

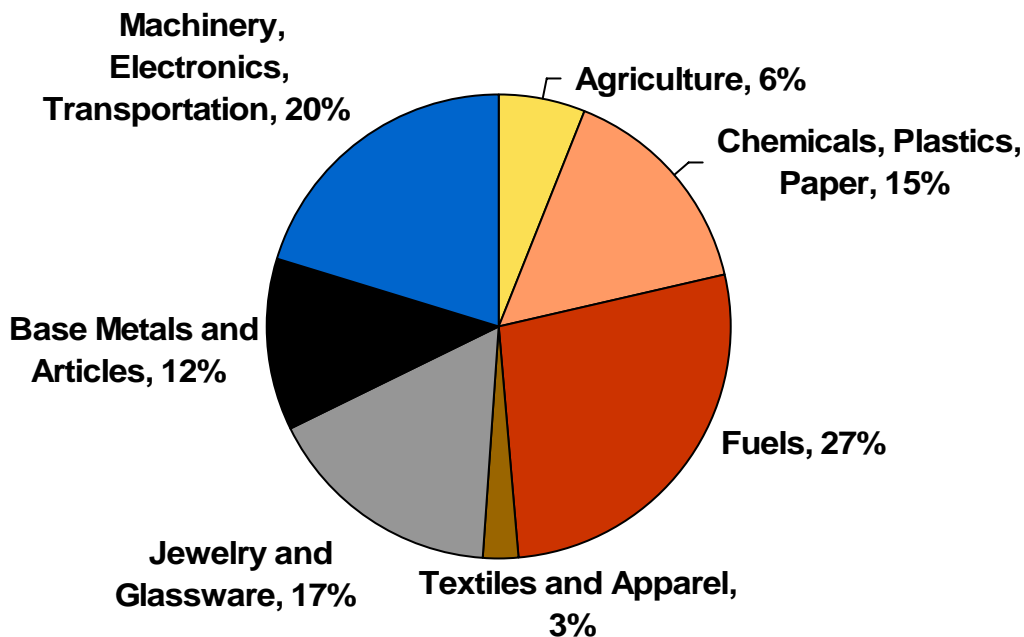


USE OF THE GENERALIZED SYSTEM OF PREFERENCES
BY PAPUA NEW GUINEA
November 2007

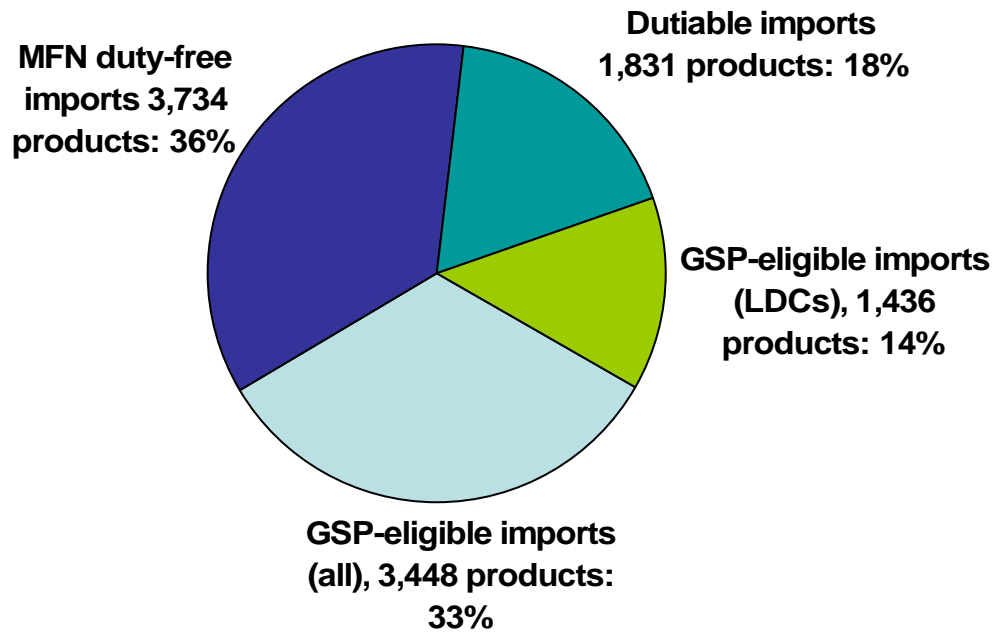
Generalized System of Preferences Program

Congress created the U.S. GSP program in 1974, with broad bipartisan support, to expand the choices and decrease the costs of imports used by American industry and consumers while creating economic opportunities in developing countries. The GSP program provides preferential duty-free treatment for 3,448 products from Papua New Guinea and 130 other designated beneficiary developing countries (BDCs) and territories. An additional 1,436 articles from least-developed beneficiary developing countries (LDBDCs) are eligible for duty-free treatment. There are currently 43 least-developed GSP beneficiaries, including Kiribati, Samoa, Tuvalu, and Vanuatu. The Solomon Islands, located just to the southeast of Papua New Guinea, has recently requested LDBDC status.

U.S. imports under GSP in 2006 from all beneficiaries totaled \$32.6 billion, an increase of 22 percent over 2005. The combined GSP-eligible product lists include most dutiable manufactures and semi-manufactures, and certain agricultural, fishery, and primary industrial products (see. Top U.S. imports under GSP in 2006 were petroleum, gold jewelry, aluminum alloy products, refined copper cathodes, methanol, and silver jewelry:



Some articles are prohibited by the GSP statute from receiving GSP treatment, including textiles produced with cotton, wool, manmade fiber, other vegetable fiber (linen and ramie); watches; certain footwear and handbags; luggage; flat goods not made of silk; gloves other than sports gloves; and other leather items.



How does an import receive GSP duty-free treatment?

A GSP-eligible import must meet the following requirements:

- It must be included in the list of GSP-eligible articles.
- It must be imported into the United States directly from the GSP beneficiary or pass through another country on a through bill of lading.
- The article must be the growth, product, or manufacture of the GSP beneficiary.
- When a producer in Papua New Guinea imports inputs for a product from outside of the country, the sum of the cost or value of materials produced in Papua New Guinea in addition to the direct costs of processing must equal at least 35 percent of the product's appraised value when the product is sold for export to the United States.
- Imported materials can be counted toward the 35 percent value-added requirement if they are "substantially transformed" into new and different constituent materials, which are then used to produce or manufacture the eligible article to be exported. "Substantially transformed" means that U.S. customs would classify the constituent materials as different items.
- The exporter/importer must request duty-free treatment under GSP by placing an "A," before the U.S. tariff line (HTSUS) number that identifies the import on the customs entry form (see below).

DEPARTMENT OF HOMELAND SECURITY U.S. Customs and Border Protection				1. Entry Code/Entry No AWC 000		12. Entry Type 01 ABI/A		3. Summary Date 10/04/2006	
ENTRY SUMMARY				4. Surety No.		5. Bond Type 8		6. Port Code 2704	
8. Importing Carrier		9. Mode of Transport 13		10. Country of Origin TR		11. In-Port Date 08/24/2006		14. Exporting Country TR	
16. I.T. No.		17. I.T. Date		18. Foreign Port of Loading 55735		19. U.S. Port of Loading 2704		15. Expiry Date 08/30/2006	
21. Location of Goods (G.D. No.)		22. Consignee No. SAME		23. Importer No.		24. Reference No.		25. Ultimate Consignee Name and address	
27. Line No.		28. Description of Merchandise		29. Total Entered Value		30. CBP USE ONLY		31. TOTALS	
001	A	W465000914	DISPOSABLE SAMPLE RUBBER GL	51,840.00	NOT RELATED	AS ENTERED	2700	0.00	0.00
			HARBOR MAINTENANCE FEE					64.00	64.00
			MERCHANDISE PROCESSING FEE					108.86	108.86
Other Fee Summary to Check off				32. Total Entered Value		33. CBP USE ONLY		34. TOTALS	
				51,840.00		A. Unassessed Duty		37. Duty	
				173.86		B. Assessed Duty		38. Duty	
						C. Assessed Tax		39. Tax	
						D. Assessed Other		40. Other	
						E. Assessed Total		41. Total	
								173.86	
								173.86	
35. DECLARATION OF IMPORTER OF RECORD (OWNER, PURCHASER, OR AUTHORIZED AGENT)				REASON CODE		DATE		10/12/2006	
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, purchaser, or agent thereof. I further declare that the merchandise was obtained pursuant to a purchase or agreement to purchase and the statements in this invoice are true, OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in this invoice are true to the best of my knowledge and belief. I also declare that the statements in this declaration herein are true and correct, and I will immediately furnish to the appropriate CBP office any information showing a different statement of fact.				TITLE		DATE		10/12/2006	
47. Broker/Importer Information (Name, address, phone number)				48. Broker/Importer File No.		DATE		10/12/2006	
				6841					

The producer should retain the following documents for at least five years in order to ensure GSP duty-free treatment:

- A. To verify the 35 percent rule of origin rule:
 1. Dated invoices for materials used to produce good and from where
 2. Description of product and quantity
- B. If processing operations are involved:
 1. Description of processing and location
 2. Direct costs of processing operations
- C. For agricultural exports:
 1. Producer's statement verifying on which town and farm the product is grown
 2. Description of product and quantity
 3. Dated invoices for costs incurred

Inputs from GSP beneficiaries in regional associations can pool inputs

The GSP program contains special provisions for beneficiary developing countries that are members of a recognized regional association. The most important benefit is that the regional association is considered as one country for purposes of GSP rules of origin. Articles produced in two or more eligible member countries of an association are given duty-free treatment if the countries, together, meet the rules of origin. *There is currently no recognized regional association, for the purposes of the GSP program, in the Pacific Islands region.*

A least-developed beneficiary in a recognized regional association can also work with a non-least developed beneficiary country in the regional association to produce one of the 1400 products reserved for production by least-developed beneficiaries. The product will receive GSP duty-free treatment as long as it is shipped directly to the United States from the least-developed country.

GSP certified textile handicraft arrangements

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 agreement allows the United States to give duty-free treatment to U.S. imports, that have been certified by the beneficiary country, of hand-loomed and folklore wall hangings; hand-loomed and folklore pillow covers; and certain hand-woven textile floor coverings. Duties saved range from 3.8 percent to 4.3 percent. No Pacific Island economies have entered into certified textile handicraft arrangements.

Many handicraft exports enter the United States duty-free, either for all countries or from GSP beneficiaries:

jewelry (other than imitation)	fur head coverings
traditional games	wind, string, and drum musical instruments
paintings, sculpture, and wall hangings	picture frames
many types of carpets, kilims, and rugs	certain hats
wooden statuettes, boxes, and other wood items	certain baskets and handbags of bamboo, rattan,
walking sticks	palm leaf and vegetable material

Recommendations

- Make greater use of available GSP preferences.
- Ensure that all eligible products are marked as eligible on the U.S. customs entry form.
- Export to the United States products that are exported elsewhere and that would receive duty-free treatment if imported by the United States.
- Enter into a GSP certified handicraft arrangement and export more MFN duty-free and GSP-eligible handicraft products.
- Consider whether a regional association of Pacific Island economies could be recognized by the U.S. government for the purpose of pooling inputs for GSP eligibility.

United States - Papua New Guinea Trade

Exports: \$4.096 billion (2006)

Export commodities: oil, gold, copper ore, logs, palm oil, coffee, cocoa, crayfish, prawns

Export partners: Australia 28.8 percent, Japan 8.6 percent, China 5.4 percent (2005)

Imports: \$1.686 billion (2006)

Import commodities: machinery and transport equipment, manufactured goods, food, fuels, chemicals

Import partners: Australia 54.7 percent, Singapore 13.4 percent, Japan 4.3 percent, Malaysia 4.2 percent (2005)

GSP usage and eligibility

The following chart shows U.S. imports from Papua New Guinea that entered duty-free under GSP in 2005, 2006, and January-August 2007. In 2007, claimed GSP imports comprised less than one percent of all U.S. imports from Papua New Guinea (*see* Attachment A).

HTS NUM	Description	MFN rate	YEAR 2005	YEAR 2006	JAN- AUG. 2007
03049990	Chilled or frozen fillets, nesi	6.0%	0	0	\$16,339

17011110	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	1.4606 cents/kg	\$2,766,358	\$2,860,719	\$0
44201000	Wooden statuettes and other wood ornaments	3.2%	\$33,384	\$41,544	\$9,391
44182080	Doors of wood, other than French doors	4.8%	\$12,671	\$0	\$0
44219097	Articles of wood, not elsewhere specified or included	3.3%	\$9,358	\$0	\$0
68010000	Setts, curbstones and flagstones, of natural stone (except slate)	2.8%	\$4,000	\$0	\$0
84779025	Base, bed, platen and specified parts of machinery for working rubber or plastics or for manufacture of products from these material, nesoi	3.1%	\$62,957	\$0	\$0
TOTALS			\$2,888,728	\$2,912,279	\$25,730

Be sure U.S. importers claim GSP duty-free treatment!

The following chart indicates more than \$26,000 in GSP-eligible imports from Papua New Guinea for which U.S. importers did not claim duty-free entry in 2005 or 2006. However, they may have been eligible, based on whether the products met GSP rules of origin. The duty rates paid were as high as 4 percent.

HTS NUM	Description	MFN rate	IMPORT PROGRAM	YEAR 2005	YEAR 2006
44201000	Wooden statuettes and other wood ornaments	3.2%	No program claimed	\$11,376	\$15,053
44209080	Wood marquetry and inlaid wood; wooden articles of furniture, nesoi	3.2%	No program claimed	\$0	\$6,000
44219097	Articles of wood, not elsewhere specified or included	3.3%	No program claimed	\$5,617	\$3,404
42023130	Articles of a kind normally carried in the pocket or handbag, with outer surface of reptile leather	3.7%	No program claimed	\$0	\$900
42033000	Belts and bandoliers with or without buckles, of leather or of composition leather	2.7%	No program claimed	\$0	\$460
40111010	New pneumatic radial tires, of rubber, of a kind used on motor cars (including station wagons and racing cars)	4.0%	No program claimed	\$0	\$300
TOTALS				\$16,993	\$26,117

Exports to Other Markets

Products that Papua New Guinea exports to other markets which may be GSP-eligible or otherwise free of duty, if imported by the United States, include:

- copper ores and concentrates
- coffee
- cocoa beans
- non-coniferous wood
- tropical wood plywood
- palm oil
- cane sugar
- copra
- antiques over 100 years old
- vanilla beans
- aluminum waste and scrap

Need more information?

Office of the U.S. Trade Representative Website:

GSP guidebook, lists of GSP-eligible and ineligible products, notices:

- http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

U.S. Tariff Schedule:

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

Potential exports to the U.S. and elsewhere:

- <http://www.intracen.org/menus/countries.htm>

Department of Homeland Security: Customs & Border Protection:

- <http://www.customs.gov/xp/cgov/import/>

Customs Entry Form 7501:

- <https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-7501-form.xft>
- <http://www.customs.treas.gov/xp/cgov/toolbox/publications/>

U.S. Imports from the Pacific Island Region

U.S. imports were \$265.2 million in 2006, a decrease of 15% (\$45.4 million) from the \$310.6 million 2004. Imports under the GSP program were \$57.3 million (21.6% of all U.S. imports from the region) in 2006, an increase of \$18.5 million over the same two-year period (U.S. imports entering under GSP from the region were 12.5% of all imports from the region in 2004). U.S. imports entering under FAS provisions were \$716,000 in 2006 (0.27 percent of all imports), down 40% from 1.2 million in 2004 (0.39% of all imports).

U.S. imports in 2006 from the region, in order of largest trade value:

- Tunas and skipjack, not in airtight containers or in oil in bulk containers;
- Coffee;
- Estimated imports of low-valued transactions;
- Light oil motor fuel; and
- Cocoa beans.

Imports entering duty-free under the GSP program in 2006 (with most favored nations (MFN) duties saved):

- Mineral water (\$39.7 million) - 0.26 cents/liter;
- Raw cane sugar (\$8.7 million);
- Molasses (\$4.2 million) - 0.01 cents/kg;
- Fresh or chilled dasheens (\$1.8 million) - 2.3%;
- Juice of certain single fruits, including cherries and berries (\$1.1 million) - 0.5 cents/liter;
- Ginger root (\$282,000) - 2.4%; and
- Cassava (\$145,000) - 7.9%.

Other 2006 imports of large trade value under GSP included food preparations, fruit and nut flour, national flags, wooden statuettes, plywood of at least one hardwood outer ply, bath preparations, yams, dried vegetables, organic surface-active agents, other waters, and dyed foliage for bouquets or ornamental purposes.

Approximately \$2.2 million in U.S. imports from the Pacific Islands were eligible for duty-free entry under GSP, assuming that the imports complied with the GSP rules of origin, but were not claimed as such on their entry forms. Examples in 2005 or 2006 were:

- \$176,923 in active yeasts (6.4% tariff) from the Cook Islands;
- \$897,545 in mineral waters (0.26 cents/liter tariff) from Fiji;
- \$15,053 in wooden statutes (3.2%) from Papua New Guinea;
- \$235,092 in dried fruit other than of citrus fruit, bananas, plantains, nuts, figs, pineapples, dates, guavas, mangos and mangosteens (2.5%) from Samoa;
- \$92,287 in gold jewelry, including gold-plated jewelry with platinum (4.1%) from the Solomon Islands;
- \$25,046 in palmitic and stearic acid (5%) and \$2,700 in sweet potatoes (4.5%) from Tonga; and
- \$81,000 in food preparations (6.4%) from Vanuatu.

World Imports from the Pacific Island Economies

A number of dutiable products are exported to the world from the region, but are not exported in large volumes to the United States. Export of these products to the United States could be explored, many of which are eligible for duty-free treatment under GSP:

- baskets of wicker and other vegetable materials;
- active yeasts;
- balsa, mahogany and other types of woods;
- coniferous wood in chips or particles;
- untreated non-coniferous wood in the rough;
- aluminum waste and scrap;
- frozen fish fillets, livers, and roes;
- big-eyed, albacore and other tunas;
- mollusks;
- organo-sulfur compounds;
- calcium phosphate, aluminum calcium phosphate and phosphate chalk;
- unwrought nickel;
- copper ores and concentrates;

- fresh or chilled vegetables;
- medicinal plants
- fermented black tea and other partly fermented teas;
- coconut oil, including copra; and

Imports from South Pacific economies by leading markets, 2006							
Supplying South Pacific economy	Importing country						
	United States		Australia (2005)	New Zealand	European Union	Japan	China
	GSP	Total					
In Thousands of dollars							
Cook Islands	16	2,098	424	701	927	3,368	1,196
Fed. States of Micronesia	0	885	18	1	76	3,639	73
Fiji	52,808	145,793	145,900	34,126	144,607	51,771	1,228
Kiribati	0	1,346	386	10	703	2,125	1
Nauru	0	274	151	35	359	435	1
Niue	51	73	1	263	11,819	936	0
Palau	0	605	2	1	116	40,478	5
Papua New Guinea	2,902	83,624	1,529,816	36,408	501,351	659,717	391,849
Rep. Marshall Islands	0	14,520	25	51	317,084	18,612	202
Samoa	1,255	4,223	0	1,662	594	1,059	12
Solomon Islands	3	2,193	2,752	1,675	14,547	23,022	124,862
Tonga	164	7,265	483	1,716	308	6,685	13
Tuvalu	0	23	69	1	743	0	76
Vanuatu	85	2,274	3,379	393	9,657	29,344	1,052
Total	57,284	265,196	1,683,406	77,043	1,002,891	840,591	502,570

Attachment A

All Import Commodities: Customs Value by Special Import Program and Customs Value For Papua New Guinea

Annual + Year-To-Date Data from Jan - Aug

Import Program	HTS Number	2005	2006	2006 YTD	2007 YTD	Percent Change YTD2006 - YTD2007
		<i>In Actual Dollars</i>				
Civil Aircraft	40169350 Gaskets, washers and other seals, of noncellular vulcanized rubber other than hard rubber	0	0	0	1,179	N/A
.	85438940 Electric synchros and transducers; flight data recorders; defrosters and demisters with electric resistors for aircraft	3,793	13,809	10,000	0	-100.0%
Subtotal - Civil Aircraft		3,793	13,809	10,000	1,179	-88.2%
GSP	03049990 Chilled or Frozen fillets,nesi	0	0	0	16,339	N/A
.	44201000 Wooden statuettes and other wood ornaments	33,384	41,544	29,594	9,391	-68.3%
.	44182080 Doors of wood, other than French doors	12,671	0	0	0	N/A
.	44219097 Articles of wood, not elsewhere specified or included	9,358	0	0	0	N/A
.	68010000 Setts, curbstones and flagstones, of natural stone (except slate)	4,000	0	0	0	N/A
.	17011110 Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	2,766,358	2,860,719	0	0	N/A
.	84779025 Base, bed, platen and specified parts of machinery for working rubber or plastics or for manufacture of products from these material, nesoi	62,957	0	0	0	N/A
Subtotal - GSP		2,888,728	2,902,263	29,594	25,730	-13.1%
No program claimed	18010000 Cocoa beans, whole or broken, raw or roasted	16,729,045	15,679,274	8,823,501	21,819,449	147.3%
.	09011100 Coffee, not roasted, not	26,963,664	28,781,197	13,287,060	15,434,680	16.2%

	decaffeinated					
.	16041440 Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	3,985,376	6,638,520	2,858,107	12,221,974	327.6%
.	98010010 U.S. goods returned without having been advanced in value or improved in condition while abroad	2,284,237	1,994,846	835,680	10,362,832	1,140.0%
.	97060000 Antiques of an age exceeding one hundred years	498,613	1,944,221	1,719,344	2,531,652	47.2%
.	09011200 Coffee, not roasted, decaffeinated	1,010,032	2,871,794	2,168,153	1,333,008	-38.5%
.	09050000 Vanilla beans	1,148,670	1,381,337	1,139,350	778,469	-31.7%
.	16041430 Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	0	148,320	0	641,071	N/A
.	09024000 Black tea (fermented) and partly fermented tea, other than in immediate packings of a content not exceeding 3 kg	272,428	714,044	431,287	420,705	-2.5%
.	03042920 Frozen fish fillets, skinned, in blocks weighing over 4.5 kg, to be minced, ground or cut into pieces of uniform weight and dimension	0	0	0	379,686	N/A
.	03042960 Frozen fillets of fresh-water fish, flat fish, etc., nesi	0	0	0	258,546	N/A
.	03061100 Rock lobster and other sea crawfish, cooked in shell or uncooked, dried, salted or in brine, frozen	1,055,310	492,837	366,837	240,663	-34.4%
.	97030000 Original sculptures and statuary, in any material	567,928	107,647	104,086	148,971	43.1%
.	03034200 Yellowfin tunas, frozen, excluding fillets, other meat portions, livers and roes	0	0	0	139,610	N/A
.	44072200 Okoume, Obeche, Sapelli and other specified tropical woods, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick	0	0	0	101,054	N/A
Subtotal - No program claimed		54,515,303	60,754,037	31,733,405	66,812,370	110.5%
All Other:		1,043,422	19,954,216	641,845	436,030	-32.1%
Total		58,451,246	83,624,325	32,414,844	67,275,309	107.5%