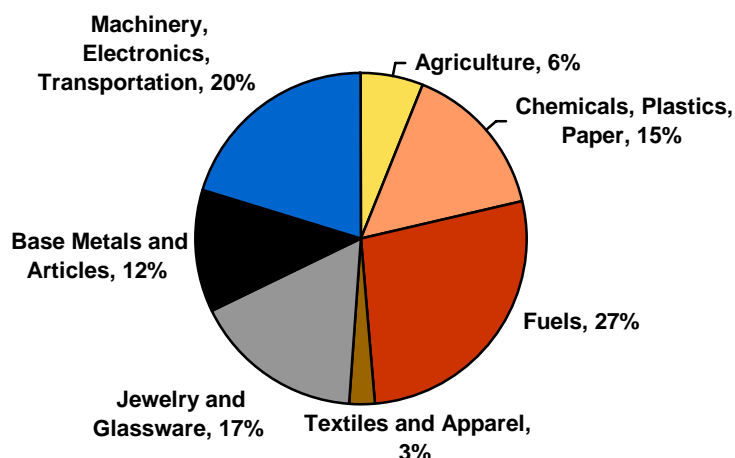


Afghanistan and the U.S. Generalized System of Preferences (GSP) Program

The U.S. GSP program provides duty-free treatment for about 3,400 types of exports from 131 beneficiary developing countries. Least-developed beneficiaries, including Afghanistan, are able to export another 1400 exports free of duty to the United States. The purpose of the GSP program is to give these exports a competitive edge in the U.S. market. U.S. companies and customers are especially interested in buying goods through the GSP program because the exports are not charged tariffs, upon entering the United States that can range from two percent to seventeen percent of the items' cost. U.S. imports under GSP in 2006 from all beneficiary countries totaled \$32.6 billion.

Many items are eligible for GSP duty-free treatment. These include most manufactured items; inputs used in manufacturing; jewelry; many types of carpets; certain agricultural and fishery products; and many types of chemicals, marble, and minerals. Not eligible for GSP duty-free treatment are certain textiles and apparel; watches; some footwear, handbags, and other leather items; luggage; most cloths and sheets for kitchen and bedroom use; and work gloves. The chart below shows the percentage of product types entering the United States under the GSP program in 2006.



Afghanistan's Use of GSP Preferences

Afghanistan became a beneficiary of the GSP program in March 2003. Based on a review of U.S. imports under GSP to include only those items produced in Afghanistan, trade under GSP was about \$21,000 in 2004, \$20,000 in 2005, \$29,101 in 2006 and, in 2007, \$85,085 (see Attachment One). U.S. imports under GSP, including agricultural products, in 2007 were:

- ceramic household/bath items (6%)
- pistachios and pignolia nuts (up to 1 cent/kg)
- imitation jewelry (11%)
- carpets & other floor coverings (4.3-6%)
- almonds (7.7 cents/kg)
- dried apricots (1.8 cents/kg)
- dried berries (1.4 cts/kg)
- gold and silver jewelry (saves 5 to 5.5%)
- precious/semi-precious stone jewelry (6.5%)

In 2007, an additional \$82,975 in GSP-eligible goods should have received duty-free treatment but importers mistakenly did not claim them under GSP. All GSP-eligible U.S. imports from Afghanistan are noted on Attachment One. Whether U.S. importers claimed the products under GSP is noted separately in column five of the Attachment. When the same product entered sometimes under GSP and sometimes

not, the product's tariff line is highlighted in both places of the Attachment using the same color. Items not claimed in 2007 under GSP and the duties paid unnecessarily included:

- \$24,103 of dried apricots (1.8 cents/kg)
- \$11,915 of other dried fruit (2.5%)*
- \$9,281 of raisins (1.8-2.8 cents /kg)*
- \$8,841 of figs (7.9-8.8 cents/kg)*
- \$8,619 of fur skins (2.2%)
- \$6,751 of gold jewelry (5.5%)
- \$4,900 of ceramic ornamental articles (6%)
- \$4,763 of gold mixed link necklaces (5.5%)
- \$3,140 of fur apparel and accessories (4%)

The smaller amount of unclaimed GSP-eligible items entering in 2007 is a significant improvement over the dollar value of GSP-eligible items that were not claimed in 2006 (\$282,195). U.S. imports unclaimed in 2006, in addition to those types of items not claimed in 2007, included pignolia nuts, dried chickpeas (garbanzos), carpets, berries, food preparations, animal saddles and harnesses, mushrooms*, cherries*, and plums*.

In summary, more GSP-eligible items received duty-free treatment under GSP in 2007, than in 2006. However, the number of overall GSP-eligible items (whether claimed or not) dropped from \$311,296 in 2006 to \$168,060 in 2007. Afghanistan is also beginning to take advantage of the import opportunities available only to least-developed GSP beneficiaries (as indicated by an asterisk above), but producers need to ensure that the U.S. importers are aware of the products' GSP duty-free treatment benefits.

U.S. Imports of Afghan Carpets and Other Floor Coverings

U.S. imports of Afghan carpets and other floor coverings by the United States (see Attachment Four) totaled about \$ 2.3 million in 2006, \$ 3.2 million in 2007, and \$717,692 in January 2008 (a 46 percent increase over January 2007). During January 2008, the United States imported \$27,600 in a category of carpets and other textile floor coverings, not of pile construction, woven, made up, of other textile materials under GSP. By entering under GSP, their importation avoided a 2.7 percent duty. In 2007, \$10,000 of woven carpets or floor coverings of wool or fine animal hair, not of pile construction and not on a power-driven loom (HTS 57029130), entered the United States duty free under the GSP program, as did \$1500 of hand-hooked carpets, which avoided 4.3 percent and 6 percent duties, respectively. U.S. importers have claimed GSP benefits for all eligible imports thus far this year.

Neighboring Countries' Use of GSP Duty-Free Benefits

The amount and type of U.S. imports entering under GSP provides ideas for how Afghanistan can make greater use of its available GSP benefits. A large quantity of U.S. imports from nearby countries enters under GSP: \$420 million in (approximately one-third of all) U.S. imports from Kazakhstan; \$135 million from Pakistan; \$2.7 million from Uzbekistan; \$301,000 from Iraq, none from Tajikistan.

How to Export More Afghan Products Using GSP Duty-Free Benefits

New U.S. ruling on transshipment of carpets and food across Iran (see page 13). In March 2008, the U.S. Office of Foreign Assets Control ("OFAC") provided interpretive guidance on U.S. sanctions policy toward Iran and on whether Afghan-origin goods that are transshipped through Iran are subject to the Iranian Transactions Regulations, 31 C.F.R. Part 560 (the "ITR"). Under the ITR, goods that are transshipped through Iran (such as from Afghanistan) that enter into Iranian commerce become *goods of Iranian-origin* (ITR, § 560.306.)

The ITR contain an authorization for the importation into the United States of certain foodstuffs and carpets of Iranian-origin, as well as for transactions or dealings by U.S. persons in those goods, provided that such activities do not involve otherwise prohibited transactions that are not considered ordinarily

incident to that authorization. ITR, § 560.534. Therefore, Afghan-origin foodstuffs and carpets that have entered Iranian commerce and that otherwise meet the conditions set forth in ITR § 560.534 may be imported into the United States at the present time, and U.S. persons may engage in transactions ordinarily incident to that importation and necessary to give effect thereto.

For example, U.S. persons, wherever located, may engage in loading such Afghan goods at an Iranian port for shipment to the United States. U.S. persons also may purchase such Afghan goods in markets outside of Iran, such as markets in the United Arab Emirates, for importation into the United States. However, U.S. persons, wherever located, are prohibited from engaging in or facilitating the transshipment of any goods through Iran or entering into a contract for the exportation of goods to Iran, including Afghan-origin foodstuffs and carpets that are ultimately destined for importation into the United States. Non-U.S. persons can engage in such otherwise prohibited transactions necessary to transship via Iran for importation into the United States Afghan-origin foodstuffs and carpets that otherwise meet the requirements of the general license set forth in ITR § 560.534. For further information, check OFAC's Web site (<http://www.treas.gov/offices/enforcement/ofac/index.shtml>).

Claim the GSP Savings: Afghan producers and U.S. importers need to make sure that they mark the U.S. customs entry form by writing an “A” before the tariff number (see page four).

Export Products Additional Products Duty-Free to the United States: Afghanistan exports certain goods to other countries, but not the United States in large amounts. Many of these items are eligible for duty-free treatment: marble, walnuts, natural gums, mixtures of dried fruits and nuts, dried lentils, and fruit seeds (see Attachment Three on GSP-eligible dried fruits).

Export Home Décor and other Handmade Items from Afghanistan: Many handicraft exports are duty-free, such as:

gemstones and jewelry (other than imitation)	fur head coverings
home décor accessories (see separate handout)	wind, string, and drum musical instruments
paintings, sculpture, and wall hangings	picture frames
many types of carpets, kilims, and rugs	certain baskets and handbags of bamboo, rattan,
wooden statuettes, boxes, and other wood items	palm leaf and vegetable material

Artisans from Afghanistan can also export certain hand-loomed fabrics, and additional types of hand-loomed and folklore wall hangings and pillow covers duty-free to the United States when the Afghanistan government certifies them as 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 on the list of GSP-eligible articles;
- be imported into the United States directly from Afghanistan or pass through another country under a bill of lading
- be the growth, product, or manufacture of Afghanistan;
- if some materials used to make the product are imported into Afghanistan, the cost of the Afghan materials plus the cost of processing must equal at least 35 percent of the product’s sales price;
 - imported materials can count toward that 35 percent only if the imported materials are “substantially transformed” and then used to produce or manufacture the export
 - “substantially transformed” means that the imported items go through at least two types of changes in form from when they were first imported

- **MOST IMPORTANTLY:** The importer must request duty-free treatment under GSP by placing an “A,” in front of the U.S. tariff line (HTSUS) number that identifies the imported article on U.S. Customs Entry Form 7501 (page three).

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
 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 five years

If GSP-eligible goods have entered the United States without being claimed under GSP, U.S. importers have another 294 days (just under ten months) after the date of the goods’ entry to claim GSP duty-free treatment by filing a “Post Entry Amendment” to U.S. Customs.

For More Information

The GSP Guidebook, lists of GSP-eligible products and other information:

http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html The U.S.

Harmonized Tariff System codes are at www.usitc.gov/tata/hts. Lists of GSP-eligible products:

http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp U.S. Customs’ import procedures information:

www.cbp.gov Record-keeping requirements:

http://www.cbp.gov/xp/cgov/import/reg_audit/archive/gsp.xml

ATTACHMENT ONE

**GSP-ELIGIBLE U.S. IMPORTS FROM AFGHANISTAN
CLAIMED AND UNCLAIMED UNDER GSP**

<u>GSP</u>	<u>MFN rate</u>	<u>HTS number</u>	<u>product</u>	<u>gsp claimed?</u>	<u>2006</u>	<u>2007</u>
A	1.9 cents/kg	08025040	Pistachios, fresh or dried, shelled	GSP	\$0	\$4,922
A	1.4 cents/kg	08134020	Berries except barberries, dried	GSP	\$0	\$2,589
A	1 cents/kg	20081930	Pignolia and pistachio nuts, otherwise prepared or preserved, nesi	GSP	\$0	\$13,914
A	2.2%	43021300	Tanned/dressed whole skins of Astrakhan, Broadtail, Caracul, Persian, Indian, Mongolian, Chinese & Tibetan lamb, not assembled	GSP	\$8,277	\$0
A	5.1%	44170080	Wooden tools, tool bodies, tool handles, broom or brush bodies and handles nesi; wooden boot or shoe lasts and trees	GSP	\$0	\$0
A	6%	57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	GSP	\$0	\$1,500
A	6%	69120050	Ceramic (o/than porcelain or china) household articles and toilet articles (o/than table and kitchenware), nesoi	GSP	\$0	\$16,442
A	5%	71131150	Silver articles of jewelry and parts thereof, nesoi, valued over \$18 per dozen pieces or parts	GSP	\$0	\$6,932
A	5.5%	71131929	Gold necklaces and neck chains (o/than of rope or mixed links)	GSP	\$0	\$2,280
A	5.5%	71131950	Precious metal (o/than silver) articles of jewelry and parts thereto, whether or not plated or clad with precious metal, nesoi	GSP	\$5,708	\$0
A	3.3%	71162005	Jewelry articles of precious or semiprecious stones, valued not over \$40 per piece	GSP	\$0	\$0

A	6.5%	71162015	Jewelry articles of precious or semiprecious stones, valued over \$40 per piece	GSP	\$0	\$2,500
A	11%	71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (whether or n/plated w/prec. metal), nesoi	GSP	\$0	\$12,544
A	11%	71179090	Imitation jewelry not of base metal or plastics, nesoi, over 20 cents/dozen pcs or pts	GSP	\$0	\$0
A*	1.8 cents/kg	08131000	Apricots, dried	GSP	\$0	\$6,508
A*	2.8%	42010060	Saddlery and harnesses for animals nesi, (incl. traces, leads, knee pads, muzzles, saddle cloths and bags and the like), of any material	GSP	\$8,385	\$0
A*	4%	43031000	Articles of apparel and clothing accessories, of furskins	GSP	\$1,031	\$0
A*	4.3%	57025120	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	GSP	\$0	\$0
A*	4.3%	57029130	Floor coverings, not of pile construction, woven not on power-driven loom, made up, of wool or fine animal hair, nesi	GSP	\$0	\$10,000
A*	2.7%	57029920	Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi	GSP	\$5,700	\$0
A+	7.7 cents/kg	08021100	Almonds, fresh or dried, in shell	GSP	\$0	\$4,954
A	1.4 cents/kg	07132020	Dried chickpeas (garbanzos), shelled	No program claimed	\$3,347	\$0
A	0.7 cents/kg	08029020	Pignolias, fresh or dried, in shell	No program claimed	\$94,430	\$0
A	1.4 cents/kg	08134020	Berries except barberries, dried	No program claimed	\$5,530	\$0

A	6.4%	19019090	Flour-, meal-, starch-, malt extract- or dairy-based food preps not containing cocoa and not containing specific amounts of dairy, nesoi	No program claimed	\$5,843	\$0
A	1 cents/kg	20081930	Pignolia and pistachio nuts, otherwise prepared or preserved, nesi	No program claimed	\$15,214	\$0
A	6.4%	21069099	Food preparations not elsewhere specified or included, not canned or frozen	No program claimed	\$0	\$0
A	2.2%	43021913	Tanned/dressed whole skins of Astrakhan, Broadtail, Caracul, Persian, Indian, Mongolian, Chinese & Tibetan lamb, not assembled	No program claimed	\$0	\$8,619
A	5.3%	43023000	Whole furskins and pieces or cuttings thereof, tanned and dressed, assembled	No program claimed	\$407	\$0
A	6%	57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	No program claimed	\$836	\$0
A	1%	62043960	Women's or girls' suit-type jackets and blazers, not knitted/crocheted, of textile materials nesoi, cont. 70% + of silk or silk waste	No program claimed	\$0	\$0
A	6.9%	62044910	Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste	No program claimed	\$0	\$0
A	1.2%	62141010	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more silk or silk waste	No program claimed	\$0	\$0
A	6%	69139050	Ceramic (o/than porcelain, china or earthenware) ornamental articles, nesoi	No program claimed	\$0	\$4,900
A	5.8%	71131925	Gold mixed link necklaces and neck chains	No program claimed	\$0	\$4,763

A	5.5%	71131950	Precious metal (o/than silver) articles of jewelry and parts thereto, whether or not plated or clad with precious metal, nesoi	No program claimed	\$0	\$6,751
A*	1.8 cents/kg	08131000	Apricots, dried	No program claimed	\$10,756	\$24,103
A*	2.8%	42010060	Saddlery and harnesses for animals nesi, (incl. traces, leads, knee pads, muzzles, saddle cloths and bags and the like), of any material	No program claimed	\$867	\$0
A*	4%	43031000	Articles of apparel and clothing accessories, of furskins	No program claimed	\$59,910	\$3,140
A*	4.3%	57025120	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	No program claimed	\$300	\$0
A*	4.3%	57029130	Floor coverings, not of pile construction, woven not on power-driven loom, made up, of wool or fine animal hair, nesi	No program claimed	\$0	\$0
A*	2.7%	57029920	Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi	No program claimed	\$827	\$662
A+	8.8 cents/kg + 20%	07095900	Mushrooms, other than of the genus Agaricus, fresh or chilled	No program claimed	\$2,297	\$0
A+	7.9 cents/kg	08042040	Figs, fresh or dried, whole, in units weighing more than 0.5 kg each	No program claimed	\$0	\$4,595
A+	8.8 cents/kg	08042080	Figs, fresh or dried, other than whole (including fig paste)	No program claimed	\$0	\$4,246
A+	1.8 cents/kg	08062010	Raisins, made from dried seedless grapes	No program claimed	\$40,261	\$0
A+	2.8 cents/kg	08062020	Raisins, made from other than seedless grapes	No program claimed	\$29,033	\$9,281
A+	10.6 cents/kg	08134030	Cherries, dried	No program claimed	\$2,738	\$0

A+	2.5%	08134090	Fruit nesi, dried, other than that of headings 0801 to 0806, and excluding mixtures	No program claimed	\$4,355	\$11,915
A+	11.2%	20089960	Plums (including prune plums and sloes), otherwise prepared or preserved, nesi	No program claimed	\$5,244	\$0

TOTAL GSP-ELIGIBLE (CLAIMED UNDER GSP OR NOT)	\$311,296	\$168,060
TOTAL CLAIMED UNDER GSP BY U.S. IMPORTERS	\$29,101	\$85,085
TOTAL NOT CLAIMED UNDER GSP - DUTIES PAID	\$282,195	\$82,975
UTILIZATION OF GSP	9.3%	50.6%

ATTACHMENT TWO
SAMPLE U.S. CUSTOMS ENTRY FORM 7501

15-J-1-2006 10:59am From Trade Compliance

0023441006

1 187 P 001/002 F-306

DEPARTMENT OF HOMELAND SECURITY U.S. Customs and Border Protection ENTRY SUMMARY				1. Filer Code/Entry No. BWC 000	12. Entry Type 01 ABI/A	3. Summary Date 10/04/2006
				4. Suffix No. 8	5. Bond Type 2704	7. Entry Date 09/24/2006
				10. Country of Origin TR		11. Import Date 09/24/2006
				14. Exporting Country TR		16. Close Date 09/30/2006
15. I.T. No.		17. I.T. Date		18. Foreign Port of Loading 55735		20. U.S. Port of Unloading 2704
21. Location of Goods (S.D. No.)			22. Consignee No. SAME			24. Reference No.
25. Ultimate Consignee Name and Address				28. Importer of Record Name and Address		
City State IN Zip				City State IN Zip		
27.				32.		34.
28. Description of Merchandise				33.		34.
Line No.	A. HTSUS No.	A. Gross Weight	Net Quantity in HTSUS Units	A. Entered Value	B. HTSUS Rate	Duty and I.R. Tax
	B. ADCVD Class No.	D. Manifest City		D. CHGS	C. IRC Rate	Dollars Cents
				C. Relationship	D. Rate No.	
	M W465000914	11 B03CER1369LY		NOT RELATED	2700 CABS	
	INVOICE 00001					
001	DISPOSED SAMPLES RUBBER GL			51840	FREE	0.00
A	4015.19.1010	16940	112500 DPR	03959		
	HARBOR MAINTENANCE FEE				0.125%	64.00
	MERCHANDISE PROCESSING FEE				0.21%	108.86
				AS ENTERED		
Other Fee Summary for Book 39				35. Total Entered Value		CBP USE ONLY
EXP	487	106.86		\$ 51,840.00	A. U.S. CODE 359	37. Out
IMP	867	24.86		Total Other Fees	REASON CODE	38. Tax
				\$ 173.66		173.66
36. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT				39. Other		39. Other
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 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 herein filed fully disclose to the best of my knowledge and belief the true price, value, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all 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 officer any information showing a different statement of facts.				E. Ascertained Total		40. Total
41. DECLARANT NAME				43. Broker/Importer File No. 6841		10/12/2006
42. Broker/Importer Information (Name, address, phone number)				CBP Form 7501 (04/05)		

ATTACHMENT THREE

Agricultural GSP-Eligible Products¹

Apricots

08131000	Apricots, dried
20079920	Apricot jam
20085020	Apricot pulp, otherwise prepared or preserved, nesi
20085040	Apricots, other than pulp, otherwise prepared or preserved, nesi
20089210	Mixtures of fruit or edible parts of plants in airtight cont. excl.

Raisins

08062010	Raisins, made from dried seedless grapes
08062020	Raisins, made from other than seedless grapes

Nuts

08022100	Hazelnuts or filberts, fresh or dried, in shell
08022200	Hazelnuts or filberts, fresh or dried, shelled
08023100	Walnuts, fresh or dried, in shell
08023200	Walnuts, fresh or dried, shelled
08026040	Macadamia nuts, in shell
08026080	Macadamia nuts, shelled
08029081	Nuts nesi, fresh or dried, in shell
08029094	Kola nuts, fresh or dried, shelled
08029097	Nuts nesi, fresh or dried, shelled
08129090	Fruit and nuts nesi, including mixtures containing nuts, provisionally preserved, but not for immediate consumption
08135000	Mixtures of nuts or dried fruits of Chapter 8
08021100	Almonds, fresh or dried, in shell
08021200	Almonds, fresh or dried, shelled
20081940	Almonds, otherwise prepared or preserved, nesi
08025020	Pistachios, fresh or dried, in shell
08025040	Pistachios, fresh or dried, shelled
20081930	Pignolia and pistachio nuts, otherwise prepared or preserved, nesi
08029020	Pignolias, fresh or dried, in shell
08029025	Pignolias, fresh or dried, shelled

Tomatoes

07129074	Tomatoes, dried in powder
20029040	Tomato prep/pres ex by vinegar/acetic acid, powder
20095000	Tomato juice, concentrated or not concentrated
07129078	Tomatoes, dried, whole, other
20021000	Tomatoes, whole or in pieces, prepared or preserved o/than by vinegar or acetic acid
20029080	Tomatoes prepared or preserved o/than by vinegar or acetic acid

Onions

¹ Does not include fresh produce

- 07119050** Onions, provisionally preserved but unsuitable in that state for immediate consumption
- 20019034** Onions, prepared or preserved by vinegar or acetic acid
- 20059920** Onions, prepared or preserved otherwise than by vinegar or acetic acid, not frozen

Potatoes

- 07129030** Dried potatoes, whether or not cut or sliced but not further prepared
- 11051000** Flour, meal and powder of potatoes
- 20041040** Yellow (Solano) potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen
- 20052000** Potato preparations, prepared or preserved otherwise than by vinegar or acetic acid, not frozen
- 07101000** Potatoes, uncooked or cooked by steaming or boiling in water, frozen
- 11052000** Flakes, granules and pellets, of potatoes

Brussels sprouts

- 07108065** Brussels sprouts, uncooked or cooked by steaming or boiling in water, frozen, not reduced in size
- 07108085** Brussels sprouts, uncooked or cooked by steaming or boiling in water, frozen, reduced in size

**U.S. DEPARTMENT OF THE TREASURY: TRANSHIPMENT OF AFGHAN CARPETS
AND FOOD EXPORTS ALLOWED THROUGH IRAN – (MAR 13, 2008)**

FAC. No. IA-361423

Susan Hamrock Mann

Director, Afghanistan and Iraq Investment and Reconstruction Task Force

International Trade Administration

U.S. Department of Commerce 1400 Constitution

Ave. NW, Room 3421 Washington, DC 20230

Dear Ms. Mann:

Thank you for your letter to the Office of Foreign Assets Control ("OFAC") requesting interpretive guidance on U.S. sanctions policy toward Iran. In your letter, you seek guidance on whether Afghan-origin goods that are transshipped through Iran are subject to the Iranian Transactions Regulations, 31 C.F.R. Part 560 (the "ITR").

Under the ITR, goods that are transshipped through Iran enter into Iranian commerce and become *goods of Iranian-origin*. ITR, § 560.306. As such, those goods are prohibited from importation into the United States, and U.S. persons are prohibited from engaging in transactions or dealings in or related to those goods. ITR, §§ 560.201, 560.206. In addition, U.S. persons, wherever located, are prohibited from exporting goods to Iran, regardless of the origin of those goods. ITR, § 560.204.

The ITR contain an authorization for the importation into the United States of certain foodstuffs and carpets of Iranian-origin, as well as for transactions or dealings by U.S. persons in those goods, provided that such activities do not involve otherwise prohibited transactions that are not considered ordinarily incident to that authorization. ITR, § 560.534. Therefore, Afghan-origin foodstuffs and carpets that have entered Iranian commerce and that otherwise meet the conditions set forth in ITR § 560.534 may be imported into the United States at the present time, and U.S. persons may engage in transactions ordinarily incident to that importation and necessary to give effect thereto. For example, U.S. persons, wherever located, may engage in loading such Afghan goods at an Iranian port for shipment to the United States. U.S. persons also may purchase such Afghan goods in markets outside of Iran, such as markets in the United Arab Emirates, for importation into the United States.

However, U.S. persons, wherever located, are prohibited from engaging in or facilitating the transshipment of any goods through Iran or entering into a contract for the exportation of goods to Iran, including Afghan-origin foodstuffs and carpets that are ultimately destined for importation into the United States. The provision of any transportation services to or from Iran, other than, in this case, loading the licensed cargo for shipment to the United States, is not authorized as ordinarily incident to the importation into the United States; nor is a transaction by an unlicensed Iranian governmental entity so authorized. OFAC will consider applications for specific licenses for U.S. persons to engage in such otherwise prohibited transactions necessary to transship via Iran for importation into the United States Afghan-origin foodstuffs and carpets that otherwise meet the requirements of the general license set forth in ITR § 560.534. Prior to submitting a specific license application or to engaging in any transactions pursuant to ITR § 560.534, however, U.S. persons should check OFAC's Web site and the *Federal Register* for any relevant changes to the ITR.

Sincerely, Director, Office of Foreign Assets Control

ATTACHMENT FOUR

Carpets: Customs Value by HTS Number, Special Import Program and Customs Value For Afghanistan

U.S. Imports For Consumption: Annual + Year-To-Date Data from Jan - Jan

U.S. Imports For Consumption: Annual + Year-To-Date Data from Jan - Jan						
HTS Number	Import Program	2006	2007	2007 YTD	2008 YTD	Percent Change YTD2007 - YTD2008
		<i>In Actual Dollars</i>				
57011016: MFN duty-free Carpets & other textile floor coverings, hand-knotted or hand-inserted, w/ov 50% by weight of the pile of fine animal hair, nesoi	No program claimed	85,000	11,545	6,298	0	-100.0%
57011040: MFN duty-free Carpets and other textile floor coverings, of wool or fine animal hair, hand-hooked (tufts were inserted and knotted by hand or hand tool)	No program claimed	1,797,664	2,928,934	482,802	687,292	42.4%
57011090: 4.5% duty Carpets and other textile floor coverings, of wool or fine animal hair, not hand-hooked, not hand knotted during weaving	No program claimed	11,422	48,699	0	0	N/A
57019010: MFN duty-free Carpet and other textile floor covering, knotted, of text. materials (not wool/hair) nesoi, pile inserted & knotted during weaving or knitting	No program claimed	2,612	2,914	0	0	N/A
57019020: MFN duty-free Carpet & other textile floor covering, knotted, of text materials (not wool/hair) nesoi, not w/pile inserted & knotted during weaving/knitting	No program claimed	20,362	0	0	0	N/A
57021090: MFN duty-free "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs, other than certified hand-loomed and folklore products	No program claimed	9,551	205,912	0	2,800	N/A
57023120: 4% duty Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, not made up, of wool/fine animal hair, nesoi	No program claimed	17,190	0	0	0	N/A
57024120: MFN free Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of wool or fine animal hair, nesoi	No program claimed	327,466	13,053	0	0	N/A
57024910: MFN free	No program	4,997	0	0	0	N/A

Carpets not other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of cotton	claimed					
57025140: tariff line has changed Carpets & other textile floor coverings, not of pile construction, woven, not made up, of wool or fine animal hair, nesoi	No program claimed	2,300	0	0	0	N/A
57029130: 4.3% duty avoided Floor coverings,not of pile construction,woven not on power-driven loom, made up, of wool or fine animal hair,nesi	GSP	0	10,000	0	0	N/A
57029140: 3.6% duty Carpets & other textile floor coverings, not of pile construction, woven nesoi, made up, of wool or fine animal hair, nesoi	No program claimed	10,959	9,578	0	0	N/A
57029290: 2.7% duty Carpet & other textile floor coverings, not of pile construction, woven, made up, of man-made textile materials, nesi	No program claimed	0	500	0	0	N/A
57029920: 2.7% duty avoided Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi	GSP	5,700	0	0	27,600	N/A
57029920: 2.7% duty paid unnecessarily Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi.	No program claimed, although eligible for GSP	827	662	0	0	N/A
Subtotal - 57029920 Carpets & other textile floor coverings, not of pile construction, woven, made up, of other textile materials nesoi		6,527	662	0	27,600	%
57031020: 6% duty avoided Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	GSP	0	1,500	0	0	N/A
57031020: 6% duty NOT avoided Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair.	No program claimed, although eligible for GSP	836	0	0	0	N/A
Subtotal - 57031020 Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair		836	1,500	0	0	%
57031080: 6% duty Carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair, nesoi	No program claimed	700	0	0	0	N/A
57049000: MFN free Carpets and other textile floor coverings (excluding certain felt carpet tiles) of felt, not tufted or flocked, whether or not made up	No program claimed	0	300	0	0	N/A

57050020: 3.3% MFN duty Carpets and other textile floor coverings, whether or not made up, nesoi	No program claimed	20,820	13,547	0	0	N/A
Total		2,318,706	3,247,144	489,100	717,692	46.7%