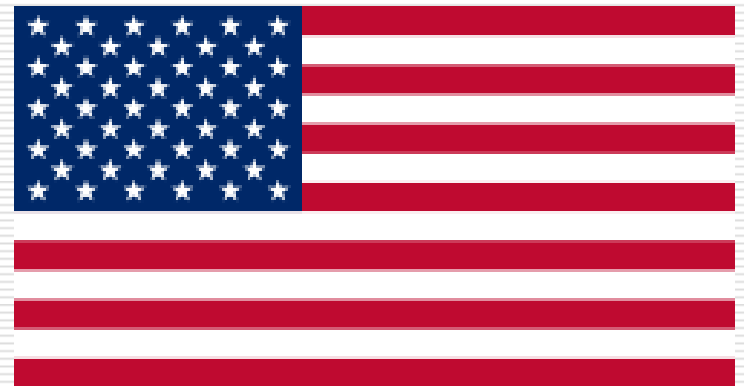


Expanding Cambodia's Export Opportunities through GSP

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Today's Discussion

- U.S. imports from Cambodia's under GSP
- Cambodia and the Generalized System of Preferences (GSP) Program
- How to increase Cambodia's use of GSP duty-free opportunities

Cambodia and the GSP Program

- Cambodia designated as a least-developed GSP beneficiary country in 1997.
- What does that mean?
 - Cambodia can export 4,800 products *duty-free* to the United States.
 - GSP gives a competitive edge to these exports in the U.S. market
 - Importing companies do not pay tariffs of (between 1-14.6% for current exports under GSP).

U.S. Imports from Cambodia Under GSP (by value Jan-Nov 2006)

- ❑ Plastic sacks and bags (MFN rate: 3%)**
- ❑ Gold necklaces and neck-chains (5.2-5.8%)**
- ❑ Plastic household and toilet articles (3.4%)**
- ❑ CDs/DVDs (2.7%)**
- ❑ Motor vehicle bumpers and bumper parts (2.5%)**
- ❑ Artificial bait and flies (9%)**
- ❑ Wooden statuettes and other ornaments (3.2%)**
- ❑ Textile headbands & ponytail holders (14.6%)**
- ❑ Electrical generators (2.5%)**
- ❑ Non-knitted shawls & scarves – 70% silk (1.2%)**
- ❑ Certain monumental or building stone (6.5%)**

GSP Program

- Created by Congress in 1974; renewed through 2008.
- Creates opportunities in 134 countries, while expanding choices for U.S. industries & consumers.
- Provides duty-free treatment for 3,400 products for all plus 1400 more products from LDCs
- GSP imports increasing: \$30 billion in 2006, up 23% over 2005.

GSP: how it operates

Which articles are eligible for duty-free treatment?

- most dutiable manufactures and semi-manufactures, and selected agricultural, fishery, and primary industrial products.
- prohibited by statute are certain textiles, watches, certain footwear and handbags, luggage, flat goods not made of silk, work gloves, and other leather apparel.

How does a U.S. import qualify for duty-free treatment under GSP?

- (1)** Be on list of GSP-eligible articles.
- (2)** Be imported directly from the country or pass through another country in a sealed container.
- (3)** Cambodia must be eligible for GSP treatment of that article.
- (4)** Be the growth or product of the country, or if using imported inputs, must meet 35 percent value-added requirements.
- (5)** An "A" must be written before the tariff number for the imported article on the customs form.

Which Products Qualify for GSP Duty-free Treatment?

35% value-added requirement (“Rule of Origin”):

- Imported inputs can count toward 35% value-added requirement.
- BUT, they must be “substantially transformed” in Cambodia into different materials to then produce or manufacture the product.
- “Substantially transformed” means the U.S. would classify them as different items.

Obtaining Duty-free Treatment for Your Product:

It is important for the manufacturer or producer to know (and make sure the importer knows):

- The importer must request the product's duty-free treatment under GSP by placing an "A," "A*," or "A+" before the HTSUS number on the Customs' entry form.**

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

- ❑ 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

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

- ❑ 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

- ❑ 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

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

- ❑ \$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

- 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

- 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

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

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

For Further Information

- 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

- 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

□ 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

Other GSP Programs

<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.

