions, and royalties and are true and correct, and I will immediately furnish to the appropriate CBP officer any information showing a different status of the goods or services provided to the best of the merchandise either free or at reduced cost are fully disclosed. | | 37. Duty | | 38. Tax | |
| 41. DECLARANT NAME TITLE DATE 10/13/2006 | | 39. Other | | 40. Total | |
| 42. Broker/Filer Information (Name, address, phone number) | | 43. Broker/Importer File No. 6841 | | 173.66 | |
| | | | | 173.66 | |

CBP Form 501 (04/05)