

2006 U.S.-Pakistan TIFA Council Meeting, Islamabad
Generalized System of Preferences Presentation

GSP Program Overview

The Basics

- The U.S. Congress first authorized the U.S. Generalized System of Preferences (GSP) program in 1974, intending it to be a temporary bridge for developing countries to facilitate their economic development and transition from receiving unilateral preferences to full economic partnership and integration into the global economy.
- The GSP program provides Pakistan and 132 other designated beneficiary countries and territories with preferential duty-free treatment for 3,400 products.
- The combined GSP-eligible product lists include most dutiable manufactures and semi-manufactures, and selected agricultural, fishery, and primary industrial products.
- Certain articles are prohibited under U.S. law from receiving GSP treatment, including most textiles, watches, footwear, handbags, luggage, flat goods, work gloves, and other leather apparel.
- Imports from beneficiary developing countries under GSP in 2005 totaled \$26.7 billion, an 18 percent increase over 2004 levels.

GSP Rules of Origin and Regional “Cumulation” Benefits

- In order to receive duty-free treatment, articles must be imported into the United States directly from a designated beneficiary developing country or association, or pass through another country in a sealed container, and be the growth, product, or manufacture of a beneficiary developing country.
- The sum of the cost or value of materials produced in the BDC 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 which 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.)
- The U.S. GSP contains special provisions for beneficiary developing countries that are members of a regional association, such as the South Asian Association

for Regional Cooperation, of which Pakistan is currently a member along with Bangladesh, Bhutan, India, Nepal, and Sri Lanka. (Check to see if Afghanistan has been officially added, yet. That is slated to occur very soon.)

- The association is considered to be one country for purposes of GSP rules of origin, with articles produced in two or more eligible member countries of an association accorded duty-free treatment if the countries together meet the rules of origin.
- This also provides a benefit to countries such as Pakistan who can work with a least-developed beneficiary, such as Afghanistan, to export articles for which Pakistan would not be eligible to receive GSP duty-free treatment. The article that is produced under this cumulation provision, if it is eligible for duty-free treatment only from a least-developed GSP beneficiary, must be exported directly from a least-developed beneficiary (in this case, Afghanistan, Bangladesh, and Nepal)

GSP Certified Handicraft Arrangement

- Eighteen GSP beneficiary countries, including Pakistan, can export certain hand-loomed, folklore type wall-hangings, pillow covers, carpets, and tapestries duty-free because they have certified handicraft agreements with the United States.
- (See attached figures) Although very small amounts of each of these items came in under GSP last year, much larger trade (over \$1 million in certain carpets) entered, without being claimed under GSP. Pakistan's utilization of the handicraft arrangement is very limited, and only hurts marketability of these items because the duties charged increase the wholesale price to retailers.
- If these items are not certified, these products are subject to duties of between 45 and 60 percent, and most of these imports in 2005 and YTD 2006 were charged that, unfortunately.
- In addition, separate from the certified handicraft arrangement, once a country has a certification process in place, 15 types of fabrics, once certified as hand-loomed, can be exported at reduced duty rates.

U.S. Imports from Pakistan under GSP

- Imports from Pakistan under GSP in 2005 totaled \$96.8 million, a 3 percent increase over 2004 levels; year-to-date 2006 imports (January through July) from Pakistan have increased 32 percent over the same period in 2005.
- Pakistan's strongest imports under GSP in 2005 and 2006 have included textile material flags, certain non-silver jewelry articles, metal instruments, cane molasses, marble stone articles, sports gloves (of leather and man-made fibers),

miscellaneous food preparations, certain knives, dates, brooms and brushes, glucose and glucose syrup, and rice.

How To Increase Pakistan's Use of GSP Duty-Free Opportunities

1. Report all of the exports to the United States currently GSP-eligible under the GSP program. (Pakistan's overall utilization of the GSP program was 86.9 percent in 2005 and could certainly be improved – the overall program-wide average GSP utilization rate was 87.9 percent in 2005.)

Examples for 2006:

- Plastic Sacks, Bags, and Other Articles for Conveyance or Packing of Goods (HTS 3923.29.00 and 3923.90.00)
 - Plastic Sports Gloves (HTS 3926.20.30)
 - Fancy, Further Prepared Goat or Kidskin Leather (HTS 4113.10.60)
 - Leather Batting and Other Sports Gloves (HTS 4203.21.20 and 4203.21.80)
 - Certain Cotton Textile Fabrics Covered or Laminated with Plastics (HTS 5903.90.10)
 - Hunting and Other Knives (HTS 8211.92.60 and 8211.93.00)
 - Iron or Steel, Aluminum, or Zinc Mountings and Fittings (HTS 8302.49.60)
 - Certain Engine Parts (HTS 8409.99.91)
 - Non-Cotton Pillows and Cushions (HTS 9404.90.20)
 - Certain Inflatable and Non-Inflatable Balls (HTS 9506.62.80 and 9506.69.60)
 - Athletic and Exercise Articles and Equipment (HTS 9506.91.00)
-
- Take advantage of the special regional cumulation provisions under GSP for the GSP beneficiaries in the South Asian Association for Regional Cooperation, including Pakistan.
 - Claim duty-free treatment for the certified handicraft items as part of Pakistan's certified handicraft agreement with the United States.
 - Develop the capacity to conduct GOP's own analysis of products where Pakistan is globally competitive and has export opportunities in the U.S. and other markets.
 - Sectors where U.S. Government analysts have determined Pakistan is globally competitive and appear to have export opportunities in the U.S. market:
 - Dried Fruits (Pignolias, Guavas, Mangoes, and Mangosteens)
 - Parboiled Rice (HTS 1006.30.10)
 - Cane Molasses (HTS 1703.10.30 and 1703.10.50)
 - Certain Plastics (HTS 3903.19.00 and 3907.60.00)
 - Certain Leather Hides and Skins (HS 4104, 4107, 4113)
 - Dog Leashes and Other Animal Equipment (HS 4201.00)

- Certain Leather and Non-Leather Sports Gloves (4203, 6116)
 - Certain Carpets (5702.99)
 - Certified Hand-loomed Wall Hangings and Pillow Covers (6304)
 - Certain Knives (8211.93)
 - Forging or Die-Stamping Machines (8462.10)
 - Non-Cotton Pillows and Cushions (9404.90)
 - Sports Equipment (Including Badminton and Tennis Items, Sleds, Snowshoes, and Inflatable and Non-Inflatable Balls) (9506)
- The United States, in a potential government-to-government initiative with the Government of Pakistan, could provide trade capacity building assistance to train ministry professionals on how to conduct similar industry trade analysis to identify sectors where Pakistan is competitive, capitalize on that competitiveness by maximizing benefits under GSP, and in turn conduct trade promotion.
 - Such assistance would require U.S. government funding that has not yet been secured.

CURRENT TRADE DATA ON HANDCRAFTED ITEMS

HTS - 63049940: Certified hand-loomed and folklore pillow covers of wool or fine animal hair, not knitted or crocheted
Customs Value by Customs Value For Pakistan
U.S. Imports For Consumption
Annual + Year-To-Date Data from Jan - Jul

Import Program	2004	2005	2005 YTD	2006 YTD	Percent Change YTD2005 - YTD2006
	<i>In Actual Dollars</i>				
No program claimed	7,799	9,581	9,581	0	-100.0%
GSP	0	5,327	0	29,100	N/A
Total	7,799	14,908	9,581	29,100	203.7%

~~~~~

**HTS - 57011013: Carpet & other textile floor covering,hand-knotted/hand-  
inserted,w/ov 50% wt pile of fine animal hair,foregoing cert. hand-loomed &  
folklore**

**Customs Value by Customs Value For Pakistan**

**U.S. Imports For Consumption**

**Annual + Year-To-Date Data from Jan - Jul**

| Import Program        | 2004                     | 2005           | 2005<br>YTD   | 2006<br>YTD      | Percent Change<br>YTD2005 -<br>YTD2006 |
|-----------------------|--------------------------|----------------|---------------|------------------|----------------------------------------|
|                       | <i>In Actual Dollars</i> |                |               |                  |                                        |
| No program<br>claimed | 340,207                  | 507,038        | 94,237        | 1,398,801        | 1,384.3%                               |
| GSP                   | 0                        | 0              | 0             | 0                | N/A                                    |
| <b>Total</b>          | <b>340,207</b>           | <b>507,038</b> | <b>94,237</b> | <b>1,398,801</b> | <b>1,384.3%</b>                        |

**HTS - 57021010: Certified hand-loomed and folklore products being "Kelem",  
"Schumacks", "Karamanie" and similar hand-woven rugs**

**Customs Value by Customs Value For Pakistan**

**U.S. Imports For Consumption**

**Annual + Year-To-Date Data from Jan - Jul**

| Import Program     | 2004                     | 2005     | 2005 YTD | 2006 YTD     | Percent Change<br>YTD2005 - YTD2006 |
|--------------------|--------------------------|----------|----------|--------------|-------------------------------------|
|                    | <i>In Actual Dollars</i> |          |          |              |                                     |
| No program claimed | 0                        | 0        | 0        | 7,263        | N/A                                 |
| <b>Total</b>       | <b>0</b>                 | <b>0</b> | <b>0</b> | <b>7,263</b> | <b>%</b>                            |

**HTS - 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**

**Customs Value by Customs Value For Pakistan**

**U.S. Imports For Consumption**

**Annual + Year-To-Date Data from Jan - Jul**

| Import Program     | 2004                     | 2005     | 2005 YTD | 2006 YTD     | Percent Change<br>YTD2005 - YTD2006 |
|--------------------|--------------------------|----------|----------|--------------|-------------------------------------|
|                    | <i>In Actual Dollars</i> |          |          |              |                                     |
| No program claimed | 20,650                   | 0        | 0        | 4,520        | N/A                                 |
| <b>Total</b>       | <b>20,650</b>            | <b>0</b> | <b>0</b> | <b>4,520</b> | <b>%</b>                            |

**HTS - 58050020: Certified hand-loomed and folklore hand-woven tapestries nesoi  
and needle-worked tapestries, of wool or fine animal hair**

**Customs Value by Customs Value**

**For Pakistan**

**U.S. Imports For Consumption**

**Annual + Year-To-Date Data from Jan - Jul**

| Import Program     | 2004                     | 2005       | 2005 YTD   | 2006 YTD | Percent Change<br>YTD2005 - YTD2006 |
|--------------------|--------------------------|------------|------------|----------|-------------------------------------|
|                    | <i>In Actual Dollars</i> |            |            |          |                                     |
| No program claimed | 380                      | 299        | 299        | 0        | -100.0%                             |
| <b>Total</b>       | <b>380</b>               | <b>299</b> | <b>299</b> | <b>0</b> | <b>-100.0%</b>                      |