

U.S. TRADE PROGRAMS: YOUR DUTY TO QUALIFY

Many imported articles qualify for at least one of the duty preference programs offered by the United States. These programs can help you control your costs by either reducing or eliminating import duties. In order to properly take advantage of these benefits, you have a responsibility to insure that your goods actually qualify for the particular duty preference.

Duty preference programs fall under two groups: The first are the so-called Free Trade Agreements (FTAs), which offer duty free treatment of imported goods that are wholly from a qualifying exporting country or which originate in that country. The second group is the Special Trade Programs which typically require a minimum of 35% local value input in order to qualify for duty preference.

The exact criteria for each duty preference program can be found in the General Notes of the Harmonized Tariff Schedule of the United States (HTSUS). Keep in mind that importers must have sufficient documentation as substantiation to qualify a preference claim. To ensure a valid claim at entry, substantiation should occur *prior* to exportation, either at product development, at product procurement, or within the manufacturing/production period. Verification and confirmation of eligibility is product specific and should be reviewed at least annually or as product changes occur. The Customs regulations state it is the importers responsibility “to establish and implement internal controls which provide for the periodic review of records” which support these programs.

At a minimum, you should secure a certification or affidavit of origin; however a country of origin declaration is rarely enough to satisfy eligibility requirements. Customs will often request additional documentation such as cost and manufacturing information or suppliers production records. This may include information concerning the regional value content (RVC) calculation, or records concerning the purchase of, cost of, value of and payment for the good itself and/or for all materials and services used in the production of the good. Most program claims will also require proof of direct importation to the U.S. (direct bill of lading).

There are some exceptions to these requirements, depending on the specific type of product. It is important to understand and verify the qualifications of your imported product and the specific program for duty preference eligibility.

Be sure you communicate with M.E. Dey in advance of entry into the United States. It is best to provide us with a copy of the Certificate or Affidavit of Origin. In addition, you should record eligible and ineligible product confirmation in an accessible database; include supporting evidence and maintain these records for 5 years.

AUDIT YOUR ENTRIES – NOTIFY US IMMEDIATELY IF ANY CLAIMS ARE MADE INCORRECTLY

Free Trade Agreements

Goods from FTAs commonly must either be Wholly Obtained, Wholly of Originating Materials, Tariff Shift &/or Regional Value Content.

Agreement name	Indicator	General note
Australia Free Trade Agreement	(AFTA)	GN28
Bahrain Free Trade Agreement	(BFTA)	GN30
Central America-Dominican Republic FTA	(CAFTA-DR)	GN29
Chile Free Trade Agreement	(CFTA)	GN26
Israel Free Trade Agreement	(IFTA)	GN8
Jordan Free Trade Agreement	(JFTA)	GN18
Morocco Free Trade Agreement	(MFTA)	GN27
North American Free Trade Agreement	(NAFTA)	GN12
Oman Free Trade Agreement	(OFTA)	GN31
Peru Trade Promotion Agreement	(PTPA)	GN32
Singapore Free Trade Agreement	(SFTA)	GN25

Special Trade Programs

STP requirements are generally content based (Regional Value Content+substantial transformation). Typically direct cost of processing must be at least 35%.

African Growth and Opportunity Act	(AGOA)	GN 16
Andean Trade Preferences Act & Andean Trade Promotion and Drug Eradication Act	(ATPA/ATPDEA)	GN11
Caribbean Basin Economic Recovery Act	(CBERA)	GN7
Caribbean Basin Trade Partnership Act	(CBTPA)	GN17
Free Associated States	(FAS)	GN10
Generalized System of Preferences	(GSP)	GN4
Insular Possessions	(IP)	GN2
Qualified Industrial Zone	(QIZ)	GN8
Haitian HOPE Act	GN7	10.850

For more on Trade Programs: CBP Website http://www.cbp.gov/xp/cgov/trade/trade_programs/international_agreements/