

Nepal 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. Approximately 5,000 different products from Nepal are eligible to enter the United States duty-free under the GSP program. Of these, approximately 3,500 of these products are duty-free to all countries in the GSP-program and the remaining 1,500 are duty-free only for least-developed beneficiary developing countries (LDCs), such as Nepal. U.S. businesses imported \$18.5 billion worth of products under the GSP program in 2011, including \$5.1 million from Nepal.

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, handbags, luggage, and leather products. For further information on which products are eligible for GSP duty-free treatment visit:

- The U.S. Trade Representative website for a complete list of GSP-eligible articles organized by U.S. Harmonized Tariff System (USHTS) number: <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0>.
- The U.S. International Trade Commission website for a searchable database USHTS: http://dataweb.usitc.gov/scripts/tariff_current.asp. This database is useful for those who do not know the USHTS 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 possibly 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 Nepal receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- Must be included on the list of GSP-eligible articles;
- Must be imported into the United States directly from Nepal, without entering the commerce of a third country;

¹ "A" products are eligible for GSP duty-free treatment for all beneficiaries; "A+" products are eligible for GSP only for least-developed beneficiaries, including Nepal; "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 Nepal. Products which are not eligible for GSP duty-free treatment will say "Not eligible."

- Must be the growth, product, or manufacture of Nepal, with the cost of the Nepali materials plus the cost of processing equal to at least 35 percent of the product's sales price:
 - Imported materials may count toward the 35 percent minimum 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 Nepal.
- **MOST IMPORTANTLY:** The U.S. importer must claim GSP duty-free treatment by placing an "A" (or "A+" or "A*", as appropriate) in front of the U.S. tariff line (HTSUS) number that identifies the imported article on U.S. Customs and Border Protection 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.

Annual Reviews

Reviews of the GSP program are conducted annually, during which time interested parties may file petitions to modify the list of products that are eligible for duty-free treatment under the GSP program, to modify the GSP status of certain GSP beneficiary developing countries because of country practices, and to request waivers of competitive need limitations (CNLs). The 2012 Annual Review was initiated in July 2012 and the following important deadlines were announced:

- October 5, 2012: Deadline for petitions to modify the list of articles eligible for duty-free treatment under GSP or to review the GSP status of any beneficiary developing country.
- November 21, 2012: Deadline for petitions requesting waivers of CNLs.

For information on how to file a petition, see the *Federal Register* notice initiating the 2012 Annual Review at: <http://www.gpo.gov/fdsys/pkg/FR-2012-07-30/html/2012-18426.htm>

For More Information

The GSP Guidebook: http://www.ustr.gov/webfm_send/2880

The U.S. Harmonized Tariff System: www.usitc.gov/tata/hts

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