

# Expanding Ukraine's Export Opportunities through GSP

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Office of the U.S. Trade  
Representative

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# Today's Discussion

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- Ukraine's current exports to the United States
- Ukraine and the U.S. Generalized System of Preferences (GSP) Program
- How to increase Ukraine's use of GSP duty-free opportunities

# Ukraine's Top Exports to the U.S. (by value in 2005)

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- ❑ Anhydrous ammonia (fertilizer)
- ❑ Certain semifinished products of iron or nonalloy steel
- ❑ Certain nonalloy pig iron
- ❑ Coke & semicoke of coal, lignite or peat
- ❑ Certain hot-rolled flat-rolled iron/nonalloy steel products
- ❑ Certain iron or nonalloy steel, seamless casing pipe
- ❑ Certain alloy and iron/nonalloy steel bars and rods
- ❑ Urea & ammonium nitrate mixtures
- ❑ Certain distillate & residual fuels
- ❑ Women's or girls' overcoats of wool or fine animal hair

# Ukraine and the U.S. GSP Program

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- Ukraine was redesignated as a GSP beneficiary country on January 23, 2006.
  
- What does that mean?
  - Ukraine can export 3,400 products **duty-free** to the United States.
  - GSP duty-free treatment gives certain exports from Ukraine a competitive edge in the U.S. market because importing companies do not pay tariffs of between 1% and 16% (for current exports).

# U.S. Generalized System of Preferences (GSP) Program

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- ❑ Creates economic opportunities in developing countries and expands choices of U.S. industries and consumers.
- ❑ Provides duty-free treatment for 3,400 products from 136 developing countries.
- ❑ \$26.7 billion in U.S. GSP imports in 2005.
- ❑ Not allowed are most textiles, watches, footwear, handbags, luggage, gloves & leather apparel.
- ❑ GSP program expires December 31, 2006. President Bush has requested a five-year reauthorization.

# Which Products from Ukraine Qualify for Duty-free Treatment under GSP?

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1. Must be a GSP-eligible product noted as "A" or "A\*"
2. Must be imported into the U.S. directly from Ukraine or pass through another country in a sealed container.
3. Must be growth, product, or manufacture of Ukraine.

# Which Products from Ukraine Qualify for Duty-free Treatment under GSP?

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4. First GSP value-added requirement (“Rule of Origin”):
  - The sum of the cost or value of the materials produced in Ukraine, plus the direct costs of processing, must equal at least 35% of the product’s value when the product is sold for export into the United States.

# Which Products from Ukraine Qualify for Duty-free Treatment under GSP?

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5. Second GSP value-added requirement (“Rule of Origin”):
- Imported materials can count toward 35% value-added requirement.
  - BUT, they must be “substantially transformed” in Ukraine into new and different constituent materials, which are then used to produce or manufacture the eligible article to be exported.
  - “Substantially transformed” means the U.S. would classify them as different items.

# Obtaining Duty-free Treatment for Your Product under GSP

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6. It is important for the manufacturer or producer to know (and ensure that the importer knows):
  - The importer must request the product's duty-free treatment under GSP by placing an "A" or "A\*" before the HTSUS number on form 7501, which is U.S. Customs' shipment entry documentation form.

# Ukraine's GSP Exports to the U.S. (Jan 23-Feb 28, 2006)

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- ❑ Pigments & preparations based on titanium dioxide (6% tariff)
- ❑ Chocolate and other cocoa preparations for wholesale use (6%)
- ❑ Unworked human hair and human hair waste (1.4%)
- ❑ Swords, bayonets and similar arms, sheaths, and scabbards (2.7%)
- ❑ Certain ready-to-eat sugar confections or sweetmeats - not of cocoa (5.6%)
- ❑ Non-threaded iron and steel articles - rivets, washers (2.8%)
- ❑ Vegetables preserved by vinegar or acetic acid (9.6%)

# How to Increase Imports from Ukraine That Enter U.S. Duty-free Under GSP

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1. Ensure that GSP treatment is claimed for eligible products currently imported from Ukraine.
2. Identify GSP-eligible products that Ukraine is exporting to other markets and consider exporting them to the U.S. duty-free.
3. Export eligible products under other countries' GSP programs.

# Ensure GSP Treatment is Claimed for Eligible Products

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- ❑ Of \$11.5 million in GSP-eligible products that U.S. imported from Ukraine between Jan. 23-Feb. 28, 2006, just \$122,800 of those imports received GSP duty-free treatment.
- ❑ GSP utilization rate, therefore, for initial period of Ukraine's restored GSP eligibility was very low (1.1 percent).

# Ensure GSP Treatment is Claimed for Eligible Products

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- ❑ Also - for all but one of the products that received GSP duty-free treatment, not all of the products' shipments entered duty-free under GSP.
- ❑ For example, more than half (\$112,000) of GSP-eligible titanium dioxide pigment and preparation imports were assessed a 6% tariff.
- ❑ Imports' cost to U.S. user was \$6,720 more than it could have been, or the exports' revenue to producer was \$6,720 less.

# Ensure GSP Treatment is Claimed for Eligible Products

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January-February imports charged tariffs that were likely duty-free under GSP included:

- ❑ \$4 million in radial tires of construction or industrial vehicles and machines @ 4% tariff = \$160,000
- ❑ \$3.3 million in railway/tramway locomotives or cars @ 0.4% tariff = \$132,000
- ❑ \$747,000 in rare gases (not argon) @ 3.7% tariff = \$27,639
- ❑ \$285,000 in certain gallium and gallium powders @ 3% tariff = \$8,550\*
- ❑ \$269,000 in sports gloves and mittens @ 2.8% tariff = \$7,532

# GSP-eligible Products Not Claimed

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- ❑ \$187,000 in boron carbide @ 3.7% = \$6,919
- ❑ \$180,000 in downhill snow skis @ 2.6% tariff = \$4,680
- ❑ \$131,600 in inflatable pleasure or sports vessels @ 2.4% tariff = \$3,158
- ❑ \$116,000 in coloring matter of vegetable or animal origin @ 3.1% tariff = \$3,596
- ❑ \$113,800 in optical telescopes @ 8% tariff = \$9,104\*
- ❑ \$110,000 in titanium oxides @ 5.5% tariff = \$6,050

# Ensure GSP Treatment is Claimed for Eligible Products

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- 66 categories of GSP-eligible imports (11.3 million) paid tariffs in Jan-Feb. Why?
  - Shipments could have already occurred.
  - It has been five years since Ukraine's exports have been eligible for GSP duty-free preferences.
  
- Ukraine's utilization of GSP will improve. Ways to do so include...

# Ensure GSP Treatment is Claimed for Eligible Exports

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- Translate GSP information into Ukrainian. Put both versions on government's web-portal.
- Get word out about GSP to Ukraine's producers, manufacturers, and business/industry associations.
- Have exporters ensure that their importers mark the customs form correctly.
- Hold GSP seminars in key cities.

# Seek GSP Duty-Free Treatment for More Exports to the United States

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Identify GSP-eligible products that Ukraine exports to other markets:

- To EU?
- To OECD countries?

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

# Utilize the Benefits of Other Countries' GSP Programs

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- Australia
- Belarus
- Bulgaria
- Canada
- Czech Republic
- Estonia
- European Union
- Hungary
- Japan
- New Zealand
- Norway
- Poland
- Russian Federation
- Slovak Republic
- Switzerland
- Turkey

# For Further Information

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- Office of the U.S. Trade Representative Website: GSP guidebook and lists of GSP eligible and ineligible products:
  - [http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)
  
- Department of Homeland Security: Customs & Border Protection:
  - <http://www.customs.gov/xp/cgov/import/>
  - CUSTOMS FORM 7501:
    - <https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-7501-form.xft>
    - <http://www.customs.treas.gov/xp/cgov/toolbox/publications/>

# For Further Information

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- U.S. Tariff Schedule:

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

- U.S. Department of Commerce Trade Information Center:

- <http://www.trade.gov/td/tic/>

- email counseling: [tic@ita.doc.gov](mailto:tic@ita.doc.gov)

# Other GSP Programs

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<http://www.unctad.org/Templates/Page.asp?intItemID=1418&lang=1>

OR go to <http://www.unctad.org> and type in "GSP" in the search window in the top right corner of the home page.

