

Turkey and the U.S. Generalized System of Preferences (GSP) Program

The U.S. GSP program began operation in 1974. It provides preferential duty-free treatment for 3,474 products from 131 designated beneficiary developing countries, including Turkey. U.S. imports under GSP in 2006 from all beneficiaries totaled USD 32.6 billion, an increase of 22 percent over 2005. Non-petroleum U.S. imports under GSP have increased 6 percent from January through April 2007, as compared to the same period last year.

What's GSP Eligible (and Not): most dutiable manufactured items and inputs; certain agricultural, fishery, and primary industrial products. Not eligible for GSP are textiles and apparel made with cotton, wool, manmade fiber, other vegetable fiber (linen and ramie); watches; certain footwear and handbags; luggage; flat goods not of silk; work gloves; and other leather items.

Turkey's Success Using GSP Preferences

Approximately 20 percent of all U.S. imports from Turkey entered under the GSP program from 2004 through 2006. In the first four months of 2007, this percentage has increased to 24 percent, while overall U.S. imports of Turkey dropped 15 percent. The 2006 trade value of U.S. imports from Turkey entering under the GSP program (USD 1.13 billion) ranked the country as the six largest user of GSP benefits among 131 beneficiary countries. Based on trade data for January through April 2007, U.S. imports under GSP from Turkey exceeded USD 374 million, up 2.7 percent over the same period last year. Top U.S. imports from Turkey under the GSP program in 2006 included gold jewelry, refined copper wire, monumental building stone, parts for motor vehicle power trains, and shotguns. Turkey exported duty-free, in 2006, GSP-claimed products in 26 percent (913) of the 3474 GSP-eligible tariff lines.

Among all GSP exporting countries in 2006, Turkey was the top GSP supplier of gold necklaces and neck chains, and is in the top ranks of GSP suppliers of other gold jewelry, unclad aluminum alloy sheets/plates, silver jewelry, and bus and truck radial tires. Importers of GSP-claimed exports from Turkey saved over USD 47.5 million in foregone duties in 2006, based on an effective average duty of Turkey's GSP-claimed exports of 4.2 percent.

Turkey is unique among all GSP beneficiaries for its diversity and strength in GSP-claimed (and unclaimed) eligible textiles and apparel exports, including woven silk fabrics; headbands; carpets; shawls, women's/girls' apparel, and handkerchiefs all containing 70 percent silk; wall banners; national flags; rubber outer soles; hairnets; headgear and even umbrellas that enter the United States duty-free. Duties saved on these items are as high as 15 percent.

Opportunities for Turkey to be more Competitive in the U.S. Market through GSP

Claim the Savings: U.S. importers of Turkish exports are paying more duties and claiming GSP duty-treatment for fewer GSP-eligible exports this year than they did in 2005. This means U.S. importers are likely paying unnecessary duties on Turkish imports more and more each year, making these products less competitive in the U.S. market. For example, in 2005, importers claimed GSP duty-free treatment for 93 percent of all GSP-eligible U.S. imports. For the first four months of 2007, that percentage has dropped to 88 percent. One reason may be that these products did not GSP rules of origin. A more likely reason for this problem, especially when some shipments of the same product claim GSP and others do not, is that the U.S. importers are not properly marking the U.S. customs entry forms (inserting just an "A" before the tariff number). Examples of U.S. imports with the largest value of shipments not being claimed under GSP in 2006 and thus far in 2007 were: national flags of textile materials (paid USD 233,000 in duties @ 7 percent); telescopic sights for rifles (14.9 percent duty), silver jewelry (13.5 percent duty) and imitation jewelry (11 percent duty), and prepared vegetables (11.2 percent duty).

Direct New Types of Exports to the United States: Many of Turkey's exports to other trading partners are not exported to the United States in significant quantities. If the United States imported these products from Turkey, they could enter duty-free so would be competitive in the U.S. market. Examples are color TV sets with or without DVD players (HTS 852812); certain motor engine parts ((HTS 840999); other motor vehicles accessories (HTS 870899), motor vehicles carrying more than ten passengers ((HTS 870210), and certain prepared nuts and seeds - not peanuts (HTS 200819).

Export Turkish Handicrafts: Many handicrafts are duty-free when exported to the United States, such as jewelry; traditional games; art; certain carpets and rugs; wooden statuettes, decorated boxes, and other wood ornaments; wind, string, percussion, and some keyboard musical instruments; framed and unframed mirrors; picture frames; baskets and bags of bamboo, rattan, palm leaf and vegetable material most often not wickerwork (plaited or woven plaits or twigs). Turkish artisans can also export hand-loomed and folklore wall hangings and pillow covers, as well as certain handwoven textile floor coverings duty-free under

the Turkey-United States "certified textile handicraft arrangement" when these exports are certified by the Turkish government to hand-loomed and of a folkloric nature.

How does an import receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- included in the list of GSP-eligible articles.¹
- imported into the United States directly from Turkey or pass through another country in a sealed container.
- be the growth, product, or manufacture of Turkey.
- If product inputs are imported into Turkey, the sum of the cost or value of the Turkish 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 Turkish 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.
- The exporter/importer must request duty-free treatment under GSP by placing an "A," "A+," or "A*²" before the U.S. tariff line (HTSUS) number that identifies the imported article on the U.S. Customs Entry Form 7501 (see below).³

35-1.1-2001 10.58am From Trade Corp Invoice 202341206 1 187 P 002/002 F-356

DEPARTMENT OF HOMELAND SECURITY
U.S. Customs and Border Protection
ENTRY SUMMARY

1. Entry Code/Entry No. BWC 000		12. Entry Type 01 ABI/A		3. Summary Date 10/04/2006	
7. Surety No. 8		8. Bond Type 2704		7. Entry Date 09/24/2006	
2. Importing Carrier		5. Mode of Transport 11		10. Country of Origin TR	
12. Name of Shipper		13. Manufacturer ID		14. Exporting Country TR	
16. I.T. No.		17. I.T. Date		18. Foreign Port of Loading 55735	
19. Location of Goods (G.O. No.)		22. Consignee No. SAME		20. U.S. Port of Unloading 2704	
21. Ultimate Consignee Name and Address		23. Importer No.		24. Reference No.	
25. Description of Merchandise		A. HTSUS No. 9405.19.1010		A. Entered Value 51840	
26. Invoice No. INVOICE 00001		B. Gross Weight 16940		B. AD/CVD Rate FREE	
27. U.S. Port of Unloading 001		C. Net Quantity in HTSUS Units 112500		C. INC Rate 0.125%	
28. Description of Merchandise DISPOSABLE SHAMLES RUBBER GL		D. Manifest City BOSGCR1369LY		D. Duty Rate 0.21%	
29. Description of Merchandise HARBOR MAINTENANCE FEE		E. Relationship AS ENTERED		E. Duty Rate 0.00	
30. Description of Merchandise MERCHANDISE PROCESSING FEE		F. Duty Rate 0.00		F. Duty Rate 0.00	
31. Total Entered Value 51,840.00		32. Total Other Fees 173.66		33. Total 52,013.66	
34. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent		35. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent		36. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent	
37. Declarant Name		38. Title		39. Date 10/13/2006	
40. Broker/Importer Information (Name, address, phone number)		41. Broker/Importer File No. 6841		42. Date 10/13/2006	

CBP Form 7501 (04/05)

¹ 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

² "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 which certain supplying countries have become ineligible for GSP duty-free treatment.

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