

Kyrgyzstan and the U.S. Generalized System of Preferences (GSP) Program

How to Use GSP Duty-Free Benefits to Increase Kyrgyzstan's Exports

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 GSP beneficiary country, Kyrgyzstan has the opportunity to export approximately 3,500 products to the United States duty-free under GSP. 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 1 percent to fourteen percent of the items' cost. U.S. businesses imported \$17.4 billion worth of products under the GSP program in 2015.

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.

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

A GSP-eligible import must meet the following requirements:

- Must be included on the list of GSP-eligible articles (this list can be found on the U.S. Trade Representative website: <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>);
- Must be imported into the United States directly from Kyrgyzstan;
- Must be the growth, product, or manufacture of Kyrgyzstan, with the cost of the Kyrgyz 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 Kyrgyzstan.
- **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. CBP has the authority to ask an importer or producer to provide records to prove that the export is eligible for GSP duty-free treatment.

Kyrgyzstan's Use of GSP Preferences

Kyrgyzstan became a beneficiary of the GSP program in December 1993. Since then, imports under the program have been modest, but there is considerable untapped potential. Only 14 percent of GSP-eligible imports from Kyrgyzstan were claimed under GSP in 2015. GSP imports account for less than one percent of U.S. imports from Kyrgyzstan. GSP imports from Kyrgyzstan totaled about \$37,000 in 2015. GSP imports fell 61 percent from 2014 to 2015, while total U.S. imports from Kyrgyzstan increased 537 percent during that period. The leading GSP imports from Kyrgyzstan in 2015 were silk shawls/scarves and national flags.

In 2015, an additional \$229,000 in GSP-eligible goods should have received duty-free treatment but importers mistakenly did not claim them under GSP. GSP-eligible products for which the benefit was not fully claimed in 2015 include:

HTS	Product	MFN rate of duty (AVE)	Total 2014 trade	GSP utilization rate
8302.41.60	Iron or steel, aluminum or zinc mountings, fittings & similar articles, suitable for buildings, & base metal parts thereof	3.9%	\$53,897	0%
2001.90.39	Vegetables (including olives), prepared or preserved by vinegar or acetic acid	9.6%	\$14,632	0%
9030.39.01	Instruments and apparatus, for measuring or checking electrical voltage, current, resistance or power, with a recording device	1.7%	\$44,972	0%
7607.11.60	Aluminum, foil, w/thickness over 0.01 mm but n/o 0.15 mm, rolled but not further worked, not backed	5.3%	\$11,859	0%
2008.19.90	Other nuts and seeds, excluding mixtures, otherwise prepared or preserved	17.9%	\$3,497	0%
6214.10.10	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more silk or silk waste	1.2%	\$61,959	51%

How to Export More Kyrgyz 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: Kyrgyzstan 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 beans, and dried lentils.

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

- gemstones and jewelry (other than imitation)
- traditional games
- paintings, sculpture, and wall hangings
- many types of carpets, kilims, and rugs
- wooden statuettes, boxes, and other wood items
- walking sticks;
- wind, string, and drum musical instruments
- picture frames
- some types of hats
- certain baskets and handbags of rattan, palm leaf and vegetable material

For More Information

The GSP Guidebook:

<https://ustr.gov/sites/default/files/GSP%20Guidebook%20October%202015%20Final.pdf>

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

Lists of GSP-eligible products: <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>

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

Record-keeping requirements: <http://www.cbp.gov/trade/rulings/eruling-requirements>