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

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 3,500 different products from Pakistan are eligible to enter the United States duty-free under the GSP program. U.S. businesses imported $17.7 billion worth of products under the GSP program in 2015, including $180 million from Pakistan.

What products are eligible for GSP?

Many items are eligible for GSP duty-free treatment. These include: most manufactured items; 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 for treatment for non LDCs are most textiles and apparel, and most footwear, handbags, luggage, and leather products. Further information on which products are eligible for GSP duty-free treatment is available at these web sites:

- For a complete list of GSP-eligible articles organized by U.S. Harmonized Tariff System (HTS) number: https://ustr.gov/sites/default/files/GSP-eligible-for-all-countries-2016.pdf

- For a searchable database of tariff lines:

http://dataweb.usitc.gov/scripts/traiff_current.asp This database is useful for those who do not know the 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 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*) then the product is eligible for GSP duty-free treatment for Pakistan. 1

The largest categories of products that Pakistan has exported to the United States in recent years under GSP are: jewelry, plastic products, certain sugar and sugar confectionery, metal tools and cutlery, certain textile articles, and certain leather goods.

How does an import from Pakistan 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 Pakistan, 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, which does not include Pakistan; "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 Pakistan. Products that are not eligible for GSP duty-free treatment will say "Not eligible."

- Must be the growth, product, or manufacture of Pakistan, with the cost of the Pakistani materials plus the cost of processing equal to at least 35 percent of the appraised value of the article at the time of entry into the United States.

  – 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 Pakistan.

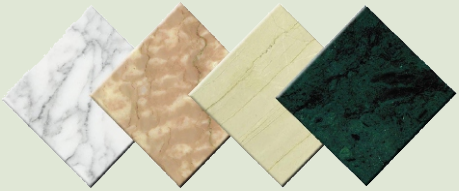
- ***NOTE:*** The U.S. importer must claim GSP duty-free treatment by placing an "A" in front of the U.S. tariff line number that identifies the imported article on U.S. Customs and Border Protection entry documentation.

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.

Making the Most of the GSP Tariff Advantage

There are several things Pakistani exporters of GSP-eligible products can do to make the most of the tariff advantage provided by GSP. First, consider using GSP as a marketing tool with U.S. buyers. U.S. importers may be willing to buy new products from Pakistan or buy more of a particular product if they know that the product is eligible for duty-free treatment under GSP. Many U.S. importers are unaware that a product may be eligible under GSP. As a

result, they often payduties on these products even when they don't need to do so. Among the GSP-eligible products from Pakistan on which duties were paid in 2015 were leather sports gloves, mittens, and mitts; certain non-cotton pillows, cushions and similar furnishings; certain athletic articles and equipment; cutlery articles, and metal instruments for manicures and pedicures. Pakistani exporters may also wish to examine whether there are GSP-eligible products that they are sending to other markets, but not the United States. Finally, Pakistani exporters should consider focusing export efforts on products in which the GSP tariff advantage is greatest, such as jewelry.



For More Information

The GSP Guidebook: https://ustr.gov/sites/default/fules/GSP-Guidebook-September-16-2016.pdf

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