

**OFFICE OF THE U.S. TRADE REPRESENTATIVE
U.S. Generalized System of Preferences (GSP) Program**

Progress Report

GSP certified textile handicraft arrangement

Last year, Minister Jargalsaikhan requested initiation of a GSP Certified Handicraft Agreement. USTR responded with a formal letter setting out the terms of the agreement. USTR and the State Department have been working with Mongolia to provide the government's formal acknowledgement of and agreement to the text of USTR's letter. This includes that the Government of Mongolia will be the entity to certify and stamp that the goods to be exported under the Agreement are either: handloomed fabrics of a cottage industry; items handmade by a cottage industry; or traditional handicraft textile products. Following the Government's acknowledgement and agreement, we will work with the Government to construct the necessary stamp to be used for certification and complete these necessary steps to complete the arrangement.

The agreement will allow the United States to give duty-free treatment to U.S. imports, certified by the beneficiary country as hand-loomed and folklore, to wall hangings (HTS 6304.99.10) and hand-loomed and folklore pillow covers (HTS 6304.99.40). The duty assessed on both products is 3.8 percent.

Outreach to exporters

Immediately following the March 2007 TIFA in Ulaanbataar, USTR, State, MNCCI, and CHF staff provided five workshops in Ulaanbaatar, Erdenet, and Darhan to approximately 120 producers of textile and apparel items, art and crafts, agriculturalists, mining industry, government officials and others on how to make use of the duty-free tariff treatment available under the Generalized System of Preferences (GSP) Program. A summary of the information provided at the workshops follows this Progress Report (but has been updated to include trade data from January through August 2007).

Additional Information on Marketing and Exporting Mongolian Handicrafts and Home Décor Items

Since March, USTR has worked with staff at CHF International's Crafts Center and Ger Project to provide advice on marketing Mongolian handicrafts and on the products' tariff treatment and sanitary/phytosanitary requirements to gain entry into the United States. At a recent meeting in October with Chairman Demberel of the MNCCI, USTR discussed additional ways to expand exports of Mongolian handicrafts to the United States.

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

Congress created the U.S. GSP program in 1974, with broad bipartisan support, to expand the choices of American industry and consumers while creating economic opportunities in developing countries. The GSP program provides preferential duty-free treatment for 3,400 products from 131 designated beneficiary developing countries (BDCs) and territories. In 1996, an additional 1,450 articles from least-developed beneficiary developing countries (LDBDCs) were made eligible for duty-free treatment. There are currently 43 least-developed GSP beneficiaries. U.S. imports under GSP in 2006 from all beneficiaries totaled \$32.6 billion, an increase of 22 percent over 2005.

The combined GSP-eligible product lists include most dutiable manufactures and semi-manufactures, and certain agricultural, fishery, and primary industrial products. Top U.S. imports under GSP in 2006 were petroleum, gold jewelry, aluminum alloy products, refined copper cathodes, methanol, and silver jewelry. U.S. imports from Mongolia in 2006 included tungsten concentrates, plastic hangars, plastic household and toilet articles, plastic articles of apparel and clothing accessories, and fur headgear. In the first eight months of 2007, the most significant GSP-eligible U.S. imports from Mongolia were tungsten concentrates, plastic hangars (most not claimed under GSP), dead animals, rubber gaskets, and national flags (not claimed under GSP).

Some articles are prohibited by the GSP statute from receiving GSP treatment, including textiles produced with cotton, wool, manmade fiber, other vegetable fiber (linen and ramie); watches; certain footwear and handbags; luggage; flat goods not made of silk; work gloves; and other leather items. GSP-eligible textiles and apparel are listed in Attachment A.

How does an import receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- It must be included in the list of GSP-eligible articles.¹
- It must be imported into the United States directly from the GSP beneficiary or pass through another country through a bill of lading.
- The article must be the growth, product, or manufacture of the GSP beneficiary.
- When product inputs are imported from outside of the GSP beneficiary country, the sum of the cost or value of materials produced in the beneficiary country, plus the direct costs of processing, must equal at least 35 percent of the product's appraised value when the product is sold for export into the United States. Imported materials can be counted toward the 35 percent value-added requirement only if they are "substantially transformed" into new and different constituent materials that are then used to produce or manufacture the eligible article to be exported. "Substantially transformed" means that U.S. customs would classify the constituent materials as different items. (See Attachment B for a more complete discussion.)
- The exporter must make sure the importer requests duty-free treatment under GSP by placing an "A," before the U.S. tariff line (HTSUS) number that identifies the import on the customs entry form. (See the Customs Form included on Page 5)

What documents are needed to ensure GSP duty-free treatment?

- For agricultural exports:
 1. Producer's statement verifying which town and farm the product is grown on
 2. Description of product and quantity
 3. Dated invoices for costs incurred
- To verify 35 percent rule of origin rule
 1. Dated invoices for materials used to produce good and from where

¹ The Harmonized Tariff System of the United States is available at www.usitc.gov/tata/hts. Published classification rulings are available at <http://rulings.cbp.gov>. Additional information about customs procedures and importing into the United States is available at www.cbp.gov.

- 2. Description of product and quantity
- If processing operations are involved:
 1. Description of processing and location
 2. Direct costs of processing operations
- NOTE: Must keep all documents for at least 5 years

Snapshot of Mongolia's Economy

Economic activity in Mongolia has traditionally been based on herding and agriculture. The main agricultural products are wheat, barley, vegetables, forage crops; sheep, goats, cattle, camels, and horses.

Mongolia also has extensive mineral deposits. Copper, coal, molybdenum, tin, tungsten and gold account for a large part of industrial production. The main industries are construction and construction materials; mining (coal, copper, molybdenum, fluorspar, tin, tungsten, and gold); food and beverages; processing of animal products, cashmere and natural fiber manufacturing.

Mongolia's main export commodities in 2005 were copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar and other nonferrous metals. The major export markets in 2005 were China (48.1 percent), United States (14.2 percent), Canada (11.6 percent), United Kingdom (8.3 percent) and South Korea (6.2 percent).

U.S. Imports from Mongolia under the GSP Program (see Chart One)

- U.S. imports from Mongolia under GSP in 2006 were \$530,116, accounting for only 0.5 percent of overall U.S. imports from Mongolia. This is more than double the 2005 figures, where full-year U.S. GSP imports from Mongolia were \$161,915, or 0.1 percent of overall U.S. imports from Mongolia. U.S. imports from Mongolia under the GSP program from January to August 2007 were \$444,065. This is almost triple the 2006 YTD figures, which were \$161,582, and is largely due to the increase in U.S. imports of tungsten concentrates that have entered duty-free under GSP thus far in 2007.
- GSP imports from Mongolia account for about 0.5 percent of all U.S. imports from the country. Mongolia is also a beneficiary of other GSP programs, including those of the European Union (EU), Japan, and New Zealand.

GSP-eligible products from Mongolia for which GSP benefit were not claimed (see Chart Two)

- Approximately \$382,319 in U.S. imports from Mongolia were eligible for duty-free entry under GSP, but were not claimed under the GSP program during 2006.
- From January to August 2007, \$346,852 in U.S. imports from Mongolia were eligible for duty-free entry under GSP, but were not claimed.
- As a result, Mongolia's utilization for January through August 2007 was 56 percent. This is well below the global 2005 GSP utilization rate average of approximately 88 percent.
- Items which did not receive duty-free treatment under GSP from Mongolia were \$282,208 in plastic hangers (for which \$8466 in tariffs @ 3 percent were paid unnecessarily) and \$2,377 in national flags (for which a 7 percent tariff was paid unnecessarily).
- GSP utilization rates in 2007 for plastic hangars have been just 11 percent and for national flags is zero percent. This translates into money being paid by U.S. importers for Mongolian exports when they could have entered duty-free under GSP.

Opportunities for Increasing Mongolia's Use of GSP Duty-Free Benefits

- Ensure that the entry forms of all GSP-eligible products are properly marked with an A so that unnecessary duties are not paid for GSP-eligible exports from Mongolia. (see Customs Entry Form on Page 5)

- Identify and increase exports of GSP-eligible textile and apparel products (see list below and Attachment A for complete list).
- Identify what Mongolia is exporting to other countries (e.g., the European Union and Japan, which present similar shipping challenges) to see if those products could be exported to the United States and receive U.S. duty-free treatment (see Chart Three).
- Determine potential mineral exports that are GSP-eligible.
- Conclude a certified textile handicraft arrangement with the United States so that certain wall-hangings and pillow covers can enter duty-free.
- The following GSP-eligible articles were sent to China in 2006, but could also be sent to the U.S.: Approximately \$845 million in U.S. imports of copper ores and concentrates (HTS 260300), \$13 million of fine animal hair (HTS 510219), and \$12.7 million in nuts (HTS 80290).
- An average of \$82 million of unwrought gold (HTS 710812) was globally exported from 2003-2006. However, this product, which is GSP-eligible, was not exported to the U.S. but could potentially be sent.

Increase Exports of GSP-eligible Textile and Apparel Articles

Increase GSP-eligible textile and apparel exports: cashmere

- 51031000: Noils of wool or of fine animal hair (0.4%)
- 51032000: Other waste of wool or of fine animal hair, (2.6 cents per kg)
- 57025120: Floor coverings (hand-woven and not of pile construction) (4.3%)
- 57031020: Tufted hand-hooked carpets & other floor coverings of wool or fine animal hair (6%)
- 51161008: Sports gloves, mitts, and mittens (2.8%)
- 63049940: Certified hand-loomed and folklore wall hangings of wool or fine animal hair
- 63049910: Certified hand-loomed and folklore pillow covers of wool or fine animal hair
- 65069900: Headgear of materials other than rubber, plastics, or furskins, whether or not lined or trimmed

Increase GSP-eligible textile and apparel exports: fur

- 65010060: Hat forms, bodies and hoods of fur felt for women or girls
- 65069200: Headgear of furskin, whether or not lined or trimmed

These products would need, according to the HTSUS product description, to contain 70% or more of silk or silk waste, so technically could be blended with up to 30% or less cashmere:

- 61171040 Shawls, scarves, etc. knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 61178085 Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk knitted or crocheted
- 62131010 Handkerchiefs, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62141010 Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62171085 Headbands, ponytail holders & similar articles, of textile materials other than containing less than 70% by weight of silk knitted or crocheted
- 62043960 Women's or girls' suit-type jackets and blazer, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62044910 Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste

Consider exporting industrial products to the U.S. duty-free under GSP

- Copper ores, concentrates, oxides, sulfate and products of copper
- Ash and residues containing mainly zinc or tungsten
- Distillates of high-temperature coal tar
- Tin: chemicals, alloys, many products

- Gold: compounds and jewelry

Export Mongolia's competitive GSP-eligible products in the U.S. market

- Bovine and equine leather
- Copper ores and concentrates
- Gold in semi-manufactured forms
- Other minerals (earlier slide)
- Preserved meat and offal of bovine animals
- Raw hides and skins of bovine/equine animals
- Wool, not carded or combed
- "Food, beverages, and tobacco"

Potential U.S. Imports under GSP - based on World, EU and Japan Imports from Mongolia

There are a number of potentially GSP-eligible tariff lines with relatively low (or non-existent) U.S. imports over the 2003-05 period but relatively strong EU and Japan imports from Mongolia (at least \$10,000 on an average annual basis) or world imports from Mongolia exceeding \$50,000. (See chart below.) Such products include soups and broths, silicon, certain cleaning agents, stearic acid, certain plastics (polymethyl methacrylate and polyethylene terephthalate, and other miscellaneous plastics articles), leather skins, furskins, wood products (doors, tableware, kitchenware, and other wood articles), wool and fine animal hair waste, certain synthetic fiber gloves, textile furnishing articles, disposable footwear, imitation jewelry, ferroalloys, taps, cocks, and valves, and storage batteries.

It should be noted that only HS 6-digit sectors with average AVE tariffs of 3 percent or higher were included in this list. In addition, certain HS6 sectors, such as those including synthetic fiber gloves, textile furnishing articles, and footwear, may include items that are not GSP-eligible and represent significant sensitivities vis-à-vis U.S. domestic manufacturers.

Need more information?

Mongolian Chamber of Commerce: chamber@mongolchamber.mn.

Office of the U.S. Trade Representative Website:

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

- http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

U.S. Tariff Schedule:

- <http://www.usitc.gov/tata/hts>

Potential exports to the U.S. and elsewhere:

- <http://www.intracen.org/menus/countries.htm>

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/>

U.S. Customs Entry Form

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

1. 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		10. Country of Origin TR		11. In port Date 09/24/2006	
12. Bill of Lading No.		13. Manufacturer ID		14. Exporting Country TR	
15. Date of Lading 55735		16. Date of Lading 2/04		17. U.S. Port of Lading	
18. Location of Goods/B.D. No.		19. Consignee No. SAME		20. Importer No.	
21. Ultimate Consignee Name and address		22. Consignee Name and address		23. Reference No.	
24. City IN Zip		25. City IN Zip		26. City IN Zip	
27. Line No.		28. Description of Merchandise		29. A. HTSUS Rate B. AD/CVD Rate C. IRC Rate D. Visa No.	
30. A. HTSUS No. B. AD/CVD Code No.		31. A. Gross Weight B. Manifest Qty. C. Net Quantity in HTSUS Units		32. A. Entered Value B. CHGS C. Relationship	
33. INVOICE 00001 DISPOSABLE SEAMLES RUBBER GL 4015.19.1010 16940 112500 DDR		34. 2700 CASES		35. A. HTSUS Rate B. AD/CVD Rate C. IRC Rate D. Visa No.	
36. HARBOR MAINTENANCE FEE MERCHANDISE PROCESSING FEE		37. NOT RELATED		38. A. HTSUS Rate B. AD/CVD Rate C. IRC Rate D. Visa No.	
39. \$1640 FREE		40. \$0.00		41. \$64.00	
42. \$0.21%		43. \$108.85		44. AS ENTERED	
45. Other Fee Summary to Block 39		46. Total Entered Value		47. CBP USE ONLY	
48. \$173.66		49. \$51,640.00		50. A. DO CODE B. Ascertained Duty C. Ascertained Tax D. Ascertained Other E. Ascertained Total	
51. \$173.66		52. \$173.66		53. \$173.66	
54. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT		55. Signature		56. DATE 10/12/2006	
57. 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 invoice as to value or price 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 to the best of my knowledge and belief of the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that the goods or services provided to the holder of the merchandise either free of or reduced cost are fully disclosed. I will immediately furnish to the appropriate CBP office any information showing a different statement of value.		58. Broker/Importer File No. 6841		59. CBP Form 601 (04/05)	
60. Signature		61. Title		62. RECORD	

Chart One

All Import Commodities: Customs Value by HTS Number and Customs Value that U.S. importers claimed and which entered under GSP from Mongolia (in US dollars)

HTS Number	2003	2004	2005	2006	2006 YTD	2007 YTD	Percent Change YTD2006 - YTD2007
	<i>In Actual Dollars</i>						
26110060 Tungsten Concentrates	45,870	85,406	75,883	367,176	0	404,899	N/A
39239000 Articles nesoi, for the conveyance or packing of goods, of plastics, plastic hangars	41,566	35,989	77,632	145,614	145,614	36,026	-75.3%
05119940 Animal products nesoi; dead animals of chapter 1, unfit for human consumption	0	0	0	0	0	2,140	N/A
39269099 Other articles of plastic, nesoi	0	0	0	0	0	550	N/A
42033000 Belts and bandoliers with or without buckles, of leather or of composition leather	0	20,370	0	0	0	450	N/A
39249055 Household articles and toilet articles, nesoi, of plastics	39,432	0	0	14,173	12,815	0	-100.0%
85167100 Electrothermic coffee or tea makers, for domestic purposes	0	0	8,400	0	0	0	N/A
65069200 Headgear, nesoi, of furskin, whether or not lined or trimmed	0	0	0	349	349	0	-100.0%
39262090 Articles of apparel & clothing accessories, of plastic, nesoi, raincoats	0	0	0	2,804	2,804	0	-100.0%
Total	129,654	141,765	161,915	530,116	161,582	444,065	174.8%

Chart Two

**All Import Commodities: Customs Value by HTS Number and Customs Value
For GSP-eligible (but not claimed) Imports from Mongolia**

(2004 through August 2007 – in US Dollars)

HTS8	DESCRIPTION	YR 2004	YR 2005	YR 2006	YTD Aug. 07	MFN RATE
12099180	Vegetable seeds, nesi, of a kind used for sowing	113,139	0	0	0	1.5 cents/kg
39239000	Articles nesoi, for the conveyance or packing of goods, of plastics	227,534	156,315	143,972	282,208	3%
39261000	Office or school supplies, of plastics	22,511	0	0	0	5.3%
39262090	Articles of apparel & clothing accessories, of plastic, nesoi	32,468	0	10,158	0	5%
39269098	Other articles of plastic, nesoi	10,060	0	0	0	5.3%
40169350	Gaskets, washers and other seals, of noncellular vulcanized rubber other than hard rubber	0	0	0	2,641	2.5%
40169960	Articles of noncellular vulcanized synthetic rubber other than hard rubber	268	0	0	0	2.5%
42010060	Saddlery and harnesses for animals nesoi, (incl. traces, leads, knee pads, muzzles, saddle cloths and bags and the like), of any material	0	300	0	0	2.8%
43031000	Articles of apparel and clothing accessories, of furskins	270	0	0	0	4%
44190080	Wooden tableware and kitchenware, other than forks and spoons	0	2,800	0	0	3.2%
44201000	Wooden statuettes and other wood ornaments	35,270	0	0	0	3.2%
51031000	Noils of wool or of fine animal hair	0	0	45,604	0	2.6 cents/kg
62044910	Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	0	0	320	0	6.9%
63079098	National flags and other made-up articles of textile materials, nesoi	0	1,195	2,473	2,377	7%
67021040	Artificial flowers/foilage/fruit & pts of; articles of art. flowers, etc.; all of plastics, not assembled by binding/gluing/or similar methods	0	16,070	0	0	3.4%
70200060	Articles of glass, not elsewhere specified or included	0	0	2,500	0	5%
71131150	Silver articles of jewelry and parts thereof, nesoi, valued over \$18 per dozen pieces or parts	0	8,975	0	0	5%
73239990	Iron (o/cast)/steel (o/th tinfoil or stainless), table, kitchen (o/th cooking.) or o/household arts & part, n/coated/plated w/prec. Metal	2,815	0	0	0	3.4%
79070010	Zinc, household, table or kitchen use articles; zinc toilet and sanitary wares; zinc parts of all the foregoing	4,056	0	0	0	3%
84828000	Ball or roller bearings nesoi, including combined ball/roller bearings	0	0	9,862	0	5.8%
85016100	AC generators (alternators) of an output not exceeding 75 kVA	0	0	0	23,000	2.5%

85016400	AC generators (alternators) of an output exceeding 750 kVA	0	0	0	11,000	2.4%
85044095	Static converters (for example, rectifiers), nesoi	0	0	14,990	0	1.5%
85167100	Electrothermic coffee or tea makers, for domestic purposes	0	0	4,450	0	3.7%
85318000	Electric sound or visual signaling apparatus, other than burglar or fire alarms or indicator panels incorporating LCD's or LED's	0	0	0	2,250	1.3%
85389080	Other parts nesi, suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	0	0	0	3,194	3.5%
85439088	Parts (other than printed circuit assemblies) of electrical machines and apparatus, having individual functions, nesoi	0	0	34,900	0	2.6%
87082950	Pts. & access. of bodies for mtr. vehicles of headings 8701 to 8705, nesoi	0	0	16,668	0	2.5%
87089981	Pts. & access., nesoi, of motor vehcles of 8701, nesoi, and 8702-8705	0	0	0	40,845	2.5%
90289000	Parts and accessories for gas, liquid or electricity supply or production meters	0	0	75,629	0	3.2%
90308900	Instruments and apparatus for measuring, checking or detecting electrical quantities or ionizing radiations, nesoi: w/o a recording device	0	0	18,283	0	1.7%
90318080	Measuring and checking instruments, appliances and machines, nesoi	0	0	0	12,662	1.7%
94049020	Pillows, cushions and similar furnishings, other than of cotton	4,256	256	0	0	6%
94054080	Electric lamps and lighting fixtures nesoi, not of base metal	0	26,761	0	0	3.9%
94060080	Prefabricated buildings, not of wood	0	0	2,510	5,235	2.9%
TOTALS		452,647	212,672	382,319	346,852	

Chart Three
2003-05 World, EU, and Japan Imports in Sectors with Low U.S. Imports

HS 6-Digit	HS 6-Digit Description	HS6 AVE AVG	Count of 8-Digit GSP "A" USHTS Lines in HS6	World Imports from Mongolia, 2003-05 AVG, in USD	EU Imports from Mongolia, 2003-05 AVG, in USD	Japan Imports from Mongolia, 2003-05 AVG, in USD	U.S. Imports from Mongolia, 2003-05 AVG, in USD
210410	Soups, Broths, and their Preparations	3.2%	3of3	69,687	0	0	0
280469	Silicon, containing by Weight less than 99.99% of Silicon	5.4%	3of6	114,239	0	0	0
340211	Certain Anionic Organic Surface-Active (Cleaning) Agents (Not Soap)	4.7%	9of9	12,094	12,094	0	0
382311	Stearic Acid (Ingredient for Various Products, incl. Soaps, Candles, Cosmetics, Oil Pastels)	7.0%	3of3	18,118	18,118	0	0
390610	Polymethyl Methacrylate, in Primary Forms (Glass Substitute)	6.3%	3of3	13,806	13,806	0	0
390760	Polyethylene Terephthalate, in Primary Forms (Raw Material for Man-Made Fibers)	6.5%	3of3	23,257	0	21,447	0
392690	Miscellaneous Articles of Plastics	4.3%	54of71	24,708	10,358	0	6,028
410791	Certain Prepared Full Grain Unsplit Bovine and Equine Leather	3.2%	15of15	21,158	18,324	0	0
430230	Certain Tanned/Dressed Furskins (Whole, Pieces, or Cuttings)	5.3%	3of3	18,438	17,760	678	0
441820	Wood Doors, Frames, and Thresholds	4.8%	6of6	12,601	12,601	0	0
441900	Wood Tableware and Kitchenware	4.3%	6of6	955,083	0	0	942
442190	Wood blinds, shutters, screens and shades; skewers, candy and ice cream sticks, tongue depressors, drink mixers, other than toothpicks	3.1%	9of27	38,682	34,081	0	0
510320	Noils and Other Waste of Wool and Fine Animal Hair	3.0%	3of3	69,606	26,372	13,223	0
611693	Certain Knitted/Crocheted Synthetic Fiber Gloves, Mittens and Mitts	9.7%	3of16	69,120	333	0	0
630499	Non-Knitted/Non-Crocheted Textile Wall Hangings and Pillow Covers	7.5%	9of18	52,067	48,364	0	3,703
640590	Disposable Footwear	8.2%	3of6	58,613	48,209	0	0
711790	Religious jewelry and miscellaneous Imitation Jewelry (Non-Base Metal)	3.2%	12of16	32,205	32,193	0	0
720299	Miscellaneous Ferroalloys (Raw Material for Steel and Alloys)	4.7%	6of9	62,726	16,332	0	0
848180	Taps, Cocks, and Valves for Pipes and Vats, incl. Thermostatically Controlled Valves	3.7%	12of12	27,599	16,000	0	0
850780	Miscellaneous Storage Batteries	3.4%	6of6	10,422	10,333	0	0

Source: UN trade database (Note: 2005 is the latest year available for World imports from Mongolia)

Attachment A: GSP - Eligible Textile and Apparel and Related Products

50030090	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock) carded or combed	2.5%
50071030	Woven fabrics of noil silk, containing 85 percent or more by weight of silk or silk waste	0.8%
50079030	Woven silk fabrics, containing 85 percent or more by weight of silk or silk waste, nesoi	0.8%
51021960	Fine animal hair (other than Kashmir or camel), not processed beyond the degreased or carbonized condition, not carded or combed	0.4%
51031000	Noils of wool or of fine animal hair	2.6 cents/kg
51032000	Waste, other than noils, of wool or of fine animal hair, including yarn waste but excluding garnetted stock	2.6 cents/kg
51130000	Woven fabrics of coarse animal hair or of horsehair	2.7%
52083120	Dyed plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 100 g/m ²	3%
52083210	Dyed plain weave certified hand-loomed fabrics of cotton, cont. 85% or more cotton by weight, weighing over 100 g/m ² but not over 200 g/m ²	3%
52084120	Plain weave certified hand-loomed fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m ² , of yarns of different colors	3%
52084210	Plain weave certified hand-loomed fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m ² , of yarns of different colors	3%
52085120	Printed certified hand-loomed plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m ²	3%
52085210	Printed certified hand-loomed plain weave fabrics of cotton, 85% or more cotton by weight, wt more than 100 g/m ² but not more than 200 g/m ²	3%
52093130	Dyed, plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing more than 200 g/m ²	3%
52094130	Plain weave certified hand-loomed fabrics of cotton, cont. 85% or more cotton by weight, weighing over 200 g/m ² , of yarns of different colors	3%
52095130	Printed plain weave certified hand-loomed fabrics of cotton, containing 85% or more cotton by weight, weighing more than 200 g/m ²	3%
53012100	Flax, broken or scotched	0.2 cents/kg
53089010	Paper yarn	2.7%
53110060	Woven fabrics of paper yarn	2.7%
54041210	Polypropylene monofilament of 67 decitex or more (not racket strings), and with no cross-sectional dim. > 1 mm, not over 254 mm in length	6.9%
54041910	Racket strings of synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm	2.7%
54050060	Strip and the like of artificial textile materials of an apparent width not exceeding 5 mm	5.8%
56072900	Twine (except binder or baler twine), cordage, rope and cables of sisal or other textile fibers of genus Agave	3.6%
56074110	Binder or baler twine of wide nonfibrillated strip, of polyethylene or polypropylene	2.7%
56074910	Twine (other than binder or baler twine), cordage, rope and cables of wide nonfibrillated strip, of polyethylene or polypropylene	2.7%
56079035	Twine, cordage, rope & cables of abaca or other hard (leaf) fibers, other than stranded construction or stranded n/o 1.88 cm in diameter	3.4%
56089023	Hammocks, of cotton	14.1%
56089030	Knotted netting of twine, cordage or rope or other made-up nets (not fish netting and nets) of textile materials (not cotton/manmade mat.)	5%
57025020	Carpets & other textile floor coverings, not of pile construction, woven but not on a power-driven loom, not made up, of wool/fine animal hair	4.3%
57029130	Floor coverings, not of pile construction, woven not on power-driven loom, made up, of wool or fine animal hairiness	4.3%

57029210	Hand-loomed carpet & other textile floor coverings, not of pile construction, woven, made up, of man-made textile materials, nesi	2.7%
57029905	Hand-loomed carpets and other textile floor coverings, not of pile construction, woven, made up, of cotton	6.8%
57029920	Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi	2.7%
57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	6%
57032010	Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked	5.8%
57033020	Hand-hooked carpets & other textile floor coverings, tufted, whether or not made up, of man-made materials (not nylon/other polyamides)	6%
57039000	Carpets and other textile floor coverings, tufted, whether or not made up, of other textile materials nesoi	3.8%
59031010	Textile fabrics of cotton, impregnated, coated, covered or laminated with polyvinyl chloride	2.7%
59039010	Textile fabrics of cotton, impregnated, coated, covered or laminated with plastics nesoi, other than those of heading 5902	2.7%
59061000	Rubberized textile fabric adhesive tape of a width not exceeding 20 cm (other than fabric of heading 5902)	2.9%
59100010	Transmission or conveyor belts or belting of man-made fibers	4%
59114000	Straining cloth of a kind used in oil presses or the like, of textile material or of human hair	8%
61161008	Other gloves, mittens and mitts, the foregoing specially designed for sports use, incl. ski and snowmobile gloves, mittens and mitts	2.8%
61169208	Gloves, etc., specially designed for sports, including ski and snowmobile gloves, mittens and mitts, knitted or crocheted, of cotton	2.8%
61169308	Gloves, mittens & mitts, for sports use, (incl. ski and snowmobile gloves, etc.), of synthetic fibers	2.8%
61169935	Gloves, mittens & mitts specially designed for sports, including ski and snowmobile gloves, mittens and mitts, of artificial fibers	2.8%
61171040	Shawls, scarves, etc., knitted or crocheted, containing 70% or more by weight of silk or silk waste	1.5%
61178085	Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk, knitted/crocheted	14.6%
62043960	Women's or girls' suit-type jackets and blazers, not knitted/crocheted, of textile materials nesoi, cont. 70% + of silk or silk waste	1%
62044910	Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	6.9%
62101020	Garments, not knitted or crocheted, made up of fabrics of heading 5602 or 5603 formed on a base of paper or covered or lined with paper	2.8%
62139005	Handkerchiefs, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	1.1%
62141010	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more silk or silk waste	1.2%
62160008	Gloves, mittens & mitts, for sports, including ski & snowmobile gloves, etc., not knitted/crocheted, impreg. or cov. with plastic/rubber	0.8%
62160035	Gloves, mittens & mitts, all the foregoing for sports use, including ski & snowmobile gloves, mittens & mitts, of cotton	2.8%
62160046	Gloves, mittens & mitts, for sports use, incl. ski & snowmobile, of man-made fibers, not impregnated/coated with plastics or rubber	2.8%
62171085	Headbands, ponytail holders and similar articles, of textile materials containing < 70% by weight of silk, not knit/crochet	14.6%
63029910	Toilet and kitchen linen of textile materials nesoi, containing 85% or more by weight of silk or silk waste	2.7%

63049910	Wall hangings, not knitted or crocheted, of wool or fine animal hair, the foregoing certified hand-loomed and folklore products	3.8%
63049925	Wall hangings of jute, excluding those of heading 9404	11.3%
63049940	Certified hand-loomed and folklore pillow covers of wool or fine animal hair, not knitted or crocheted	3.8%
63064049	Pneumatic mattresses of textile materials other than of cotton	3.7%
63079085	Wall banners, of man-made fibers	5.8%
63079098	National flags and other made-up articles of textile materials, nesoi	7%
64059020	Disposable footwear, nesoi, designed for one-time use	3.8%
64061072	Uppers for footwear, nesoi, of cotton, w/external surface area less than 50% textile materials	11.2%
64061085	Uppers for footwear, nesoi, of materials nesoi, w/external surface area less than 50% textile materials	4.5%
64062000	Outer soles and heels for footwear, of rubber or plastics	2.7%
64069100	Parts of footwear, nesoi, of wood	2.6%
64069930	Parts of footwear, nesoi; removable insoles, heel cushions, etc; gaiters, leggings, etc, & pts. thereof; all the foregoing of rub./plast.	5.3%
65010060	Hat forms, hat bodies and hoods, not blocked to shape or with made brims; plateaux & manchons; all of fur felt, not for men or boys	96 cents/doz. + 1.4%
65020020	Hat shapes, plaited or assembled from strips, not blocked/lined/trimmed & w/o made brims, of veg. fibers or materials, or paper yarn, sewed	34 cents/doz. + 3.4%
65020040	Hat shapes, plaited or assmbld from strips, n/blocked/lined/trimmed & w/o made brims, of veg. fibers or materials, not sewed/bleached/colored	4%
65040030	Hats and headgear, plaited or assembled from strips of veg. fibers or unspun fibrous veg. materials and/or paper yarn, sewed	6%
65040060	Hats and headgear, plaited or assembled from strips of veg. fibers or unspun fibrous veg. materials and/or paper yarn, not sewed	94 cents/doz. + 4.6%
65051000	Hair-nets of any material, whether or not lined or trimmed	9.4%
65069930	Headgear, nesoi, of furskin, whether or not lined or trimmed	3.3%
65069960	Headgear (other than safety headgear), nesoi, of materials other than rubber, plastics, or furskins, whether or not lined or trimmed	8.5%
66011000	Garden or similar umbrellas	6.5%
66019900	Umbrellas, other than garden or similar umbrellas, w/out a telescopic shaft	8.2%
66020000	Walking-sticks, seat-sticks, whips, riding-crops and the like	4%
66032090	Umbrella frames, including frames mounted on shafts (sticks), other than for hand-held rain umbrellas, nesoi	12%
66039081	Handles, knobs, other parts, trimmings and accessories, for umbrellas, walking-sticks, seat-sticks,whips, riding crops and the like	5.2%
67010030	Articles of feathers or down (other than articles & apparel filled or stuffed with feathers/down and worked quills & scapes)	4.7%

Attachment B: Further Information on Rules of Origin

Examples of the Changes Required to Transform Foreign Raw Materials and Components into Articles that Qualify for Duty-Free Treatment Under GSP

1. Double-Substantial Transformation: Hand-Held Mini Vacuum Cleaner

Situation: Korean resin is imported into Mongolia to be made into a vacuum cleaner under U.S. Harmonized Tariff Schedule (HTS) provision 8509.10. The resin is injection-molded into a vacuum cleaner housing (1st transformation) and then assembled with other components into a complete vacuum cleaner (second transformation). The cost of the Korean resin is counted along with other value-added components in Mongolia to meet the GSP requirement that 35% of the value of the article is of Mongolian origin. That is because the Korean resin was changed into a completely different product in Mongolia twice: as a vacuum cleaner housing, then as a complete vacuum cleaner. This double transformation allows the resin to be counted and the products it was transformed into towards the value that is added in Mongolia.

Housing			Vacuum Cleaner Assembly		
Materials	Country of Origin	Cost	Materials	Country of Origin	Cost
Resin	Korea	\$2.00	Housing	Mongolia	\$2.45
Processing	Mongolia	<u>\$0.45</u>	Motor	China	\$4.00
			Accessories	China	\$2.00
Total		\$2.45	Processing	Mongolia	<u>\$3.00</u>
			Total		\$14.45

Conclusion: The assembled article (the vacuum cleaner) meets the 35% direct-cost-of- processing requirement because the value of the Mongolian inputs (including the Korean resin that is transformed twice) accounts for 38% of the total cost of production:

$$\$5.45/\$14.45 = 38\%$$

2. Double-Substantial Transformation: Umbrellas

Based on U.S. Customs and Border Protection (CBP) Ruling number HQ 555189, dated June 12, 1989:

Situation: Hand-held, collapsible umbrellas with telescopic shafts are manufactured in Mongolia from Mongolian and Chinese components. They have been determined to be eligible to benefit from GSP duty-free treatment.

Chinese Components

Collapsible metal umbrella frames
Waterproof nylon fabric
Printed hang tags
Plastic umbrella cases

Mongolian Components

Cotton thread Packing cartons
Sewing labels Packing tape
Snap buttons Packing strap
Elastic bands Packing clips

The CBP Ruling found that the manufacturing process involves two steps and that, based on the producer's cost data, the Mongolian content of the finished umbrella is equivalent to 36.2% of the umbrella's value. This meets the requirement that at least 35% of the cost of production of the article is of Mongolian origin in order to qualify for duty-free entry into the United States under GSP.

3. Product-of Requirement

Based on CBP Ruling number HQ 555999, dated November 20, 1991:

Situation: An imported product consisting of a collection of distinct articles is classified under a single HTS tariff line. The imported product can receive GSP duty-free treatment only if all of the items in the collection are considered "products of" Mongolia.

To illustrate the application of the "product of" requirement to sets of articles under GSP, we will use the example of a toy farm sets. The sets consist of snap-together plastic farm building parts produced in Mongolia and accessories which contain, among other things, a bag containing small plastic farm animals that were produced in China.

The total cost of producing the toy farm set is \$8.85 and the addition of profit brings the appraised value upon importation to \$9.85. \$1.75 of the \$9.85 is accounted for by third-country (Chinese) content.

Component	Country of Origin	Cost
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Labor	Mongolia	\$0.50
Building parts	Mongolia	\$3.85
Fence parts	Mongolia	\$0.60
Vehicles & equipment	Mongolia	\$2.15
Farm animals	China	\$1.75

Subtotal (labor and parts)		\$8.85
Profit	Mongolia	\$1.00

Appraised value upon importation into the U.S. \$9.85

The value added by direct processing in Mongolia (labor and parts) amounted to \$7.10, and accounted for 72% of the appraised value of the farm set. Although this far exceeded that GSP requirement that 35% of the value be of Mongolian origin, the farm set was determined not to be eligible for entry under GSP because an identifiable component, the farm animals, was not the "product of" Mongolia.

The farm animals (made in China) were packaged in Mongolia, but were not substantially transformed into a different product. Customs regulations (19 CFR 10.176(a)(2)) preclude the toy farm set from benefiting from GSP.

The regulations also allow for sets of articles to qualify under GSP if the third-country article is of "de minimis" value. Because the farm animals made in China accounted for 18% of the total value (\$1.75 of \$9.95), the de minimis exception could not apply.

Note: The outcome would be the same if the farm animals were of U.S. origin or from any country other than Mongolia.