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United States International Trade Commission

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Review

CLASSIFIED BY: United States Trade Representative, Letter Dated March 3, 1998

DECLASSIFIED BY: Robert B. Zoellick, United States Trade Representative, Letter Dated February 4, 2005

Investigation No. 332-466
USITC Publication 3772
May 2005

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U.S. International Trade Commission

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Advice Concerning Possible Modifications to
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2004 Review

INTRODUCTION[1]

On February 7, 2005, the Commission received a request from the United States Trade Representative (USTR) for advice concerning possible modifications to the U.S. Generalized System of Preferences (GSP). The USTR request letter is included in appendix A. Following receipt of the request, the Commission instituted investigation No. 332-466[2] to provide advice, as follows--

(a) in accordance with sections 503(a)(1)(A), 503(e) and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and under section 332(g) of the Tariff Act of 1930, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles, and on consumers, of the elimination of U.S. import duties for all beneficiary countries under the GSP for the following HTS subheadings: 0804.10.20, 0804.10.40, 0804.10.60, 0804.10.80, 2008.99.25, 5702.51.20, 5702.91.30, 5702.92.0010, 5702.99.1010, 5703.10.0020, 5703.20.10, 5703.30.0020, and 7320.10.60. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act;

(b) pursuant to section 332(g) of the Tariff Act of 1930, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the removal of Russia from eligibility for duty-free treatment under the GSP for HTS subheading 3904.61.00; and

(c) under section 332(g) of the Tariff Act of 1930 and in accordance with section 503(d)(1)(A) of the 1974 Act, advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits for the Philippines for HTS subheading 3823.19.20; for Argentina for HTS subheadings 4107.19.50 and 4107.92.80; and for Turkey for HTS subheading 6802.91.25. The Commission was requested to use the dollar value limit of $115,000,000.

The Commission instituted the investigation on February 10, 2005 and indicated that it would provide its advice no later than May 9, 2005, as requested by USTR. The Commission's notice of investigation is contained in appendix B.

All interested parties were afforded an opportunity to provide the Commission with written comments and information. In addition, the Commission held a public hearing on the investigation in Washington, DC, on March 23, 2005 (the witnesses list is contained in appendix C).

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[1] The information in these digests is for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under any other statutory authority.

[2] The following *Federal Register* notice was issued by the Commission relating to investigation No. 332-466:

Date	**Notice**	**Subject**
Feb. 16, 2005	70 F.R. 7968	Notice of USITC investigation

DIGEST STRUCTURE

This report contains 7 digests covering 18 HTS subheadings with each digest containing the following sections:

Introduction: This section provides basic information on the item, including description and uses, rate of duty, and an indication of whether there was a like or directly competitive article produced in the United States on January 1, 1995.

U.S. market profile: This section provides information on U.S. producers, employment, shipments, exports, imports, consumption, import market share, and capacity utilization. When exact information is not obtainable, estimates based on the following coding system are provided:

* = Based on partial information/data adequate for estimation with a moderately high degree of confidence, or

** = Based on limited information/data adequate for estimation with a moderate degree of confidence.

GSP import situation, 2004: This section provides 2004 U.S. import data, including world total and certain GSP-country specific data.

Competitiveness profiles, GSP suppliers: This section provides background information on GSP-eligible countries for the digest, their ranking as an import source, the price elasticities of supply and demand for imports from that country, and the price and quality of the imports versus U.S. and other foreign products.[3]

Position of interested parties: This section provides brief summaries of hearing testimony and any written submissions from interested parties.

Summary of probable economic effect advice: This section provides advice on the short-to-near-term (1 to 5 years) impact of the proposed GSP-eligibility modifications in three areas: (1) U.S. imports, (2) U.S. industries producing like or directly competitive articles, and (3) U.S. consumers. The probable economic effect advice, to a degree, integrates and summarizes the data provided in sections I-V of the digests with particular emphasis on the price sensitivity of import supply and demand. For example, if the price elasticity of demand in the United States and the price elasticity of supply in the exporting beneficiary country are both relatively high, the elimination of even a moderate-level tariff suggests the possibility of large increases in imports from the beneficiary country. Appendix D provides

[3] Price elasticity is a measure of the changes in quantities supplied or demanded that result from a percent change in price. Generally, price elasticities of supply are positive and price elasticities of demand are negative. For the purposes of this report, the elasticity is considered low when its absolute value is less than 1.0 because the change in quantity demanded or supplied is less than proportional to the change in price. The elasticity is moderate when its absolute value is between 1 and 2, with percentage changes in quantity being one to two times greater than the change in price. The elasticity is high when its absolute value exceeds 2.0, as percentage changes in quantities exceed percentage changes in price by more than two times. It should be noted that the elasticity levels (low, moderate, and high) are estimates based on staff analysis of industry.

a brief textual and graphic presentation of the model used for evaluating the probable economic effect of changes in the GSP.

It should be noted that the probable economic effect advice with respect to changes in import levels is presented in terms of the degree to which GSP modifications could affect the level of U.S. trade with the world. Consequently, if GSP beneficiaries supply a very small share of the total U.S. imports of a particular product or if imports from beneficiaries readily substitute for imports from developed countries, the overall effect on U.S. imports could be minimal.

Trade data: This section provides import and export data at the digest level (import data will also be provided for each individual HTS item number included in the digests covering multiple subheadings).

The digests contain a coded summary of the probable economic effect advice. The coding scheme is as follows:

FOR "ADDITION" AND "COMPETITIVE-NEED-LIMIT WAIVER" DIGESTS:

Level of total U.S. imports:

Code A:	Little or no increase (0 to 5 percent).
Code B:	Moderate increase (6 to 15 percent).
Code C:	Significant increase (over 15 percent).
Code N:	No impact.

U.S. industry and employment:

Code A:	Little or negligible adverse impact.
Code B:	Significant adverse impact (significant proportion of workers unemployed, declines in output and profit levels, and departure of firms; effects on some segments of the industry may be substantial even though they are not industrywide).
Code C:	Substantial adverse impact (substantial unemployment, widespread idling of productive facilities; substantial declines in profit levels; effects felt by the entire industry).
Code N:	None.

U.S. consumer:

Code A:	The bulk of duty saving (greater than 75 percent) is expected to be absorbed by the foreign suppliers. The price U.S. consumers pay is not expected to fall significantly.
Code B:	Duty saving is expected to benefit both the foreign suppliers and the domestic consumer (neither absorbing more than 75 percent of the costs).
Code C:	The bulk of duty saving (greater than 75 percent) is expected to benefit the U.S. consumer.
Code N:	None.

FOR REMOVAL DIGESTS:

Level of total U.S. imports:

- Code X: Little or no decrease (5 percent or less).
- Code Y: Moderate decrease (6 to 15 percent).
- Code Z: Significant decrease (over 15 percent).

U.S. industry and employment:

- Code X: Little or negligible beneficial impact.
- Code Y: Significant beneficial impact (significant number of additional workers employed; increases in output; increases in profit levels; new firms; but beneficial impact not industrywide).
- Code Z: Substantial beneficial impact (substantial increase in employment; widespread increased production; substantial increases in profits levels; beneficial impact on the industry as a whole).
- Code N: None

U.S. consumer:

- Code X: The bulk of the duty increase (greater than 75 percent) is expected to be absorbed by the foreign suppliers.
- Code Y: The duty increase is expected to increase costs to both the foreign suppliers and the domestic consumer (neither absorbing more than 75 percent of the costs).
- Code Z: The bulk of the duty increase (greater than 75 percent) is expected to be passed on to the U.S. consumer.
- Code N: None

The probable economic effect advice for U.S. imports and the domestic industry is based on estimates of what is expected in the future with the proposed change in GSP eligibility compared with what is expected without it. That is, the estimated effects are independent of and in addition to any changes that will otherwise occur. Although other factors, such as exchange rate changes, relative inflation rates, and relative rates of economic growth, could have a significant effect on imports, consideration of these other factors is not within the scope of the USTR request.

DIGEST LOCATOR

HTS subheadings	Digest title	Action	Petitioner(s)	Col. 1 rate of duty as of 1/1/05	U.S. production in 1995?	Probable effect advice	Analyst
0804.10.20	Dates	Addition	USTR[1]	7.4%	Yes	***	Johnson
0804.10.40			USTR[1]	0.7%	Yes	***	
0804.10.60			USTR[1]	3.6%	Yes	***	
0804.10.80			USTR[1]	29.8%	Yes	***	
2008.99.25			USTR[1]	22.4%	Yes	***	
3823.19.20	Certain fatty acids and acid oils	Waiver (Philippines)	Government of the Philippines	2.3%	Yes	***	Land
3904.61.00	Polytetrafluoro-ethylene (PTFE)	Removal (Russia)[2]	Asahi Glass Chemicals, Inc., Bayone, NJ; Daikin America, Inc., Orangeburg, NY; E.I. du Pont de Nemours & Co., Inc., Wilmington, DE	5.8%	Yes	***	Foreso
4107.19.50	Certain upholstery and fancy leather	Waiver (Argentina)	Camara de la Curtidora Argentina, Argentina	2.8%	Yes	***	Steller
4107.92.80				2.4%	Yes	***	
5702.51.20	Certain handmade carpets	Addition	USTR[3]	4.3%	Yes	***	Wallace
5702.91.30		Addition	USTR[3]	4.3%	Yes	***	
5702.92.0010		Addition	USTR[3]	2.7%	Yes	***	
5702.99.1010		Addition	USTR[3]	6.8%	Yes	***	
5703.10.0020		Addition	USTR[3], Government of Nepal	6.0%	Yes	***	
5703.20.10		Addition	USTR[3]	5.8%	Yes	***	
5703.30.0020		Addition	USTR[3]	6.0%	Yes	***	
6802.91.25	Certain travertine dimension stone	Waiver (Turkey)	Istanbul Minerals and Metals Exporters Association, Turkey	3.7%	Yes	***	Mata
7320.10.60	Heavy duty leaf springs and leaves	Addition	Rassini-NHK Autopecas Ltda., Brazil	3.2%	Yes	***	Cutchin

[1] USTR is self-initiating the petition for this HTS subheading.

[2] The country named is the beneficiary developing country specified by the petitioner. While the Trade Policy Staff Committee (TPSC) review will focus on that country, the TPSC reserves the right to address removal of GSP status for countries other than those specified by the petitioner as well as the GSP status of the entire article.

[3] Section 1555 of Public Law 108-429 authorizes the President to designate certain carpets and rugs as eligible articles under the Generalized System of Preferences. USTR is self-initiating the petition for this HTS subheading.

Dates

I. Introduction

X Addition

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
0804.10.20	Dates, whole, with or without pits, packed in units weighing (with the immediate container, if any) not more than 4.6 kg	7.4	Yes
0804.10.40	Dates, whole, with or without pits, packed in units weighing (with the immediate container, if any) more than 4.6 kg, with pits	0.7	Yes
0804.10.60	Dates, whole, packed in units weighing (with the immediate container, if any) more than 4.6 kg, with pits removed	3.6	Yes
0804.10.80	Dates, other	29.8	Yes
2008.99.25	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included; other, including mixtures other than those of subheading 2008.19; other, dates	22.4	Yes

Description and uses.–Dates are sold commercially in bulk or in consumer packs as whole dates (with or without pits) or as processed dates. Dates are available for use as dried or fresh (reconstituted) fruit in a variety of forms including whole pitted and unpitted dates, dehydrated pieces, extruded date pieces, macerated dates, paste, and syrup. Dates may be eaten either as a whole fruit or as an ingredient in a range of products, including bakery goods (for example, cookies, cakes, muffins, breads, and pastries), protein bars, frozen foods, jellies, and relishes. Dates are commonly used in processed fruit and confectionary products, and also other types of processed foods and sauces.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)	200	180	160	140	120
Employment (***employees***)	([1])	([1])	([1])	([1])	([1])
Production (***1,000 dollars***)[2]	32,142	40,286	56,429	40,429	47,286
Exports (***1,000 dollars***)[3]	11,489	11,814	48,249	53,135	69,147
Imports (***1,000 dollars***)	4,282	4,365	4,581	5,746	7,073
Consumption (***1,000 dollars***)[4]	26,224	33,451	50,510	32,775	41,559
Import-to-consumption ratio (***percent***)[4]	16	13	9	18	17
Capacity utilization (***percent***)	([5])	([5])	([5])	([5])	([5])

[1] California Date Commission estimated employment at 800 to 1,200 workers, including year-round and part-time workers, and also additional employment during peak harvest (packing house and field labor).

[2] Data are based on farm-level production estimates for California derived from California Agriculture Statistics Service, available at ftp://www.nass.usda.gov/pub/nass/ca/AgStats/2003cas-frt.pdf, adjusted to reflect additional production in Arizona and adjusted to reflect an estimated farm-to-retail markup of 30 percent (estimated by the California Date Commission) for the marketing year October 1 - September 30.

[3] The export data cover products not included in this digest. Export data for date products are estimated to be $10.2 million in 2000, $11.2 million in 2001, $10.5 million in 2002, $13.4 million in 2003, and $12.8 million in 2004.

[4] Consumption and import to consumption ratios are based on export data estimated in footnote 3.

[5] Not applicable.

Comment.–California (Coachella Valley) accounts for about 95 percent of all dates produced in the United States, while Arizona (Bard/Yuma Valleys) accounts for the remaining 5 percent. On average, the volume of U.S. date production has been about 20 percent lower during 2000-2004, compared to the mid 1990s.[1] Many producers have left the market in recent years and trees have been sold off, often for use as ornamental plants. As a result, sales of retail dates have been flat, while sales of dates for processing have been declining.[2] This is consistent with data from USDA showing that per capita consumption in the United States has been lower in recent years, averaging about 0.15 pounds per person.[3] USDA-reported price data shows that producer prices for dates grown in California have been steadily increasing.[4]

There are over 200 varieties of dates grown worldwide. About 25 varieties are grown in the United States, but few varieties are sold commercially. The two leading varieties grown in the United States are Deglet Noor (more than 80 percent of all U.S.-grown dates) and Medjool (about 10 percent). Deglet Noor varieties make up about 95 percent of California's crop; Medjool make up nearly all production in Arizona. Other varieties grown domestically, but in limited quantities, include Zahidi, Khadrawy, Halawy, Thoory, Barhee, and Dayri. Zahidi dates are among the predominant types of date grown in Iraq. Other types of dates consumed in the U.S. but not grown domestically include Aseel dates (grown in Pakistan) and Sayer dates (Iran).

[1] California Agriculture Statistics Service, available at ftp://www.nass.usda.gov/pub/nass/ca/AgStats/2003cas-frt.pdf.

[2] The California Date Commission and the California Date Administrative Committee. Reflect data on inventory and sales of California dates, Riverside County (1994-2004).

[3] USDA, ERS, available at http://www.ers.usda.gov/data/foodconsumption/FoodAvailIndex.htm. 1999-2003 data.

[4] USDA, NASS, Noncitrus Fruits and Nuts 2004 Preliminary Summary January 2005. California producer prices rose more than 20 percent from 2000 to 2004.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	7,073	100	([1])	17
Imports from GSP-eligible countries:				
Total	3,284	46	100	8
Pakistan	2,004	28	61	5
Algeria	791	11	24	2
Tunisia	265	4	8	1
Guatemala	162	2	5	([2])

[1] Not applicable.
[2] Less than 0.5 percent.

Comment.–The majority of U.S. date imports are of bulk dates (HTS subheadings 0804.10.40 and 0804.10.60), accounting for more than 80 percent, by volume, of U.S. imports. Such imports are sold to packers and processors, and undergo further processing. Pakistan is the leading historical supplier of U.S. date imports and currently accounts for nearly 30 percent of the total value of U.S. imports. In 2004, the top five suppliers of dates to the United States were Pakistan, Mexico, China, Iran, and Algeria, accounting for more than 80 percent of the total value of U.S. imports. In the 1980s, the major suppliers were Pakistan, China, and Iraq, accounting for about 90 percent of the total value of U.S. date imports.[5] Iraq has not shipped dates to the United States since 1990. In 2002, Iraq exported dates valued at about $2 million, mainly to Jordan, Lebanon, and Morocco.

[5] In 1989, the share of import value by country was Pakistan (54 percent), China (20 percent), and Iraq (16 percent).

IV. Competitiveness profile, Pakistan

Ranking as a U.S. import supplier, 2004	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes X	No ___	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes ___	No X	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X

Comment.– Pakistan is the leading U.S. import source for dates, with the majority consisting of bulk dates (HTS subheading 0804.10.60), which are mostly sold to packers and processors, and undergo further processing. Estimates of the aggregate price elasticity of U.S. demand may depend on whether the fruit is intended for sale to the retail whole (pitted or unpitted) date market or for use in processing. According to U.S. industry officials, imports of bulk dates sold for use in processing may have the greatest potential to affect the domestic industry since bulk dates are often purchased in large quantities by industrial end-users as an input for a range of finished and processed food products. Quality differences are mostly attributable to differences among fruit varieties based on the texture, content, and consistency of fruit.

IV. Competitiveness profile, all GSP-eligible suppliers

Ranking as a U.S. import supplier, 2004	N/A		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes X	No ___	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes ___	No X	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X

Comment.–Domestic and imported dates have the same uses, but there are quality differences, mostly because of differences in fruit varieties and harvesting and post-harvesting techniques. Dates may be classified based on the texture, content, and consistency of fruit under normal conditions of ripening: soft (Barhee, Halawy, Khadrawy, Medjool); semi-dry (Dayri, Deglet Noor, Zahidi); and dry (Thoory). Estimates of the aggregate price elasticity of U.S. demand may depend on whether the fruit is intended for sale to the retail whole date market or for use in processing. According to U.S. industry officials, imports of bulk dates sold for use in processing may have the greatest potential to affect the domestic industry, whereas imports of retail-pack dates and processed dates are less competitive with U.S.-produced product.

V. Position of interested parties[6]

Petitioner.–USTR self-initiated the petition for these HTS subheadings.

Support.–Desert Valley Dates, a packer and processor of dates, supports the granting of GSP treatment for U.S. imports of bulk dates (HTS subheadings 0804.10.40 and 0804.10.60). The company claimed that some date varieties are needed for certain production lines (such as Aseel and Sayer varieties) and must be imported because they are not grown in the United States and because they perform differently than other U.S-grown dates. The company also stated that recent downturns in U.S. date production and a reduction in the number of U.S. growers is causing a shortage of domestic supplies; therefore, packers/processors need imports to satisfy demand.

Opposition.–The California Date Commission and the California Date Administrative Committee, representing 120 date growers and 17 date handlers, oppose the granting of GSP treatment for U.S. imports of dates. They stated that providing GSP treatment for dates would cause great harm to the domestic date industry. They stated that many Arabian Peninsula countries significantly increased production of dates, often with support from the respective governments, which resulted in a surplus of dates worldwide. They asserted that growth in the domestic consumer market for dates is static and that the granting of GSP treatment for dates would result in little measurable benefit to foreign suppliers, given the size of date production in these countries compared to opportunities in the U.S. consumer market for dates. They stated that, compared to other major date producing countries, the U.S. date industry is relatively small and unable to absorb an influx of date imports. Such an influx of imports would further displace U.S.-produced fruit and lower U.S. producer prices, causing domestic grower/handlers to exit the market. They also stated that U.S. producers generally face higher production and processing costs compared to other countries because of higher labor, environmental, and food safety and quality standards in the United States and that the current tariff on imports allows the U.S. industry to remain competitive.

The following Bard-Yuma area date growers and handlers oppose the granting of GSP treatment for U.S. imports of dates: Sun Garden Date Growers, Bard Date Company LLC, Nelson Brothers Farm, Imperial Date Gardens Inc., Oasis Date Gardens, Winterhaven Ranch, Vandervoort Date Ranches Inc., Southwestern Date Growers L.P., and Royal Medjool Date Farm. These handlers/producers stated that granting duty-free treatment for dates would lead to the demise of date production in the Bard-Yuma area, which would, in turn, impact the area's local economy and labor markets. They stated that relatively higher production costs, and environmental and food safety requirements in the United States already give foreign suppliers a cost advantage and that competition from lower-cost foreign suppliers already caused a 50-percent decrease in the region's date production, and export market share.

Desert Valley Dates, which supports GSP eligibility for bulk dates (see "support" section above), opposes the granting of GSP eligibility for U.S. imports of consumer packs of dates (HTS subheadings 0804.10.20 and 0804.10.80) and processed dates (HTS subheading 2008.99.25). The company stated that concerns about the poor quality of imported consumer-pack and processed dates would harm the overall image of the date industry in the United States.

[6] Information provided in this section is derived from the petition filed with USTR, testimony presented at the March 23, 2005 Commission hearing, and written submissions of interested parties to the Commission in connection with this investigation.

VI. Summary of probable economic advice-Addition (HTS subheadings 0804.10.20 and 0804.10.80)

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VI. Summary of probable economic advice-Addition (HTS subheadings 0804.10.40 and HTS 0804.10.60)

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VI. Summary of probable economic advice-Addition (HTS subheading 2008.99.25)

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Table 1.—Dates: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Pakistan	2,443	1,504	1,216	2,230	2,004	28.3%
Mexico	188	554	501	859	1,053	14.9%
China	493	650	660	762	963	13.6%
Iran	319	616	904	463	881	12.5%
Algeria	26	36	48	347	791	11.2%
Israel	238	251	372	391	396	5.6%
Saudi Arabia	125	170	251	186	382	5.4%
Tunisia	146	322	290	231	265	3.7%
Guatemala	66	132	191	170	162	2.3%
Chile	0	0	0	0	47	0.7%
All other	238	130	148	107	129	1.8%
Total	**4,282**	**4,365**	**4,581**	**5,746**	**7,073**	**100.0%**
Imports from GSP-eligible nations:						
Pakistan	2,443	1,504	1,216	2,230	2,004	61.0%
Algeria	26	36	48	347	791	24.1%
Tunisia	146	322	290	231	265	8.1%
Guatemala	66	132	191	170	162	4.9%
All other	110	20	8	72	62	1.9%
Total from GSP-eligible nations	**2,791**	**2,014**	**1,753**	**3,050**	**3,284**	**100.0%**
Export market:						
Canada	2,460	2,762	20,311	26,817	41,329	59.8%
Mexico	405	1,642	3,421	3,083	4,449	6.4%
Japan	67	128	5,221	2,326	2,980	4.3%
Australia	1,915	1,774	2,403	3,622	2,757	4.0%
United Kingdom	1,490	1,234	2,275	3,145	2,755	4.0%
Netherlands	950	600	2,936	2,616	1,706	2.5%
Switzerland	1,159	1,282	1,021	1,091	1,607	2.3%
Saudi Arabia	0	3	1,156	1,554	1,216	1.8%
France	273	408	690	850	893	1.3%
Finland	0	0	0	164	734	1.1%
All Other	2770	1981	8815	7867	8721	12.6%
Total	**11,489**	**11,814**	**48,249**	**53,135**	**69,147**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.-- Dates (by HTS subheading): U.S. imports for consumption, by principal sources, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
HTS subheading 0804.10.20:						
Argentina	6	11	0	274	775	48.2%
China	96	46	73	242	315	19.6%
Saudi Arabia	86	68	168	21	232	14.4%
Tunisia	0	251	239	102	93	5.8%
Iran	29	117	112	75	68	4.2%
Pakistan	9	0	20	0	45	2.8%
Mexico	0	0	0	0	34	2.1%
United Arab Emirates	0	0	23	12	17	1.1%
Spain	0	0	0	0	17	1.1%
Turkey	0	0	0	5	11	0.7%
All other	13	20	18	4	0	0.0%
Total	**239**	**513**	**653**	**735**	**1,607**	**100.0%**
HTS subheading 0804.10.40:						
Mexico	159	497	501	855	1,011	51.8%
China	387	492	293	321	420	21.5%
Israel	26	0	93	273	251	12.9%
Saudi Arabia	20	43	66	120	128	6.6%
Pakistan	3	4	64	0	49	2.5%
Tunisia	146	61	31	95	45	2.3%
Algeria	19	25	48	73	16	0.8%
India	3	0	0	0	15	0.8%
United Arab Emirates	3	9	25	4	11	0.6%
Iran	8	71	228	106	7	0.4%
All other	73	14	50	6	0	0.0%
Total	**847**	**1,216**	**1,399**	**1,853**	**1,952**	**100.0%**

Table 2.—(continued) Dates (by HTS subheading): U.S. imports for consumption, by principal sources, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
HTS subheading 0804.10.60:						
Pakistan	2,419	1,495	1,086	2,222	1,899	59.9%
Iran	283	392	563	270	774	24.4%
China	0	103	278	182	220	6.9%
Tunisia	0	10	21	34	90	2.8%
Israel	0	0	0	0	61	1.9%
Chile	0	0	0	0	47	1.5%
Jordan	98	0	0	0	29	0.9%
Saudi Arabia	12	48	5	0	21	0.7%
United Arab Emirates	2	22	2	0	14	0.4%
Hong Kong	14	26	5	0	8	0.3%
All other	51	41	30	77	8	0.3%
Total	**2,879**	**2,137**	**1,990**	**2,785**	**3,171**	**100.0%**
HTS subheading 0804.10.80:						
Italy	0	35	2	12	33	63.5%
Argentina	3	5	46	8	11	21.2%
Brazil	5	57	0	4	8	15.4%
Uruguay	129	0	0	0	0	0.0%
All other	0	10	5	0	0	0.0%
Total	**138**	**107**	**54**	**24**	**52**	**100.0%**
HTS subheading 2008.99.25:						
Guatemala	66	132	191	170	162	55.7%
Israel	83	251	260	118	85	29.2%
Tunisia	0	0	0	0	37	12.7%
China	10	8	17	17	7	2.4%
Bangladesh	0	0	6	0	0	0.0%
Saudi Arabia	7	0	12	45	0	0.0%
All other	13	2	0	0	0	0.0%
Total	**179**	**393**	**485**	**349**	**291**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Certain Fatty Acids and Acid Oils

I. Introduction

_X_ Competitive-need-limit waiver: Philippines

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3823.19.20[1]	Industrial monocarboxylic fatty acids or acid oils derived from coconut, palm-kernel, or palm oil	2.3	Yes

[1] The Philippines was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 3823.19.20, effective July 1, 2003.

Description and uses.–Industrial monocarboxylic fatty acids or acid oils[7] derived from coconut, palm-kernel, or palm oil (also referred to as tropical oils) are included in a range of products with carbon chains ranging from C_8 to C_{18} lengths. Fatty acids are produced from the natural oils using a process called splitting or hydrolysis. A reaction mixture of the naturally occurring oils is broken down into the attached fatty acids and glycerol by applying heat or increased pressure. The fatty acids derived from natural oils are marketed as mixtures and referred to by the name of the source material, such as coconut oil fatty acids or palm oil fatty acids. The mixture is often further refined to produce a mixture with a concentration of a certain desired chain-length of fatty acid. Although most of the marketed products are refined to a certain degree, the process does not produce a pure fatty acid, but merely increases the share of a desired fatty acid within the context of the mixture.

The coconut oil, palm oil, and palm-kernel oil fatty acids may either be converted to derivatives (amines, esters, and various derivative acids) or incorporated, in the primary acid form, directly in another product. The major areas of consumption for these fatty acids include such consumer and industrial products as personal care products; industrial lubricants, corrosion inhibitors and oilfield chemicals; plastics; household and industrial cleaners; coatings and adhesives; fabric softeners; emulsion polymerizations and rubber; and foods. These market segments account for about 80 percent of the North American market[8] for fatty acids.

[7] Products included under this HTS subheading are mixtures of fatty acids derived from natural oils and do not actually include any "oils."

[8] Includes facilities owned by U.S. producers but located in Canada and Mexico.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)[1]	9	9	9	9	9
Employment (***1,000 employees***)	([2])	([2])	([2])	([2])	([2])
Shipments (***1,000 dollars***)[3]	***	***	***	***	***
Exports (***1,000 dollars***)	5,715	4,601	4,001	5,221	6,759
Imports (***1,000 dollars***)	38,571	26,452	31,197	39,664	59,851
Consumption (***1,000 dollars***)	***	***	***	***	***
Import-to-consumption ratio (***percent***)	***	***	***	***	***
Capacity utilization (***percent***)	***	***	***	***	***

[1] Estimated from industry sources. Although there are an estimated 15 U.S. producers of fatty acids, only 9 are believed to manufacture fatty acids from natural oils. Of these 9 producers, 2 producers are believed to account for the major share of domestic production of coconut oil fatty acids.

[2] Not available.

[3] Estimates of shipments/production are based on U.S. Census Bureau, *Current Industrial Reports (M311K(03)), Fats and Oils – Production, Consumption, and Stocks* and industry sources. The figures represent production of fatty acids from natural sources, and are not limited to those based on tropical oils.

Comment.–Producers of fatty acids located in different regions of the world generally use different mixes of oils to produce fatty acids, primarily because of the available ranges of locally occurring natural fats and oils. The predominant raw material for U.S. production of fatty acids is tallow (about 60 percent), followed by tall oil (about 20 percent). Coconut and palm-kernel oil account for approximately 10 percent of domestic fatty acid production, with coconut oil believed to account for the largest share. The raw material mix for Western European fatty acid producers is similar to that of the U.S. industry, with tropical oils accounting for about 10 percent of their fatty acid production. Although the Japanese industry is also based predominately on tallow and lard, which account for about 40 percent of its fatty acid production, tropical oils account for more than 20 percent.

At least one domestic producer of coconut oil fatty acids, Twin Rivers Technologies, L.P. (Twin Rivers), reports importing both the coconut oil (HTS subheadings 1513.11.00 and 1513.19.00) and a semi-finished coconut oil fatty acid mixture known as "split undistilled coconut fatty acid" (SUCFA), which enters under HTS subheading 3819.23.10, as the firm does not have a large enough coconut oil splitting capacity to satisfy its own demand for the raw cut of coconut oil fatty acids to be further refined in its own distillation operations.[9] Twin Rivers also reports that the major global source for the SUCFA is Malaysia, but since the Malaysian industry primarily produces the final coconut oil fatty acid products, they have a limited availability of the SUCFA. Because of the fledgling nature of the coconut oil fatty acid industry in the Philippines, which consists of one producer, United Coconut Chemicals (Cocochem), and its location off of major sea transport lanes, Twin Rivers is able to supplement its supply of SUCFA from this source. ***.[10]

[9] Hearing transcript, pp. 16-17.

[10] Hearing transcript, pp. 17-20 and official statistics of the U.S. Department of Commerce.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	59,851	100	([1])	***
Imports from GSP countries:				
GSP total	23,797	40	100	***
Philippines	23,320	39	98	***

[1] Not applicable.

Comment.–U.S. imports from the Philippines, primarily coconut oil acids, have accounted for a significant share of GSP imports of these materials. During 2000-03, in terms of quantity, U.S. imports from the Philippines increased steadily, at an average annual rate of 117 percent. However, after losing GSP eligibility, imports in 2004 from the Philippines declined by more than 55 percent in terms of quantity. Also, during 2003-04, the unit value of imports from the Philippines increased from $0.61/kg to more than $1.60/kg.[11]

[11] The change seen in the pattern of imports under HTS subheading 3823.19.20 is related to both the broad range of products that may enter under this subheading and the ambiguity in the HTS as to the classification of semi-purified coconut oils between the subject HTS subheading and the subheadings under major heading 1513 which include coconut oils and fractions thereof.

IV. Competitiveness profile, Philippines

Ranking as a U.S. import supplier, 2004	2		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes X	No ___	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate ___	Low X
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate ___	Low X
What is the substitution elasticity?	High ___	Moderate ___	Low X
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes ___	No X	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___	No X	
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–This is a product that is defined to a significant extent by its derivative materials. Specifically, domestically produced fatty acids, derived primarily from tall oil or tallow, are not equivalent to fatty acids derived from tropical oils, primarily coconut oil. Therefore, imports under subheading 3823.19.20 do not compete with most fatty acids produced domestically, although both the domestic and imported products are used within the same markets and within the same consumer and industrial products.

V. Position of interested parties[12]

Petitioner.–The Government of the Republic of the Philippines and United Coconut Chemicals state in the petition that the competitive need limit on imports of items under HTS subheading 3823.19.20 should be waived since that action would be consistent with the purpose of the GSP program. The petitioner maintains that Conochem's continued coconut oil-based fatty acid production is essential to the prosperity and national security of the Philippines. The economic development of the coconut industry, one of the only industries located on the island of Mindanao, would be furthered by a waiver of the competitive need limit and such industrial development would help alleviate poverty and thus the conditions that support insurgency in Mindanao.

Support.–Twin Rivers Technologies, L.P. (Twin Rivers) supports the petition for a competitive-need-limit waiver. Twin Rivers purchases an unfinished coconut oil fatty acid product (SUCFA) from Cocohem, the only coconut oil processor in the Philippines, to supplement their capacity for refining fatty acids. The Twin Rivers domestic plant for producing SUCFA (by splitting the coconut oil) is operating at full capacity and Twin Rivers requires additional SUCFA to produce enough of the final coconut oil fatty acid products to meet its own market demand. Twin Rivers stated that the additional premium cost to Twin Rivers associated with sending cargo ships out of traditional shipping lanes to reach the Cocohem facility on Mindanao Island could be offset by the waiver of the competitive need limit, thereby reducing its costs by the 2.3 percent duty currently being assessed on imports. The duty offset would allow Twin Rivers to compete on a level basis with producers of the final coconut oil fatty acid products in Malaysia and other developed countries.

[12] Information provided in this section is derived from the petition filed with USTR, testimony presented at the March 23, 2005 Commission hearing, and written submissions of interested parties to the Commission in connection with this investigation.

VI. Summary of probable economic advice - Competitive-need-limit waiver (Philippines)

* * * * * * *

Table 1.-- Certain fatty acids and acid oils: U.S. imports for consumption[1], by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Malaysia	32,687	18,032	14,367	19,062	35,583	59.5%
Philippines	3,333	7,504	16,222	20,024	23,320	39.0%
Indonesia	870	349	334	365	450	0.8%
United Kingdom	25	0	0	2	252	0.4%
Germany	1,627	467	234	29	180	0.3%
China	0	0	0	0	39	0.1%
India	0	7	0	96	27	0.0%
All other	29	93	40	86	0	0.0%
Total	**38,571**	**26,452**	**31,197**	**39,664**	**59,851**	**100.0%**
Imports from GSP-eligible nations:						
Philippines	3,333	7,504	16,222	20,024	23,320	98.0%
Indonesia	870	349	334	365	450	1.9%
India	0	7	0	96	27	0.1%
All other	0	0	0	39	0	0.0%
Total from GSP-eligible nations	**4,203**	**7,860**	**16,555**	**20,524**	**23,797**	**100.0%**
Export market:						
Canada	4,933	3,201	2,729	3,378	2,783	41.2%
Mexico	225	631	433	431	2,564	37.9%
Pakistan	0	0	0	0	439	6.5%
Brazil	0	205	354	322	397	5.9%
Venezuela	0	149	197	57	202	3.0%
Thailand	53	73	24	20	49	0.7%
Taiwan	122	112	86	85	47	0.7%
Germany	85	0	0	5	37	0.5%
El Salvador	5	0	0	0	37	0.5%
India	150	0	0	60	34	0.5%
All Other	142	230	178	863	170	2.5%
Total	**5,715**	**4,601**	**4,001**	**5,221**	**6,759**	**100.0%**

[1] The change seen in the pattern of imports under HTS subheading 3823.19.20 is related to both the broad range of products that may enter under this subheading and the ambiguity in the HTS as to the classification of semi-purified coconut oils between the subject HTS subheading and the subheadings under major heading 1513 which include coconut oils and fractions thereof.

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Polytetrafluoroethylene (PTFE)[13]

I. Introduction

_X_ Removal: Russia[14]

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3904.61.00	Polytetrafluoroethylene, in primary forms	5.8	Yes

Description and uses.–Polytetrafluoroethylene (PTFE) is a vinyl polymer similar to polyethylene and made from the monomer tetrafluoroethylene. Better known by its trade name, Teflon®, PTFE is highly resistant to oxidation, possesses high temperature stability, acts as an excellent insulator, and has superior anti-stick properties. PTFE is used to make non-stick cooking pans and other slippery or non-stick surfaces, as a stain resistant treatment for carpets and fabrics, and to produce artificial body parts because it is seldom rejected.

PTFE is commercially available in three forms: granular, fine powder, and in aqueous dispersions; all three forms are classified under HTS subheading 3904.61.00. Granular PTFE is used to produce molded and extruded products intended mainly for the automotive and non-electrical industries. Fine powder PTFE is differentiated from granular PTFE at the polymerization stage. Fine powder PTFE resin may be processed to be sprayed and cured into a hard, abrasion-resistant coating. Aqueous dispersions are colloidal water dispersions of negatively charged particles of PTFE resin, used for coating metal parts by electrodeposition.

[13] The information in this digest is for the purpose of this report only. Nothing in this digest should be construed to indicate how the Commission would find in an investigation under any other statutory authority.

[14] The country named is the beneficiary developing country specified by the petitioner. While the Trade Policy Staff Committee (TPSC) review will focus on that country, the TPSC reserves the right to address removal of GSP status for countries other than those specified by the petitioner as well as the GSP status of the entire article.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)	3	3	3	3	3
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Production (***1,000 dollars***)	***	***	***	***	***
Exports (***1,000 dollars***)[2]	42,235	36,584	50,620	76,834	87,390
Imports (***1,000 dollars***)	65,145	56,499	48,673	46,479	70,700
Consumption (***1,000 dollars***)[3]	***	***	***	***	***
Import-to-consumption ratio (***percent***)	([4])	([4])	([4])	([4])	([4])
Capacity utilization (***percent***)	([5])	([5])	([5])	([5])	([5])

[1] Not available.

[2] Export data during 2002-04 are overstated and include ***.

[3] Consumption data do not accurately reflect the industry situation because of the overstated export data (see footnote 2).

[4] Import-to-consumption ratios are not applicable based on data presented in this table (see tabulation below for more accurate data).

[5] ***.

Comment.–There are three U.S. producers of PTFE, E.I. DuPont de Nemours & Co., Inc. (DuPont), Asahi Glass Chemicals (AGC), and Daikin America, Inc. (Daikin). DuPont accounts for about *** percent of U.S. production with the *** by AGC and Daikin.[15] Fine powder constitutes ***.[16]

* * * * * * *

U.S. capacity utilization rates are reportedly ***. DuPont states that ***.[17] ***.[18] According to ***.[19] Also, because of ***.[20]

In addition to ***.[21] In June 2004, ***.[22]

[15] Petition for withdrawal of GSP eligibility for PTFE resin from Russia, on behalf of DuPont, Dec. 13, 2004, p. 3.

[16] Production, imports, and exports based on data provided in the posthearing submission on behalf of DuPont, Mar. 30, 2005, Exhibit 5.

[17] Posthearing submission on behalf of DuPont, March 30, 2005, exhibit 8.

[18] Staff telephone interview with ***, Mar. 30, 2005.

[19] Staff telephone interview with ***, Mar. 30, 2005.

[20] Staff telephone interview with ***, Mar. 30, 2005.

[21] Staff telephone interview with ***, Apr. 18, 2005.

[22] Staff telephone interview with ***, Apr. 18, 2005.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	70,700	100	([1])	([2])
Imports from GSP-eligible countries:				
Total	8,134	12	100	([2])
Russia	7,888	11	97	([2])

[1] Not applicable.
[2] Not available.

Comment.–Total U.S. imports from GSP eligible countries declined by 42 percent during 2000-04 while total U.S. imports increased by 9 percent during 2000-04. U.S. imports from Germany, which are predominantly fine powder PTFE, increased by 255 percent; Germany accounted for 29 percent of total U.S. imports of PTFE in 2004.[23] [24]

U.S. imports from Russia declined by 44 percent during 2000-04; Russia accounted for 97 percent of the GSP imports into the United States in 2004. Russian producers operate large-capacity, world-scale plants and are active in the world PTFE market. U.S. imports of granular PTFE from Russia accounted for about 20 percent of U.S. consumption of granular PTFE in 2004.[25]

***.[26] During the same period, ***.[27]

DuPont stated that Russian PTFE was being sold in the United States at prices below that of other domestic suppliers.[28] The unit values per pound of imported PTFE imports during 2004 varied widely, as shown in the following tabulation:[29]

* * * * * * *

[23] During testimony before the USTR at its March 24, 2005 hearing, officials from DuPont and Daikin stated that the surge in U.S. imports from Germany was the result of German companies again reaching full production capacity. The 2003-04 data are at or near the levels of U.S. imports of PTFE from Germany prior to 1999; the lower levels of German exports was due to an explosion at a German plant in late 1999, which shut down capacity.
[24] Posthearing brief on behalf of DuPont, Mar. 30, 2005, p. 18.
[25] Hearing transcript, p. 41.
[26] Posthearing bried on behalf of DuPont, Mar. 30, 2005, p. 18.
[27] Based on official confidential import data of the U.S. Department of Commerce.
[28] Posthearing submission on behalf of DuPont, Mar. 30, 2005, p. 1.
[29] Based on official confidential import data of the U.S. Department of Commerce and posthearing submission on behalf of KCKK, Mar. 30, 2005, p. 6.

***. DuPont stated that during the past five years, it ***.[30]

PTFE imported from the EU and Japan is fine powder, which usually commands a higher price and does not compete with the Russian granular PTFE for the same markets.[31] DuPont stated that fine powder PTFE resins are primarily used in automotive seals and bearings, high purity fluid storage, corrosive chemical processing, high performance automotive and aerospace hoses, and nonstick and architectural roof coatings.[32] However, according to KCKK, Russian granular PTFE is not sold in these markets as it does not meet the specifications for these end-uses.[33] KCKK is a worldscale producer and it is possible that in the future, it will be able to meet the specifications for these markets.[34]

[30] Posthearing submission on behalf of DuPont, Mar. 30, 2005, p. 7.

[31] Posthearing submission on behalf of KCKK, Mar. 30, 2005, pp. 10-11 and staff telephone interview with ***, Mar. 30, 2005.

[32] Hearing transcript, p. 46.

[33] Posthearing submission on behalf of KCKK, Mar. 30, 2005, p. 13.

[34] Posthearing submission on behalf of DuPont, Mar. 30, 2005, pp. 1-2.

IV. Competitiveness profile, Russia

Ranking as a U.S. import supplier, 2004	4		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate ___	Low X
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate ___	Low X
What is the substitution elasticity?	High ___	Moderate ___	Low X
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X

Comment.–U.S. imports of Russian PTFE are reported to be low-quality, low-priced granular material used in limited market segments. Russian PTFE is reported to be of a lesser quality than that imported from the primary U.S. import sources, Germany, Italy, and Japan, which is primarily fine powder.[35] Russia accounts for 97 percent of U.S. GSP-eligible imports of PTFE. KCKK is export-oriented, shipping most of its PTFE to the United States, the EU, Korea, and Latin America.[36]

[35] Posthearing submission on behalf of KCKK, Mar. 30, 2005, pp. 9-10.
[36] Posthearing submission on behalf of DuPont, Mar. 30, 2005, pp. 3-4.

DuPont stated that both KCKK and Halogen (the other Russian producer of PTFE resin) were being investigated by the EU Commission for "injurious, unfair trade practices with respect to the subject imports" and that the Government of India had already found this to be true.[37] KCKK stated that in the EU Commission's findings, Russia and all other beneficiary countries, with the exception of China, Sri Lanka, Moldova, Malaysia, and Thailand, remain eligible for GSP treatment for PTFE resin through 2005; the most recent EU Commission proposal, issued March 9, 2005, continues the GSP-eligibility for PTFE resin from Russia.[38]

[37] Posthearing submission on behalf of DuPont, Mar. 30, 2005, p. 1 and exhibit 1.
[38] Posthearing submission on behalf of KCKK, Mar. 30, 2005, pg. 8-9.

V. Position of interested parties[39]

Petitioner.–E.I. DuPont de Nemours & Co., Inc. (DuPont) requested the removal of HTS subheading 3904.61.00 from Russia from the list of articles eligible for duty-free treatment under the GSP. According to DuPont, the two Russian producers of PTFE (KCKK and Halogen) operate world-class facilities and trade PTFE unfairly as high volumes of low-priced Russian PTFE have harmed the U.S. industry. DuPont stated that the only significant beneficiaries of the duty-free treatment for PTFE resin from Russia are KCKK and Halogen, both of which are large, world-class producers, that have increased market share in the United States and around the world. It also stated that PTFE resin from Russia is sold in the United States at prices far below those of any other supplier, both domestic and foreign.

Support.–Daikin America, Inc. supports the petition of DuPont to remove PTFE from Russia from the list of articles eligible for duty-free treatment under rhe GSP. Daikin stated that PTFE from Russia is having a significant adverse impact on U.S. producers. Daikin stated that the company has ceased investing in and expanding its U.S. manufacturing facility because of the lower-priced imports from Russia.

Opposition.–Kirovo-Cheptesky Khimichesky Kombinat (KCKK), one of two Russian producers of PTFE resin, stated that the level of U.S. imports of PTFE from Russia remains modest and below historical levels. The lower average unit value of the Russian product is attributed to the fundamental differences in product types; U.S. imports from Russia consist of less advanced, lower quality, and less costly granular PTFE that compete in limited market segments. KCKK stated that DuPont is a major purchaser of PTFE from both Russia and China and that the Russian product does not compete in the segments of the market served by U.S.-produced PTFE resin.

[39] Information provided in this section is derived from the petition filed with USTR, testimony presented at the March 23, 2005 Commission hearing, and written submissions of interested parties to the Commission in connection with this investigation.

VI. Summary of probable economic advice-Removal (Russia)

* * * * * * *

Table 1.—Polytetrafluoroethylene (PTFE): U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Germany	5,682	9,530	10,626	15,362	20,171	28.5%
Italy	13,835	11,869	13,161	12,854	15,720	22.2%
Japan	12,775	12,589	5,553	4,396	9,913	14.0%
Russia	14,075	9,368	7,974	4,432	7,888	11.2%
China	814	1,395	1,207	1,671	6,083	8.6%
United Kingdom	4,505	3,350	3,532	4,030	4,072	5.8%
Netherlands	12,562	6,717	4,987	2,005	3,883	5.5%
Canada	94	212	6	8	1,267	1.8%
Belgium	23	228	1,071	1,096	1,094	1.5%
Poland	516	571	95	283	267	0.4%
All other	264	670	461	342	342	0.5%
Total	**65,145**	**56,499**	**48,673**	**46,479**	**70,700**	**100.0%**
Imports from GSP-eligible nations:						
Russia	14,075	9,368	7,974	4,432	7,888	97.0%
India	0	3	18	17	112	1.4%
Bulgaria	0	0	0	0	69	0.8%
Brazil	0	1	39	0	62	0.8%
All other	0	3	1	5	3	0.0%
Total from GSP-eligible nations	**14,075**	**9,374**	**8,124**	**4,455**	**8,134**	**100.0%**
Export market:						
Netherlands	9,261	4,965	7,764	15,622	15,707	18.0%
Japan	3,576	1,273	1,565	4,846	11,026	12.6%
China	228	683	3,347	12,288	9,884	11.3%
Canada	6,787	5,982	6,160	5,604	6,233	7.1%
Brazil	2,489	2,351	2,977	4,972	5,814	6.7%
Thailand	349	459	1,851	1,741	5,707	6.5%
Belgium	1,753	1,363	1,983	2,881	5,575	6.4%
Germany	1,832	2,879	3,818	6,081	4,780	5.5%
Singapore	2,149	3,253	4,143	5,895	4,392	5.0%
Mexico	3,193	3,620	3,940	4,686	4,358	5.0%
All Other	11,373	10,804	14,017	12,881	13,914	15.9%
Total	**42,990**	**37,632**	**51,565**	**77,497**	**87,390**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Certain Upholstery and Fancy Leather

I. Introduction

_X_ Competitive-need-limit waiver: Argentina

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
4107.19.50[1]	Upholstery leather	2.8	Yes
4107.92.80[1]	Fancy leather	2.4	Yes

[1] Argentina has not been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheadings 4107.19.50 and 4107.92.80, but anticipates future levels in excess of the competitive need limits.

Description and uses.–Upholstery leather is a general term for leathers used for furniture, automobiles, airplanes, and other upholstery applications. Most upholstery leather is derived from cattlehides. The term "fancy," as applied to leather, means leather that has been embossed, printed, or otherwise decorated in any manner or to any extent.[40] Such leather is used for pocketbooks, handbags, and other leather-covered specialities.[41]

The leather, which has been subjected to the tanning process, is derived from the hides and skins of bovine and equine animals. In the tanning process, hides and skins of most animals are treated with chemicals to preserve them and convert them into a form in which they can be made into common leather articles such as shoes, leather garments, and upholstery. Upholstery and fancy leather derived from bovine hides are believed to be the leading leather types in terms of U.S. production and U.S. imports within these subheadings.

[40] As defined in Ch. 41, Additional U.S. Note 1 of the Harmonized Tariff Schedule of the United States.
[41] USDA, FAS, *Dictionary of terms used in the Hides, Skins, and Leather Trade*, 1974.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)[1]	([1])	([1])	([1])	([1])	([1])
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	([1])	([1])	([1])	([1])	([1])
Exports (***1,000 dollars***)[2]	150,790	113,288	1,404	1,286	22,270
Imports (***1,000 dollars***)[2]	353,737	329,591	76,342	47,958	44,044
Consumption (***1,000 dollars***)	([1])	([1])	([1])	([1])	([1])
Import-to-consumption ratio (***percent***)	([1])	([1])	([1])	([1])	([1])
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1] Not available.

[2] The 2000-01 import and export data include products not in this digest. Actual 2000-01 import and export data for the products covered in this digest are estimated to be about 23 percent of the data shown. U.S. import and export data for 2000 and 2001 are not directly comparable with data after 2001 due to revisions to the HTS and Schedule B.

Comment.–Data on U.S. manufacturers of upholstery and fancy leathers are not available. One industry source stated that U.S. leather shipments have declined during this period because many domestic manufacturing facilities have closed or relocated to countries with lower-cost labor.[42] The United States is a major producer of hides, skins, and leather, as well as a major exporter of hides and skins. Of the leather produced in the United States, over 95 percent (by quantity) is derived from bovine hides.

[42] Telephone interview by Commission staff with representatives of the Leather Industries of America, Feb. 20, 2004.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	44,044	100	([1])	([2])
Imports from GSP-eligible countries:				
Total	25,774	59	100	([2])
Argentina	21,011	48	82	([2])

[1] Not applicable.
[2] Not available.

Comment.–Argentina is a major producer of hides, skins, and leather; however, it restricts the exportation of its hides and skins to encourage domestic processing of hides and skins.[43] During 2004, GSP countries accounted for 59 percent of U.S. upholstery and fancy leather imports from all sources, with Argentina accounting for 48 percent of total imports and 82 percent of GSP imports.

[43] Telephone interview by Commission staff with representatives of the Leather Industries of America, Feb. 20, 2004.

IV. Competitiveness profile, Argentina

Ranking as a U.S. import supplier, 2004	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes X	No ___	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes ___	No X	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Most leathers produced in Argentina are similar in performance to leather produced in other U.S. import-source countries. However, Argentine hides reportedly only compete with U.S. hides in limited markets. Argentine hides are smaller in size, differ in thickness, and are generally inferior to U.S. hides because of the use of farm barbed wire resulting in holes and marks on the hides, the slaughtering method, and treatment in the chilling room. The U.S. treatment methods are considered to be superior to those used in Argentina and therefore cause less damage to the hides.[44]

[44] Camara de la Industria Curtidora Argentina, petition for competitive-need-limit waivers before the USTR, December 2004.

V. Position of interested parties

Petitioner.–The petitioner, Camara de la Industria Curtidora Argentina, requested the waiver of the competitive need limit for upholstery leather and fancy leather. The petition states that granting a competitive-need-limit waiver would allow the U.S. market to have continued access to the Argentine products and this would benefit both U.S. consumers by lowering prices.

No other statements were received in support of or in opposition to the proposed modifications to the GSP considered in this digest.

VI. Summary of probable economic advice-Competitive-need-limit waiver (Argentina) (HTS subheadings 4107.19.50 and 4107.92.80)

* * * * * * *

Table 1.--Upholstery and fancy leather: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Argentina	160,341	121,943	27,888	15,065	21,011	47.7%
Italy	88,772	89,893	4,730	9,609	12,605	28.6%
Uruguay	14,352	19,537	9,895	4,132	3,622	8.2%
China	866	1,562	372	1,055	2,553	5.8%
Brazil	31,670	44,792	15,906	6,435	1,013	2.3%
Canada	4,764	2,611	1,106	1,272	651	1.5%
Germany	24,859	15,561	346	739	571	1.3%
Belgium	1,027	495	61	238	528	1.2%
Spain	4,879	1,974	186	529	417	0.9%
France	2,384	2,366	1,367	303	354	0.8%
All other	19,823	28,857	14,485	8,581	719	1.6%
Total	**353,737**	**329,591**	**76,342**	**47,958**	**44,044**	**100.0%**
Imports from GSP-eligible nations:						
Argentina	160,341	121,943	27,888	15,065	21,011	81.5%
Uruguay	14,352	19,537	9,895	4,132	3,622	14.1%
Brazil	31,670	44,792	15,906	6,435	1,013	3.9%
All other	3,617	5,957	914	323	128	0.5%
Total from GSP-eligible nations	**209,980**	**192,229**	**54,603**	**25,955**	**25,774**	**100.0%**
Export market:						
Mexico	133,680	90,005	208	163	20,454	91.8%
Dominican Republic	2,540	13,633	0	595	657	3.0%
Canada	0	0	678	300	554	2.5%
Hong Kong	1,104	3,950	182	24	188	0.8%
Italy	551	183	55	3	155	0.7%
Philippines	111	0	16	0	71	0.3%
Argentina	146	30	0	0	45	0.2%
India	0	0	0	0	34	0.2%
Costa Rica	9,161	3,412	0	7	30	0.1%
Lebanon	0	27	0	0	29	0.1%
All Other	3,497	2,048	265	194	53	0.2%
Total	**150,790**	**113,288**	**1,404**	**1,286**	**22,270**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.-- Upholstery and fancy leather (by HTS subheading): U.S. imports for consumption, by principal sources, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
HTS subheading 4107.19.50:						
Argentina	153,028	115,210	20,858	8,222	14,404	51.5%
Italy	0	0	2,754	4,494	5,860	21.0%
Uruguay	0	0	7,774	3,369	3,560	12.7%
China	857	1,560	370	1,020	2,553	9.1%
Germany	23,000	14,369	109	468	489	1.7%
Spain	0	0	17	292	327	1.2%
Brazil	29,296	37,664	11,668	1,217	300	1.2%
Australia	50	7,759	9,769	5,608	210	1.2%
United Kingdom	0	0	8	122	106	1.2%
Costa Rica	10	13	0	0	42	1.2%
All other	101,240	119,490	335	463	114	1.2%
Total	**307,481**	**296,065**	**53,662**	**25,275**	**27,965**	**100.0%**
HTS subheading 4107.92.80:						
Italy	0	0	1,976	5,115	6,745	41.9%
Argentina	7,313	6,733	7,030	6,843	6,608	41.1%
Brazil	2,373	7,128	4,238	5,217	713	4.4%
Canada	4,711	2,526	1,094	1,271	612	3.8%
Belgium	689	495	61	238	528	3.3%
France	2,355	2,354	1,334	285	351	2.2%
Norway	0	0	1,447	935	171	1.1%
Spain	0	0	170	237	90	0.6%
Germany	1,859	1,192	237	271	82	0.5%
Uruguay	0	0	2,120	763	62	0.4%
All other	26,953	13,099	2,975	1,509	118	0.7%
Total	**46,253**	**33,527**	**22,682**	**22,684**	**16,080**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Certain Handmade Carpets

I. Introduction

X Addition

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
	Woven, but not made on a power-driven loom:		
	Not of pile construction:		
	Of wool:		
5702.51.20	Not made up	4.3	Yes
5702.91.30	Made up	4.3	Yes
5702.92.0010	Of manmade textile materials, made up	2.7	Yes
5702.99.1010	Of cotton, made up	6.8	Yes
	Tufted, whether or not made up, hand-hooked:		
5703.10.0020	Of wool	6.0	Yes
5703.20.10	Of nylon or other polyamides	5.8	Yes
5703.30.0020	Of other manmade textile materials	6.0	Yes

Description and uses.–The carpets covered in this digest consist of hand-woven rugs (within HTS heading 5702) and hand-tufted rugs (within HTS heading 5703). These rugs are usually "made up" (i.e., made to size and finished); rugs that are "not made up" are imported in the length for cutting and making up, such as for installation in hallways or on stairs. The handmade rugs consist of accent rugs, scatter rugs, and area rugs. Accent rugs and scatter rugs are small in size (e.g., 2' x 3') and often used in the kitchen or at an entrance and also may be washable. Area rugs are larger in size (e.g., 5' x 8' or 6' x 9') and are designed to fit a room such as a den or dining room.

The hand-tufted rugs are hand-hooked rugs in which the tufts are inserted by hand or by means of a hand tool. Hand-tufted rugs have a surface pile that is formed by inserting pile yarn into a pre-existing base fabric, allowing for a myriad of colors and patterns. The loops of the surface pile can be either sheared or unsheared. The hand-woven rugs are not made with a pre-existing base fabric and they do not have a surface pile; hence, they are known in the trade as "flat-woven" rugs. The pattern on hand-woven rugs is formed during the weaving of the basic structure of the rug on a handloom.

According to the Oriental Rug Importers Association (ORIA), the designs and color schemes for the subject imported handmade rugs are created in the United States. ORIA noted that virtually all designs used in the handmade rugs are copyrighted and that "the same designs are not used for both a handmade carpet and a machine-made carpet."[45]

[45] Post-hearing submission on behalf of Andrew Peykar, President, ORIA, Secaucus, NJ, Mar. 30, 2005.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)	([1])	([1])	([1])	([1])	[2]7
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	([1])	([1])	([1])	([1])	[2]750,000
Exports (***1,000 dollars***)[3]	574,915	539,855	520,264	543,797	634,150
Imports (***1,000 dollars***)	224,147	199,033	238,115	236,758	252,091
Consumption (***1,000 dollars***)	([1])	([1])	([1])	([1])	([4])
Import-to-consumption ratio (***percent***)	([1])	([1])	([1])	([1])	([4])
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1] Not available.
[2] Estimated by Commission staff.
[3] Export data cover products not included in this digest.
[4] Not available as export data cover products not included in this digest.

Comment.– U.S. imports of rugs covered in this digest, by types, are shown in the following tabulation:

Item	**2000**	**2001**	**2002**	**2003**	**2004**
Hand-woven rugs (***1,000 dollars***)	43,616	38,901	49,597	49,336	53,096
Hand-tufted rugs (***1,000 dollars***)	180,531	160,132	188,519	187,421	198,995

U.S. imports of handmade rugs covered in this digest mostly consist of hand-tufted rugs, the majority of which are made of wool (imports valued at $167 million in 2004). Imports of hand-woven rugs are predominantly of cotton ($37 million in 2004) and wool ($12 million in 2004). Other materials used in handmade rugs include manmade textile materials. In 2004, 91 percent of subject imports came from India ($122 million) and China ($108 million). Whereas the imports from China consisted almost entirely of hand-tufted rugs ($106 million), those from India were divided between hand-tufted rugs ($73 million) and hand-woven rugs ($48 million).

The domestic industry produces machine-made, rather than handmade, patterned rugs that may compete directly with the imported handmade rugs. Although data are not available on U.S. production of machine-made patterned rugs, industry shipments in 2003 totaled $582 million for all woven carpets (patterned and other) and $11 billion for all tufted carpet (patterned rugs likely represented a small portion of total U.S. tufted carpet production). The domestic industry has experienced significant consolidation in the past decade; in 2004, the industry experienced "price hikes for raw materials, heightened direct-importing activity by retailers and retail price-point cutbacks."[46]

[46] Cecile B. Corral, "Rug Suppliers Found Plush 2004," *Home Textiles Today*, 2005 Business Annual Edition, p. 40.

At least seven firms produce machine-made patterned rugs in the United States. The producers are (1) Mohawk Industries, Calhoun, GA, which considers itself to be the world's largest producer of area rugs and mats; (2) Shaw Industries, Dalton, GA, which considers itself to be the world's largest carpet maker and is a subsidiary of Berkshire Hathaway, Inc.; (3) Springs Industries, Fort Mill, SC, a leading producer and marketer of home furnishings; (4) Maples Industries, Inc., Scottsboro, AL; (5) Orian Rugs Inc., Anderson, SC; (6) Oriental Weavers of America, Dalton, GA, a division of Oriental Weavers Group based in Cairo, Egypt; and (7) Milliken & Co., Spartanburg, SC, which considers itself to be one of the world's largest privately held textile and chemical producers and which created a computer-controlled inkjet carpet printing machine (Millitron®) to print high-resolution digital patterns on carpets in a wide range of colors.[47] ***.[48] The "Big Three" producers of patterned rugs reportedly are ***.[49] According to a trade source, the "Big Three" in tufting are *** and the "Big Three" in wovens are ***.

***.[50] ***.[51] ***.[52]

Trade sources estimated that the domestic market for patterned rugs totals roughly *** at wholesale cost annually and that the domestic industry accounts for an estimated 70 percent of the market.[53] The market can be divided into two broad retail groups: (1) mass-merchant stores, including home improvement centers, such as Wal-Mart, Target, and Home Depot, and (2) "all other" retailers, such as department stores, independent flooring stores, furniture stores, and catalog houses, which are greater in number but involve smaller volumes of rug sales. Trade sources estimated that the mass-merchant stores account for at least 50 percent, and possibly as much as 60 to 70 percent, of the rug market. ***.[54]

The U.S. market for rugs reportedly has grown in recent years, partly reflecting the popularity of hardwood floors in homes.[55] Consumers also are increasingly purchasing rugs as fashion accessories for their homes. Retail rug sales are much greater in machine-made than handmade rugs. A trade source estimates that machine-made rugs, both domestic and imported, represent as much as 75-80 percent of the market and that handmade rugs account for the remaining 20-25 percent. In general, handmade area rugs cost more than machine-woven area rugs, possibly as much as 25-30 percent more for area rugs of comparable quality and design. However, top-of-the-line machine-woven area rugs tend to cost more than mid-level handmade area rugs. Nevertheless, handmade and machine-made area rugs each vary widely in price, depending on construction techniques, design intricacies, fibers, and rug sizes.[56] For accent rugs and scatter rugs, which are much smaller than area rugs and typically hand-tufted or hand-hooked, prices also vary greatly, and can be as low as $19 each at retail.

A representative of ***.[57]

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[47] Information on the firms is derived from their respective websites and from representatives of the firms in telephone interviews by Commission staff.

[48] ***, Mar. 28, 2005.

[49] Staff telephone interview with ***, April 2005.

[50] Staff telephone interview with ***, Feb. 15, 2005.

[51] Staff telephone interview with ***, April 2005.

[52] Staff telephone interview with ***, Mar. 23, 2005.

[53] Staff telephone interview with ***, Mar. 23, 2005.

[54] Staff telephone interview with ***, Feb. 15, 2005.

[55] Except as noted, information in the paragraph is from Lauren Bovich, "Area Rugs: Shopper Buying Habits Focus on the 'Here and Now,'" *Floor Covering Weekly*, Feb. 7/14, 2005, p. 37; Cecile B. Corral, "Rug Suppliers Found Plush 2004," *Home Textiles Today*, 2005 Business Annual Edition, p. 40; Rugs Guide, "Rug Basics," found at *http://www.rugsguide.com/atr/basics/html*, retrieved Feb. 16, 2005; and staff telephone interview with Andrew Peykar, Nourison Rug Corp., Saddle Brook, NJ, and President, Oriental Rug Importers Association, Mar. 3, 2005.

[56] For example, on the website of the retailer Pottery Barn, a division of Williams-Sonoma, the price of a hand-tufted sheared wool pile rug with a cotton canvas backing ranges from $249 for a 2.5' x 9' rug to $999 for a 9' x 12' rug (found at http://ww2.potterybarn.com, Feb. 28, 2005).

[57] Staff telephone interview with ***, Apr. 6, 2005.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	252,091	100	([1])	([2])
Imports from GSP-eligible countries:				
Total	131,408	52	100	([2])
India	121,562	48	93	([2])
Thailand	5,525	2	4	([2])
Philippines	2,043	1	2	([2])

[1] Not applicable.
[2] Not available.

Comment.–India is the largest GSP supplier of handmade rugs covered in this digest, accounting for 93 percent of GSP imports in 2004. India dominated the hand-woven rug segment, accounting for 91 percent ($48 million) of the imports. For hand-tufted rugs, India accounted for 37 percent ($73 million) of the imports (China accounted for 53 percent ($106 million) of the total). In 2004, the average unit value (per square meter) of hand-woven rugs from India was $14.46 for wool rugs and $2.69 for cotton rugs, compared with $27.27 and $3.82 for those from all other countries, respectively. For hand-tufted rugs of wool, which account for almost all of India's shipments in the hand-tufted category, the average unit value of the Indian rugs was $19.34 per square meter, compared with $20.49 for those from China, the principal foreign supplier.

IV. Competitiveness profile, India

Ranking as a U.S. import supplier, 2004	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X		No
Is the product an intermediate good used as an input in the production of another good?	Yes		No X
Is the product an agricultural or food product?	Yes		No X
What is the aggregate price elasticity of U.S. demand?	High	Moderate X	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High	Moderate X	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High	Moderate X	Low
What is the substitution elasticity?	High	Moderate X	Low
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No
Does the country have significant export markets besides the United States?	Yes X		No
Could exports from the country be readily redistributed among its foreign export markets?	Yes X		No
What is the price elasticity of supply for affected imports?	High X	Moderate	Low
Price level compared with--			
U.S. products:			
Machine-woven rugs	Above X	Equivalent	Below
Machine-tufted rugs	Above	Equivalent	Below X
Other foreign products	Above	Equivalent X	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

Comment.–In general, ***. Nevertheless, U.S. producers are competitive in the domestic market because of their manufacturing and merchandising expertise, consistent product quality, established business relationships with retailers, and service. For example, ***.[58]

[58] Staff telephone interview with ***, March 2005.

IV. Competitiveness profile, all GSP-eligible suppliers

Ranking as a U.S. import supplier, 2004	NA		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X		No
Is the product an intermediate good used as an input in the production of another good?	Yes		No X
Is the product an agricultural or food product?	Yes		No X
What is the aggregate price elasticity of U.S. demand?	High	Moderate X	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High	Moderate X	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High	Moderate X	Low
What is the substitution elasticity?	High	Moderate X	Low
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No
Does the country have significant export markets besides the United States?	Yes X		No
Could exports from the country be readily redistributed among its foreign export markets?	Yes X		No
What is the price elasticity of supply for affected imports?	High X	Moderate	Low
Price level compared with--			
U.S. products:			
Machine-woven rugs	Above X	Equivalent	Below
Machine-tufted rugs	Above	Equivalent	Below X
Other foreign products	Above	Equivalent X	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

V. Position of interested parties[59]

Petitioner.–Section 1555 of Public Law 108-429 authorizes the President to designate certain carpets and rugs as eligible articles under the Generalized System of Preferences. USTR self-initiated the petition for HTS subheadings 5702.51.20, 5702.91.30, 5702.92.0010, 5702.99.1010, 5703.20.10, and 5703.30.0020. USTR and the Government of Nepal requested the addition of HTS subheading 5703.10.0020.

Support.–The Oriental Rug Importers Association (ORIA), a national trade association representing more than 80 leading U.S.-based importers of handmade carpets, supports the designation of the subject handmade rugs as GSP-eligible articles. ORIA stated it is a national trade association that was established in 1958 to foster ethical business practices and promote the best interests of the Oriental rug trade in the United States and in countries that produce Oriental rugs. It noted that the rugs are labor intensive and are an important source of employment in some of the poorest and most rural areas of India, Pakistan, and Nepal. ORIA stated that granting GSP treatment to imports of the subject handmade rugs will have no negative effect on U.S. industry but may provide increased opportunities for more affordable handmade rugs in the United States and incentives for producing these rugs in GSP-eligible countries.

ORIA said the subject handmade rugs are neither like nor directly competitive with machine-made rugs produced in the United States. According to ORIA, the general rule is that machine-made rugs compete with machine-made rugs while handmade rugs compete with handmade rugs. Consumers may or may not think in terms of purchasing handmade rugs against purchasing a machine-made rug. The focus of most consumers is on the design and color of a rug, and the designs and color schemes of handmade rugs vary from those of machine-made rugs. Virtually all designs are copyrighted and the same designs are not used for both a handmade rug and a machine-made rug. The designs and color schemes for rugs produced abroad by hand are created in the United States. ORIA indicated that a number of its member firms have extensive design facilities in the United States, accounting for a significant percentage of U.S. employment in the industry. ORIA stated that while its member firms import handmade rugs, a substantial portion of the value of those rugs is attributable to U.S.-made designs.

ORIA noted that for a number of its member firms, the imported handmade rugs are sold in specialty retail shops dedicated to the sale of handmade carpets and in higher end department stores. For other ORIA member firms, retail sales include specialty shops, department stores, and mass merchants, including home improvement stores. However, the handmade rugs included in the merchandise selection of mass merchants such as Home Depot and Target are typically Chinese-made carpets, not carpets made in South Asia (e.g., India, Pakistan, and Nepal). ORIA estimates that of the handmade carpets sold in such retail establishments, only about 10 percent are made in South Asia.

ORIA stated that trade in the subject handmade rugs is generally small and attributed it, in part, to the applicable duty rates. According to ORIA, while many handmade rugs are already currently duty-free, the subject rugs are subject to duty rates in the range of 2.7 percent to 6.8 percent ad valorem, a relatively high rate when one considers the entered value of these items.

ORIA stated that granting GSP benefits to the subject handmade rugs would create new opportunities for employment in GSP-eligible countries, and for increased education possibilities for children. It noted the prevalence of family child labor in the carpet industry of certain GSP-eligible countries. According to ORIA, recognizing that children are employed in these areas to supplement their families' incomes as well as to learn a craft, ORIA member firms seek to avoid illegal child labor and to assist these families in India, Pakistan, and Nepal by supporting local schools and subsistence programs providing food and health care to families in carpet producing regions so that these families can afford to send their children to school.

[59] Except as noted, information provided in this section is derived from the petition filed with USTR and written submissions of interested parties to the Commission in connection with this investigation.

ORIA stated that the proposed GSP benefits for the subject hand-woven rugs would likely benefit India, the major supplier of such goods, as well as Pakistan, Nepal, Egypt, and Turkey. For the subject hand-tufted and hand-hooked rugs, the proposed GSP benefits would likely benefit India as well as Nepal, particularly for those classified under HTS statistical reporting number 5703.10.0020, for which Nepal made the request.

Other comments.–Representatives of U.S. producers of patterned rugs contacted by Commission staff had different views about the potential impact of GSP treatment on the operations of their respective firms. According to a representative of ***, the duty rates on the handmade rugs are too low to be a "significant driver" causing U.S. retailers to switch sourcing from domestic production to foreign sourcing. Another U.S. producer, ***, stated that GSP treatment would not affect its domestic production, ***. By contrast, the other U.S. producers contacted by Commission staff expressed concern about the potential adverse impact of GSP treatment on their firms' respective operations. ***.[60]

[60] Staff telephone interviews with ***; and e-mail correspondence from ***, February-April 2005.

VI. Summary of probable economic advice-Addition (HTS heading 5702)

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VI. Summary of probable economic advice-Addition (HTS heading 5703)

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Table 1.—Certain handmade carpets: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
India	95,105	76,930	102,743	100,513	121,562	48.2%
China	105,796	97,109	108,602	112,294	108,168	42.9%
Thailand	6,969	6,534	6,231	6,124	5,525	2.2%
Germany	129	256	267	2,500	3,418	1.4%
Canada	3,497	5,873	3,832	2,381	2,721	1.1%
Philippines	2,892	2,140	3,088	2,110	2,043	0.8%
Ireland	2,452	1,422	946	1,060	1,526	0.6%
Belgium	725	660	537	901	1,238	0.5%
Egypt	12	955	4,963	3,350	848	0.3%
Greece	58	16	124	284	622	0.2%
All other	6,512	7,138	6,781	5,239	4,420	1.8%
Total	**224,147**	**199,033**	**238,115**	**236,758**	**252,091**	**100.0%**
Imports from GSP-eligible nations:						
India	95,105	76,930	102,743	100,513	121,562	92.5%
Thailand	6,969	6,534	6,231	6,124	5,525	4.2%
Philippines	2,892	2,140	3,088	2,110	2,043	1.6%
Egypt	12	955	4,963	3,350	848	0.6%
All other	1,607	1,060	1,129	1,184	1,430	1.1%
Total from GSP-eligible nations	**106,585**	**87,619**	**118,154**	**113,281**	**131,408**	**100.0%**
Export market:						
Canada	339,107	330,940	321,360	350,386	416,807	65.7%
Mexico	72,517	59,025	68,940	73,521	72,282	11.4%
Japan	19,324	18,297	22,045	17,050	23,731	3.7%
United Kingdom	26,055	24,601	25,546	16,812	22,989	3.6%
Hong Kong	14,117	12,922	11,441	9,577	11,539	1.8%
Singapore	11,293	9,589	6,899	5,710	8,256	1.3%
India	2,343	2,177	2,202	4,642	7,396	1.2%
Chile	8,592	5,458	4,837	5,123	5,132	0.8%
Australia	1,232	927	494	1,788	4,605	0.7%
Saudi Arabia	5,304	8,997	3,774	3,372	3,773	0.6%
All Other	75,031	66,922	52,726	55,815	57,640	9.1%
Total	**574,915**	**539,855**	**520,264**	**543,797**	**634,150**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Certain handmade carpets (by HTS subheading): U.S. imports for consumption, by principal sources, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
HTS subheading 5702.51.20:						
India	211	247	326	248	422	55.5%
Mexico	78	122	230	153	105	13.8%
Netherlands	20	1	3	16	54	7.1%
Belgium	132	38	26	95	45	5.9%
Denmark	120	68	84	60	33	4.3%
United Kingdom	33	46	56	103	28	3.7%
All other	567	293	255	292	74	9.7%
Total	**1,161**	**815**	**980**	**967**	**761**	**100.0%**
HTS subheading 5702.91.30:						
India	5,388	4,983	5,224	7,004	10,668	91.0%
China	1,472	626	542	316	334	2.8%
Mexico	304	250	216	251	158	1.3%
Romania	133	136	89	106	118	1.0%
All other	1,257	1,030	702	643	442	3.8%
Total	**8,554**	**7,025**	**6,773**	**8,320**	**11,720**	**100.0%**
HTS subheading 5702.92.0010:						
India	1,730	2,280	2,944	2,941	1,765	48.8%
Egypt	0	954	4,869	3,285	840	23.2%
China	502	757	1,327	1,786	636	17.6%
Turkey	0	30	0	58	338	9.4%
All other	271	102	66	39	35	1.0%
Total	**2,503**	**4,123**	**9,206**	**8,109**	**3,614**	**100.0%**

Table 2.-- (continued) Certain handmade carpets (by HTS subheading): U.S. imports for consumption, by principal sources, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
HTS subheading 5702.99.1010:						
India	30,740	26,253	32,135	31,226	35,607	96.2%
China	131	30	93	388	1,231	3.3%
All other	526	656	410	329	163	0.4%
Total	**31,397**	**26,939**	**32,638**	**31,943**	**37,001**	**100.0%**
HTS subheading 5703.10.0020:						
China	84,257	75,232	84,081	87,660	80,307	48.1%
India	56,772	42,927	61,521	58,798	72,572	43.5%
Thailand	6,847	6,460	6,120	6,080	5,435	3.3%
Canada	3,045	3,176	2,834	2,211	2,258	1.4%
Philippines	2,892	2,140	3,087	2,109	2,038	1.2%
Belgium	359	389	399	706	1,070	0.6%
All other	3,254	4,380	2,822	3,152	3,324	2.0%
Total	**157,426**	**134,704**	**160,864**	**160,716**	**167,004**	**100.0%**
HTS subheading 5703.20.10:						
Germany	2	3	0	2,285	3,090	46.0%
China	452	787	940	861	1,434	21.4%
Ireland	2,425	1,275	830	969	1,373	20.5%
Canada	435	2,537	893	157	431	6.4%
Mexico	218	345	456	168	129	1.9%
All other	330	64	294	203	254	3.8%
Total	**3,862**	**5,011**	**3,413**	**4,643**	**6,711**	**100.0%**
HTS subheading 5703.30.0020:						
China	18,821	19,579	21,619	21,275	24,223	95.8%
India	190	241	580	163	486	1.9%
Czech Republic	0	0	179	440	279	1.1%
All other	232	599	1863	185	292	1.2%
Total	**19,243**	**20,419**	**24,241**	**22,063**	**25,280**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Certain Travertine Dimension Stone

I. Introduction

_X_ Competitive-need-limit waiver: Turkey

HTS subheading	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
6802.91.25[1]	Travertine dimension stone that has been worked beyond polishing	3.7	Yes

[1] Turkey has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 6802.91.25, effective July 1, 2004.

Description and uses.–Travertine is a dense, closely compacted form of limestone found mostly in banded layers. Travertine occurs in areas where limestone is common and where circulating ground water contains calcium carbonate; it forms when calcium carbonate separates from water through evaporation. The remaining rock material is usually white or cream. Travertine is a natural rock material quarried to obtain blocks or slabs that meet specifications as to size (width, length, and thickness) and shape. The process to convert rough travertine into a polished and shaped form ready for commercial applications (called “dimension stone”) is known as “working” or “dressing.”

Travertine, one of numerous types of ornamental stone used primarily in building lobbies, is typically used in high-end residential construction for decorative effects. Travertine stone used for such purposes is also known as travertine marble. Color, grain texture and pattern, and ability of the stone to take a polish are qualities required by industrial customers. Firms that process travertine into dimension stone typically process other types of limestone such as dolomite, calcareous, and tufa, as well as marble.

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Establishments (***number***)	([1])	([1])	([1])	([1])	([1])
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	([1])	([1])	([1])	([1])	([1])
Exports (***1,000 dollars***)[2]	4,715	4,699	6,103	4,500	4,462
Imports (***1,000 dollars***)	109,766	131,102	166,188	212,340	269,818
Consumption (***1,000 dollars***)	([1])	([1])	([1])	([1])	([1])
Import-to-consumption ratio (***percent***)	([1])	([1])	([1])	([1])	([1])
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1] Not available. The U.S. Geological Survey reports that as few as two or three companies actively mine travertine in the United States, with employment of 11 workers. An estimated 200 companies employing approximately 5,000 workers process calcareous stone (including limestone, travertine, and marble) into dressed dimension stone. Travertine is one of several types of stone processed by these companies, and separate data are not reported.

[2] U.S. export data include other dimension stone and re-exports of imported travertine dimension stone.

Comment.–Since 2000, U.S. domestic production of calcareous dimension stone, including marble, travertine, and other limestone, has been adversely affected by limited capacity and lower cost imports. At the same time, growing U.S. demand for travertine dimension stone for upscale residential and commercial construction has increased. The U.S. market for travertine stone is supplied almost entirely by imports, as U.S. production is limited.

III. GSP import situation, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	269,818	100	([1])	([2])
Imports from GSP-eligible countries:				
Total	166,746	61	100	([2])
Turkey	154,249	57	93	([2])

[1] Not applicable.
[2] Not available.

Comment.–Turkey is the leading supplier of dressed travertine dimension stone in both the U.S. and EU markets, supplanting Mexico in the U.S. market and is a major supplier to the EU. U.S. imports from Turkey increased from $30 million in 2000 to $154 million in 2004, primarily because of increased demand for residential and commercial travertine stone in the United States.

IV. Competitiveness profile, Turkey

Ranking as a U.S. import supplier, 2004	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Nearly all of the rough travertine used in U.S. dimension stone dressing operations is imported likely accounting for more than 90 percent of the U.S. market as U.S. production is limited.[61] Turkey is the major supplier of rough travertine to the U.S. market. Turkish exports of travertine are equivalent in quality to the U.S. product and other import sources; however, low production costs and abundant supplies allow for the Turkish product to be low-priced relative to the U.S. product.

[61] During testimony before the USTR at its March 24, 2005 hearing, officials from the Istanbul Mineral and Metal Exporters stated that U.S. dressed travertine stone is considered to be of a superior quality and services a more high-end commercial niche market.

V. Position of interested parties[62]

Petitioner.–Istanbul Mineral and Metals Exporters' Association "Istanbul Maden ve Metaller Ihracatcilari Birligi" (IMMIB) is a trade association whose members are Turkish-based producers and/or exporters of mineral and metal products, including the subject travertine stone. IMMIB also assists its members by promoting their products and managing the logistics of member firms participating in international trade. As a result of existing limited U.S. production capacity, IMMIB believes that granting a competitive-need- limit waiver for travertine stone from Turkey will advance the purposes of the U.S. GSP program. Because travertine stone is a high-end building product, most Turkish production (85 percent) is exported to the United States, and Turkish producers are highly reliant on this market. In 2004, approximately 86 percent of all U.S. imports of travertine stone were subject to other trade preference agreements and were shipped duty free to the United States. Petitioners stated that if Turkey does not receive the competitive-need-limit waiver for this product, Turkish travertine stone will be at a competitive disadvantage vis-a-vis other developing country suppliers benefitting from U.S. preference programs.

Support.–Home Depot Inc., the world's largest home improvement retailer, supports the petitioner's request for a waiver of the competitive-need limit for Turkey. Home Depot is the largest U.S. purchaser of worked travertine stone from Turkey. Home Depot is not aware of any significant supplier of U.S.-produced travertine stone that could meet the needs of its 1,900 stores in the United States. Since a limited amount of high-end, high-priced travertine stone is produced in the United States, Home Depot does not consider U.S. production a viable source of supply, given the volume of travertine stone required to meet its overall demand. Home Depot is not aware of any suitable domestically-produced substitute for travertine stone. Travertine pricing is increasingly competitive and supplies of comparable products are increasing from producers in Mexico and in South America. Because U.S. imports from these emerging producers enter the United States under various preferential duty arrangements (e.g., NAFTA and APTA) and benefit from a close proximity to the U.S. market, they are able to offer lower delivered prices compared to other import sources. Turkey's position as a major travertine stone supplier depends on the granting of the competitive-need-limit waiver for this product.

[62] Information provided in this section is derived from the petition filed with USTR, testimony presented at the March 23, 2005 Commission hearing, and written submissions of interested parties to the Commission in connection with this investigation.

VI. Summary of probable economic advice-Competitive-need-limit waiver (Turkey)

* * * * * * *

Table 1.-- Certain travertine dimension stone: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Turkey	30,396	47,698	77,759	115,180	154,249	57.2%
Mexico	38,094	41,434	47,034	52,560	65,325	24.2%
Italy	36,892	36,084	35,296	34,579	31,969	11.8%
Peru	1,227	2,334	2,327	4,239	7,356	2.7%
Spain	1,016	1,383	634	669	1,874	0.7%
India	122	303	322	154	1,587	0.6%
United Arab Emirates	7	48	507	672	1,413	0.5%
China	111	180	510	543	1,139	0.4%
Israel	236	326	140	650	692	0.3%
Argentina	670	207	152	440	649	0.2%
All other	995	1,105	1,507	2,654	3,565	1.3%
Total	**109,766**	**131,102**	**166,188**	**212,340**	**269,818**	**100.0%**
Imports from GSP-eligible nations:						
Turkey	30,396	47,698	77,759	115,180	154,249	93.1%
Peru	1,227	2,334	2,327	4,239	7,356	4.4%
India	122	303	322	154	1,587	1.0%
Argentina	670	207	152	440	649	0.4%
Armenia	13	179	16	193	562	0.3%
Colombia	4	0	45	133	426	0.3%
All other	199	225	391	725	917	0.6%
Total from GSP-eligible nations	**32,631**	**50,946**	**81,012**	**121,064**	**165,746**	**100.0%**
Export market:						
Canada	1,546	2,341	3,324	2,593	3,000	67.2%
Mexico	267	287	131	212	610	13.7%
Bahamas	301	299	356	491	289	6.5%
United Kingdom	47	420	108	62	78	1.7%
Barbados	60	42	11	21	62	1.4%
Saint Lucia	0	0	0	0	60	1.3%
China	0	12	0	108	41	0.9%
Jamaica	1,274	118	9	138	35	0.8%
Greece	0	7	0	0	34	0.8%
Italy	73	86	749	114	34	0.8%
All Other	1,147	1,087	1,415	761	219	4.9%
Total	**4,715**	**4,699**	**6,103**	**4,500**	**4,462**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Heavy duty leaf springs and leaves for motor vehicles

I. Introduction

_X_ Addition

HTS subheading	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
7320.10.60	Heavy duty leaf springs and leaves for motor vehicles	3.2	Yes

Description and uses.–The leaf springs and individual leaves identified in this digest are for use in the suspension systems of motor vehicles with a gross weight in excess of 4 metric tons (approximately 8,800 pounds). Leaf springs for use in non-motorized truck trailers are not covered by this digest. In their typical configuration, leaf springs are comprised of a vertical stack of spring-steel flat bars (leaves) of equal width but of successively shorter length that each have been bent to create a slight arch and then clamped together to create a spring with a semi-elliptical shape. The ends of the longest leaf often have a circular "eye" through which a bolt assembly can be inserted to permit attachment of the spring to the body of the vehicle. The center of the spring body, at which point the spring is thickest, is then commonly bolted to the axle of the vehicle. Two leaf springs are normally used for each axle.

Leaf springs are used, in concert with other suspension components (notably shock absorbers), to absorb and disperse the force of impacts that occur as a vehicle rolls over an uneven surface. They also help to correct vehicle leaning, bottoming, rear-end sag, and sway. The heavy duty leaf springs and leaves included in this digest are used in vehicles weighing more than 4 metric tons, such as large commercial trucks, buses, and similar heavy vehicular apparatus (i.e., cement mixers, fire-fighting vehicles, and the like).

II. U.S. market profile

Profile of U.S. industry and market, 2000-2004

Item	2000	2001	2002	2003	2004
Producers (***number***)	6	6	5	5	5
Employment (***number***)	450	425	400	375	350
Shipments (***1,000 dollars***)[1]	***	***	***	***	***
Exports (***1,000 dollars***)[2]	59,439	39,853	28,831	34,131	32,727
Imports (***1,000 dollars***)	118,703	85,684	114,812	143,268	198,986
Consumption (***1,000 dollars***)[3]	***	***	***	***	***
Import-to-consumption ratio (***percent***)[3]	***	***	***	***	***
Capacity utilization (***percent***)	65	70	65	70	75

[1] According to industry sources,***.

[2] The export data cover products not included in this digest. Exports of the products covered in this digest were estimated to be $7.8 million in 2000, $4 million in 2001, $3.6 million in 2002, $7.8 million in 2003, and $8.3 million in 2004.

[3] Consumption data and import-to-consumption ratios are calculated based on the export data provided in the table above.

Comment.–U.S. industry sources indicate that virtually all U.S. production of leaf springs for original equipment manufacture (OEM) applications (new vehicle assembly) has been shifted to Mexico, Canada, China, and Japan. The only U.S. production that remains is for replacement or aftermarket applications. Production runs for these applications are typically much shorter and thus do not enjoy similar economies of scale of production as those for OEM producers. Further, because the vast majority (95 percent) of aftermarket leaf springs are produced to a standardized set of industry criteria and associated part numbers, and as both foreign and domestic manufacturers have come to be viewed as offering reasonably equivalent product quality, price is commonly a principal determining factor influencing U.S. sales. Leaf springs are thus increasingly being perceived as commodity products. The leading foreign suppliers have established warehouse facilities in the United States to compete with U.S. producers in terms of speed of delivery to the aftermarket.

III. GSP import situation, 2004

U.S. imports and share of U.S. consumption, 2004

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	198,986	100	([1])	***
Imports from GSP-eligible countries:				
Total	1,312	1	100	***
India	1,263	1	96	***
Colombia	25	([2])	2	***
Brazil	11	([2])	1	***

[1] Not applicable.
[2] Less than 0.5 percent.

Comment.–India accounts for 96 percent of the imports from GSP-eligible countries but only about 1 percent of total U.S. imports. Canada and Mexico together account for 80 percent of total U.S. imports of these products, most of which are for OEM applications.

IV. Competitiveness profile, India

Ranking as a U.S. import supplier, 2004 5

Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):

Is the product a finished product for final sale to consumers?	Yes X		No ___
Is the product an intermediate good used as an input in the production of another good?	Yes ___		No X
Is the product an agricultural or food product?	Yes ___		No X
What is the aggregate price elasticity of U.S. demand?	High X	Moderate ___	Low ___

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term?	Yes X		No ___
Does the country have significant export markets besides the United States? . .	Yes X		No ___
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___		No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___

Price level compared with--

U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Quality compared with--

U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.– Imports from India are almost exclusively of leaf springs destined for the U.S. automotive aftermarket. Although certain Indian producers enjoy a production cost advantage over their U.S. counterparts, a significant portion of this advantage is eroded by shipping and handling expenses incurred in transporting these parts to U.S. customers.

IV. Competitiveness profile, Brazil

Ranking as a U.S. import supplier, 2004	20		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X	No	
Is the product an intermediate good used as an input in the production of another good?	Yes	No X	
Is the product an agricultural or food product?	Yes	No X	
What is the aggregate price elasticity of U.S. demand?	High X	Moderate	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High	Moderate X	Low
U.S. producers?	High	Moderate X	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High	Moderate	Low X
U.S. producers?	High	Moderate	Low X
What is the substitution elasticity?	High	Moderate	Low X
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No	
Does the country have significant export markets besides the United States?	Yes X	No	
Could exports from the country be readily redistributed among its foreign export markets?	Yes	No X	
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

Comment.–The Brazilian suppliers of leaf springs reportedly are less competitive with U.S. or other foreign suppliers (notably Canada, Mexico, Japan, and China) owing to higher costs of production, distance from major U.S. markets, less developed marketing supply channels, and high transportation costs.

IV. Competitiveness profile, all GSP-eligible suppliers

Ranking as a U.S. import supplier, 2004	NA		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X	No	
Is the product an intermediate good used as an input in the production of another good?	Yes	No X	
Is the product an agricultural or food product?	Yes	No X	
What is the aggregate price elasticity of U.S. demand?	High X	Moderate	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from these suppliers and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High X	Moderate	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from these suppliers and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High X	Moderate	Low
What is the substitution elasticity?	High X	Moderate	Low
Supply elasticity for affected imports:			
Can production in these countries be easily expanded or contracted in the short term?	Yes X	No	
Do these countries have significant export markets besides the United States?	Yes X	No	
Could exports from these countries be readily redistributed among their foreign export markets?	Yes	No X	
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above X	Equivalent	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

Comment.–India accounted for 96 percent of total GSP imports in 2004 and for 79 percent of the GSP total during 2000-2004.

V. Position of interested parties[63]

Petitioner.–The petitioner, Rassini NHK Autopeças Ltda., with plants in the states of São Paulo and Rio de Janiero, is a 50-percent joint venture between San Luis Rassini S.A. of Mexico and NHK of Japan. The petitioner claims to be the sole producer of the subject leaf springs in Brazil. The company argues that if Brazil is granted GSP eligibility status, exports to the United States would not rise dramatically as there is currently a significant Brazilian market and other foreign markets for these products. Further, the company suggests that its high freight costs, long transportation lead times, and higher raw material costs compared with other suppliers, are disadvantages with respect to its principal competitors. The company indicates that it has solicited a potential U.S. leaf spring customer for 2005 and that the cost savings associated with duty-free GSP import status are important in securing this account. As this potential customer currently secures its leaf springs from a developed country, purchasing them instead from Brazil, the petitioner suggests, would not result in any loss to a U.S. producer or to U.S. employment. The petitioner indicates that any increased exports to the United States would not only benefit U.S. producers of truck suspensions by lowering their costs, but that it would also lead to increased U.S. exports sales of leaf spring production machinery that the petitioner has already previously purchased from a U.S. supplier.

Opposition.–Dayton Parts, LLC is one of only two high-volume producers of heavy-duty leaf springs that still produces springs in the United States, albeit only for the U.S. replacement market. The company indicates that granting duty-free eligibility status to countries that currently are ineligible under the GSP would have virtually no impact on the U.S. OEM market for these products, as virtually all of such production has already been shifted to such lower cost locations as Mexico, Canada, and China. The company's real concern is with producers of leaf springs in India, as these suppliers have demonstrated the ability to produce springs of a comparable quality to U.S. supplies for the U.S. replacement market, at prices well below U.S. suppliers. The company also indicates that any preferential advantage that they once had enjoyed as a U.S. supplier has all but been eroded as U.S. customers have come to assume that all springs sold in U.S. markets are comparable. Thus, U.S. sales in the replacement market are driven almost exclusively by price considerations. Dayton is concerned that the elimination of the 3.2 percent duty on heavy duty leaf springs from India in particular would put further price pressure on the remaining U.S. manufacturers that are already operating in a highly competitive market.

[63] Information provided in this section is derived from the petition filed with USTR, testimony presented at the March 23, 2005 Commission hearing, and written submissions of interested parties to the Commission in connection with this investigation.

VI. Summary of probable economic advice-Addition

* * * * * * *

Table 1.—Heavy duty leaf springs and leaves: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 2000-04

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	Value (1,000 dollars)					
Import source:						
Mexico	8,188	5,353	31,253	56,260	83,469	41.9%
Canada	86,612	66,577	68,269	61,704	76,265	38.3%
Japan	14,568	8,087	8,206	16,082	27,610	13.9%
China	4,867	3,495	5,163	6,789	7,986	4.0%
India	3,489	872	65	127	1,263	0.6%
Malaysia	349	564	432	579	1,135	0.6%
Germany	145	233	117	152	314	0.2%
United Kingdom	96	43	46	175	284	0.1%
Taiwan	14	58	20	177	178	0.1%
Korea	264	206	155	245	119	0.1%
All other	111	196	1,086	978	363	0.2%
Total	**118,703**	**85,684**	**114,812**	**143,268**	**198,986**	**100.0%**
Imports from GSP-eligible nations:						
India	3,489	872	65	127	1,263	96.3%
Colombia	5	33	5	11	25	1.9%
Brazil	0	7	0	204	11	0.8%
Turkey	7	0	626	420	2	0.2%
All other	18	68	28	82	11	0.8%
Total from GSP-eligible nations	**3,519**	**980**	**724**	**844**	**1,312**	**100.0%**
Export market:						
Canada	42,792	30,346	21,054	18,052	20,080	61.4%
Mexico	12,250	7,230	4,883	10,294	8,070	24.7%
Austria	17	57	677	1,677	1,315	4.0%
Philippines	0	0	199	360	505	1.5%
China	79	65	109	386	340	1.0%
Japan	389	144	89	177	280	0.9%
Brazil	341	6	7	124	244	0.7%
Sweden	21	51	150	176	243	0.7%
Hong Kong	94	217	217	709	220	0.7%
Australia	379	127	212	212	195	0.6%
All Other	3,077	1,610	1,234	1,964	1,235	3.8%
Total	**59,439**	**39,853**	**28,831**	**34,131**	**32,727**	**100.0%**

Note.--Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX A

U.S. Trade Representative's Request Letter

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

FEB 4 2005

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Chairman Koplan:

The Trade Policy Staff Committee (TPSC) has recently decided and will announce in the *Federal Register* the acceptance of product petitions for the 2004 GSP Annual Review for modification of the Generalized System of Preferences (GSP). For the most part, modifications to the GSP resulting from this review will be announced in the spring of 2005 and become effective in the summer of 2005. In this connection, I am making the requests listed below.

In accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and pursuant to the authority of the President delegated to the United States Trade Representative (USTR) by sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, I hereby notify the Commission that the articles identified in Part A of the enclosed annex are being considered for designation as eligible articles for purposes of the United States GSP, as set forth in 503(a)(1)(A) of the 1974 Act.

In accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the 1974 Act, and under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request that the Commission provide its advice, with respect to the articles identified in Part A of the enclosed annex, as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the elimination of United States import duties for all beneficiary developing countries under the GSP.

In providing its advice on the articles in Part A of the enclosed annex, I request the Commission to assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act.

Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I further request:

a) with respect to the articles listed in Part B of the enclosed annex, that the Commission provide its advice as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the removal of the country specified from eligibility for duty-free treatment under the GSP for such article; and

b) in accordance with section 503(d)(1)(A) of the 1974 Act, that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for the country specified with respect to the articles in Part C of the enclosed Annex.

With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission is requested to use the dollar value limit of $115,000,000.

Under the provisions of the 1974 Act, the Commission has six months to provide the advice requested herein in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the 1974 Act on Part A of the enclosed Annex. However, it would be greatly appreciated if all of the requested advice could be provided by no later than 90 days from receipt of this letter. To the maximum extent possible, it would be greatly appreciated if the probable economic effect advice and statistics (profile of the U.S. industry and market and U.S. import and export data) and any other relevant information or advice be provided separately and individually for each HTS subheading for the cases in this investigation.

I direct you to mark as "Confidential" those portions of the Commission's report and related working papers that contain the Commission's advice on the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers. All other parts of the report are unclassified, but the overall classification marked on the front and back covers of the report should be "Confidential" to conform with the confidential sections contained therein. All business confidential information contained in the report should be clearly identified.

When the Commission's confidential report is provided to my Office, the Commission should issue, as soon as possible thereafter, a public version of the report containing only the unclassified sections, with any business confidential information deleted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,

Bob

Robert B. Zoellick

Annex

The Harmonized Tariff Schedule of the United States (HTS) subheadings listed below have been accepted as product petitions for the 2004 Generalized System of Preferences (GSP) Annual Review for modification of the (GSP). The tariff nomenclature in the HTS for the subheadings listed below are definitive; the product descriptions in this list are *for informational purposes only* (except in those cases where only part of a subheading is the subject of a petition). The descriptions below are not intended to delimit in any way the scope of the subheading. The HTS may be viewed on http://www.usitc.gov/tata/index.htm.

Case No.	HTS Subheading	Brief Description	Petitioner
A.		Petitions to add products to the list of eligible articles for the Generalized System of Preferences.	
2004-01	0804.10.20	Dates, fresh or dried, whole, with or without pits, packed in units weighing (with immediate container, if any) not over 4.6 kg	USTR 1/
2004-02	0804.10.40	Dates, fresh or dried, whole, with pits, packed in units weighing over 4.6 kg	do.
2004-03	0804.10.60	Dates, fresh or dried, whole, without pits, packed in units weighing over 4.6 kg	do.
2004-04	0804.10.80	Dates, fresh or dried, other than whole	do.
2004-05	2008.99.25	Dates, otherwise prepared or preserved, not elsewhere specified or included	do.
2004-06	5702.51.20	Carpets and other textile floor coverings, of pile construction, not made up, woven but not on a power-driven loom, of wool or fine animal hair	USTR 2/
2004-07	5702.91.30	Carpets and other textile floor coverings, not of pile construction, made up, woven but not on a power-driven loom, of wool or fine animal hair	do.
2004-08	5702.92.0010	Carpets and other textile floor coverings, not of pile construction, made up, woven but not on a power-driven loom, of man-made textile materials	do.
2004-09	5702.99.1010	Carpets and other textile floor coverings, not of pile construction, made up, woven but not on a power-driven loom, of cotton	do.
2004-10	5703.10.0020	Carpets and other textile floor coverings, tufted, hand-hooked, that is, in which the tufts were inserted by hand or by means of a hand tool, of wool or fine animal hair	do. Government of Nepal
2004-11	5703.20.10	Carpets and other textile floor coverings, tufted, hand-hooked, that is, in which the tufts were inserted by hand or by means of a hand tool, of nylon or other polyamides	USTR 2/

1/ USTR is self-initiating a petition for this HTS.

2/ Section 1555 of Public Law 108-429 authorizes the President to designate certain carpets and rugs as eligible articles under the Generalized System of Preferences. USTR is self-initiating a petition for this HTS.

Case No.	HTS Subheading	Brief Description	Petitioner
A.	Petitions to add products to the list of eligible articles for the Generalized System of Preferences. (continued)		
2004-12	5703.30.0020	Carpets and other textile floor coverings, tufted, hand-hooked, that is, in which the tufts were inserted by hand or by means of a hand tool, of other man-made textile materials	USTR 1/
2004-13	7320.10.60	Leaf springs and leaves therefore, suitable for motor vehicle suspension, to be used in motor vehicles having G.V.W. of 4 metric tons or over	Rassini-NHK Autopecas Ltda., Brazil
B.	Petitions to remove duty-free status from beneficiary developing country/countries for a product on the list of eligible articles for Generalized System of Preferences. 2/		
2004-14	3904.61.00 (Russia)	Polytetrafluoroethylene (PTFE), in primary forms	Asahi Glass Chemicals, Inc., Bayonne, NJ; Dalkin America, Inc., Orangeburg, NY; E. I. Dupont de Nemours & Co. Inc., Wilmington, DE
C.	Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.		
2004-15	3823.19.20 (Philippines)	Industrial monocarboxylic fatty acids or acid oils from refining derived from coconut, palm-kernel, or palm oil	Government of the Philippines
2004-16	4107.19.50 (Argentina)	Other whole upholstery leather of bovines (not buffalo) and equines, without hair on, prepared after tanning or crusting, not of heading 4114	Camara de la Curtidora Argentina, Argentina
2004-17	4107.92.80 (Argentina)	Other grain splits bovine (not buffalo) and equine leather, not whole, without hair on, fancy, prepared after tanning or crusting, not of heading 4114	do.
2004-18	6802.91.25 (Turkey)	Other monumental or building stone and articles thereof, of travertine, further worked than simply cut or sawn or dressed or polished	Istanbul Minerals and Metals Exporters Association, Turkey

1/ Section 1555 of Public Law 108-429 authorizes the President to designate certain carpets and rugs as eligible articles under the Generalized System of Preferences. USTR is self-initiating a petition for this HTS.

2/ The country named is the beneficiary developing country specified by the petitioner. While the Trade Policy Staff Committee (TPSC) review will focus on that country, the TPSC reserves the right to address removal of GSP status for countries other than those specified by the petitioner as well as the GSP status of the entire article.

APPENDIX B

U.S. International Trade Commission's Notice of Investigation

www.usitc.gov). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION:

Background. On January 4, 2005, the Commission determined that the domestic interested party group response to its notice of institution (69 FR 58952, October 1, 2004) of the subject five-year reviews was adequate and that the respondent interested parties responses were inadequate. The Commission did not find any other circumstances that would warrant conducting full reviews.[1] Accordingly, the Commission determined that it would conduct expedited reviews pursuant to section 751(c)(3) of the Act.[2]

Staff report. A staff report containing information concerning the subject matter of the reviews will be placed in the nonpublic record on May 3, 2005, and made available to persons on the Administrative Protective Order service list for these reviews. A public version will be issued thereafter, pursuant to section 207.62(d)(4) of the Commission's rules.

Written submissions. As provided in section 207.62(d) of the Commission's rules, interested parties that are parties to the reviews and that have provided individually adequate responses to the notice of institution,[3] and any party other than an interested party to the reviews may file written comments with the Secretary on what determinations the Commission should reach in the reviews. Comments are due on or before May 10, 2005, and may not contain new factual information. Any person that is neither a party to the five-year reviews nor an interested party may submit a brief written statement (which shall not contain any new factual information) pertinent to the reviews by May 10, 2005. If comments contain business proprietary information (BPI), they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Determination. The Commission has determined to exercise its authority to extend the review period by up to 90 days pursuant to 19 U.S.C. 1675(c)(5)(B).

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: February 9, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–2925 Filed 2–15–05; 8:45 am]

BILLING CODE 7020–02–P

[1] A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

[2] Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson dissenting.

[3] The Commission has found the responses submitted by Deeter Foundry, Inc.; East Jordan Iron Works, Inc.; LeBaron Foundry, Inc.; Municipal Castings, Inc.; Neenah Foundry Co.; Tyler Pipe Co.; and U.S. Foundry & Mfg. Corp. to be individually adequate. Comments from other interested parties will not be accepted (*see* 19 CFR 207.62(d)(2)).

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–466]

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Review

AGENCY: International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

SUMMARY: Following receipt on February 7, 2005 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332 (g)), the Commission instituted investigation No. 332–466, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Review.

Background: As requested by the USTR, in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974 (1974 Act), and under section 332(g) of the Tariff Act of 1930, the Commission will provide advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP for the following HTS subheadings: 0804.10.20, 0804.10.40, 0804.10.60, 0804.10.80, 2008.99.25, 5702.51.20, 5702.91.30, 5702.92.0010, 5702.99.1010, 5703.10.0020, 5703.20.10, 5703.30.0020, and 7320.10.60. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act.

As requested by the USTR, pursuant to section 332(g) of the Tariff Act of 1930, the Commission will provide advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the removal of Russia from eligibility for duty-free treatment under the GSP for HTS subheading 3904.61.00.

As requested under section 332(g) of the Tariff Act of 1930 and in accordance with section 503(d)(1)(A) of the 1974 Act, the Commission will provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for the Philippines for HTS subheading 3823.19.20; for Argentina for HTS subheadings 4107.19.50 and 4107.92.80; and for Turkey for HTS subheading 6802.91.25. With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission, as requested, will use the dollar value limit of $115,000,000.

As requested by the USTR, the Commission will seek to provide its advice not later than May 9, 2005.

DATES: *Effective Date:* February 9, 2005.

FOR FURTHER INFORMATION CONTACT:

Project Leader, Cynthia B. Foreso ((202) 205–3348 or *cynthia.foreso@usitc.gov*).

Deputy Project Leader, Eric Land ((202) 205–3349 or *eric.land@usitc.gov*).

The above persons are in the Commission's Office of Industries. For information on legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel at (202) 205–3091 or *william.gearhart@usitc.gov.*

Public Hearing: A public hearing in connection with this investigation is scheduled to begin at 9:30 a.m. on March 23, 2005, at the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, not later than the close of business (5:15 p.m.) on

March 4, 2005, in accordance with the requirements in the ''Submissions'' section below. In the event that no requests to appear at the hearing are received by the close of business on March 4, 2005, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary to the Commission ((202) 205–1816) after March 4, 2005 to determine whether the hearing will be held.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning these investigations. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. Any prehearing statements or briefs should be filed not later than 5:15 p.m., March 7, 2005; the deadline for filing posthearing statements or briefs is 5:15 p.m., March 30, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, *ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf*). Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the ''confidential'' or ''nonconfidential'' version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

The Commission may include some or all of the confidential business information submitted in the course of these investigations in the report it sends to the USTR and the President. As requested by the USTR, the Commission will publish a public version of the report. However, in the public version, the Commission will not publish confidential business information in a manner that would reveal the operations of the firm supplying the information.

Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Secretary at (202) 205–2000.

Issued: February 10, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–2924 Filed 2–15–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

Index and Description of Major Information Systems and Availability of Records

AGENCY: International Trade Commission.

ACTION: Notice announcing availability of public information.

SUMMARY: The United States International Trade Commission (USITC or Commission) provides notice of its index and description of major information systems and availability of its records.

FOR FURTHER INFORMATION CONTACT: Marilyn R. Abbott ((202) 205–2000), Secretary, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission and persons seeking information on the Commission, or making submittals or requests, and seeking decisions, may contact the Office of the Secretary at (202) 205–2000.

SUPPLEMENTARY INFORMATION: The Commission makes agency records available to the public in a number of ways: *Electronic Document Information System (II).* This system provides Internet access to public documents filed with the Office of the Secretary. Docketing information for USITC investigations instituted since 1996 is available electronically by accessing the USITC Internet site at ''*http://www.usitc.gov*'' or directly at ''*http://edis.usitc.gov.*''

FOIA. Commission records may also be requested under the Freedom of Information Act (FOIA) (5 U.S.C. 552). These requests are filed with the Secretary at 500 E Street, SW., Washington, DC 20436, and shall indicate clearly in the request letter, and on the envelope if the request is in paper form, that it is a ''Freedom of Information Act Request.'' A written request may be made either (1) in paper form, or (2) electronically by contacting the Commission at ''*http://www.usitc.gov/secretary/foia/index.htm.*'' Commission rules for requesting information under FOIA are set out in 19 CFR 201.17–201.21.

Frequently requested FOIA-processed records can be accessed by following the ''Privacy Statement, Accessibility Statement, Freedom of Information, and Other Web Site Policies and Important Links'' link on the USITC Internet site at ''*http://www.usitc.gov.*''

Harmonized Tariff Schedule of the United States. The USITC maintains and publishes the Harmonized Tariff Schedule of the United States (HTS) pursuant to the omnibus Trade and Competitiveness Act of 1988. The Tariff Information Center, providing the current HTS and related materials, is available on-line at ''*http://www.usitc.gov/tata/hts/index.html.*''

Government Information Locator. The USITC has an entry in the Government Information Locator Service, at ''*http://www.access.gpo.gov/su_docs/gils/index.html.*''

Libraries. The Commission maintains two libraries, its National Library of International Trade (the Commission's main reference library), located on the 3rd floor of the Commission building, and a law library, located on the 6th floor. Both are open to the public during normal business hours of 8:45 a.m. to 5:15 p.m. The libraries contain, among other things, complete sets of Commission reports. To determine whether the respective libraries have the information sought, persons seeking information may call the main library at (202) 205–2630, or the law library at (202) 205–3287.

Public Reading Room. The Commission's docket files in the Office of the Secretary contain the submissions made in all Commission investigations. The files are available for inspection in the Public Reading Room in the Office of the Secretary. The Public Reading Room is located on the 1st floor of the Commission building. Persons having questions regarding availability of records may call the Dockets staff at

APPENDIX C

List of Witnesses Appearing Before the U.S. International Trade Commission at the Hearing on March 23, 2005

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Review

Inv. No.: 332-466

Date and Time: March 23, 2005 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

ORGANIZATION AND WITNESS: **PRODUCT:**

Dates

California Dates

Albert Keck, Chairman, California Date Commission

Anita Brown, Consultant, Schramm Williams and Associates

Carter Brown, Counsel, Schramm Williams and Associates

Certain Fatty Acids and Acid Oils

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
New York, NY
on behalf of

Twin Rivers Technologies, L.P. ("Twin Rivers")

Kenneth C. Thode, Executive Vice President, Twin Rivers

William F. Marshall) – OF COUNSEL

ORGANIZATION AND WITNESS: **PRODUCT:**

Certain Travertine Dimension Stones

Hogan & Hartson L.L.P.
Washington, D.C.
on behalf of

Istanbul Minerals & Metals Exporters Association ("IMMIB")

Enver Levent Mertsoy, Foreign Relations Coordinator, Alimoglu Marble & Granite Industry and Trade Inc.

Fatih Citoglu, President, Dragos Marble, Inc.

S. Alev Kaymak, Consultant, Hogan & Hartson L.L.P.

Teresa Polino)
) – OF COUNSEL
Erika L. Moritsugu)

Heavy-Duty Leaf Springs and Leaves

Porter Wright Morris & Arthur LLP
Washington, D.C.
on behalf of

Rassini NHK Autopecas Ltda. ("Rassini")

Renato Lopes Carvalho, Jr., Executive Director, Rassini

Leslie Alan Glick) – OF COUNSEL

ORGANIZATION AND WITNESS: **PRODUCT:**

Wilmer Cutler Pickering Hale and Dorr LLP
Washington, D.C.
on behalf of

E.I.. Dupont de Nemours & Co., Inc.

John D. Colven, Business Manager,
E.I. Dupont de Nemours & Co., Inc.

Ronald I. Meltzer) – OF COUNSEL

St. Maxens & Company
Washington, D.C.
on behalf of

Kirovo-Chepetsky Khimichesky Kombinat ("KCKK")

Patrick H. Neale, Partner, KC America

Laura Baughman, President, The Trade Partnership

Thomas F. St. Maxens, President, St. Maxens & Company

-END-

APPENDIX D

Model for Evaluating Probable Economic Effects of Changes in GSP Status

MODEL FOR EVALUATING THE PROBABLE ECONOMIC EFFECT OF CHANGES IN GSP STATUS

This appendix presents the method used to analyze the effects of immediate tariff elimination for selected products on total U.S. imports of affected products, competing U.S. industries, and U.S. consumers. First, the method is introduced. Then the derivation of the model for estimating changes in imports, U.S. domestic production, and consumer effects is presented.

Introduction

Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.[1] Trade data were taken from official statistics of the U.S. Department of Commerce. U.S. production data were estimated by USITC industry analysts. Elasticities were estimated by industry analysts in consultation with the assigned economist based on relevant product and market characteristics. Trade and production data used were for 2004, and tariff rates used were for 2005.

The following model illustrates the case of granting a product GSP duty-free status. The illustration is for a product for which domestic production, GSP imports, and non-GSP imports are imperfect substitutes, and shows the basic results of a tariff removal on a portion of imports.

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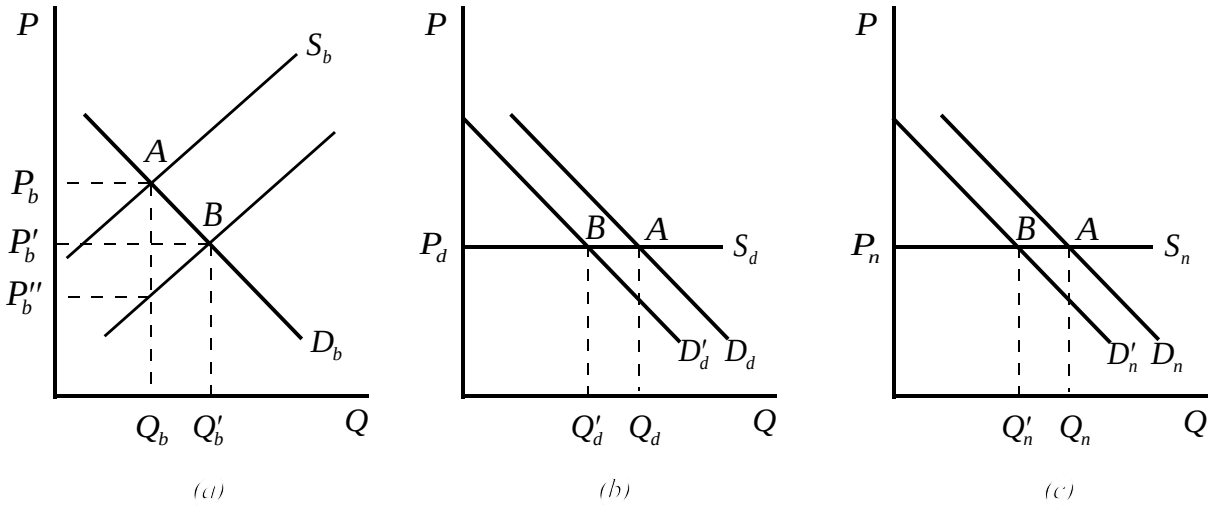
[1] For derivations, see Paul S. Armington, "A Theory of Demand for Products Distinguished by Place of Production," *IMF Staff Papers*, vol. 16 (1969), pp. 159-176, and J. Francois and K. Hall, "Partial Equilibrium Modeling," in J. Francois and K. Reinert, eds., *Applied Methods for Trade Policy Analysis, A Handbook* (Cambridge: Cambridge University Press, 1997).

Figure D-1
U.S. markets for GSP beneficiary imports (panel a), domestic production (panel b), and nonbeneficiary imports (panel c)



Consider the market for imports from GSP beneficiary countries illustrated in fig. D-1, panel (a). The line labeled D_b is the U.S. demand for imports from GSP beneficiary countries, the line labeled S_b is the supply of imports from GSP beneficiary countries with the tariff in place, and the line labeled S_b' is the supply of imports from GSP beneficiary countries without the tariff (i.e., the product is receiving duty-free treatment under GSP). Point A is the equilibrium with the tariff in place, and point B is the equilibrium without the tariff. Q_b and Q_b' are equilibrium quantities at A and B, respectively. P_b and P_b' are equilibrium prices at A and B, and P_b'' is the price received by Indian producers when the tariff is in place. The difference between P_b and P_b'' denotes the tariff, t.

In the model, a tariff reduction leads to a decrease in the price of the imported good and an increase in sales of the good in the United States. The lower price paid for the import in the United States leads to a reduction in the demand for U.S. production of the good, as well as for imports from non-GSP

countries. These demand shifts, along with supply responses to the lower demand, determine the reduction in U.S. output and non-GSP imports.

The changes that take place in panel (a) lead to the changes seen in panels (b) and (c), where the demand curves shift from D_d and D_n to D'_d and D'_n, respectively. Equilibrium quantity in the market for domestic production moves from Q_d to Q'_d, and in a similar manner for the market for nonbeneficiary imports, equilibrium quantity falls from Q_n to Q'_n.

Derivation of Import, U.S. Production, and Consumer Effects

The basic building blocks of the model are shown below. Armington shows that if consumers have well-behaved constant elasticity of substitution (CES) utility functions, demand for a good in a product grouping can be expressed as follows:

$$q_i = b_i^{\sigma} q \left(\frac{p_i}{p} \right)^{-\sigma} \tag{1}$$

where q_i denotes quantity demanded for good i in the U.S. market;[2] p_i is the price of good i in the U.S. market; σ is the elasticity of substitution for the product grouping; q is the demand for the aggregate product (that is, all goods in the product grouping); p is a price index for the aggregate product (defined below); and b_i^{σ} is a constant.[3] As Armington states, the above equation "... can be written in a variety of useful ways."[4] One of these useful ways can be derived as follows. The aggregate price index p is defined as

[2] The product grouping consists of similar goods from different sources. For example, goods *i*, *j*, and *k* would indicate three similar goods from three different sources. See Armington (1969) for further discussion of the concept.

[3] Armington (1969), p. 167.

[4] Ibid., p. 168.

$$p = \left(\sum_i b_i^{\sigma} p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} \quad . \tag{2}$$

In addition the aggregate quantity index q can be defined as

$$q = k_A p^{\eta_A} \tag{3}$$

where k_A is a constant and η_A is the aggregate demand elasticity for the product grouping (natural sign).

Substituting equation (3) into equation (1) yields

$$q_i = b_i^{\sigma} k_A p^{\eta_A} \left(\frac{p_i}{p} \right)^{-\sigma} \quad .$$

Further manipulation and simplification yields

$$q_i = b_i^{\sigma} \, k_A \frac{p^{(\sigma+\eta_A)}}{p_i^{\sigma}} \, ,$$

which establishes the demand for q_i in terms of prices, elasticities, and constants.

The supply of each good in the product grouping is represented in constant supply elasticity form:

$$q_i = K_{si} \, p_i^{\varepsilon_{si}} \, ,$$

where K_{si} is a constant and ε_{si} is the price elasticity of supply for good i.

Excess supply functions are set up for each good in the product grouping with the following general form:

$$K_{si} \, p_i^{\varepsilon_{si}} - b_i^{\sigma} \, k_A \frac{p^{\sigma+\eta_A}}{p^{\sigma}} = 0. \tag{4}$$

The model is calibrated using initial trade and production data and setting all internal prices to unity in the benchmark calibration. It can be shown that calibration yields $K_{si} = b_i^{\sigma} k_A$ for the i^{th} good so that

equation (4) can be rendered as

$$p_i^{\varepsilon_{si}} - \frac{p^{\sigma+\eta_A}}{p_i^{\sigma}} = 0 \ . \qquad (4')$$

If there are n goods, the model consists of n equations like (4′) plus an equation for the price aggregator p, which are solved simultaneously in prices by an iterative technique.

For the case of adding a product to the list of products eligible for GSP duty-free treatment, the equations are as follows:

$$\left[p_b(1+t)\right]^{\varepsilon_{sb}} - \frac{p^{\sigma+\eta_A}}{p_b^{\sigma}} = 0 \quad \text{for imports from GSP beneficiary countries,}$$

$$p_n^{\varepsilon_{sn}} - \frac{p^{\sigma+\eta_A}}{p_n^{\sigma}} = 0 \quad \text{for imports from nonbeneficiary countries,}$$

$$p_d^{\varepsilon_{sd}} - \frac{p^{\sigma+\eta_A}}{p_d^{\sigma}} = 0 \quad \text{for U.S. domestic production, and}$$

$$p = \left(\sum_{i=b,n,d} b_i^{\sigma} p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} \quad \text{for the price aggregator.}$$

The prices obtained in the solution to these equations are used to calculate trade and production values, and resulting percentage changes in total imports and domestic production are computed relative to the original (benchmark) import and production values.

Consumer effects

Consumer effects are estimated in terms of the portion of the duty reduction that is passed on to U.S. consumers on the basis of the import demand and supply elasticity estimates. The formula for determining the division of the duty savings between U.S. consumers and foreign exporters is approximated by $SV = \frac{\eta_{ii}}{(\eta_{ii} - \varepsilon_{si})}$, where SV is the percentage of duty savings retained by exporters

from source i, η_{ii} is the own price elasticity of demand,[5] and ε_{si} is the price elasticity of supply from source i. An "A" code indicates that more than 75 percent of the duty savings are retained by foreign exporters $\left(\frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} > 0.75\right)$, and less than 25 percent passed through to U.S. consumers. A "B" code covers the range between 75 percent and 25 percent $\left(0.75 > \frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} > 0.25\right)$. A "C" code covers the case where less than 25 percent of the duty savings are retained by foreign exporters and more than 75 percent of the savings are passed through to U.S. consumers $\left(\frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} < 0.25\right)$.

The default assumption for the probable effect on consumers is a "B" code. This assumption reflects the possibility that short-run supply elasticities may be less than perfectly elastic and the world supply price may rise in the short run in the face of increased demand when U.S. duties are reduced. In the long run, unless there are extraordinary market structure circumstances, supply elasticities are likely to be perfectly elastic for any one product considered in isolation, implying that a "C" code for the consumer effects is probably more appropriate in the long run in most cases. "A" and "C" codes for consumer effects are assigned when analysts have information indicating that they are appropriate.

[5] At any given vector of prices, such as at the benchmark equilibrium, $\eta_{ii} = S_i\eta_A - (1 - S_i)\sigma$ is the own price elasticity of demand from imports from source i, where S_i is the share of total expenditures on the product grouping spent on good i at that vector of prices. See Armington, p. 175.