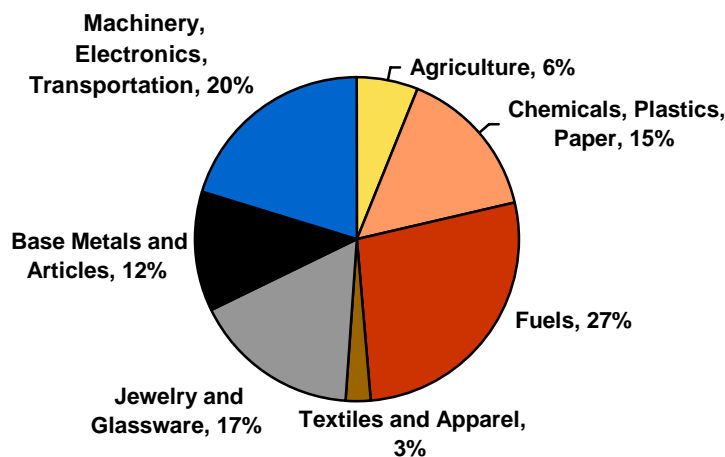


## **Iraq and the U.S. Generalized System of Preferences (GSP) Program** **How to Use GSP Duty-Free Benefits to Increase Iraq's Exports** **February 2008**

### **What is GSP?**

The U.S. GSP program provides significant opportunities for Iraq to increase its exports to the United States. GSP provides duty-free treatment for about 3,400 types of exports from Iraq and 130 other developing countries. 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, which can range from two percent to seventeen percent of the items' cost. U.S. imports under GSP from January through November of 2007, totaled \$28.6 billion.

Many items are eligible for GSP duty-free treatment. These include most manufactured goods; inputs used in manufacturing; jewelry; many types of carpets; 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.



### **Iraq's Use of GSP Preferences**

#### U.S. imports entering under GSP

U.S. imports from Iraq under GSP were \$178,598 in 2006, accounting for 1.58% of overall U.S. imports from Iraq in 2006 (see Attachment One).

From January through November 2007, Iraq was the 79th largest user of the GSP program. U.S. imports from Iraq that received GSP duty-free treatment were \$1,010,818 in 2005, \$178,598 in 2006, and \$174,614 in the first eleven months of 2007, as compared to \$178,598 in the same period last year.

U.S. imports from Iraq entering under GSP in 2007 were:

- Saps and extracts of licorice (\$166,251 in U.S. imports); \$6,317 in duties saved at 3.8 percent
- Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked (\$580 in duties saved @ 5.8 percent)

U.S. imports that were eligible for GSP duty-free treatment but did not receive it

Additional GSP-eligible articles were exported to the United States between January and November 2007, but U.S. importers did not claim duty-free treatment for them. Most important among them were \$8,230 in fresh or dried nuts in the shell, which are otherwise subject to a 1.3 cents per kilogram duty. This is the first year since Iraq became a GSP beneficiary in September 2004 that the United States imported these products from Iraq. Other types of nuts and seeds were exported to the United States in 2005 that were assessed duties of 17.9 percent, unfortunately, because U.S. importers did not claim GSP duty-free treatment. Iraqi exporters and U.S. importers may not have been aware of the benefits of the GSP Program.

Outreach and education to provide additional information on benefits provided by the GSP program is a key U.S. priority.

### **How to Export More Iraqi Products Using GSP Duty-Free Benefits**

1. Look at the Iraqi products that are exported to the European Union or other markets, and consider exporting these products to the U.S. market as well if they are eligible for GSP.

Licorice sap currently accounts for almost all U.S. imports from Iraq under GSP. Iraqi exports to the European Union give an indication of additional articles that could potentially benefit from GSP if exported to the United States as well. Topping the list are:

- Fresh or dried dates, figs, and raisins
- Raw hides and skins of sheep and lambs
- Kidney beans
- Molasses
- Nuts and seeds
- Jewelry, including imitation jewelry

Because of the competitive strength of U.S. producers in several of these categories, Iraqi suppliers appear to have focused on other markets. However, it is important to make these producers aware of the tariff advantages afforded by GSP in their overall assessment regarding investment and marketing strategies.

Iraqi producers may find success in the U.S. market by partnering with companies currently supplying these products, possibly by producing goods that complement articles supplied by their partner. Iraq's eligibility for GSP preferences will make Iraq a more attractive input partner.

Moving up the value-added chain of production is an important way to create opportunities for higher-skilled jobs. For example, hides and skins are a leading export to the EU-25. Some of these hides and skins could be used in the United States to make GSP-eligible leather goods such as belts, shoe laces, and sports gloves and/or non-GSP eligible leather products such as luggage and handbags.

2. Export duty-free or GSP-eligible handicrafts and home décor items

Many types of handicraft exports can enter the United States free of duty, such as:

- gemstones and jewelry
- paintings, sculpture, and wall hangings
- carpets, kilims, and rugs
- wooden statuettes, boxes, and other items
- fur head coverings
- wind, string, and drum musical instruments
- wood picture frames
- various types of hats
- certain baskets and handbags of bamboo, rattan, palm leaf and vegetable material

### 3. Expand exports of dried fruits and nuts

Iraq is already working to expand its agricultural exports. U.S. imports of dried fruits and nuts are subject to less-restrictive sanitary review processes than are fresh and processed agricultural items. Attachment Three provides a list of these items.

#### **How does an import receive GSP duty-free treatment?**

A GSP-eligible import must meet the following requirements:

- be included on the list of GSP-eligible articles;
- be imported into the United States directly from Iraq or pass through another country under a bill of lading
- be the growth, product, or manufacture of Iraq;
- if some materials used to make the product are imported into Iraq, the cost of the Iraqi 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 Harmonized Tariff Schedule of the United States number that identifies the imported article on U.S. Customs Entry Form 7501 (see Attachment Four).

#### **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 the 35 percent rule-of-origin requirement:
  1. Dated invoices for materials used to produce the good, showing from where the materials came;
  2. Description of product and quantity.
- If processing operations are involved:
  1. Description of processing and location;
  2. Documentation of the direct costs of processing operations.

NOTE: The importer must keep all documents for at least five years.

#### **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](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)
- The U.S. Harmonized Tariff Schedule is at <http://www.usitc.gov/tata/hts/>
- GSP-eligible products: [http://dataweb.usitc.gov/scripts/gsp/gsp\\_tariff.asp](http://dataweb.usitc.gov/scripts/gsp/gsp_tariff.asp)
- U.S. Customs' import procedures information: <http://www.cbp.gov/>
- Record-keeping requirements: [http://www.cbp.gov/xp/cgov/import/reg\\_audit/archive/gsp.xml](http://www.cbp.gov/xp/cgov/import/reg_audit/archive/gsp.xml)

**Attachment One: U.S. Imports from Iraq under GSP**

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

Import Program	Country	HTS Number	2005	2006	2006 YTD	2007 YTD	Percent Change YTD2006 - YTD2007
			<i>In Actual Dollars</i>				
GSP	Iraq	13021200 Saps and extracts of licorice	993,918	163,684	163,684	166,251	1.6%
.	.	90131030 Telescopic sights for rifles designed for use with infrared light	0	0	0	6,783	N/A
.	.	39269099 Other articles of plastic, nesoi	0	0	0	1,000	N/A
.	.	57032010 Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked	0	0	0	580	N/A
.	.	71142000 Goldsmiths' or silversmiths' wares of base metal clad with precious metal	3,000	0	0	0	N/A
.	.	85291090 Antennas and antenna reflectors of all kinds and parts, for use solely or principally with apparatus of headings 8525 to 8528, nesoi	0	3,301	3,301	0	-100.0%
.	.	85371090 Boards, panels, consoles, desks, cabinets, etc., equipped with apparatus for electric control, for a voltage not exceeding	3,500	0	0	0	N/A

		1,000, nesoi					
.	.	71132050 Base metal clad w/precious metal articles of jewelry and parts thereof, nesoi	4,400	0	0	0	N/A
.	.	85365040 Electrical motor starters (which are switches), for a voltage not exceeding 1,000 V	0	2,613	2,613	0	-100.0%
.	.	90309088 Parts and accessories for articles of subheadings 9030.20 to 9030.40, 9030.83 and 9030.89, nesoi	0	9,000	9,000	0	-100.0%
.	.	85282180 Color video monitors nesoi, with video display diagonal over 34.29 cm, incorporating VCR or player	6,000	0	0	0	N/A
<b>Total</b>			<b>1,010,818</b>	<b>178,598</b>	<b>178,598</b>	<b>174,614</b>	<b>-2.2%</b>

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

**Attachment Two: GSP-Eligible U.S. Imports from Iraq, both Claimed and not Claimed by U.S. Importers under GSP**

<b>HTS NUMBER</b>	<b>Product Description</b>	<b>MFN rate</b>	<b>IMPORT PROGRAM</b>	<b>2005</b>	<b>2006</b>	<b>2007 (thru Nov)</b>
13021200	Saps and extracts of licorice	3.80%	GSP	\$993,918	\$163,684	\$166,251
39269099	Other articles of plastic, nesoi	5.30%	GSP	\$0	\$0	\$1,000
57032010	Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides, hand-hooked	5.80%	GSP	\$0	\$0	\$580
71132050	Base metal clad w/precious metal articles of jewelry and parts thereof, nesoi	5.20%	GSP	\$4,400	\$0	\$0
71142000	Goldsmiths' or silversmiths' wares of base metal clad with precious metal	3.00%	GSP	\$3,000	\$0	\$0
85282180	Color video monitors nesoi, with video display diagonal over 34.29 cm, incorporating VCR or player	3.90%	GSP	\$6,000	\$0	\$0
85291090	Antennas and antenna reflectors of all kinds and parts, for use solely or principally with apparatus of headings 8525 to 8528, nesoi	3.00%	GSP	\$0	\$3,301	\$0
85365040	Electrical motor starters (which are switches), for a voltage not exceeding 1,000 V	2.70%	GSP	\$0	\$2,613	\$0
85371090	Boards, panels, consoles, desks, cabinets, etc., equipped with apparatus for electric control, for a voltage not exceeding 1,000, nesi	2.70%	GSP	\$3,500	\$0	\$0
90131030	Telescopic sights for rifles designed for use with infrared light	1.40%	GSP	\$0	\$0	\$6,783
90309088	Parts and accessories for articles of subheadings 9030.20 to 9030.40, 9030.83 and 9030.89, nesoi	1.70%	GSP	\$0	\$9,000	\$0
08029080	Nuts nesi, fresh or dried, in shell,	1.3 cents/kg	No program claimed	\$0	\$6,580	\$0
08029081	Nuts nesi, fresh or dried, in shell	1.3 cents/kg	No program claimed	\$0	\$0	\$8,230
20081990	Other nuts and seeds nesi, excluding mixtures, otherwise prepared or preserved, nesi	17.90%	No program claimed	\$5,335	\$0	\$0

57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	6.00%	No program claimed	\$0	\$2,004	\$0
70091000	Glass rearview mirrors for vehicles	3.90%	No program claimed	\$0	\$0	\$18,000
84119990	Parts of gas turbines nesi, other than those of subheading 8411.99.10	2.40%	No program claimed	\$0	\$5,865	\$0
84158101	Air conditioning machines incorporating a refrigerating unit and valve for reversal of cooling/heat cycle, nesoi	1.00%	No program claimed	\$0	\$0	\$24,349
84158201	Air conditioning machines incorporating a refrigerating unit, nesoi	2.20%	No program claimed	\$0	\$15,000	\$0
84238900	Weighing machinery, nesi	2.90%	No program claimed	\$40,000	\$0	\$0
84842000	Mechanical seals	3.90%	No program claimed	\$0	\$18,840	\$0
85169090	Parts of electric instantaneous or storage water heaters and immersion heaters and other domestic electrothermic appliance, nesi	3.90%	No program claimed	\$0	\$11,846	\$0
85439088	Parts (other than printed circuit assemblies) of electrical machines and apparatus, having individual functions, nesoi	2.60%	No program claimed	\$0	\$5,000	\$0

## Attachment Three

### **Agricultural GSP-Eligible Products<sup>1</sup>**

#### Apricots

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

#### Raisins

<b>08062010</b>	Raisins, made from dried seedless grapes
<b>08062020</b>	Raisins, made from other than seedless grapes

#### Nuts

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

#### Tomatoes

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

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<sup>1</sup> Does not include fresh produce because of SPS requirements that will be difficult to meet in near future.



Onions

- 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

# Attachment Four

## SAMPLE U.S. CUSTOMS ENTRY FORM 7501

16-J-1-2007 10.58am From Trade Corporation

002441206

1 187 P 003/002 F-036

DEPARTMENT OF HOMELAND SECURITY U.S. Customs and Border Protection ENTRY SUMMARY				1. Header Code/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 03/24/2006	8. Port Code 2704	9. Entry Date 03/24/2006						
8. Importing Carrier		9. Mode of Transport 12		10. Country of Origin TR		11. In-Port Code 09/24/2006						
12. Bill of Lading No.		13. Manufacturer ID		14. Exporting Country TR		15. Export Date 03/30/2006						
16. I.T. No.	17. I.T. Date	18. Missing Docs	19. Foreign Port of Loading 55735		20. U.S. Port of Loading 2704							
21. Location of Goods/B.O. No.		22. Consignee No. SAME		23. Importer No.		24. Reference No.						
25. Ultimate Consignee Name and address				26. Importer of Record Name and address								
City State IN Zip				City State IN Zip								
27. 28. Description of Merchandise				32. A. Entered Value B. CHGS C. Relationship		33. A. HTSUS Rate B. ADCVD Rate C. IRC Rate D. Visa No.						
Line No.	A. HTSUS No. B. ADCVD Class No.	A. Gross Weight D. Manifest Qty.	31. Net Quantity in HTSUS Units	34. Duty Rate Dollars		35. I.R. Tax Cents						
	M W465000914 II B03CER1365LY			2700 CABS								
	INVOICE 00001			NOT RELATED								
	DISPOSED SHAMLES RUBBER GL			51840 FREE		0.00						
A	4015.19.1010 16940 112500 DDR			03959								
	HARBOR MAINTENANCE FEE			0.125%		64.00						
	MERCHANDISE PROCESSING FEE			0.21%		108.86						
				AS ENTERED								
Other Fee Summary for Block 39				35. Total Entered Value		CBP USE ONLY						
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">\$ 557</td> <td style="width: 50%;">LOF, RE 64.80</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total Other Fees</td> </tr> <tr> <td colspan="2" style="text-align: center;">\$ 173.66</td> </tr> </table>				\$ 557	LOF, RE 64.80	Total Other Fees		\$ 173.66		\$ 51,840.00		A. LIQ CODE 355
\$ 557	LOF, RE 64.80											
Total Other Fees												
\$ 173.66												
36. DECLARATION OF IMPORTER OF RECORD (OWNER OR PURCHASER) OR AUTHORIZED AGENT  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 that 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 the invoices as to value or price are true to the best of my knowledge and belief. I also declare that the statements in this document's header fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller 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 facts.				REASON CODE		B. Ascertained Duty						
				37. Duty		C. Ascertained Tax		38. Tax				
				39. Other		D. Ascertained Other		39. Other				
				173.66		E. Ascertained Total		40. Total				
				173.66								
41. DECLARANT NAME				43. Importer File No. 6841		DATE 10/12/2006						
42. Broker/Importer Information (Name, address, phone number)				CBP Form 7501 (04/05)								