INTERNATIONAL BUSINESS NEWS – OCTOBER 2007
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U. S. DEPARTMENT OF COMMERCE
MARKETS OF THE MONTH
COLOMBIA AND PERU

COLOMBIA

On Saturday, September 15, 2007 Secretary of Commerce Carlos M. Gutierrez Gutierrez and a delegation of U.S. Officials visited Medellin, Colombia and met with President Uribe to discuss how increased trade has helped boost prosperity and improve security in the Andean region. Secretary Gutierrez stressed that the trade agreement with Colombia would continue to improve economic growth and security for both nations.

Secretary Gutierrez commented, "The Colombia trade agreement will help an important ally continue to improve stability in our hemisphere while removing barriers for U.S. business and agriculture. Passage of the Colombia agreement is an opportunity we must take to strengthen our bilateral relationship. Congress has already given Colombian exporters free access to the U.S. market. With this trade agreement, Congress can give U.S. exporters the similar free access to the Colombian market,"

The United States is Colombia's leading trade partner, accounting for 39.6 percent of Colombia's exports and supplying 26.5 percent of the country's imports in 2006. Colombia-U.S. bilateral trade has almost doubled over the past decade, from $9 billion a year in 1996 to approximately $16 billion in two-way trade in 2006, due in large part to the ATPDEA. Colombia is currently the 29th largest export market for U.S. goods.

Colombia's Leading sectors
for U.S. exports and investment:

- Industrial Chemicals
- Safety and Security
- Telecommunications Services
- Plastic Materials and Resins
- Automotive Parts and Accessories
- Air Cargo Services
- Travel and Tourism
- Software Services
- Oil and Gas Machinery and Services
- Pollution Control Equipment

For more information on doing business with Colombia, go to http://www.buyusa.gov/colombia/en/

PERU

On Friday, September 14, 2007, Secretary of Commerce Carlos M. Gutierrez led a U.S. delegation of members of Congress and the Mayor of Boston to Lima, Peru, to meet with Peruvian President Alan Garcia to discuss opportunities the pending trade agreement provides for promoting economic growth, opportunity and development.

The Peru trade agreement moves beyond one-way preferences to full partnership and reciprocal commitments. The agreement would allow U.S. businesses and agriculture to enjoy the same duty-free access to Peru's growing market that Peru enjoys in the United States.

Peru is currently the 43rd largest export market for the U.S. goods. In Latin America, Peru is the United State's 12th largest trading partner. The market access provided by the U.S.-Peru Trade Promotion Agreement (TPA) will offer an opportunity to further expand U.S. exports to a market that is already seeing high export growth rates. Under the Peru Trade Promotion Agreement, 80% of U.S. consumer and industrial products will become eligible for duty-free entry immediately, with the remaining tariffs phased-out over ten years. More than two-thirds of current U.S. farm exports will also become duty free immediately.

Peru's Leading Sectors
for U.S. Exports and Investment

- Plastic Materials and Resins
- Mining Industry Equipment
- Oil and Gas Field Machinery
- Food Processing and Packaging Equipment
- Security and Safety Equipment
- Pollution Control Equipment
- Drugs and Pharmaceuticals
- Airport and Ground Support Equipment
- Hard Red Wheat
- Soybean Meal

For more information on doing business with Peru, go to http://www.buyusa.gov/peru/en/

OCTOBER 2007 "ASK THE EXPERTS"
From IOMA's "Managing Imports & Exports"©
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MIE's 'Ask the Experts' team—Alan Gaudio, Robert Imbriani, and Joseph Zodl consultants for Unz & Co.—answer readers' import- or export-related questions.
This month's column is by Robert Imbriani, vice president, Associated Global Systems. Readers may submit questions to cdhorner@ioma.com.

Question by Steve Nelson, Senior Manager, Operations Kawasaki Construction Machinery Corp. of America:

Approximately 80% of our product is manufactured in Japan, shipped to us in the United States in knock down (kit) form. We add 20% domestic content, assemble the finished product (not manufacturer), and sell currently into the United States, Canada, Mexico, Venezuela, and Colombia, with Panama soon to come. My question is twofold. What can we (should we) state on the commercial invoice (and/or CO) to reflect actual country of origin (manufacturer) and would this kit's purchase and assembly (change of character?) impact a duty draw back claim (we currently do not do this)?

Answer by Robert Imbriani:

Your question consists of two parts. The first and most complicated relates to country of origin. The phrase "country of origin" is comprised of three very simple words but can encompass very complex rules for determining origin. When looking to determine the country of origin of a good, it is first necessary to identify why you are looking to determine the country of origin (e.g., importing into the United States; eligibility for a U.S. trade agreement; commercial purposes; or export). The rules that apply in each of these cases may have similarities but are not identical. Rules may also vary from country to country. These rules may be broken down into several categories:

- General rules of origin currently define the country of origin for a good as the country in which a good is manufactured, produced, or grown. Further work or material added to the good in another country must affect "substantial transformation" of the good to change the good's country of origin. Substantial transformation is defined as production that results in a new and different good—with a name, character, and use different from that of its original form.

- Country of origin rules for textile and apparel products consist of a number of mutually exclusive rules that are applied sequentially to determine country of origin.

- Country- or region-specific rules of origin represent the results of special trade agreements that the United States has made with specific countries, geographic regions, or groups of countries (e.g., Annex 401 under NAFTA , Annex 4.1 for CAFTA - DR, the U.S. Israel Trade Agreement).

- Commercial rules of origin represent rules that may apply for goods produced within a country for consumption in that country.

- It would appear that your question in regard to the country of origin for the product that you assemble here in the United States may have to be determined by the application of the general rules of origin and for shipments to Canada and Mexico under NAFTA rules of origin. Both these set of rules involve determining whether the product or material has gone through a "significant transformation." This is determined by knowing the Harmonized Tariff Classification of the materials or unassembled components along with the Harmonized Tariff number of the finished good. In most cases, the first six digits of the HTS would be utilized. Since you have not provided details on the products and materials, I cannot make a determination but would refer you to the NAFTA rules of origin under Annex 401 and section 134.1 (b) of the Customs Regulations (19CFR).

- In regard to the second part of your question concerning draw back, we would first have to determine the above information to see if you are eligible for any draw back. Under manufacturer's draw back, the product again has to go through a "significant transformation" and Customs must approve the process in advance. Under unused or same condition draw back, the product must be exported in essentially the same condition in which it was imported. It is possible your product may transform too much for same condition draw back, but not enough for manufacturer's draw back. I would refer you to part 191 of the Customs regulations.

TRADE TRANSFORMS ECONOMIES, REDUCES POVERTY
Assistant U.S. Trade Representative Liser Cites Progress Under AGOA
(Edited from The Washington File - a product of the Bureau of International Information Programs, U.S. Department of State. http://usinfo.state.gov

Washington – Sep. 24, 2007: Trade is especially important to developing nations because it has the power to transform economies and reduce poverty, Assistant U.S. Trade Representative for Africa Florizelle Liser told an African audience September 19. Speaking on a U.S. Department of State webcast, Liser said that Africa currently makes up about 2 percent of world trade. Increasing that share by just 1 percent would generate about $70 billion annually for the continent - three times the amount of development assistance it currently receives. "So you can see the power of trade. Trade is the way the "Asian Tigers" (the economies of Taiwan, Singapore, Hong Kong and South Korea), countries in Latin America and nations worldwide have actually "evolved" to achieve greater levels of economic growth and development, according to the trade official. The African Growth and Opportunity Act (AGOA), which lies at the center of U.S.-Africa trade policy, allows the 39 AGOA-eligible countries to export more than 6,000 products to the United States duty-free, Liser explained.

"We have been pleased with the progress we are making under AGOA," she said. "The countries that are eligible have certain criteria that they have to meet [to maintain their AGOA status]. Every year we have an annual eligibility review to make sure they are meeting those criteria," she added. Those criteria include:

- the ability to put forward and implement market-based rules to improve the ways their economies function
- eliminating barriers that hinder or block trade and investment;
- implementing the rule of law
- eliminating bribery and corruption.

Liser said the United States is constantly encouraging non-eligible AGOA countries to make changes in their economies so that they too will be eligible to become beneficiaries of AGOA. "We have seen a great deal of success in AGOA over the last six years. Imports have increased five times under AGOA in terms of our imports from African countries, and non-oil imports have doubled.

"Many of these countries face a great deal of barriers and supply-side constraints - things like infrastructure, transportation and energy systems that are not working as effectively as we would like," Liser said. To help deal with that, she said, the United States devoted about $394 million to trade capacity-building assistance in 2006 -- a 94 percent increase over what the United States provided in 2005. "We are continuing to work with the Africans to help them to take advantage of AGOA and to address the supply-side constraints," she added.

The United States clearly recognizes that investment is important and is focused on increasing U.S. foreign direct investment in Africa, Liser said. Currently, Africa receives only about 1 percent of U.S. foreign investment worldwide, she said, but she noted that that figure is increasing rapidly.

"So we are working with the Africans," she said, "making sure that they are successfully implementing the economic and political reforms that would encourage greater investment from the United States and from other countries around the world."

The United States knows that Africa has "great potential," Liser said. Likewise, she said, the International Monetary Fund has predicted that Africa's AGOA-eligible countries will see some of the world's highest economic growth rates for 2007.

She also cited the World Bank's praise of those on the African continent for implementing economic reforms that are making it easier for private sector companies to invest and conduct business.

With that in mind, she said, the United States is "anxious to work with African governments, the private sector and civil society and all of those who have a stake in Africa's economic growth and development.

"We want to support the African governments that are taking the right steps, implementing the right policies in ... human rights, labor rights, the rule of law and governance, anti-corruption ... market-based policies and policies that alleviate poverty. All of these come into play. We see our political views," she said, to be in line with what the best leadership in Africa and the African people want as well."

For more information on the African Growth and Opportunity Act, go to http://www.agoa.gov/

HOW THE 2007 HARMONIZED SYSTEM REVISION AFFECTS FTA RULES OF ORIGIN ISSUES

If you are confused over free trade agreement (FTA) rules of origin issues due to the 2007 Harmonized System (HS2007), you're not alone. To complicate matters, most, but not all, of the FTA rules of origin that allow preferential treatment are based on older versions of the HS and are still in the process of negotiations between the parties to the FTA to convert them to an HS2007 compatible version. The FTA and HS updates will likely cause confusion and may lead to errors in the issuance or use of required certificates of origin or certifications of origin. This is especially true in those cases in which one party to an FTA is using the HS2007 and another is using an older version of the HS (usually HS2002) as the basis for its national tariff. To read IOMA's article on this subject from the September 2007 edition of "Managing Imports and Exports, go to http://www.buyusa.gov/alabama/oct07ftaroi.pdf

UPCOMING EVENTS

INTERNATIONAL INTELLECTUAL PROPERTY RIGHTS SEMINAR

Oct. 16 – Huntsville
Oct. 17 – Birmingham
Oct. 18 – Mobile
For details contact George Norton 205-731-1331

DOING BUSINESS IN TURKEY
Nov. 14, 2007 - 9:30 AM-10:30 AM
Mobile Area Chamber of Commerce
For details and registration, click here

DIRECT MARKETING IN CANADA E-COMMERCE AND CATALOGUE

In 2006, approximately 19.3 million Internet users generated over $50 billion of online sales in Canada. Most of that $50 billion ($46.5 billion) was generated from private online sales. Business-to-consumer (B2C) sales increased 61% from 2005 to reach in excess of $15 billion, while Business-to-business (B2B) sales were valued at $31.4 billion. As an increasing number of Canadians subscribe to the Internet and many become online shoppers, advertisers have responded by nearly doubling their online marketing spending to $1 billion. It is clear that Canada's retail e-commerce market is rapidly gaining momentum. To learn how this trend may benefit U.S. companies, go to http://www.buyusa.gov/alabama/oct07canemarket.pdf

IRAN – SANCTIONS INCLUDE STATE-OWNED OIL COMPANY

According to regulations enforced by the Treasury Department's Office of Foreign Asset Controls (OFAC), in general, goods, technology or services may not be exported, re-exported, sold or supplied, directly or indirectly, from the U.S. or by a U.S. person, wherever located, to Iran or the Government of Iran. This covers the trading of Iranian oil or petroleum products as well as the supply of goods, services or technology that would benefit the Iranian oil industry. Exceptions do exist for agricultural commodities, medicines and medical devices. Corporate penalties can range up to $500,000 with individual penalties up to $250,000 and 20 years in jail. For details, please visit:
http://www.treasury.gov/offices/enforcement/ofac/programs/iran/iran.shtml

USEFUL WEBSITES

New Trade Agreement Information Web Site U.S. Department of Commerce International Trade Administration

As part of an interagency effort between the U.S. Departments of Agriculture, Commerce, State, Treasury and the Office of the United States Trade Representative, a new Web site, TradeAgreements.gov, has been launched to provide the public with the latest information on America's trade agreements. The site will be regularly updated with news about existing agreements, as well as pending free trade agreements with Peru, Colombia, Panama and South Korea.

Doing Business 2007: How to Reform

Produced by the World Bank this year's report measures business regulations and their enforcement across 175 countries. For information on ordering this book, as well as other publications by the World Bank, click here.

Official Tariff Classification Request

An official Tariff Classification request can be made with the U.S. Customs and Border Patrol on line at:
https://apps.cbp.gov/erulings/index.asp

U.S. COMMERCIAL SERVICE
United States of America
Department of Commerce

We hope you've enjoyed this edition of our newsletter.
Any mention of non-government sources does not constitute endorsement.
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For a list of our upcoming Webinars and other programs, click here