

Guide to the Generalized System of Preferences

The Generalized System of Preferences (GSP) is the United States' largest trade preference program and allows for duty-free entry of specified products from 120 designated beneficiary countries. The GSP was authorized by the Trade Act of 1974 and was implemented on January 1, 1976. The regulations controlling GSP are found at [19 C.F.R. §§ 10.171-10.178](#). The program is designed to promote economic growth in the developing world, and in 2018 alone, U.S. imports under the GSP reached \$23.6 billion.

GSP-Eligible Countries

The GSP provides preferential, duty-free treatment for over 3,500 products from a range of beneficiary developing countries (BDC), including many least developed beneficiary developing countries (LDBDC). In addition to these 3,500+ products, more than 1,400 additional products are eligible for duty-free treatment only when imported from LDBDCs. A list of BDCs and LDBDCs are found in the Office of the U.S. Trade Representative (USTR) GSP Guidebook, available at: https://ustr.gov/sites/default/files/IssueAreas/gsp/GSP_Guidebook-December_2019.pdf. The GSP Subcommittee of the Trade Policy Staff Committee, which is chaired by USTR and staffed by representatives from other executive branch agencies, conducts an annual review of the GSP-eligible country list to determine if any countries should be added or removed.

Eligibility Requirements

Articles eligible for GSP treatment are identified in the Harmonized Tariff Schedule of the United States (HTSUS); the Special Program Indicator (SPI) code in the "Special" column in the HTSUS identifies the article as GSP-eligible under certain conditions. The SPI code "A" designates articles that are GSP-eligible from any BDC. "A+" means the article is GSP-eligible only when imported from an LDBDC. Finally, "A*" indicates the article is no longer GSP eligible when imported from one or more specific BDC. Like the GSP-eligible country list, the list of articles that are eligible for duty-free treatment under GSP is reviewed annually by the GSP Subcommittee and modified as necessary.

For GSP eligibility, an import must meet certain requirements:

- (1) It must be included in the list of GSP-eligible articles;
- (2) It must be imported directly from a BDC;
- (3) The BDC must be eligible for GSP treatment for that article;
- (4) The article must be the growth, product, or manufacture of a BDC and must meet the country of origin requirements;
- (5) The importer must request duty-free treatment under GSP by placing the appropriate GSP SPI (A, A+, or A*) before the HTSUS number that identified the imported article on the U.S. Customs and Border Protection (CBP) Form 7501.

“Imported Directly” Requirement

“Imported directly” has a very specific definition found at 19 C.F.R. §10.175 that should be reviewed in detail prior to claiming GSP treatment. Generally, for an article to be “imported directly” under GSP, it must be a direct shipment from the BDC to the United States without passing through the territory of another country. If the shipment does pass through the territory of another country en route to the United States, the merchandise in the shipment must not enter the commerce of the other country. The specific definition of “imported directly” include other situations that may qualify as a direct import. CBP may request shipping papers, invoices, or other documents be submitted within 60 days of the date of entry as evidence that the articles were “imported directly” from a BDC.

Country of Origin Requirements

For merchandise to be the growth, product, or manufacture of a BDC, the merchandise must meet the country of origin criteria of 19 C.F.R. § 10.176. For GSP country of origin requirements, some associations of countries are treated as a single BDC. An article is not considered to have been grown, produced, or manufactured in a BDC by virtue of having merely undergone simple combining or packaging operations or mere dilution with water or another substance.

GSP treatment is only afforded to an article if the sum of the cost or value of the materials produced in the BDC, plus the direct costs of processing operations performed in the BDC, is not less than 35% of the appraised value of the article at the time it is entered into the United States. CBP may request documentation to support an importer’s claim of BDC origin. The specific documentation required to prove a claim of BDC origin varies depending on the specific circumstances, but such documents may include:

- GSP Declaration (see 19 C.F.R. § 10.173),
- Bill of Materials,
- Invoices,
- Purchase Orders,
- Production records kept in the ordinary course of business,
- Payroll information to document labor costs,
- Factory profile, or
- Affidavit with supporting documentation

GSP Expiration

The GSP program must periodically be renewed by Congress, but Congress has occasionally failed to renew the GSP program, resulting in the expiration of the program. This occurred most recently on December 31, 2017. The GSP was renewed on March 23, 2018 and must be renewed again before December 31, 2020 to avoid expiration. In the past, when Congress acted to extend the GSP program after allowing it to expire, Congress applied duty-free treatment to GSP-

eligible products retroactively to the expiration of the program. In such cases, importers of GSP-eligible products were able to obtain refunds for duties paid while the GSP was not in effect. Most recently, if during the GSP lapse the importer filed the GSP-eligible entries electronically through the Automated Broker Interface (ABI) and continued to mark entry summaries with the relevant GSP SPI, the refund was automatically processed. If the importer did not submit the GSP-eligible entries through ABI or failed to mark the entry summaries with the relevant GSP SPI during the lapse, then the importer was required to submit a duty refund request. For unliquidated entries, the refund request was made via a Post-Summary Correction. For liquidated entries, the refund request was submitted through a protest.