

Afghanistan 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. As a least developed beneficiary country of GSP, Afghanistan may export nearly 5,000 different products to the United States duty-free. U.S. companies and customers benefit from this program because the products that they purchase under GSP are exempt from import tariffs, which can range between two percent to seventeen percent of the items' cost. U.S. businesses imported \$17.4 billion worth of products under the GSP program in 2014.

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 and leather products.

- For a complete list of GSP-eligible articles organized by U.S. Harmonized Tariff Schedule (USHTS) number: <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>.
- For a searchable database: https://dataweb.usitc.gov/scripts/tariff_current.asp. This database is useful for those who do not know the U.S. Harmonized Tariff System (HTS) number associated with a product. A product's GSP-eligibility can be determined by putting the product's name or a brief description in the search box and clicking "List items." A list of HTS numbers associated with the product will appear. Select the item that best matches the description of the product and click "Detail." On the detail page, scroll down to the section with the heading "Preferential . . . tariff program applications." The first preferential trade program listed is GSP. If the GSP "Status" box says "Eligible: code A" (or A* or A+) then the product is eligible for GSP duty-free treatment.¹

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

A GSP-eligible import must meet the following requirements:

- Must be included on the list of GSP-eligible products;
- Must be imported into the United States directly from Afghanistan, without entering the commerce of a third country;
- Must be the growth, product, or manufacture of Afghanistan, with the cost of the Afghan 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 Afghanistan.

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 include Afghanistan; "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 Afghanistan. Products which are not eligible for GSP duty-free treatment will say "Not eligible."

- **MOST IMPORTANTLY:** The 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 documentation.

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

Afghanistan’s Use of GSP Preferences

Afghanistan became a beneficiary of the GSP program in March 2003. Since then, imports under the program have been modest, but there is considerable untapped potential. Only 24 percent of GSP-eligible imports from Afghanistan were claimed under GSP in 2014. GSP imports account for 2% of U.S. imports from Afghanistan. GSP imports from Afghanistan totaled about \$209,795 in 2014. The leading GSP imports from Afghanistan in 2014 were sugar confections or sweetmeats; raisins; certain imitation metal jewelry; and jewelry, with precious and semi-precious stones.

How to Export More Afghan Products Using GSP Duty-Free Benefits

Claim GSP Savings: Importers of GSP-eligible goods into the United States need to make sure that they claim the benefit by entering an “A” before the tariff number on CBP entry documents.

Export New Products Under GSP: Afghanistan exports goods to other countries that would be eligible for duty-free treatment in the United States, including marble, walnuts, natural gums, mixtures of dried fruits and nuts, dried lentils, and fruit seeds.

Export Handicrafts: Many handicraft exports are duty-free, such as:

- gemstones and jewelry
- traditional games
- paintings, sculpture, and wall hangings
- many types of carpets 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

Afghanistan can also export certain hand-loomed fabrics and additional types of hand-loomed and folklore wall hangings and pillow covers duty-free to the United States when the Afghan government certifies them as hand-loomed and of a folkloric nature.

For More Information

The GSP Guidebook: <https://ustr.gov/sites/default/files/The%20GSP%20Guidebook.pdf>

The U.S. Harmonized Tariff System: <http://hts.usitc.gov/>

CBP import procedures information: <http://www.cbp.gov>

Record-keeping requirements: <http://www.cbp.gov/trade/trade-community/outreach-programs/audits/field-offices/archive/gsp>