# Central Asia and the U.S. Generalized System of Preferences (GSP) Program

The U.S. GSP program began operation in 1974. It provides preferential duty-free treatment for 3,474 products from 131 designated beneficiary developing countries, including the countries of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). U.S. imports under GSP in 2006 from all 131 beneficiaries totaled \$32.6 billion, an increase of 22 percent over 2005. Non-petroleum U.S. imports under GSP have increased over six percent from January through May 2007, as compared to the same period last year.

Eligible for GSP duty-free treatment are most dutiable manufactured items and inputs; and certain agricultural, fishery, and primary industrial products. Not eligible for GSP are textiles and apparel made with cotton, wool, manmade fiber, other vegetable fiber (linen and ramie); watches; certain footwear and handbags; luggage; flat goods not of silk; work gloves; and other leather items.

**Overall U.S. Imports from Central Asia:** The following chart shows the total regional and country-specific U.S. import levels from the region since 2004:

Country	2004	2005	2006	2006 YTD	2007 YTD	Percent Change
		YTD2006 - YTD2007				
Kazakhstan	540,840,893	1,078,135,947	988,863,891	304,080,674	451,944,190	48.6%
Turkmenistan	80,763,291	128,139,848	94,769,897	23,188,795	45,870,645	97.8%
Uzbekistan	88,002,484	95,627,811	151,461,819	18,245,032	43,468,210	138.2%
Kyrgyzstan	10,803,923	4,552,190	4,237,828	2,717,109	802,435	-70.5%
Tajikistan	7,291,248	241,029,155	60,742,508	60,522,675	184,607	-99.7%
Total	727,701,839	1,547,484,951	1,300,075,943	408,754,285	542,270,087	32.7%

**Use of GSP Preferences:** U.S. imports of exports from Kazakhstan and Kyrgyzstan for which GSP benefits were claimed in 2006 were more than double in value over the GSP imports from each of those countries in 2005, and continued to increase in the first five months of 2007. U.S. imports of exports from Uzbekistan for which GSP benefits were claimed in 2006 dropped considerably from the value of GSP imports in 2005.

Country	2004	2005	2006	2006 YTD	2007 YTD	Percent Change
Country		YTD2006 - YTD2007				
Kazakhstan	158,448,500	206,392,514	483,068,909	156,953,770	212,827,940	35.6%
Uzbekistan	3,422,433	12,109,830	2,829,417	744,870	1,887,135	153.4%
Kyrgyzstan	48,679	9,783	19,072	8,895	25,238	183.7%
Total	161,919,612	218,512,127	485,917,398	157,707,535	214,740,313	36.2%

### GSP Imports as a Percent of all U.S. Imports from Central Asia

Approximately 24.2 percent of all U.S. imports from Central Asia entered under the GSP program from 2004 through 2006, although varying significantly by country:

- 32.4 percent Kazakhstan •
- Kyrgyzstan 0.4 percent
- •
- Turkmenistan 0 percent

- Tajikistan 0 percent

Uzbekistan 5.5 percent In the first five months of 2007, the overall percentage of U.S. imports from Central Asia under GSP increased to 39.6 percent (at the same that overall U.S. imports of Central Asia increased 32.7 percent over January through May 2006). Increased treatment under GSP for U.S. imports from Kazakhstan was responsible for the overall regional increase in GSP utilization.

## Top U.S. Imports under GSP from Central Asia

Among all GSP exporting countries in 2006, Kazakhstan ranked eighth with over \$483 million in GSP trade. Top U.S. imports from Central Asia under the GSP program in 2006 and January through May 2007 included:

- zinc and ferrochromium from Kazakhstan;
- women's suit-type jackets containing more than 70 percent silk and national flags from Kyrgyzstan; and
- articles of tungsten, peppers and dried apricots from Uzbekistan.

There were no U.S. imports from Turkmenistan or Tajikistan under the GSP program during 2004-YTD 2007.

#### Did All GSP-eligible U.S. Imports from Central Asia Actually Enter Duty-free under GSP?

The Central Asian countries' GSP utilization rates, based on 2006 trade, are Kazakhstan, 97.0 percent; Kyrgyzstan, 1.9 percent; Tajikistan 0 percent; Turkmenistan, 0 percent; and Uzbekistan, 98.7 percent. The overall GSP program utilization rate for all countries is 87.9 percent.

Importers of GSP-claimed exports from Central Asia saved approximately \$9.3 million in saved (also known as "foregone") duties in 2006. This included \$9.2 million for U.S. imports from Kazakhstan (at an average duty of 0.91 percent that did not need to be paid because of GSP); \$916 for U.S. imports from Kyrgyzstan (average duty foregone was 4.8 percent); and \$93,894 for U.S. imports from Uzbekistan (average duty saved was 3.3 percent). The amounts of saved duties in 2007 for Kazakhstan and Kyrgyzstan will likely be much higher because of increased U.S. imports under GSP.

## **Opportunities for Central Asia to be more Competitive in the U.S. Market through GSP**

<u>Claim the Savings</u>: U.S. importers are likely paying unnecessary duties on many U.S. imports from Central Asia. Each country that is using GSP can also increase its utilization of GSP benefits by ensuring that all GSP-eligible exports to the United States actually enter the United States duty-free. One reason for the countries' low GSP utilization is that the U.S. importers or customers are not properly marking the U.S. customs entry forms (inserting an "A" before the tariff number – see page four).

Examples, by country, of U.S. imports with the largest value of shipments not being claimed under GSP in 2006 and thus far in 2007 were:

- Kazakhstan: \$14.6 million in unclaimed items under GSP in 2006 and \$9 million in the first five months of 2007 including: caviar (15 percent duty); articles of wood (3.3 percent duty); ammonium perrhenate (7 percent duty) and tantalum (2.5 percent duty).
- Kyrgyzstan: \$360,000 in unclaimed items in 2006 and \$206,000 in unclaimed items in the first four months of 2007, including: food preparations (6.4 percent duty); a number of GSP-eligible textile and apparel items including certain headgear (8.5 percent), handbags (5.3 percent), and silk-blend women's dresses and jackets (6.3 percent); cobalt carbonates (4.2 percent duty); aluminum doors, windows and frames (5.7 percent duty); glaziers' putty (3.7 percent duty);
- Turkmenistan: \$128,000 in unclaimed items in 2006, including plastic articles used for the packing or conveyance of goods from Turkmenistan (3 percent duty);
- Tajikistan: \$203,000 in unclaimed items in 2006, including ferrochromium (1.9 percent duty); iron or steel items (2.9 percent duty); and sunglasses (2 percent duty).
- Uzbekistan: \$1.6 million in unclaimed items in 2005 and \$36,000 in 2006, including plastic "bubbles" (3.0 percent duty); piston engines (2.5 percent); molybdenum (3.2 percent); and rhonium (3.0 percent).

Central Asia's GSP-claimed and unclaimed textile and apparel exports include women's/girls' apparel and shawls containing 70 percent silk; handbags, belts and bandoliers, national flags; and artificial flowers and foliage. Duties saved on these items are as high as 17 percent.

<u>Direct New Types of Exports to the United States</u>: Many of Central Asia's exports to other trading partners are not exported to the United States in significant quantities. If the United States imported these products from Central Asia, they could enter duty-free so would be competitive in the U.S. market. Examples by country include:

- Uzbekistan: metals, agriculture, and petroleum items such as: petroleum oils & oils (not light) from bituminous minerals or preparations (HS 271019); natural uranium (HTS 284410); tomatoes (HTS 070200); certain melons and papayas (HTS 080719).
- Kyrgyzstan: agricultural products, including cane or beet sugar (HTS 170199); kidney beans (HTS 071333) and waters, sweetened or flavored (HTS 220210); also mercury (HS 280540); and lead oxides (HS 282490).
- Kazakhstan: metals, agricultural goods and chemicals, such as ferrosilicon manganese (HTS 720230); cane or beet sugar (HTS 170199); and tomatoes HTS 070200).
- Turkmenistan: petroleum products, agricultural items, and machines/machinery parts, including: petroleum oils and oils from bituminous minerals or preparations (HS 271019); cucumbers (HTS 070700) and garlic (HTS 070320); certain generators; control panels and desks, screens, examination or treatment tables, chairs etc.; parts and accessories (HS 902290); interchangeable tools and parts for hand tools, rock drilling or earth boring tools (HS 820719).
- Tajikistan: agricultural products and metals, including onions and shallots (HTS 070310); apricots (HTS 081310); and peanuts (HTS 120220); aluminum non-alloyed rectangular (including square) plates, sheets and strip (HS 760611); chromates of zinc or lead (HS 284120); natural uranium and its compounds, alloys dispersions and ceramic products and mixtures containing natural uranium or natural uranium compounds (HS 284410).

<u>Export Handicrafts</u>: Many handicrafts are duty-free when exported to the United States, such as jewelry; traditional games; art; certain carpets and rugs; wooden statuettes, decorated boxes, and other wood ornaments; wind, string, percussion, and some keyboard musical instruments; framed and unframed mirrors; picture frames; baskets and bags of bamboo, rattan, palm leaf and vegetable material most often not wickerwork (plaited or woven plaits or twigs).

Thirteen GSP beneficiary countries can also export several certified handicraft items duty-free under GSP because the countries have "certified textile handicraft arrangements" with the United States. The arrangement allows duty-free importation of hand-loomed and folklore wall hangings and pillow covers, as well as certain handwoven textile floor coverings made by artisans in those countries, when these exports are certified by the government of the country of export to be hand-loomed and of a folkloric nature. None of the Central Asian countries has yet entered into such an arrangement with the United States.

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

A GSP-eligible import must meet the following requirements:

- included in the list of GSP-eligible articles.<sup>1</sup>
- imported into the United States directly from the country of export or pass through another country in a sealed container.
- be the growth, product, or manufacture of the GSP beneficiary country.
- If product inputs are imported into the GSP beneficiary country, the sum of the cost or value of the materials used in making product -- plus the direct costs of processing -- must equal at least 35 percent of the product's price when the good is sold for export into the United States. Imported materials can count toward the 35 percent materials value and local processing component of the product's price only if the imported materials are "substantially transformed" and then used to produce or manufacture the export. "Substantially transformed" means that U.S. Customs would classify the imported items as being in a very different form as compared to when they were first imported.
- The exporter/importer must request duty-free treatment under GSP by placing an "A," "A+," or "A\*<sup>2</sup> before the U.S. tariff line (HTSUS) number that identifies the imported article on the U.S. Customs Entry Form 7501 (see below).<sup>3</sup>

<sup>&</sup>lt;sup>1</sup> For more information about the GSP program, including a guidebook and eligible products, go to: <u>http://www.ustr.gov/Trade\_Development/Preference\_Programs/GSP/Section\_Index.html</u>

<sup>&</sup>lt;sup>2</sup> "A" products are eligible for GSP duty-free treatment by all beneficiaries; A+ products are eligible for GSP just by least-developed beneficiaries;

A\* products are those which certain supplying countries have become ineligible for GSP duty-free treatment.

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<sup>3</sup> The U.S. Harmonized Tariff System codes are at <u>www.usitc.gov/tata/hts.</u> GSP classification information for products is at: <u>http://dataweb.usitc.gov/scripts/gsp/gsp\_tariff.asp. Information on U.S.</u> customs and importing procedures is at <u>www.cbp.gov</u>.