

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

What is GSP?

The U.S. GSP program promotes economic growth in the developing world by providing duty-free entry to the U.S. market for goods imported from designated beneficiary developing countries. Approximately 3,451 different products from Sri Lanka are eligible to enter the United States duty-free under the GSP program. U.S. businesses imported \$18.5 billion worth of products under the GSP program in 2011, including \$135 million from Sri Lanka.

What products are eligible for GSP?

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, minerals and marble. Among the products that are *not* eligible for GSP duty-free treatment are most textiles and apparel; watches; and most footwear, handbags, luggage, and leather products.

How does an import from Sri Lanka receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- Must be included on the list of GSP-eligible articles (this list can be found on the U.S. Trade Representative website: <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>);
- Must be imported into the United States directly from Sri Lanka;
- Must be the growth, product, or manufacture of Sri Lanka, with the cost of the Sri Lankan materials plus the cost of processing equal to at least 35 percent of the product's sales price:
 - Imported materials may count toward that 35 percent only if those materials undergo a "double substantial transformation" which means that the imported item is transformed into a new and different article, which is then incorporated into a finished product in Sri Lanka.
- **MOST IMPORTANTLY:** The U.S. importer must claim GSP duty-free treatment by placing an "A" in front of the U.S. tariff line (HTSUS) number that identifies the imported article on Customs and Border Protection (CBP) entry documentation¹.

Producers and exporters should keep records that describe the production process and costs of production of each good exported under GSP. CBP has the authority to ask an importer or producer to provide records to prove that the export is eligible for GSP duty-free treatment.

¹ "A" products are eligible for GSP duty-free treatment for all beneficiaries; A+ products are eligible for GSP only for least-developed beneficiaries, which does not include Sri Lanka; A* products are those for which certain GSP beneficiary countries have become ineligible for GSP duty-free treatment. There are no A* restrictions on imports from Sri Lanka.

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

Use GSP to Market Your Product: Because GSP-eligible products are permitted to enter the United States duty-free, they have up to a 17 percent cost advantage over comparable goods from non-GSP beneficiaries. Be sure to use this fact in marketing your goods to U.S. buyers.

Export New Products Under GSP: There may be goods that Sri Lanka already exports to other countries that would be eligible for duty-free treatment in the United States.

Export Handicrafts: 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
- wind, string, and drum musical instruments
- picture frames
- some types of hats
- certain baskets and handbags of rattan, palm leaf
- and vegetable material

For More Information

The GSP Guidebook: http://www.ustr.gov/webfm_send/2880

The U.S. Harmonized Tariff System: www.usitc.gov/tata/hts

Lists of GSP-eligible products: <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>