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Bills Renewing GSP and Tariff Suspensions Are Racing Against the Clock

With the end of July approaching, Congress has finally turned some of its attention to addressing overdue international trade matters. However, it may be too late to prevent at least a temporary disruption to importers who are taking advantage of duty savings by using the Generalized System of Preferences (GSP), which is currently set to expire on July 31, 2013.

GSP is a preferential trade program designed to promote economic growth in the developing world. It provides for duty-free treatment of certain merchandise that is produced and exported from select beneficiary developing countries (BDCs). In 2012, the program was responsible for the duty-free entry of nearly \$20 billion in eligible goods from 127 beneficiary developing countries. In order to be eligible for duty-free treatment under GSP, qualifying goods must: (1) consist of at least 35 percent by value of local BDC content; and (2) be directly shipped from the BDC to the United States.

Since its introduction in 1974, the GSP program has required periodic renewals. The current GSP expiration date is July 31, 2013. If Congress is unable to pass legislation renewing GSP, imports of eligible merchandise will be assessed duties at ordinary rates beginning on August 1. The House of Representatives introduced a bill on July 17 extending GSP to September 30, 2015. The Senate followed with an identical bill on July 18, but it is still not certain that the bill will make it through both houses and land on President Obama's desk before July 31.

Should GSP not be signed into law until August or later, it will be incumbent upon importers to track their shipments that may be eligible for retroactive duty refunds. Such retroactive implementation has occurred in the past and may happen again, but importers will need to be proactive in identifying their eligible entries. Importers should also maintain all necessary supporting records to verify retroactive claims of GSP treatment for their merchandise.

The House has also recently re-introduced a long-dormant Miscellaneous Tariff Bill (MTB), which provides for the reduction or suspension of tariffs on thousands of products, regardless of country of origin. Like GSP, the duty savings provided by the MTB is temporary, and must be renewed periodically. Unlike GSP, many tariff suspensions passed under prior MTBs had already expired at the end of 2012. Although these suspensions may be implemented retroactively, there is no such provision in the bill currently before the House of Representatives. Importers seeking the benefits of preferential duty treatment under either of these preferential programs should be attentive in monitoring both bills' progress through Congress and documenting which of their entries may be eligible for such treatment if they are renewed.

To learn more about the benefits or requirements of GSP, or on what steps you should take to preserve your company's ability to claim retroactive duty refunds in the event GSP expires and is retroactively renewed, please contact one of the Katten Muchin Rosenman LLP professionals listed below.

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