

# **CBP Overviews**

## **GSP Claims, Lists**

### **Common Importer Errors, Etc.**

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U.S. Customs and Border Protection has posted a Regulatory Audit<sup>1</sup> document on the Generalized System of Preferences (GSP)<sup>2</sup> program, in order to inform importers of the basic requirements of the GSP program and how to begin structuring a system of internal controls that address the regulatory requirements for substantiating GSP claims.

Highlights of this two-page document include:

#### **Support Needed for Claims Must be Readily Accessible**

CBP states that importers should establish internal controls that identify and gather records to support GSP claims. There are two primary factors to be addressed: the origin of the product and its value.

This documentation must be kept readily accessible should CBP request it. An inability to produce the required records will result in disallowance of GSP preference.

CBP states that this information is especially important to importers whose GSP importations are subject to a review through a Compliance Assessment or other audit review by CBP Regulatory Audit.

(CBP notes that such reviews often occur when the volume of GSP importations by the audited importer exceeds \$10 million dollars for the fiscal year under review.)

#### **Common Importer Errors**

CBP states that since 1997, 66% of all which have had compliance assessments that included a separate GSP sample (GSP claims exceeded the \$10 million dollar threshold) have been unable to substantiate their GSP claims.

The most common errors include:

- Inability to produce records to support the 35% minimum value content provision.

- Foreign manufacturer commingled materials purchased from both beneficiary developing country (BDC) & non-BDC suppliers and importer is unable to identify when non-BDC components were used in an imported article.
- U.S. Goods Returned erroneously claimed as imported GSP articles.
- GSP articles erroneously classified. Properly classified, the articles are not eligible for GSP.
- Articles originated in a GSP ineligible country.
- Imported product did not undergo a double substantial transformation as claimed.
- Importer could not evidence direct shipment of the product from the BDC to the U.S. when the shipment entered an intermediate country en route to the U.S.

See document for additional information on internal control questions, details on support needed for claims, etc. Also, see CBP's 2001 Compliance Assessment Team Document (CAT Kit) Guide for GSP Claims.

<sup>1</sup>Regulatory Audits are risk-based approaches to assess import compliance with trade laws and regulations. The audit reviews provide a systematic approach to data collection and an analysis of data to determine the likelihood of noncompliance, which includes assessing risks by reviewing corporate controls over trade compliance.

<sup>2</sup>GSP is a program that provides duty-free treatment for certain products originating from BDCs. These products must be wholly grown, produced, or manufactured in the BDC and at least 35% of the product's dutiable value, upon entering the U.S., must be from costs directly attributable to the BDC.

*GSP Regulatory Audit overview document available at*  
[http://www.cbp.gov/xp/cgov/trade/trade\\_programs/audits/archive/gsp.xml](http://www.cbp.gov/xp/cgov/trade/trade_programs/audits/archive/gsp.xml)

*Exhibit 36 of CBP's CAT Kit entitled "A Guide for Supporting GSP Claims" (dated 03/30/01) available at*  
[http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/audits/archive/compliance\\_assessment/exhibit36.ctt/exhibt36.doc](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/audits/archive/compliance_assessment/exhibit36.ctt/exhibt36.doc)

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