

# GENERALIZED SYSTEM OF PREFERENCE (GSP)

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Since 1976, the GSP program has provided for free rates of duty for merchandise from beneficiary developing countries and territories, to encourage their economic growth.

GSP eligibility covers more than 3000 subheadings in the Harmonized Tariff Schedule of the United States. Merchandise classifiable under a subheading designated in this manner may qualify for duty-free entry if imported into the United States DIRECTLY from any of the designated countries or territories. Not all items eligible for duty free treatment under GSP are duty free from each beneficiary country or territory. The list of country or territory exclusions, GSP eligible articles, and beneficiary countries and territories will change from time to time over the life of the program. You are urged to review the latest edition of the Harmonized Tariff or query the Customs database for current information.

Eligible articles will be entitled to duty free treatment provided the following conditions are met:

1. The merchandise must be destined to the United States without contingency for diversion at the time of exportation from the beneficiary developing country.
2. The merchandise must be imported directly into the United States from the beneficiary country.
3. The cost or value of materials produced in the beneficiary country and/or the direct cost of processing performed there, must represent at least 35 percent of the appraised value of the goods.

The cost or value of materials imported into the beneficiary country may be included in calculating the 35 percent value added requirement for an eligible article if the materials are first substantially transformed into new and different articles, and are then used as a constituent material in the production of the eligible article.

Direct cost of processing include costs directly incurred or reasonably allocated to the processing of the article, such as the cost of all actual labor, dies, molds, tooling, depreciation on machinery, research, development, inspection and testing. Business overhead, administration salaries and profit, as well as general business expenses, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, are not considered as direct costs of processing.

Almost all African and South American countries and many Asian countries are eligible for GSP duty preference.