

# **Afghanistan and the U.S. Generalized System of Preferences (GSP) Program**

## ***Including gaining duty-free entry into the United States of Afghanistan's Carpet Exports***

### **What is GSP?**

The U.S. GSP program provides duty-free treatment for about 5,000 types of exports from Afghanistan and other developing countries. The purpose of the program is to give these exports a competitive edge in the U.S. market, as compared to products exported from other countries. U.S. companies and customers are especially interested in buying goods through the GSP program because the exports are not charged tariffs upon entering the United States that can range from two percent to seventeen percent of the items' cost. U.S. imports under GSP in 2006 from all countries included in the GSP program totaled USD 32.6 billion. Afghanistan became a beneficiary of the GSP program in March 2003.

### **U.S. Imports of Afghan Carpets and Other Floor Coverings**

Almost all U.S. imports of Afghan carpets and other floor coverings entered duty-free into the United States. This included about \$2.2 million in carpets in 2006 and \$1.5 million in the first six months of 2007. Most of these imports entered "MFN (most-favored nation)" duty free, which means that they can enter the United States free of duty when exported from nearly all countries. The majority of the MFN duty free carpet imports from Afghanistan in 2006 were:

- \$1.8 million (and \$1.5 million January through June (YTD) 2007) in hand-hooked carpets and other textile floor coverings (with tufts inserted and knotted by hand or hand tool) of wool or fine animal hair (HTS 57011040); and
- \$327,500 (but down by 95 percent YTD 2007) in woven carpets and other textile floor coverings of pile construction, not tufted or flocked, of wool or fine animal hair (HTS 57024120);

In the first six months of 2007, \$10,000 of woven carpets or floor coverings of wool or fine animal hair, not of pile construction and not on a power-driven loom (HTS 57029130), entered the United States duty free under the GSP program. U.S. importers have claimed GSP benefits for all eligible imports thus far this year. In 2006, \$5,700 of woven carpets and other textile floor coverings, not of pile construction and of other textile materials (HTS 57029920) entered under the GSP program.

Approximately \$39,000 (1.8 percent) of all carpets entering the United States from Afghanistan in the first six months of 2007 and \$63,000 (2.7 percent) of all carpets in 2006 did not enter duty-free and were subject to duties ranging from 4.0 percent to 6.3 percent:

- \$17,190 in woven carpets and other textile floor coverings of pile construction, not tufted or flocked, not made up, of wool/fine animal hair (HTS 57023120 – 4 percent duty);
- \$11,422 in carpets and other textile floor coverings, of wool or fine animal hair, not hand-hooked and not hand-knotted during weaving (HTS 57011090 – 4.5 percent duty);
- \$6,042 in woven carpets and other textile floor coverings, not of pile construction, not made up, of wool or fine animal hair (HTS 57025140 – 6.3 percent)

### **How does a carpet or other U.S. import from Afghanistan receive GSP duty-free treatment?**

A GSP-eligible import must meet the following requirements:

- included on the list of GSP-eligible articles, which can be found on the Embassy of Afghanistan ([www.embassyofafghanistan.org](http://www.embassyofafghanistan.org)) and Afghanistan Business Gateways ([www.afghanistan.business-gateways.com](http://www.afghanistan.business-gateways.com)) websites.<sup>1</sup>
- imported into the United States directly from Afghanistan or pass through another country under a through bill of lading to the United States.
- be the growth, product, or manufacture of Afghanistan.
- If product inputs are imported into Afghanistan, the sum of the cost or value of the Afghani materials used in making product -- plus the direct costs of processing -- must equal at least 35 percent of the product's price when the good is sold for export into the United States. Imported materials can count toward the 35 percent Afghani materials value and local processing component of the product's price only if the imported materials are "substantially transformed" and then used to produce or manufacture the export. "Substantially transformed" means that U.S. Customs would classify the imported items as being in a very different form as compared to when they were first imported.
- **MOST IMPORTANTLY**: The exporter/importer must request duty-free treatment under GSP by placing an "A"<sup>2</sup> before the U.S. tariff line (HTSUS) number that identifies the imported article on the U.S. Customs Entry Form 7501 (see page five).<sup>3</sup>

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The following lists show the tariff lines for carpets and other floor coverings and are grouped as: 1) MFN duty-free; and 2) GSP-eligible.

## **CARPETS and OTHER FLOOR COVERINGS**

### **1. Carpets under the following HTS lines enter the United States MFN duty-free:**

57011013	Carpet & other textile floor covering, hand-knotted/hand-inserted, w/over 50% by weight pile of fine animal hair, certified hand-loomed & folklore
57011016	Carpets & other textile floor coverings, hand-knotted or hand-inserted, w/over 50% by weight of the pile of fine animal hair,
57011040	Carpets and other textile floor coverings, of wool or fine animal hair, hand-hooked (tufts were inserted and knotted by hand or hand tool)
57019010	Carpet and other textile floor covering, knotted, of text. materials (not wool/hair), pile inserted & knotted during weaving or knitting
57019020	Carpet & other textile floor covering, knotted, of text materials (not wool/hair), not w/pile inserted & knotted during weaving/knitting
57021010	Certified hand-loomed and folklore products being "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs
57021090	"Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs, other than certified hand-loomed and folklore products
57022010	Floor coverings of coconut fibers (coir), woven, not tufted or flocked, with pile
57022020	Floor coverings of coconut fibers (coir), woven, not tufted or flocked, other than with pile
57023910	Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, not made up, of jute
57024110	Wilton, velvet and like floor coverings of pile construction, woven, not tufted or flocked, made up, of wool or fine animal hair

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<sup>1</sup> For more information about the GSP program, including a guidebook and eligible products, go to:

[http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)

<sup>2</sup> "A" products are eligible for GSP duty-free treatment by all beneficiaries; A+ products are eligible for GSP just by least-developed beneficiaries; A\* products are those for which certain supplying countries have become ineligible for GSP duty-free treatment.

<sup>3</sup> The U.S. Harmonized Tariff System codes are at [www.usitc.gov/tata/hts](http://www.usitc.gov/tata/hts). GSP classification information for products is at [http://dataweb.usitc.gov/scripts/gsp/gsp\\_tariff.asp](http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp). Information on U.S. customs and importing procedures is at [www.cbp.gov](http://www.cbp.gov).

- 57024120 Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of wool or fine animal hair
- 57024210 Wilton, velvet and like floor coverings of pile construction, woven, not tufted or flocked, made up, of man-made textile materials
- 57024220 Carpets and other textile floor coverings, of pile construction, woven, not tufted or flocked, made up, of man-made textile materials
- 57024910 Carpets not other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of cotton
- 57024915 Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of jute
- 57029120 Certified hand-loomed & folklore floor covering, woven not on power-driven loom, not of pile construction, made up, of wool or fine animal hair
- 57049000 Carpets and other textile floor coverings (excluding certain felt carpet tiles) of felt, not tufted or flocked, whether or not made up
- 57050010 Carpets and other textile floor coverings, whether or not made up, of coir

**2. Carpets under these HTS lines can enter United States duty-free under the GSP program**

- 57025120 Carpets & other textile floor coverings, not of pile construction, (MFN duty rate 4.3%) woven, but not on a power-driven loom, not made up, of wool/fine animal hair
- 57029130 Floor coverings, not of pile construction, woven not on power-driven loom, made up, of wool or fine animal hair
- 57029210 Hand-loomed carpet & other textile floor coverings, not of pile construction, woven, made up, of man-made textile materials
- 57029905 Hand-loomed carpets and other textile floor coverings, not of pile construction, woven, made up, of cotton
- 57029920 Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials
- 57031020 Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair
- 57032010 Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked
- 57033020 Hand-hooked carpets & other textile floor coverings, tufted, whether or not made up, of man-made materials (not nylon/other polyamides)
- 57039000 Carpets and other textile floor coverings, tufted, whether or not made up, other

**SAMPLE U.S. CUSTOMS ENTRY FORM 7501**

35-1, 1-2001 10-59am From Trade Compliance

002441306

1 187 P 003/002 F-366

DEPARTMENT OF HOMELAND SECURITY U.S. Customs and Border Protection ENTRY SUMMARY				1. Filer Code/Entry No. AWC 000	2. Entry Type 01 ABI/A	3. Summary Date 10/04/2006
				4. Surety No.	5. Bond Type 8	6. Port Code 2704
				7. Entry Date 09/24/2006		
E. Importing Carrier		8. Mode of Transport 11		10. Country of Origin TR		11. Import Date 09/24/2006
12. Bill of Lading No.		13. Manufacturer ID		14. Exporting Country TR		16. Export Date 08/30/2006
16. I.T. No.	17. I.T. Date	15. Misting Docs	18. Foreign Port of Loading 55735		20. U.S. Port of Unloading 2704	
21. Location of Goods/B.O. No.		22. Consignee No. SAME		23. Importer No.		24. Reference No.
25. Ultimate Consignee Name and Address				28. Importer of Record Name and Address		
City _____ State IN Zip _____				City _____ State IN Zip _____		
27. Line No.	29. Description of Merchandise		32. A. Entered Value B. CHGS C. Relationship	33. A. HTSUS Rate B. ADCVD Rate C. IRC Rate D. Vase No.	34. Duty and Defers	35. I.R. Tax Cmts
001 A	A. HTSUS No. W465000914 B. ADCVD CRSS No. 4015.19.1010	B. BOPCER1365LY C. Manifest Qty. 16940 D. Net Quantity in HTSUS Units 112500 DPR	NOT RELATED  \$1840 C3959	2700 CABS  FREE 0.125% 0.21%		0.00  64.00 108.86
INVOICE 00001 DISPOSED SHAMLES RUBBER GL HARBOR MAINTENANCE FEE MERCHANDISE PROCESSING FEE				<b>AS ENTERED</b>		
Other Fee Summary to Block 39				36. Total Entered Value		37. Out
Duty \$ 105.86 Defers \$ 56.7				\$ 51,840.00		38. Tax
				Total Other Fees \$ 173.66		39. Other
38. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT				REASON CODE		40. Total
I declare that I am the <input type="checkbox"/> importer of record and that the actual owner, purchaser, or consignee for CBP purposes is as shown above, OR <input checked="" type="checkbox"/> owner or purchaser or agent thereof. I further declare that the merchandise was obtained pursuant to a purchase or agreement to purchase and the prices set forth in the invoice are true, OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in this entry are true to the best of my knowledge and belief. I also declare that the statements in this document have been fully disclosed to me by my knowledge and belief of the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and I will immediately furnish to the appropriate CBP office any information showing a different statement of facts.				AS ENTERED		173.66
41. DECLARANT NAME				43. Signature		DATE 10/13/2006
42. Broker/Importer Information (Name, address, phone number)				44. Broker/Importer File No. 6841		

CBP Form 7501 (04/05)

IMPORTER

RECORD