

PUBLICATION

Duty-Free Imports - Annual Review

February 11, 2008

The U.S. Generalized System of Preferences (GSP), a program designed to promote economic growth in the developing world, provides preferential duty-free entry for more than 4,650 products from 143 designated beneficiary countries and territories (BDC). The GSP program was instituted on January 1, 1976, and authorized under the Trade Act of 1974 (the Act) for a 10-year period. It has been renewed periodically since then, most recently in 2006, when President George Bush signed legislation that reauthorized the GSP program through 2008. Thousands of U.S. companies utilize the benefits of the program to source low-cost products and components for use and sale in the U.S.

One criteria of the program requires that the duty-free benefit will not apply if a certain value or volume of imports exceeds a statutorily-defined amount (demonstrating competitiveness in the U.S. market). This amount is called the "competitive need limit" (CNL). Specifically, the Act sets out two competitive need limitations: When the President determines that during a calendar year either: (1) a quantity of a GSP-eligible article having a value in excess of the applicable amount for that year (\$130 million for 2007), or (2) a quantity of a GSP-eligible article having a value equal to or greater than 50 percent of the value of total U.S. imports of the article from all countries (the 50 percent CNL), then the President must terminate GSP duty-free treatment for that article from that BDC by no later than July 1 of the next calendar year. However, Section 503(d) of the Act, sets forth criteria under which the **President may grant a waiver** of the CNL for articles imported from specific BDCs. Product petitions requesting CNL waivers for GSP-eligible articles from beneficiary developing countries that exceed the CNLs in 2007 must be filed in the 2007 GSP Annual Review.

The current schedule with respect to the review of CNL waiver petitions is set forth below:

- February 22, 2008: Due date for submission of pre-hearing briefs, requests to appear at the GSP Subcommittee Public Hearing, and hearing statements.
- March 4, 2008: GSP Subcommittee Public Hearing on all CNL waiver petitions accepted for the 2007 GSP Annual Review.
- March 14, 2008: Due date for submission of post-hearing briefs.
- May 2008: U.S. International Trade Commission scheduled to publish report on products for which CNL waivers have been requested in the 2007 GSP Annual Review.
- June 30, 2008: Modifications to the list of articles eligible for duty-free treatment under the GSP resulting from the 2007 GSP Annual Review will be announced on or about this date in the Federal Register.

Under Section 503(c)(2)(F) of the Act, the President may also waive the 50 percent CNL with respect to an eligible article imported from a BDC if the value of total imports of that article from all countries during the calendar year did not exceed the applicable *de minimis* amount for that year (\$18.5 million for 2007). Comments on *de minimis* waivers will be requested after publication of a separate Federal Register notice in February 2008.

Exclusions from GSP duty-free treatment where CNLs have been exceeded will be effective July 1, 2008, unless granted a waiver before that date by the President. CNL exclusions will be based on full calendar-year 2007 import statistics.

