CORPORATE TRADE COMPLIANCE

A NAVIGATION TOOL TO ASSIST YOUR ORGANIZATION IN GAINING AND MAINTAINING COMPLIANCE

The GSP

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NAVIGATING THE GSP

Hello Valued Supplier,

Unlike some of the other trade agreements we have examined in the past, the GSP is solely designed to help developing nations secure a stronger foothold in the world economy. To accomplish this, each year countries are designated under the document's schedule. On this list, there are three potential categories for each nation. These are marked with one of the following letters: A+; A; or A*. We will go over what each of these symbols mean a little later, but for now you should remember that your potential duty discount depends on the letter next to the nation. Also, these countries are annually reviewed, and can gain or lose designation based upon the progress they have proven over the year. Thus, it is extremely important that you look at this list consistently, otherwise you may be improperly claiming a lower duty rate. On the flip side, if you do not check the list, you also may not be utilizing a lower duty rate from a newly claimed GSP country. In addition, we want to reiterate that this is the simplest of the training packets we will go over. It is refined to four quick steps. We will expound upon these steps here.

Warm Regards,

The Trade Compliance Team

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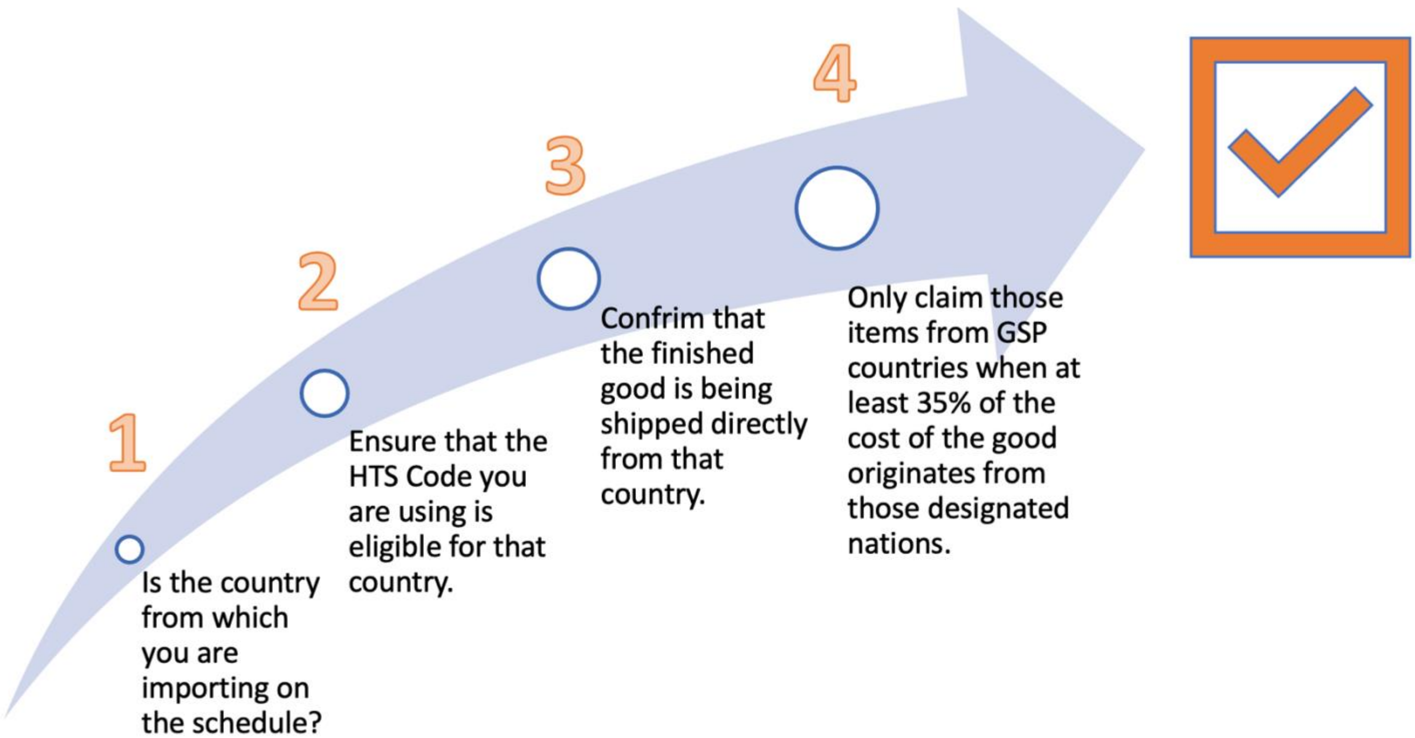
Producer Responsibility

The producer holds a heightened responsibility of ensuring compliance. The signed certificate that you supply to Nifco may be submitted to U.S. Customs. In as such, any questions arising from your certification will be directed to your company under this potential scenario. Thus, as a supplier, a heightened duty of care will fall upon you. It is for this reason that we are actively seeking to ensure that you, as a valued supplier, do not incur any consequences brought about by noncompliance.

Simply put, U.S. Customs and Border Control can be unrelenting, and recent evidence illuminates that their forceful nature is approaching a new pinnacle of oversight. Put simply, operating without considering your governmental duties can prove debilitating to your business. We do not want you to be bludgeoned with the myriad of consequences that follow regulatory indifference.

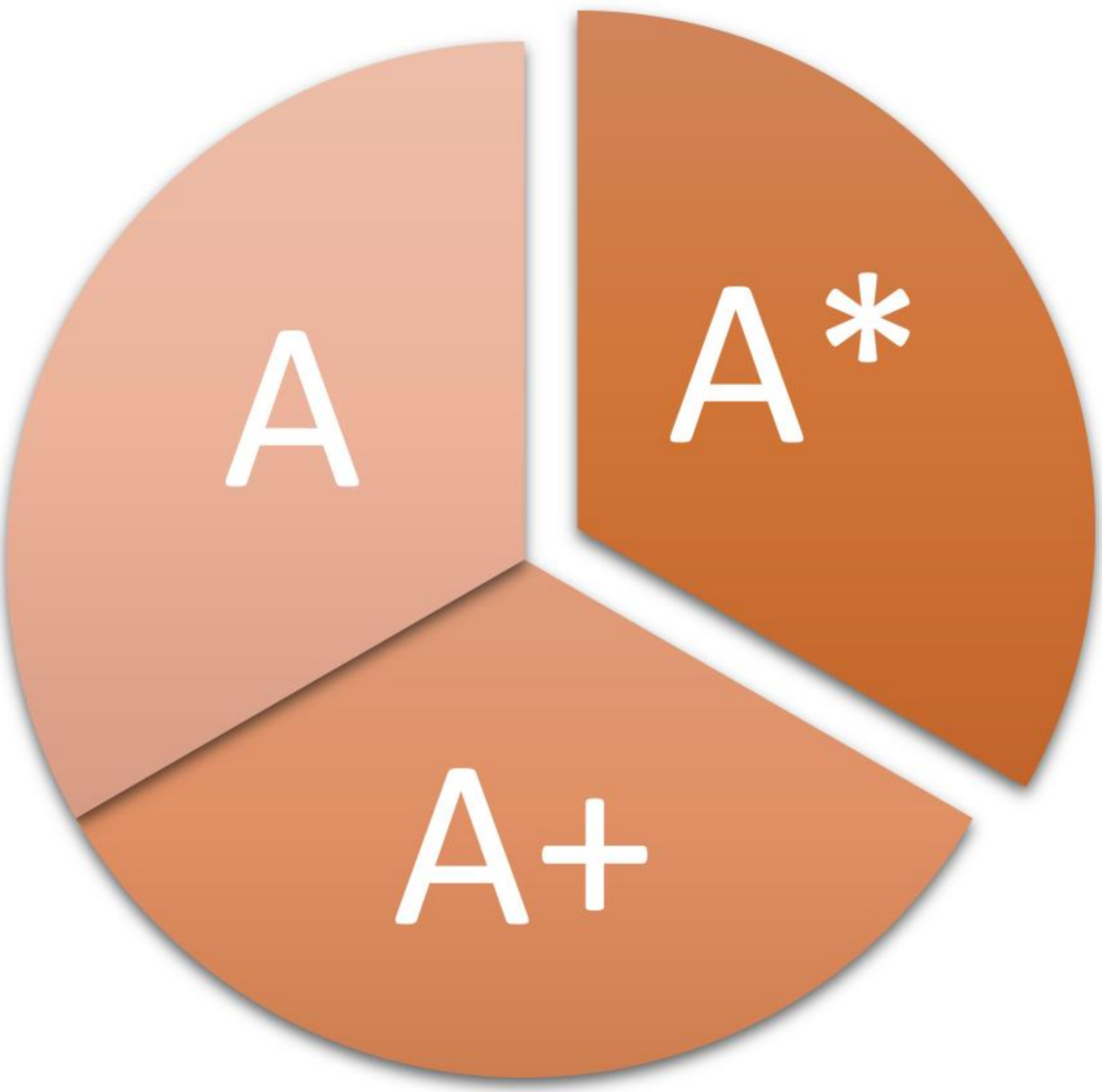
Overview

Thank you for reading through another training provided by our trade compliance department at Nifco America! Regardless of whether you have excelled or strained through the other trainings, the GSP will prove the easiest to master. Before we delve into the full training, we wanted to pull out the procedural aspects. In essence, the GSP has four quick steps, which we have outlined for you below:



STEP 1

The first step is to look at the countries on the GSP list. Each has an A+, A, or A* next to the particular nation's name. The first two types, A+ and A, are considered the least developed and still developing countries. These countries receive preferential tax and duty treatment on all of their applicable HTS Codes. On the other hand, A* nations receive preferential treatment on only ***some*** of their applicable HTS Codes. The reason being is that these latter nations may not have properly indicated progress or fully followed the guidelines specified in the GSP. Hence, again, this reiterates the importance of checking the list to ensure the country from which you are importing falls into the proper category. You can find the list here. Just scroll down to see the updated list for Thailand.



remember, only A and A+ fully qualify

STEP 2

Secondly, you have to uncover whether the HTS Code you are using is eligible for the GSP country you are claiming. This means you must juxtapose the HTS Codes and the particular country on the list. Not all HTS Codes will qualify, nor will they all qualify in the same way. In other words, even if a country has an A+ designation, one HTS code may receive a slightly different duty treatment in comparison to another. However, again, this step is more simple than it sounds. It is just a matter of perusing through the lists of nations and looking at both the HTS Code and the country categorization.

Think of this like a jigsaw puzzle. While all the pieces of the puzzle may be present, only certain ones connect to each other. You must look at the pieces individually and see where the prongs fit and don't fit. In the same way, you have to make sure that the HTS Code you have matches the list on the GSP, and you have to ensure that this code fits into the country you are claiming. This is just a matter of scanning the documents already provided to you. That's it. Truly.

STEP 3

The next step is to inquire into the exporting nation. To qualify under the GSP, the designated country must be the shipping nation. You may be wondering what happens when a product passes through ports in non-designated countries. Here, the part still qualifies so long as it never leaves "Custom's control." Customs has control over the item so long as it never enters the commerce of another country.

Think of this like an Amazon package. When you purchase an item it may initially come from an Amazon warehouse in Thailand. While in transit, it cycles through Kentucky, then finally ends up in Columbus, Ohio. In that scenario, the item never leaves the control of Amazon. Therefore, Thailand is considered the importing country in that instance. However, let's say that you purchase that same item, take it home, and realize after a couple of days that you want to return it. You then go to a return facility and drop off the package. Unlike the circumstances under the first example, when you took the package into your home, it left the control of Amazon. In addition, when you sent it back to Amazon for the return, the mailing address was altered, and the initial transit chain was broken.

Once more, whenever a part or product leaves the hands of U.S. Customs, in a non-designated country, it loses GSP eligibility. This includes instances when a product is made in an eligible country, such as Thailand, but is then shipped from a GSP ineligible nation like Japan. Again, this is a shipping-oriented inquiry, not a production-oriented inquiry. The GSP, ***at this step***, does not bother with where a product is made or how it is made. Rather, it simply looks at the shipping label and the "from" address. If it is "from" a GSP country, and it never left Custom's control, then it retains eligibility.

STEP 4

As opposed to Step 3, this step does ask "where it's made." Specifically, the GSP requires that 35% of the ***cost*** of the product originate from within a GSP eligible nation. Again, this is the cost of the final good, not the resin or parts comprising the whole. This is unlike the USMCA in that it does not reference substantial transformation, essential character, or many of the other tenets indicative of that trade document.

Consider the following example. Let's say you are shopping for wedding rings and you stumble upon Tiffany & Co's website. While perusing through a myriad of selections, you find a beautiful ring with a small, sparkling diamond. The description claims the ring is a part of Tiffany's "Nile" collection. Upon examination, the band comprises the bulk of the materials when compared to the diamond adorning it. Next, you look at the price, which reaches a startling $75,000 dollars. Taken aback, you inquisitively unveil the price breakdown. You then realize that the band is only $600 of that astronomical price tag. As a final hypothetical fact to add to this scenario, let's say that the diamond comes from a mine in Namibia, and the silver comprising the band was mined in Canada. Under the USMCA, the final good, the complete wedding ring, could likely be considered originating from Canada because most of the material originates from that nation. However, under the GSP, the monetary value stems almost completely from the diamond itself. Therefore, it would be considered eligible under this trade agreement.

The GSP also allows for a combining of percentages to reach that 35%, but only when those countries are GSP eligible. In other words, if two GSP designated nations hold 23% and 12% of the finished good's cost, then eligibility would still be obtained based upon the composite percentage. To reiterate, you need to ensure that you follow Step 3 to reach this point. If that 35% is under an ineligible HTS Code, despite coming from a designated nation, then it does not gain that eligibility. Regardless, the biggest takeaway from this step is that cost is king.

CONCLUSION

Remember, this is the easiest of the trainings thus far. It truly is only composed of these four basic steps. First, see if you are receiving a product from a GSP eligible country in accordance with the annual schedule. Second, confirm that you have an eligible HTS Code. Third, you must ensure that the nation is in fact the shipping country. Again, passthrough parts will still qualify. Fourthly, at least 35% of the cost for that good must stem from one or more of the GSP nations.