

## **BACKGROUND INFORMATION**

### **The U.S. Generalized System of Preferences "GSP"**

#### **The GSP in general:**

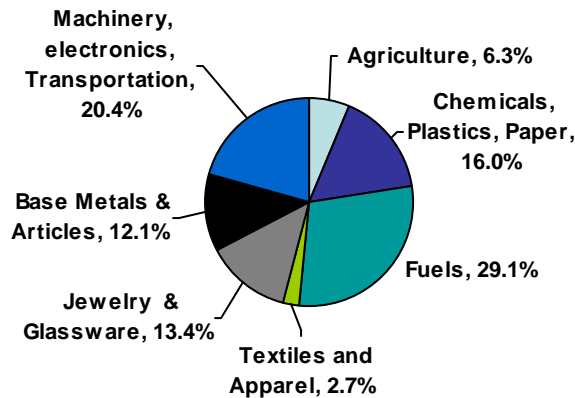
The **Generalized System of Preferences**, or **GSP**, is a formal system of exemption from the more general rules of the World Trade Organization (WTO). Specifically, it is a system of exemption from the Most Favored Nation principle (MFN) that obligates WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their "most favored" trading partner.

#### **The U.S. GSP:**

The **U.S. Generalized System of Preferences** (GSP), a program designed to promote economic growth in the developing world, provides preferential duty-free treatment for 3,400 products from 132 designated beneficiary countries and territories, in addition to 1,400 articles from least developed beneficiary developing countries. Export from developing countries under GSP reached USD 30.8 billion in 2007. The U.S. GSP program was established on January 1, 1976; it has been renewed periodically since then, most recently in 2006 through December 31, 2008.

#### **Products Eligible for GSP:**

Approximately 3,400 articles, at an eight-digit tariff number level, from all GSP beneficiaries are eligible for duty-free treatment. In 1996, were made eligible for duty-free treatment. The combined lists include most dutiable manufactures and semi-manufactures and also certain agricultural, fishery, and primary industrial products not otherwise duty-free. The pie-chart below shows the percentage of U.S. imports under GSP by sector for the year 2007. It is clear from chart that preferential treatment benefit mostly exports of petroleum products, machinery, electronics and transportation.



Products which are not eligible for GSP treatment:

- Textile and apparel articles which are subject to textile agreements.
- Watches, except as determined by U.S. President.
- Import-sensitive electronic articles.
- Import-sensitive steel articles.
- Footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the GSP on April 1, 1984.
- Import-sensitive semi-manufactured and manufactured glass products.
- Any agricultural product of chapter 2 through 52. That is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product; and
- Any other articles which the U.S. President determines to be import-sensitive in the context of the GSP.

A GSP-eligible import must meet the following requirements:

- It must be included in the list of GSP-eligible articles.<sup>1</sup>
- The article must be the growth, product, or manufacture of the GSP beneficiary.
- **It must meet the statutory competitive need limitations**  
Competitive need limitations 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 it reaches its competitive level and if no waiver is granted. All

---

<sup>1</sup> The Harmonized Tariff System of the United States is available at [www.usitc.gov/tata/hts](http://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](http://www.cbp.gov).

competitive limitations, however, are automatically waived for GSP beneficiaries designated as least developed countries.

- **It must meet the following Rules of Origin<sup>2</sup>**

The rules of origin provide that an article must be shipped directly from the beneficiary country to the United States without passing through the territory of any other country or, if shipped through the territory of another country, it must be through a sealed container. The merchandise must not enter the commerce of that country en route to the United States. In all cases, the invoices must show the United States as the final destination.

- **Inputs from GSP beneficiaries in regional associations**

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.

- **Handicraft Textiles**

Fifteen GSP beneficiary countries, including Egypt can also export several certified handicraft items duty-free under GSP because the countries have “certified textile handicraft arrangements” with the U.S. The agreement allows the U.S. to give duty –free treatment to U.S. imports that have been certified by the beneficiary country, of hand-loomed and folklore wall hangings (HS 6304.99.10) and hand-loomed and folklore pillow covers (HS 6304.99.40) and certain hand-woven textile floor coverings. Duties saved range from 3.8% to 4.3% according to the agreement.<sup>3</sup>

---

<sup>2</sup> For GSP purposes, the Rule of Origin is that the sum of the cost or value of materials produced in the beneficiary country plus the direct processing costs must equal at least 35% of the appraised value at the time of entry to the U.S., where articles are imported from GSP eligible regional association, member countries of the association will be accorded duty-free entry if they together account for at least 35% of the appraised value of the article.

<sup>3</sup> For certified handicraft textile products eligible for GSP duty-free treatment to enter the United States duty-free under this arrangement, some technical requirements are required like, the image of the triangular seal certifying the products authenticity must be stamped on the commercial invoice and signed by one of the individuals identified by each agreement.

### **How to claim GSP benefit?**

- The importer must request duty-free treatment under GSP by placing an “A,” “A+,” or “A\*” before the tariff line number that identifies the imported article on the customs entry form number 7501.
- Each exporter that wants to add products to the GSP eligibility list, should first fill the GSP form which contains the following fields;
  1. Company Name, and location.
  2. Actual Production Figures.
  3. Actual Production and Capacity Utilization Figures.
  4. Sales Figures.
  5. Information on Exports.
  6. Information on Exports to the US.
  7. Employment Figures.
  8. Profitability of company producing the product.
  9. Assessment on how the product would qualify under GSP's 35% value added requirement.

**Important Note:** If GSP is not claimed on the entry, there are a few ways to claim it. One is to file a Post Entry Amendment not later than 20 days, or to file a protest.

### **Need more information?**

The Trade Agreements Sector (TAS) at the Ministry of Trade and Industry is now preparing the Electronic GSP form that should help all Egyptian Exporters to fill the form online. Electronic GSP form will be found on TAS website ([www.tas.gov.eg](http://www.tas.gov.eg)).

**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](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)

**U.S. Tariff Schedule:**

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

**Information on customs procedure:**

<http://www.cbp.gov/linkhandler/cgov/newsroom/publications/trade/ius.ctt/ius.doc>