

Sri Lanka and the U.S. Generalized System of Preferences (GSP) Program

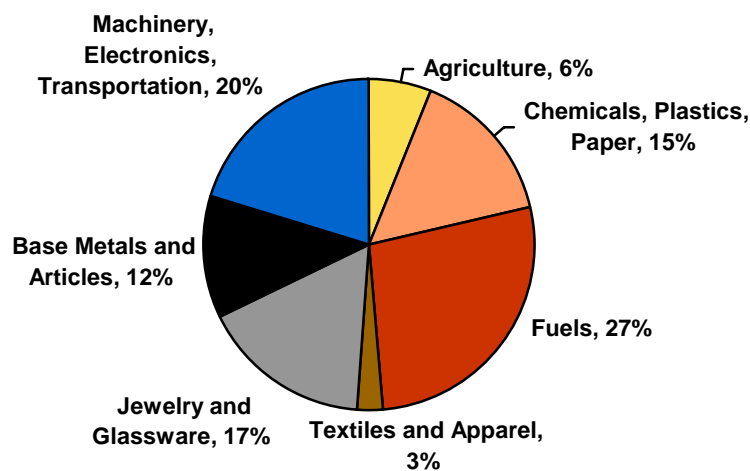
How to Use GSP Duty-Free Benefits to Increase Sri Lanka's Exports

November 2007

What is GSP?

The U.S. GSP program provides duty-free treatment for about 3,400 types of exports from Sri Lanka and 130 other developing countries. Least-developed beneficiaries are able to export another 1400 exports free of duty to the United States. The purpose of the GSP program is to give these exports a competitive edge in the U.S. market. U.S. companies and customers are especially interested in buying goods through the GSP program because the exports are not charged tariffs, upon entering the United States, that can range from two percent to seventeen percent of the items' cost. U.S. imports under GSP in 2006 from all beneficiary countries totaled \$32.6 billion.

Many items are eligible for GSP duty-free treatment. These include most manufactured items; inputs used in manufacturing; jewelry; many types of carpets; certain agricultural and fishery products; and many types of chemicals, marble, and minerals. Not eligible for GSP duty-free treatment are certain textiles and apparel; watches; some footwear, handbags, and other leather items; luggage; most cloths and sheets for kitchen and bedroom use; and work gloves. The chart below shows the percentage of product



types entering the United States under the GSP program in 2006.

How does an import receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- included on the list of GSP-eligible articles;
- be imported into the United States directly from Sri Lanka or pass through another country under a bill of lading
- be the growth, product, or manufacture of Sri Lanka;
- if some materials used to make the product are imported into Sri Lanka, the cost of the Sri Lankan materials plus the cost of processing must equal at least 35 percent of the product's sales price;

- imported materials can count toward that 35 percent only if the imported materials are “substantially transformed” and then used to produce or manufacture the export
- “substantially transformed” means that the imported items go through at least two types of changes in form from when they were first imported
- **MOST IMPORTANTLY:** The importer must request duty-free treatment under GSP by placing an “A,” in front of the U.S. tariff line (HTSUS) number that identifies the imported article on U.S. Customs Entry Form 7501 (page three).

What documents are needed to ensure GSP duty-free treatment?

- 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
- To verify 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
 2. Direct costs of processing operations
- NOTE: Must keep all documents for at least 5 years

Sri Lanka’s Use of GSP Preferences

U.S. imports from Sri Lanka under GSP were \$143.6 million in 2006, accounting for 6.7 percent of overall U.S. imports from Sri Lanka in 2006. Sri Lanka utilized 89.4 percent of potential GSP benefits during Jan-Aug 2007, just slightly above the global 2005 GSP utilization rate average of 87.9 percent. GSP imports account for a small percentage of overall U.S. trade from Sri Lanka due to the fact that U.S. imports from Sri Lanka are predominantly textiles and apparel products, most of which are excluded from preferential tariff treatment under GSP.

From January through September 2007, Sri Lanka has been the fourteenth largest user of the GSP program. U.S. imports from Sri Lanka under GSP were \$137.4 million in 2005, \$143.6 million in 2006 and \$116.5 million in the first 9 months of 2007. Products imported from Sri Lanka under GSP in 2005 and 2006 were diverse and included:

- Certain New Pneumatic Rubber Tires (HTS 4011.20.50, 4011.93.80, 4011.94.80, 4011.99.85) (duties saved 3.4 percent)
- Certain Plastic Articles for Packing Goods, including Sacks and Bags (HTS 3923.21.00, 3923.90.00) (duties saved 3 percent)
- Certain Rubber Gloves (HTS 4015.19.10) (duties saved 3 percent)
- Activated Carbon (HTS 3802.10.00) (duties saved 4.8 percent)
- Certain Brooms, Brushes, Mops, and Similar Articles (HTS 9603.10.90, 9603.90.80) (2.8 percent)
- Certain Porcelain/China Household Wares (HTS 6911.10.37, 6911.10.38) (duties saved 8 percent)
- Certain Rubber Floor Coverings and Mats (HTS 4016.91.00) (duties saved 2.7 percent)
- Miscellaneous Wood Articles (HTS 4421.90.97) (duties saved 3.3 percent)
- Certain Electrical Transformers (HTS 8504.31.40) (duties saved 6.6 percent)
- Certain Gold Jewelry Articles (HTS 7113.19.29, 7113.19.50) (duties saved 5.5 percent)
- Certain Plastic, Synthetic Fiber, and Man-Made Fiber Sports Gloves (HTS 3926.20.30, 6216.00.46,

6116.93.08) (duties saved 2.8 - 3 percent)

- Miscellaneous Rubber Articles (HTS 4016.99.60) (duties saved 2.5 percent)
- Certain Wooden Jewelry Boxes (HTS 4420.90.45) (duties saved 4.3 percent)
- Parts of Weighing machinery (HTS 8423.90.00) (duties saved 2.8 percent)

From Jan-Aug 2007, an additional \$12 million in GSP-eligible goods could have received duty-free treatment, assuming they met GSP-eligibility requirements, if importers had claimed them under GSP. U.S. imports from Sri Lanka for which less than 50 percent of all imports entered under GSP (and annual import levels exceeded \$160,000 in 2005 or 2006) included:

- Miscellaneous Plastic Articles for Packing Goods (HTS 3923.90.00) (MFN duty 3 percent)
- Textile National Flags (HTS 6307.90.98) (MFN duty 7 percent)
- Rubber Gaskets, Washers, and Other Seals (HTS 4016.93.50) (MFN duty 2.5 percent)
- Weighing Machines (HTS 8423.90.00) (MFN duty 2.8 percent)
- Fishing hooks, cast and leaders (HTS 9507.20.80 and 9507.90.40) (MFN duty 4.8 - 5.6 percent)
- Miscellaneous Plastic Apparel and Clothing Accessories (HTS 3926.20.90) (MFN duty 5 percent)
- Aromatic Drugs Derived from Carboxylic Acids (HTS 2918.90.30) (MFN duty 6.5 percent)
- Parts for Measuring Instruments, Appliances, and Machines (HTS 9031.90.90) (1.7 percent)

How to Export More Sri Lankan Products Using GSP Duty-Free Benefits

Claim the GSP Savings: Sri Lankan producers and exporters need to make sure that they mark U.S. customs entry form 7501 with an “A” before the product’s tariff number to ensure GSP duty-free treatment (see page four).

Export GSP-eligible textile and apparel items:

In general:

- 57025120: Floor coverings (hand-woven and not of pile construction) (4.3%)
- 57031020: Tufted hand-hooked carpets & other floor coverings of wool or fine animal hair (6%)
- 51161008: Sports gloves, mitts, and mittens (2.8%)
- 65069900: Headgear of materials other than rubber, plastics, or furskins, whether or not lined or trimmed
- 66019900: Umbrellas, other than garden or similar umbrellas, w/out a telescopic shaft (8.2%)
- 56089023: Hammocks, of cotton (14.1%)
- 63079085: Wall banners, of man-made fibers (5.8%)
- 63079098: National flags and other made-up articles of textile materials, nesoi (7%)
- 64059020: Disposable footwear, nesoi, designed for one-time use (3.8%)
- 64061072: Uppers for footwear, nesoi, of cotton, w/external surface area less than 50% textile materials (11.2%)
- 64061085: Uppers for footwear, nesoi, of materials nesoi, w/external surface area less than 50% textile materials (4.5%)

To be GSP-eligible, these products must contain 70% or more of silk or silk waste:

- 61171040 Shawls, scarves, etc. knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 61178085 Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk knitted or crocheted

- 62131010 Handkerchiefs, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62141010 Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62171085 Headbands, ponytail holders & similar articles, of textile materials other than containing less than 70% by weight of silk knitted or crocheted
- 62043960 Women's or girls' suit-type jackets and blazer, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62044910 Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste

Export Products Duty-Free to the United States that are Currently Exported Elsewhere: Sri Lanka exports certain goods to other countries, but not the United States in large amounts. Many of these items are eligible for duty-free treatment: marble, walnuts, natural gums, mixtures of dried fruits and nuts, dried lentils, and fruit seeds. Exports of milk, yogurt, candies, and food preparations can save duties of up to 17 percent under GSP, offering a strong competitive advantage in the U.S. market.

Export Handicrafts from Sri Lanka:

Many handicraft exports are duty-free, such as:
 gemstones and jewelry (other than imitation)
 traditional games
 paintings, sculpture, and wall hangings
 many types of carpets, kilims, and rugs
 wooden statuettes, boxes, and other wood items
 walking sticks

fur head coverings
 wind, string, and drum musical instruments
 wood picture frames
 various types of hats
 certain baskets and handbags of bamboo, rattan,
 palm leaf and vegetable material

An agreement between Sri Lanka and the United States is in process to allow hand-loomed fabrics and hand-loomed and folklore wall hangings and pillow covers to enter the United States duty-free.

For More Information

The GSP Guidebook, lists of GSP-eligible products and other information:

http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

The U.S. Harmonized Tariff System codes are at www.usitc.gov/tata/hts.

GSP-eligible products: http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp

U.S. Customs' import procedures information: www.cbp.gov

Record-keeping requirements: http://www.cbp.gov/xp/cgov/import/reg_audit/archive/gsp.xml

SAMPLE U.S. CUSTOMS ENTRY FORM 7501

16-1.1-2006 10.59am From Trade Compliance

0023441206

1 187 P 003/002 F-016

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 03/24/2006		
8. Importing Carrier		9. Mode of Transport 12		10. Country of Origin TR		11. Invoiced Date 09/22/2006
12. Bill of Lading No.		13. Manufacturer ID		14. Exporting Country TR		16. Invoice Date 03/30/2006
16. I.T. No.	17. I.T. Desc	15. Missing Docs		18. Foreign Port of Loading 55735	20. U.S. Port of Loading 2704	
21. Location of Goods/G.D. 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. 28. Description of Merchandise				32. A. Entered Value B. CHGS C. Relationship		33. A. HTSUS Rate B. ADCVD Rate C. IRC Rate D. Use No.
Line No.	A. HTSUS No. B. ADCVD Class No.	A. Gross Weight D. Manifest Qty.	31. Net Quantity in HTSUS Units			34. Duty Rate I.R. Tax Cents
	M W465000914		N B03CER1365LY	NOT RELATED		2700 CABS
	INVOICE 00001			51840	FREE	0.00
301.	DISPOSBL SHAMLES RUBBER GL			C3959		
A	4015.19.1010	16940	112500 DPR			
HARBOR MAINTENANCE FEE				0.125%		64.80
MERCHANDISE PROCESSING FEE				0.21%		108.86
				AS ENTERED		
Other Fee Summary for Book 39				35. Total Entered Value		TOTALS
DPR 487 106.86				\$ 51,840.00		
CBP 507 64.86				Total Other Fees		
				\$ 173.66		
36. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT				A. LIC CODE 355		37. Out
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 invoice are true, OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoice as to value or price are true to the best of my knowledge and belief. I also declare that the statements in this document's header filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, relates, 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 of or reduced cost are fully disclosed.				REASON CODE <i>After supplier</i>		38. Tax
I will immediately furnish to the appropriate CBP office any information showing a different statement of facts.				D. Ascertained Cntd		39. Other
41. DECLARANT NAME				E. Ascertained Total		40. Total
TITLE						173.66
						173.66
42. Driver/Carrier Information (Name, address, phone number)				43. Broker/Importer File No. 6841		DATE 10/13/2006

CBP Form 7501 (04/05)

GSP - Eligible Textile and Apparel and Related Products

50030090	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock) carded or combed	2.5%
50071030	Woven fabrics of noil silk, containing 85 percent or more by weight of silk or silk waste	0.8%
50079030	Woven silk fabrics, containing 85 percent or more by weight of silk or silk waste, nesoi	0.8%
51021960	Fine animal hair (other than Kashmir or camel), not processed beyond the degreased or carbonized condition, not carded or combed	0.4%
51031000	Noils of wool or of fine animal hair	2.6 cents/kg
51032000	Waste, other than noils, of wool or of fine animal hair, including yarn waste but excluding garnetted stock	2.6 cents/kg
51130000	Woven fabrics of coarse animal hair or of horsehair	2.7%
52083120	Dyed plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 100 g/m ²	3%
52083210	Dyed plain weave certified hand-loomed fabrics of cotton, cont. 85% or more cotton by weight, weighing over 100 g/m ² but not over 200 g/m ²	3%
52084120	Plain weave certified hand-loomed fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m ² , of yarns of different colors	3%
52084210	Plain weave certified hand-loomed fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m ² , of yarns of different colors	3%
52085120	Printed certified hand-loomed plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m ²	3%
52085210	Printed certified hand-loomed plain weave fabrics of cotton, 85% or more cotton by weight, wt more than 100 g/m ² but not more than 200 g/m ²	3%
52093130	Dyed, plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing more than 200 g/m ²	3%
52094130	Plain weave certified hand-loomed fabrics of cotton, cont. 85% or more cotton by weight, weighing over 200 g/m ² , of yarns of different colors	3%
52095130	Printed plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing more than 200 g/m ²	3%
53012100	Flax, broken or scotched	0.2 cents/kg
53089010	Paper yarn	2.7%
53110060	Woven fabrics of paper yarn	2.7%
54041210	Polypropylene monofilament of 67 decitex or more (not racket strings), and with no cross-sectional dim. > 1 mm, not over 254 mm in length	6.9%
54041910	Racket strings of synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm	2.7%
54050060	Strip and the like of artificial textile materials of an apparent width not exceeding 5 mm	5.8%
56072900	Twine (except binder or baler twine), cordage, rope and cables of sisal or other textile fibers of genus Agave	3.6%
56074110	Binder or baler twine of wide nonfibrillated strip, of polyethylene or polypropylene	2.7%
56074910	Twine (other than binder or baler twine), cordage, rope and cables of wide nonfibrillated strip, of polyethylene or polypropylene	2.7%
56079035	Twine, cordage, rope & cables of abaca or other hard (leaf) fibers, other than stranded construction or stranded n/o 1.88 cm in diameter	3.4%
56089023	Hammocks, of cotton	14.1%
56089030	Knotted netting of twine, cordage or rope or other made-up nets (not fish netting and nets) of textile materials (not cotton/manmade mat.)	5%
57025020	Carpets & other textile floor coverings, not of pile construction, woven but not on a power-driven loom, not made up, of wool/fine animal hair	4.3%

57029130	Floor coverings, not of pile construction, woven not on power-driven loom, made up, of wool or fine animal hairness	4.3%
57029210	Hand-loomed carpet & other textile floor coverings, not of pile construction, woven, made up, of man-made textile materials, nesoi	2.7%
57029905	Hand-loomed carpets and other textile floor coverings, not of pile construction, woven, made up, of cotton	6.8%
57029920	Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi	2.7%
57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	6%
57032010	Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked	5.8%
57033020	Hand-hooked carpets & other textile floor coverings, tufted, whether or not made up, of man-made materials (not nylon/other polyamides)	6%
57039000	Carpets and other textile floor coverings, tufted, whether or not made up, of other textile materials nesoi	3.8%
59031010	Textile fabrics of cotton, impregnated, coated, covered or laminated with polyvinyl chloride	2.7%
59039010	Textile fabrics of cotton, impregnated, coated, covered or laminated with plastics nesoi, other than those of heading 5902	2.7%
59061000	Rubberized textile fabric adhesive tape of a width not exceeding 20 cm (other than fabric of heading 5902)	2.9%
59100010	Transmission or conveyor belts or belting of man-made fibers	4%
59114000	Straining cloth of a kind used in oil presses or the like, of textile material or of human hair	8%
61161008	Other gloves, mittens and mitts, the foregoing specially designed for sports use, incl. ski and snowmobile gloves, mittens and mitts	2.8%
61169208	Gloves, etc., specially designed for sports, including ski and snowmobile gloves, mittens and mitts, knitted or crocheted, of cotton	2.8%
61169308	Gloves, mittens & mitts, for sports use, (incl. ski and snowmobile gloves, etc.), of synthetic fibers	2.8%
61169935	Gloves, mittens & mitts specially designed for sports, including ski and snowmobile gloves, mittens and mitts, of artificial fibers	2.8%
61171040	Shawls, scarves, etc., knitted or crocheted, containing 70% or more by weight of silk or silk waste	1.5%
61178085	Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk, knitted/crocheted	14.6%
62043960	Women's or girls' suit-type jackets and blazers, not knitted/crocheted, of textile materials nesoi, cont. 70% + of silk or silk waste	1%
62044910	Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	6.9%
62101020	Garments, not knitted or crocheted, made up of fabrics of heading 5602 or 5603 formed on a base of paper or covered or lined with paper	2.8%
62139005	Handkerchiefs, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	1.1%
62141010	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more silk or silk waste	1.2%
62160008	Gloves, mittens & mitts, for sports, including ski & snowmobile gloves, etc., not knitted/crocheted, impreg. or cov. with plastic/rubber	0.8%
62160035	Gloves, mittens & mitts, all the foregoing for sports use, including ski & snowmobile gloves, mittens & mitts, of cotton	2.8%
62160046	Gloves, mittens & mitts, for sports use, incl. ski & snowmobile, of man-made fibers, not impregnated/coated with plastics or rubber	2.8%

62171085	Headbands, ponytail holders and similar articles, of textile materials containing < 70% by weight of silk, not knit/crochet	14.6%
63029910	Toilet and kitchen linen of textile materials nesoi, containing 85% or more by weight of silk or silk waste	2.7%
63049910	Wall hangings, not knitted or crocheted, of wool or fine animal hair, the foregoing certified hand-loomed and folklore products	3.8%
63049925	Wall hangings of jute, excluding those of heading 9404	11.3%
63049940	Certified hand-loomed and folklore pillow covers of wool or fine animal hair, not knitted or crocheted	3.8%
63064049	Pneumatic mattresses of textile materials other than of cotton	3.7%
63079085	Wall banners, of man-made fibers	5.8%
63079098	National flags and other made-up articles of textile materials, nesoi	7%
64059020	Disposable footwear, nesoi, designed for one-time use	3.8%
64061072	Uppers for footwear, nesoi, of cotton, w/external surface area less than 50% textile materials	11.2%
64061085	Uppers for footwear, nesoi, of materials nesoi, w/external surface area less than 50% textile materials	4.5%
64062000	Outer soles and heels for footwear, of rubber or plastics	2.7%
64069100	Parts of footwear, nesoi, of wood	2.6%
64069930	Parts of footwear, nesoi; removable insoles, heel cushions, etc; gaiters, leggings, etc, & pts. thereof; all the foregoing of rub./plast.	5.3%
65010060	Hat forms, hat bodies and hoods, not blocked to shape or with made brims; plateaux & manchons; all of fur felt, not for men or boys	96 cents/doz. + 1.4%
65020020	Hat shapes, plaited or assembled from strips, not blocked/lined/trimmed & w/o made brims, of veg. fibers or materials, or paper yarn, sewed	34 cents/doz. + 3.4%
65020040	Hat shapes, plaited or assmbl'd from strips, n/blocked/lined/trimmed & w/o made brims, of veg. fibers or materials, not sewed/bleached/colored	4%
65040030	Hats and headgear, plaited or assembled from strips of veg. fibers or unspun fibrous veg. materials and/or paper yarn, sewed	6%
65040060	Hats and headgear, plaited or assembled from strips of veg. fibers or unspun fibrous veg. materials and/or paper yarn, not sewed	94 cents/doz. + 4.6%
65051000	Hair-nets of any material, whether or not lined or trimmed	9.4%
65069930	Headgear, nesoi, of furskin, whether or not lined or trimmed	3.3%
65069960	Headgear (other than safety headgear), nesoi, of materials other than rubber, plastics, or furskins, whether or not lined or trimmed	8.5%
66011000	Garden or similar umbrellas	6.5%
66019900	Umbrellas, other than garden or similar umbrellas, w/out a telescopic shaft	8.2%
66020000	Walking-sticks, seat-sticks, whips, riding-crops and the like	4%
66032090	Umbrella frames, including frames mounted on shafts (sticks), other than for hand-held rain umbrellas, nesoi	12%
66039081	Handles, knobs, other parts, trimmings and accessories, for umbrellas, walking-sticks, seat-sticks, whips, riding crops and the like	5.2%
67010030	Articles of feathers or down (other than articles & apparel filled or stuffed with feathers/down and worked quills & scapes)	4.7%