

Expanding Kazakhstan's Exports under the GSP Program



**Office of the U.S. Trade Representative
Executive Office of the President
April 2008**

Summary of Presentation

- U.S. imports from Kazakhstan through the U.S. Generalized System of Preferences (GSP) Program
- Using the U.S. GSP program
- Increasing Kazakhstan's exports under GSP

GSP Program

- **Kazakhstan became a GSP beneficiary on March 4, 1994**
- **GSP provides duty-free treatment to 3,400 types of exports from Kazakhstan**
- **Gives Kazakhstan exports an advantage in U.S. market – lower cost to U.S. importers**
- **GSP is a major source of U.S. imports: \$30.8 billion in 2007**

U.S. Imports from Kazakhstan Under GSP

- **\$420 million in 2007; 2006: \$483 million; 2005: \$206 million**
- **Kazakhstan is 11th largest user of GSP benefits (2007)**
- **34 percent of all U.S. imports from Kazakhstan enter under GSP – one of the highest percentages of U.S. imports under GSP from any country**
- **Just 28 product types enter under GSP**

Top U.S. Imports from Kazakhstan under GSP

- **Top U.S. imports from Kazakhstan entering under GSP in 2007 were:**
 - **Unwrought zinc (\$172 million) – increase of 753 percent over 2006; \$2.6 million saved in duties (1.5%)**
 - **Ferrochromium (\$160 million) – increase of 89 percent; \$3 million saved in duties (1.9%)**
 - **Ferrosilicon chromium (\$31 million) – increase of 34 percent; \$3.1 million saved in duties (10%)**

Other Top U.S. Imports from Kazakhstan under GSP

- **Ammonium perrhenate: \$21.8m (3.1%)**
- **Ferrochromium, chromium trioxide, tantalum**
- **Wheat gluten: \$964,700 (6.8%)**
- **Gold jewelry: \$890,000 (5.5%), but...U.S. imports dropped from \$5.3m in 2006.**
- **Non-metal imports very small**

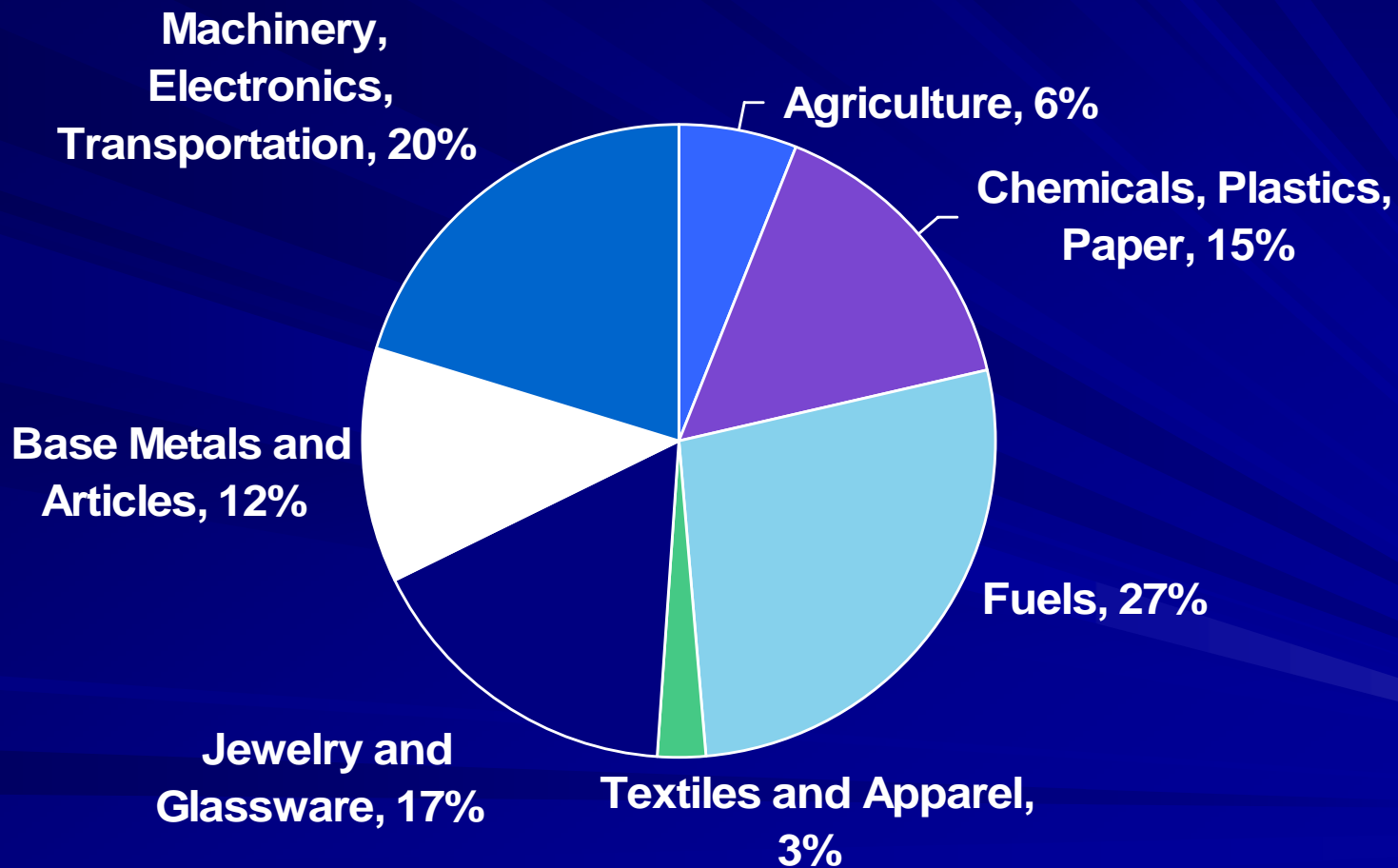
Kazakhstan is losing GSP eligibility for important exports

- **Copper cathodes: GSP ended July 1, 2007 (no trade after that in 2007)**
- **Ammonium perrhenate: July 2007**
- ***Ferrochromium (>4% carbon): July 2008***
- ***Unwrought zinc: July 2008***

Which Products are Eligible for Duty-Free GSP Treatment?

- **Eligible**: manufactured items and inputs, jewelry, skins, many carpets, certain agricultural products, chemicals, marble, and minerals
- **Not eligible**: most textiles and leather goods, footwear, home décor textiles

Types of U.S. imports that received GSP duty-free treatment in 2006



How to Qualify for duty-free treatment under GSP

- (1) Product included in list of GSP-eligible articles***
- (2) Exported directly to U.S. or pass through another country under a “through bill of lading” to the U.S.**
- (3) Growth or product of Kazakhstan, or if imported input, local content & processing equal 35% of product value**
- (4) Importer must request duty-free treatment for item by writing an “A” on the U.S. Customs Entry Form (tariff refunds can be requested)**

*** A: GSP-eligible from all countries: A* one ore more countries no longer eligible; A+: only LDCs eligible**

1) *GSP eligibility*

Product must be included in U.S. tariff list of GSP-eligible articles: Free (A...) or Free (A+...) in last column on right

- Or use this lookup address on the web:
http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp

6307.90.75	00	Toys for pets, of textile materials	No. kg	4.3%	Free (BH,CA, CL,E*,IL, J*,JO, MX, P,SG) 1.8% (MA) 3% (AU)
6307.90.85	00	Wall banners, of man-made fibers	kg	5.8% <u>1/</u>	Free (A,BH,CA, CL,E,IL,J, CL,IL,JO, MX, P,SG)

2) Imported directly

Product must be imported directly from Kazakhstan to the United States or pass through another country on a “through bill of lading” with a U.S. destination.

3) Product origin

- **Cost of local inputs and labor must equal 35% of product's FOB price to be from Kazakhstan**
- **If imported item, it must be “substantially transformed” in Kazakhstan and then used in product production**
- **“Substantially transformed” means the item's name, character, or use differs from when it was imported**

4) GSP must be requested

**U.S. importer (not exporter) MUST REQUEST
duty-free treatment for the item**

- **Is NOT automatic**
- **Importer writes an “A” before tariff number on Customs entry form 7501**
- **If importer makes a mistake and does not request GSP: can file a “Post-Entry Amendment” to U.S. Customs within 294 days**

Make sure importer marks an "A" before the tariff number on the form!

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	
8. Importing Carrier		9. Mode of Transport 11	10. Country of Origin TR		7. Entry Date 09/24/2006	11. Import Date 09/24/2006	
12. b/L or AWB No.		13. Manufacturer ID	14. Exporting Country TR		6. Port Code 2704	15. Export Date 08/30/2006	
16. I.T. No.	17. I.T. Date	18. Missing Docs	19. Foreign Port of Lading 55735		20. U.S. Port of Unloading 2704		
21. Location of Goods/G.O. No.		22. Consignee No. SAME	23. Importer No.		24. Reference No.		
25. Ultimate Consignee Name and Address				26. Importer of Record Name and Address			
City _____ State IN Zip _____				City _____ State IN Zip _____			
27. Line No.	29. A. HTSUS No. B. AD/CVD Case No.	30. A. Gross Weight B. Manifest Qty.	31. Net Quantity in HTSUS Units	32. A. Entered Value B. CHGS C. Relationship	33. A. HTSUS Rate B. AD/CVD Rate C. IRC Rate D. Visa No.	34. Duty and I.R. Tax Dollars Cents	
	M W465000914	H B08CER1369LY		NOT RELATED	2700 CASES		
01	INVOICE 00001						
A	DISPOSBL SEAMLES RUBBER GL #015.19.1010	16940	112500 DPR	51840 C3959	FREE	0.00	
	HARBOR MAINTENANCE FEE				0.125%	64.80	
	MERCHANDISE PROCESSING FEE				0.21%	108.86	
				AS ENTERED			
Other Fee Summary for Block 39				35. Total Entered Value		37. Duty	
MPT 499 108.86 EMP 501 64.80				\$ 51,840.00			
				Total Other Fees		38. Tax	
				\$ 173.66		173.66	
36. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT				CBP USE ONLY		TOTALS	
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 <input checked="" type="checkbox"/> was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoices are true, OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoices as to value or price are true to the best of my knowledge and belief. I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate CBP officer any information showing a different statement of facts.				A. UIC CODE 359		B. Ascertained Duty	
				REASON CODE		C. Ascertained Tax	
				[Signature]		D. Ascertained Other	
						E. Ascertained Total	
41. DECLARANT NAME _____ TITLE _____				43. Broker/Importer File No. 6841		40. Total 173.66	
				[Signature]		DATE 10/12/2006	
42. Broker/Filer Information (Name, address, phone number)							

For agricultural exports

- **FDA/USDA certifications required**
- **Products must be free from microbial contamination, foreign material, pests, diseases, and chemical residues**
- **Care must be taken during each step:**
 - **Production – Packing – Shipping (fresh products)**
 - **Production - Processing – Packaging – Packing – Shipping (processed products)**

Producer/exporter required to keep records for five years

- **Verification of 35 percent rule-of-origin:**
 - Dated invoices for materials used to produce good and from where
 - Description of product, quantity, and costs
- **If processing operations are involved:**
 - Description of processing and location
 - Direct costs of processing operations
- **For agricultural exports:**
 - Producer's statement verifying on which farm and town the product is grown
 - Description of product and quantity
 - Dated invoices for costs incurred

Expand use of GSP benefits

- 1. Apply for waivers of eligibility limitations**
- 2. Ensure eligible products get GSP duty-free treatment (96% of all eligible did in 2007)**
- 3. Increase exports of current GSP-eligible products (especially non-metals, non-chemicals)**
- 4. Identify exports to other countries that would get GSP if exported to U.S.**
- 5. Export more consumer items, including handicrafts and home décor items**
- 6. Use the internet to tell your story and find buyers for consumer goods**

How imports lose GSP eligibility

- **Statutory limits, called “competitive need limitations,” provide a ceiling on GSP benefits for each product and beneficiary country.**
- **For example, Kazakhstan will automatically lose its GSP eligibility with respect to a product if the competitive need limitations are exceeded (and if no waiver is granted).**

How imports lose GSP eligibility

The competitive need limitations in the GSP law require the termination of a country's GSP eligibility for a product if - during any calendar year - U.S. imports from that country:

- 1. Account for 50 percent or more of the value of total U.S. imports of that product; or**
- 2. Exceed a certain dollar value (\$130 million in 2007; \$135 million in 2008, and will be \$140 million in 2009).**

How imports lose GSP eligibility

- **When its annual trade from a country exceeds one of the limits, an import is “sufficiently competitive”**
- **So, GSP treatment for that import then ends on July 1 of the next year.**
- **BUT – a petition can be submitted in mid-November and, if approved, a waiver of the limits is approved and GSP treatment continues**

Claim the GSP savings!

- **Kazakhstan is doing well! U.S. imported \$437 million in GSP-eligible goods in 2007**
- **U.S. importers did not claim just \$17million (\$11 million duties paid)**
- **However, average duty on items not claimed under GSP was 2.6%, as compared to items claimed (1.9%)**

Claim the GSP savings

U.S. importers did not claim these exports under GSP (2006-2007):

- **Tantalum (\$20 million: \$546,800 duties paid at 2.5 - 4.4%)**
- **Caviar (\$361,191: \$54,179 at 15%)**
- **Microwave ovens (\$31,372 paid at 2%)**
- **Wood articles (\$14,692: \$485 paid at 3.3%)**

Identify GSP-eligible Items that Kazakhstan exports to other markets

For example, Kazakhstan exports to the European Union give an idea of articles that could benefit from GSP if exported to the United States:

- Copper articles**
- Zinc articles**
- Jewelry and other items of precious stones & metals**
- Hides and skins**
- Electrical machinery**
- Cereals**

Marketing consumer items

- **Look at U.S. design trends (online catalogs). U.S. consumers want items that are:**
 - **“natural” or “organic”**
 - **“sustainable”**
 - **“socially conscious”**
- **Attach a story about you, your product, your company, or your community**

Hints for Consumer Items

- Google “your product” for design trends
- Upload a video on YouTube.com:
http://www.youtube.com/watch?v=PRGxHwjc_iDY is a video about jewelry from Nepal
- Look at websites that market your items:
 - www.fairindigo.com, www.etsy.com,
www.buyhandmade.org, www.fabsugar.com,
www.style.com

Export jewelry and home décor items duty-free: strong U.S. demand

- **Jewelry: gold and silver (5-11% saved)**
- **Wood statues, boxes, and tableware (3.2 - 10.9%)**
- **Leather belts and bandoliers (2.7%)**
- **Carpets and rugs (6%)**
- **Ceramic houseware articles (6 - 9.8%)**
- **Woven baskets and bags (6.6%)**
- **Woven wall hangings and pictures (DF)**

Export Handicrafts under GSP

Under a certified textile handicraft agreement between Kazakhstan and the U.S.:

- Artisans can export duty-free...**
 - hand-loomed fabrics (3% duty saved)**
 - hand-loomed and folklore wall hangings and pillow covers (3.8% duty saved)**
- ...when the Kazakhstan government certifies them as hand-made.**

Letter was given to Kazakhstan in August 2007 in response to interest from the Kazakhstan government.

Outreach and Education

■ Outreach tools

- seminars (in-person, via teleconference, videoconference);**
- GSP guides and export analyses for the government, Chambers of Commerce, NGOs, artisan groups, and other organizations**
- news articles and public service radio announcements**

■ USTR also works with key U.S. importer groups

Questions?

Office of the U.S. Trade Representative

GSP guidebook, lists of GSP-eligible and ineligible products, notices:

- http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html
- Info in Arabic and French!

U.S. Tariff Schedule

- <http://www.usitc.gov/tata/hts>
- http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp

For Additional Information

- **Foreign Agricultural Service:**
agankara@fas.usda.gov
- **Department of Homeland Security:**
Customs & Border Protection:
<http://www.customs.gov/xp/cgov/import/>
 - **Customs Entry Form 7501:**
<https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-7501-form.xft>
 - <http://www.customs.treas.gov/xp/cgov/toolbox/publications/>

Thank you!

