

GSP – Does It Have a Chance of Being Renewed?

Generalized System of Preferences (GSP) is the largest and oldest U.S. trade preference program that provides nonreciprocal, duty-free treatment enabling many of the world's developing countries to encourage diversity and economic growth through trade. Economic development is promoted by eliminating duties on thousands of products when imported into the U.S. from designated beneficiary countries and territories. Unfortunately, it expired December 31, 2020. The EU GSP program will expire at the end of 2023.

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However, there was a push from many countries this year, including a major labor union, to urge the US Senate and the House of Ways and Means to reinstate GSP. Will it be renewed? There is some hope. The House Ways & Means Trade Subcommittee will hold a hearing on September 20th on “Reforming the Generalized System of Preferences to Safeguard U.S. Supply Chains and Combat China.” And there is significant congressional interest (66 House Members) in renewing and updating GSP with some reforms before the end of the year.

Reforms must be agreed on to include labor and human rights, environment and climate protection, and good governance. However, the possible reforms also include:

- Expanding the list of tariff lines permitted duty-free access. Allow some import sensitive products to receive preferential access.
- Increasing flexibility of rules of origin (ROO) requirements. For example, allowing more GSP beneficiaries to cumulate inputs with other beneficiaries to meet the 35% domestic content requirement, or lowering the domestic content requirement.
- Eliminating the competitive need limitations for beneficiary developing countries or raising the thresholds that trigger them.
- Reauthorizing GSP for longer terms or make the program permanent.

For goods to be eligible for GSP, they must be either the growth, product, or manufacture of, or be a new or different article of commerce that has been grown, produced, or manufactured in, a beneficiary developing country. All third-country materials must have undergone a substantial transformation with at least 35 percent of the good's appraised value being added in the beneficiary country. The goods must also be “imported directly” from the GSP eligible country.

However, and most importantly, to be able to show eligibility in the event the program is reinstated, be sure to have your Customs Broker still claim GSP on your entries. In addition, a country of origin certificate should still be obtained to show eligibility. The importer is responsible for claiming the preference benefit by using the GSP's SPI code “A” or “A+”, as a prefix, before the HTSUS tariff-line number when completing the shipment entry documentation. (See 19 CFR 10.172.) If GSP is not claimed on the entry summary, there are other ways to claim it.

In the event that GSP is renewed with a retroactive refund clause, U.S. Customs and Border Protection (CBP) will be enabled to automate the duty refund process for entries flagged with the SPI “A” and no further action will be required by the filer to initiate the refund process. CBP will continue to allow post-importation GSP claims made via post summary corrections and protest (19 USC 1514, 19 CFR 174) for importations made prior to GSP expiration.

Hopefully we've shed some light on this topic. Let BPE Global know if we can help you with any of your trade compliance needs. BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at julie@bpeglobal.com or by phone at 1-415-595-8543.