

## BPE Global Hot Topic – July 2017

### Got GSP savings? How to prepare for the GSP expiration



“The best defense is a good offense.” A relevant adage to a successful Trade Compliance program in today’s environment. Our playbooks encompass agility, resilience, and strategic planning that protect our companies’ bottom line and keep our organizations’ trade policy in compliance.

So what’s the latest in our offensive play book? We see the looming December 31, 2017 expiration date of the Generalized System of Preferences (GSP) trade preference program and want to call you into action. If your company currently benefits from the GSP program, this month’s Hot Topic is for you.

#### Background

The Generalized System of Preferences (GSP) provides duty-free treatment to goods of designated beneficiary countries. The program was authorized by the Trade Act of 1974 to promote economic growth in the developing countries and was implemented on January 1, 1976. GSP periodically expires and must be renewed by Congress to remain in effect. The 2015 GSP reauthorization (H.R. 1295) will expire on December 31, 2017.

As a reminder, the GSP program has expired twice since 2010, with congressional renewal taking months to obtain both times. During the expired time frames, eligible importers benefitting from duty-free GSP transactions were required to pay full duty on all imports. Though all GSP renewals that have taken effect after a lapse have included a retroactive clause providing refunds to importers of eligible goods imported during the lapse period, note there is no guarantee of the refund and that retroactive reimbursement also requires congressional approval.

#### Who is impacted?

U.S. importers currently benefitting from the GSP program. You can run a free ACE report to determine if you are claiming GSP today or you can ask your Customs Broker(s) they are claiming GSP on your behalf.

#### What is impacted?

[Certain products](#) from 120 beneficiary developing country and territories can enter the U.S. conditionally duty-free under GSP. To qualify for GSP, a beneficiary country must meet eligibility criteria established by Congress, including combating child labor, respecting internationally recognized worker rights, providing adequate and effective intellectual property protection, and providing the United States with equitable and reasonable market access.

#### Current Status of Renewal

The Office of the United States Trade Representative (USTR) [recently announced](#) the outcome of the Trump Administration’s Annual Review of the Generalized System of Preferences (GSP). Certain products will be removed from the GSP program where the country is sufficiently competitive and no longer needs tariff preferences to compete in the U.S. market, certain travel goods have been added to the GSP program, and Bolivia is being reviewed for compliance with the GSP eligibility related to child labor.



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Though there are no indications that GSP renewal will be delayed, it is highly recommended to plan for action should this occur.

### Call to Action

1. Develop your offensive strategy:
  - Meet with finance and strategize for the potential loss, temporary or permanent, of GSP savings.
2. Prepare your defensive strategy:
  - Accrue: Should there be a delay in GSP renewal, develop an accrual program with your finance team to easily identify deposited duties. This will greatly facilitate retroactive reimbursement at the point of renewal.
3. Know your congressional representative
  - Ensure they are aware of the importance of the GSP benefit
  - Inquire about renewal or potential of renewal prior to expiration
4. Know your numbers
  - Use BPE Global's [Fiscal Impact Calculator](#) to easily obtain the GSP savings currently received by your company

As always, BPE Global is in your corner and is happy to assist in any capacity. You can find us on Twitter (@bpeglobal) or follow us on [LinkedIn](#) where we publish topical opinions on the ever-changing rules and regulations governing the landscape of global trade.

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