

United States International Trade Commission

**Probable Economic  
Effect of Certain  
Modifications to the  
United States–Chile  
Free Trade  
Agreement Rules of  
Origin**

Investigation No. Chile FTA-103-019

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# U.S. International Trade Commission

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# **U.S. International Trade Commission**

Washington, DC 20436  
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## **Probable Economic Effect of Certain Modifications to the United States–Chile Free Trade Agreement Rules of Origin**

Investigation No. Chile FTA-103-019



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# Abstract

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This report provides the U.S. International Trade Commission's (Commission) advice on the probable economic effect of certain proposed modifications to the rules of origin contained in the United States-Chile Free Trade Agreement (UCFTA) as requested by the Office of the United States Trade Representative (USTR). The Commission's advice is based on an assessment of whether a proposed rule modification would likely increase or decrease preferential trade flows of U.S. exports to and imports from Chile, and the resulting effect on total U.S. imports, exports, and production.

The Commission assessed each proposed modification to determine the probable economic effect on U.S. trade and U.S. industries. The Commission first compared the rules incorporating the proposed modifications with the current rules to ascertain any changes in the terms of the UCFTA rules of origin; the Commission then assessed the probable economic effect of the modifications. The Commission took into consideration production and sourcing patterns of the affected products in the United States and Chile, product input sourcing patterns, overall levels of production and trade, and UCFTA and normal trade relations (NTR) duty rates.

The proposed rules of origin modifications covered 24 agricultural and manufactured product groups for which the Commission presented its advice in the form of 24 product groups (digests).

Probable Economic Effect on U.S. Imports: The Commission determined that for 11 digests, there would be no probable economic effect on U.S. imports for those items affected by the rule change; for the remaining 13 digests, the Commission determined that the probable economic effect on U.S. imports would be negligible.

Probable Economic Effect on U.S. Production and Exports: For 2 digests, there would be no probable economic effect on U.S. production and exports for those items affected by the rule change; for the remaining 22 digests, the probable economic effect on U.S. production and exports would be negligible. A negligible determination means that the value of U.S. trade or U.S. production for the affected product is likely to change by less than 6 percent.



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# CHAPTER 1

## Introduction

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### Scope

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Following receipt of a request on February 8, 2008, from the Office of the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the United States-Chile Free Trade Agreement (UCFTA) Implementation Act (19 U.S.C. 3805), the U.S. International Trade Commission (Commission) instituted investigation no. Chile FTA-103-019, *Probable Economic Effect of Certain Modifications to the United States-Chile Free Trade Agreement Rules of Origin*.<sup>1</sup> As noted in the USTR's request letter, U.S. negotiators reached agreement in principle with representatives of the government of Chile concerning proposed modifications to the rules of origin (ROO) for several product groups covered in annex 4.1. Section 202(o) of the U.S.-Chile Free Trade Agreement Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules of origin. One of the requirements set out in section 103 of the Act is that the President obtain advice from the U.S. International Trade Commission. The Commission provides such advice in this report.

### Approach

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The Commission has provided its advice in this report in the form of product groups or “digests.” The products affected by proposed modifications are grouped based on the applicable classifications in the Harmonized Tariff Schedule (HTS). The existing rules for these products were taken from the *Harmonized Tariff Schedule of the United States (2008)*, Rev. 2, General Note 26, United States-Chile Free Trade Agreement, GN p. 275–GN p. 359.<sup>2</sup> The proposed rules were provided by the USTR in its request letter dated February 8, 2008.<sup>3</sup> The probable economic effect advice provided in each digest is based on the Commission's analysis of the proposed rule modifications on U.S. trade and U.S. industries. The modification statement describes the changes to the UCFTA rules of origin by comparing the proposed rule with the existing rule. To assist in the preparation of its probable economic effect advice, the Commission sought information and views from interested parties through a *Federal Register* notice announcing this investigation and by directly contacting industry representatives.<sup>4</sup> The normal trade relations (NTR) and the UCFTA tariff

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<sup>1</sup> The request letter is presented in app. A and the *Federal Register* notice announcing institution of this investigation is in app. B.

<sup>2</sup> Found at <http://www.usitc.gov/tata/hts/index.htm>.

<sup>3</sup> In 2007, changes were made to the ROO based on changes to the Harmonized System tariff nomenclature structure. For certain current ROOs covered in this investigation, the attachment to USTR's request letter includes the rule prior to the 2007 change (indicated by blue highlighted text) as well as the current rule incorporating the 2007 change (indicated by green highlighted text). For purposes of this investigation, the Commission has analyzed the effect of the proposed rule vis-à-vis the current rule.

<sup>4</sup> A list of organizations contacted is provided in app. C and summaries of views of interested parties is provided in app. D.

rates cited in the effect statements were taken from the *Harmonized Tariff Schedule of the United States (2008)* and the 2008 Chilean tariff schedule.<sup>5</sup>

## **Organization**

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A detailed explanation of the Commission's method for determining the probable economic effect of the proposed modifications of rules of origin on U.S. trade and U.S. industry is presented in chapter 2. Included in chapter 2 is a description of the kind of information needed to estimate the change in the UCFTA trade value for those cases where it is determined that the rule modification would result in a substantive change in the terms of the UCFTA ROO. Chapter 2 also provides a definition of the coding scheme used in chapter 3 to indicate the probable economic effect on the level of U.S. imports, exports, and production. The Commission's advice is presented in more detail in chapter 3.

## **Summary of Findings**

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The proposed ROO modifications for which the Commission was asked to provide probable economic advice were grouped into 24 agricultural and manufactured product digests. In all cases, the ROO modifications would have no probable economic effect or a negligible effect on U.S. imports, exports, and production based on qualitative analysis.

Probable Economic Effect on U.S. Imports: For 11 product digests, there would be no probable economic effect on U.S. imports from the rule change; for the remaining 13 product digests, the probable economic effect on U.S. imports would be negligible.

Probable Economic Effect on U.S. Production and Exports: For 2 product digests, there would be no probable economic effect on U.S. exports and production from the rule change; for the remaining 22 product digests, the probable economic effect on U.S. exports and production would be negligible. A summary of these findings is shown in the following tabulation:

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<sup>5</sup> Found at <http://www.portalcomexccs.cl/aranceles/importacion/inicio.asp?portal=False>.

Product category	Probable economic effect
	<b>U.S. imports</b>
Coffee; celery seeds, basil, rosemary, and sage; compound rubber; pearls; air conditioners; heating machinery; heavy construction equipment; dairy/beverage machinery and parts; papermaking machinery; metal-rolling mills, rolls and parts; and typewriters/word processors.	None
Marjoram, savory, and cilantro; spice mixtures; cocoa; cocoa preparations; miscellaneous edible preparations; chemicals; rolling machines; filtering machinery; washing machines; textile machinery; parts of office automation machinery; lamps; and instruments for measuring electrical quantities.	Negligible
	<b>U.S. exports and production</b>
Air conditioners; typewriters/wordprocessors.	None
Marjoram, savory, and cilantro; coffee; spice mixtures; celery seeds, basil, rosemary, and sage; cocoa; cocoa preparations; miscellaneous edible preparations; chemicals; compound rubber; pearls; heating machinery; rolling machines; filtering machinery; heavy construction equipment; dairy/beverage machinery and parts; papermaking machinery; washing machines; textile machinery; metal-rolling mills, rolls and parts; parts of office automation machinery; lamps; and instruments for measuring electrical quantities.	Negligible

Although two ROO modifications were requested by industry groups (those for cocoa and cocoa preparations), the remaining modifications were proposed by the USTR to harmonize UCFTA rules of origin with other U.S. FTAs, including CAFTA.<sup>6</sup> In many cases the proposed rule change would qualify a good for UCFTA preferential duty rates despite its being manufactured with nonoriginating inputs (i.e., inputs wholly formed outside the “region,” being defined herein as Chile together with the United States), often by eliminating a regional value content requirement of the existing rule. In other cases, the proposed rule change would permit a particular process (e.g., the crushing and grinding of spices) to confer origin for FTA purposes.

For many of the proposed rules, the changes cover HTS provisions for which the U.S. NTR rate of duty is free. In these cases, the proposed rule changes were determined to have no economic effect on U.S. imports. A change to FTA origin criteria which is meant to qualify a good for preferential duty rates, has no effect if the NTR duty rate is already free.<sup>7</sup> Also, where the proposed rule made no substantive change to a portion of the HTS provisions in a 6-digit HTS subheading (i.e., for particular 8-digit HTS rate lines or a portion of their scope) a determination is made only for those HTS provisions or goods for which there is a substantive change in the terms of the rule.

The Commission’s probable economic effect advice generally is limited to the products covered by the HTS provisions identified by the rules. However, where a proposed rule indirectly affects certain HTS provisions not explicitly covered by the rule change, additional analysis is provided on the probable economic effect of the rule of origin change

<sup>6</sup> USTR representative, e-mail message to Commission staff, August 26, 2008.

<sup>7</sup> The only likely effect in such cases is the exemption of an imported good from the ad valorem merchandise processing fee, under article 3.12.4 of the UCFTA.

on trade covered by those provisions. For example, in cases where a specific proposed rule does not cover parts of particular machinery but would permit the simple assembly of such nonoriginating parts to confer origin (when the existing rule explicitly does not), U.S. producers of such parts could be indirectly adversely affected by the rule change. This impact could occur if U.S. producers of the finished good begin sourcing imported parts (from countries other than Chile) as replacements for U.S. parts in producing goods for export to Chile, given that such exports might become eligible for UCFTA preferential duty status. In all such cases, the Commission found that the probable economic effects on U.S. producers of the indirectly affected goods would be negligible, because of the small size of the Chilean market and the corresponding small share of U.S. exports of the product to Chile, relative to total U.S. product exports.

# CHAPTER 2

## UCFTA Rules of Origin Probable Economic Effect Analysis

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The Commission’s probable economic effect analysis estimates the effect of a proposed rule modification on U.S.-Chile trade. The analysis also estimated the probable economic effect of the change on total U.S. imports, exports, and production. The analysis consisted of two steps. First, the Commission compared the rule containing the proposed modification with the current rule to ascertain if any substantive change in the terms of the UCFTA rules of origin (ROO) would occur for any of the products covered by the rule. Second, if such a change was identified, the Commission determined the probable economic effect of the modification based on a qualitative assessment of products’ production, sourcing, trade patterns, and tariff rates. Commission findings were then coded using the same probable economic effect terminology used in previous Commission studies (box 2.1).<sup>1</sup>

**Box 2.1** Probable economic effect codes

<b>None:</b>	No effect.
<b>Negligible:</b>	Trade or production value changes of less than 6 percent based on a quantitative and/or qualitative assessment of production, sourcing, trade patterns, and tariff rates, as appropriate.
<b>Significant:</b>	Trade or production value changes of 6 percent to 15 percent based on a quantitative and/or qualitative assessment of production, sourcing, trade patterns, and tariff rates, as appropriate.
<b>Substantial:</b>	Trade or production value changes of more than 15 percent based on a quantitative and/or qualitative assessment of production, sourcing, trade patterns, and tariff rates, as appropriate.

In addition, indicators are placed after the code “significant” and “substantial” as follows:

- + : Positive effect (i.e., U.S. export increase, U.S. import decrease, U.S. production increase)
- : Negative effect (i.e., U.S. export decrease, U.S. import increase, U.S. production decrease)

For those proposed rule modifications determined to have no change in ROO terms, the probable economic effect on total U.S. trade and industry was listed as “None.” For those modifications determined to result in substantive ROO changes, the Commission conducted further qualitative analysis to determine the probable economic effect on the U.S. industry. Each substantive rule modification was analyzed to determine if the modification would liberalize or restrict UCFTA eligibility for a particular good as compared with the current

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<sup>1</sup> See, for example, U.S. International Trade Commission. *Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin*, USITC Publication 3802. Washington, DC: USITC, 2005. [http://www.usitc.gov/ssi/IE\\_opinions\\_2005.htm](http://www.usitc.gov/ssi/IE_opinions_2005.htm), and U.S. International Trade Commission. *Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin*, USITC Publication 3881. Washington, DC: USITC, 2006. [http://www.usitc.gov/ssi/IE\\_opinions\\_2006.htm](http://www.usitc.gov/ssi/IE_opinions_2006.htm).

rules.<sup>2</sup> If a proposed modification would liberalize UCFTA eligibility for the affected products (making it easier to obtain UCFTA-origin status), U.S.-Chile trade could either increase or decrease, depending on industries' response to the expanded sourcing options resulting from the modification.<sup>3</sup> If it was determined that the proposed rule modification would likely result in a negligible change in the value of trade and production (e.g., a change of less than 6 percent) the economic effect on total U.S. trade and production was listed as "Negligible."

Tariff rates in effect on January 1, 2008 were used for Chile<sup>4</sup> and the United States. Imports that meet the UCFTA ROO criteria are eligible for the UCFTA tariff rate in each market, which is free in most cases.<sup>5</sup> The non-UCFTA rate was assumed to be each country's external or NTR duty rate.<sup>6</sup>

The effect of the rule modification on trade depends on the tariff preference to be gained under the modification (generally the difference between the UCFTA duty rate, free in most cases, and the Chile NTR duty rate for U.S. exports to Chile, and the U.S. NTR duty rate for U.S. imports from Chile), and the coverage of the modification (how substantive it is).

In turn, the probable economic effect on U.S. industry from adoption of each proposed rule was determined by relating the expected change in U.S. exports or imports to the amount of U.S. production. Increased exports to Chile could benefit the U.S. industry by allowing it to increase sales (and, therefore, U.S. production). Increased imports would likely have a negative effect on the U.S. industry by lowering sales (and, therefore, U.S. production); the size of the effect depends not only on the expected absolute increase in imports but also the degree of substitutability between domestic and imported products and availability of other markets.

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<sup>2</sup> Restricted eligibility resulting from the proposed rule modifications are rare, but in such cases the Commission's method of analysis is essentially the same as for a proposed rule modification that results in liberalized eligibility.

<sup>3</sup> When analyzing a substantive ROO modification, whether it is one that liberalizes or restricts eligibility, it is often difficult to predict if bilateral trade volumes will increase or decrease. In order to facilitate our analysis of changes in trade volumes—when analyzing a ROO modification determined to liberalize or restrict eligibility—we assumed that those products affected by this ROO modification would be eligible to enter both partners under the preferential tariff rates provided under the UCFTA.

<sup>4</sup> Chile's NTR duty rate is a uniform 6 percent on all imports.

<sup>5</sup> Certain Chilean UCFTA tariff rates are being eliminated in staged reductions.

<sup>6</sup> The U.S. NTR rate is what other countries typically refer to as most favored nation (MFN) rate, external rate, and/or non-preferential rate.

# CHAPTER 3

## Advice on the Probable Economic Effect of Certain Proposed Modifications to the Rules of Origin Contained in the United States-Chile Free Trade Agreement<sup>1</sup>

### MARJORAM, SAVORY, AND CILANTRO

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
0701–0714	A change to headings 0701 through 0714 from any other chapter.	(A) A change to subheadings 0701.10 through 0712.39 from any other chapter.  (B) A change to marjoram, savory or cilantro, crushed or ground, of subheading 0712.90 from marjoram, savory or cilantro, neither crushed nor ground, of subheading 0712.90 or any other chapter; or  (C) A change to any other good of subheading 0712.90 from any other chapter.  (D) A change to headings 0713 through 0714 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

*Modification:* Parts A, C, and D of the proposed rule would not change the existing FTA rule of origin because both rules require a chapter change for these product groups, which accounts for most fresh, chilled, or dried vegetables. Part B of the proposed rule would allow the crushing or grinding of marjoram, savory, or cilantro (classified under subheading 0712.90) to confer origin under the UCFTA. The existing rule requires a chapter change (meaning that, in effect, these goods must be produced wholly in the United States and/or Chile); thus, the proposed rule for marjoram, savory, or cilantro is a liberalization.

*Probable Economic Effect:* The proposed change would likely have a negligible effect on U.S. imports of marjoram, savory, or cilantro. The U.S. NTR duty rate for crushed or ground marjoram and savory is free and for crushed or ground cilantro is 1.9 percent ad valorem. The current U.S. duty rate applicable to originating goods under UCFTA is free for crude or unmanufactured as well as for crushed or ground marjoram, savory, or cilantro. The Chilean industry is believed to be small. Chilean exports of the subject products are relatively minor and destined for a variety of markets, including Argentina, Mexico, the EU, and Japan.

The proposed change would likely have a negligible effect on U.S. exports and production of marjoram, savory, or cilantro. According to representatives of one U.S. manufacturer, such modifications to the origin rules for spices, herbs, and seasonings under UCFTA will bring these origin rules into greater conformity with rules in other U.S. FTAs allowing the company to benefit further from the UCFTA. While the Chilean NTR duty rate for the subject products is 6 percent ad valorem, the Chilean preferential rates under the UCFTA range from free to 2.25 percent ad valorem. However, U.S. production of these products is limited and exports are relatively minor, particularly with respect to Chile. Total U.S. exports under subheading 0712.90 in 2007 were \$86 million, with Canada (\$30 million) and Japan (\$12 million) as the leading destinations; Chile is a significantly smaller export market, accounting for \$3 million or 3.5 percent of total U.S. exports. Although U.S. products could become more competitive in the Chilean market as a result of this change, even if U.S. exports to Chile were to double, only a negligible increase in total U.S. exports of these products would result.

<sup>1</sup> Unless otherwise noted, these rule modifications were proposed by USTR.

**COFFEE**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
0901	A change to heading 0901 from any other chapter.	<p>(A) A change to subheadings 0901.11 through 0901.12 from any other chapter.</p> <p>(B) A change to subheading 0901.21 from any other subheading.</p> <p>(C) A change to subheading 0901.22 from any other subheading, except from subheading 0901.21.</p> <p>(D) A change to subheading 0901.90 from any other chapter.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* Parts A and D of the proposed rule are the same as the existing rule, which allows unroasted coffee, whether or not decaffeinated (subheadings 0901.11 and 0901.12) and coffee husks/skins and coffee substitutes (subheading 0901.90) produced with nonoriginating inputs that are classified in another HTS chapter, to receive duty preferences under UCFTA. Effectively, this means that under the existing rule, coffee beans used to produce unroasted coffee, husks, skins, or substitutes must originate in the region (in either the U.S. or Chile) for those products to qualify for duty preferences under UCFTA because they rarely change tariff chapter as the rule stipulates.

The proposed rule in parts B and C would allow the roasting of coffee that is either caffeinated or decaffeinated (subheadings 0901.21 and 0901.22) to confer FTA origin, and therefore receive duty preferences, regardless of the origin of the coffee beans used as inputs.

*Probable Economic Effect:* The proposed rule would likely have no effect on U.S. imports. The U.S. NTR duty rate for the goods affected by the rule change (subheadings 0901.21 and 0901.22) is already free.

The proposed rule would likely have a negligible effect on U.S. exports and production. Under the proposed rule, the United States would be able to import from any source unroasted coffee, which includes beans, roast it thereby conferring origin, and then export the roasted product through the UCFTA to Chile to avoid Chile's 6 percent NTR duty rate; Chile's UCFTA rate of duty is free. Because U.S. production of coffee beans is small, U.S. roasted coffee production generally involves the roasting of imported coffee beans. In 2007, the United States exported \$388 million in roasted coffee (subheadings 0901.21 and 0901.22) to the world, mainly to Canada. According to U.S. industry representatives, allowing this transformation to confer origin would be an important precedent for future U.S. bilateral and multilateral trade agreements for the treatment of coffee. Both the Peru and Colombia FTAs (neither of them yet implemented) with the United States would allow roasting to confer FTA origin, but this is only limited to arabica beans, which are also constrained by a noncommercially viable duty-free tariff-rate quota (i.e., a low in-quota duty-free quantity). However, Chile is a small export market for the United States, importing only \$345,000 (about 0.1 percent) of total U.S. roasted coffee exports in 2007. Even if U.S. exports to Chile were to double as the result of this rule change, the effect on total U.S. exports and production of roasted coffee would be negligible.



## SPICE MIXTURES

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
0903–0910	A change to headings 0903 through 0910 from any other chapter.	(A) A change to heading 0903 from any other chapter.  (B) A change to crushed, ground, or powdered spices put up for retail sale of subheadings 0904.11 through 0910.99 from spices that are not crushed, ground, or powdered of subheadings 0904.11 through 0910.99, or from any other subheading; or  (C) A change to mixtures of spices or any good of subheadings 0904.11 through 0910.99 other than crushed, ground, or powdered spices put up for retail sale from any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

*Modification:* Part A of the proposed rule would be identical in effect to the existing FTA rule of origin for mate (a spice classified under heading 0903) because both rules require a chapter change to confer origin. Part B of the proposed rule would allow the crushing, grinding, or powdering of spices, if they are also put up for retail sale (subheadings 0904.11 through 0910.99), to confer FTA origin. The existing rule requires a chapter change; thus, the proposed rule change for the subject spices is a liberalization. Part C of the proposed rule would allow the mixing of spices to confer origin and would require a subheading change of any spice of subheadings 0904.11 through 0910.99 that is not crushed, ground, or powdered and put up for retail sale. Because the existing rule for the items covered in part C requires a chapter change, the proposed rule change for these goods is a liberalization. Chapter-level tariff changes for these products effectively require them to be grown in Chile and/or the United States.<sup>2</sup>

*Probable Economic Effect:* The proposed change would likely have a negligible effect on U.S. imports of the subject spices. U.S. NTR duty rates for these products range from free to 4.8 percent for these products with ad valorem tariffs and 1–7.4 cents/kg (1–5 percent AVE in 2007) for those products with specific tariffs, and U.S. imports of the subject originating spices from Chile are free of duty under the UCFTA. The Chilean industry producing these spices is believed to be small. Chilean exports of the subject products are relatively minor and destined for a variety of markets, including Argentina, Mexico, the EU, and Japan. Total U.S. imports of spices classified under headings 0904 through 0910 were \$620 million in 2007, while such imports from Chile were \$5 million, or 0.8 percent of total U.S. exports. Even if Chilean exports to the United States were to double, only a negligible increase in total U.S. imports of these spices would result.

The proposed change would likely have a negligible effect on U.S. exports and production of the subject spices. According to representatives of one U.S. manufacturer, such modifications to the origin rules for spices under UCFTA will bring origin rules into greater conformity with rules in other U.S. FTAs allowing the company to benefit further from FTAs. This rule change would allow the crushing or grinding of spices to confer origin, thereby qualifying for duty-free export to Chile under the UCFTA, instead of the 6 percent Chilean NTR duty rate. However, U.S. production of these products is limited and exports are relatively minor, particularly with respect to Chile. Of the \$62 million in total U.S. exports of the subject spices in 2007, only \$568,000 (0.9 percent) were exported to Chile. Even if U.S. exports to Chile were to double as the result of this rule change, the effect on U.S. exports and production would be negligible.

<sup>2</sup> The subject spices of parts B and C cover a broad range of goods including anise, bay leaves, caraway, cardamon, cinnamon, cloves, coriander, cumin, curry, dill, fennel, ginger, mace, nutmeg, origanum, peppers, saffron, thyme, turmeric, and vanilla beans.

**CELERY SEEDS, BASIL, ROSEMARY, AND SAGE**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
1201–1214	A change to headings 1201 through 1214 from any other chapter.	<p>(A) A change to headings 1201 through 1207 from any other chapter.</p> <p>(B) A change to subheadings 1208.10 through 1209.30 from any other chapter.</p> <p>(C) A change to celery seeds, crushed or ground, of subheading 1209.91 from celery seeds, neither crushed nor ground, of subheading 1209.91 or any other chapter;<sup>3</sup> or</p> <p>(D) A change to any other good of subheading 1209.91 from any other chapter.</p> <p>(E) A change to subheadings 1209.99 through 1211.40 from any other chapter.<sup>4</sup></p> <p>(F) A change to basil, rosemary or sage, crushed or ground, of subheading 1211.90 from basil, rosemary or sage, neither crushed nor ground, of subheading 1211.90 or any other chapter; or</p> <p>(G) A change to any other good of subheading 1211.90 from any other chapter.</p> <p>(H) A change to heading 1212 through 1214 from any other chapter.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* Parts A, B, D, E, G, and H of the proposed rule are the same as the existing rule of origin for these product groups. Part C of the proposed rule would allow the crushing or grinding of celery seeds (classified under subheading 1209.91) to confer FTA origin. The existing rule requires a chapter change; thus, the proposed rule for celery seeds is a liberalization. Part F of the proposed rule would allow the crushing or grinding of basil, rosemary, or sage (classified under subheading 1211.90) to confer FTA origin. The existing rule specifies a chapter change; thus, the proposed rule for basil, rosemary, or sage is a liberalization. Chapter-level tariff changes for these products effectively require them to be grown in the partner countries.

*Probable Economic Effect:* The proposed rule change would likely have no effect on U.S. imports of the subject celery seeds and herbs since the U.S. NTR duty rate for all products affected by the rule change is already free.

The proposed rule change would likely have a negligible effect on U.S. exports and production of the subject celery seeds and herbs. The Chilean NTR duty rate for the subject products is 6 percent ad valorem, and the Chilean duty rates for originating goods under the UCFTA range from free to 3.5 percent ad valorem. However, U.S. production of these products is limited and exports are relatively minor, particularly with respect to Chile. In 2007, total U.S. exports of these seeds and herbs were \$25 million, including \$58,000 (0.2 percent) in exports to Chile. Even if U.S. exports to Chile were to double as the result of this rule change, the effect on U.S. exports and production would be negligible.

<sup>3</sup> HTS heading 1209 covers all seeds, fruits, and spores of a kind used for sowing as well as such products that are no longer capable of germination, including celery seeds that have been crushed and ground.

<sup>4</sup> After consulting with USTR for clarification, part E of the proposed rule was revised for this report so that it reads “. . . to subheadings 1209.99 through 1211.40” instead of “. . . to subheadings 1209.91 through 1211.40,” as provided in the request letter on page A-5.

**COCOA<sup>5</sup>**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
1801–1805	A change to headings 1801 through 1805 from any other chapter	(A) A change to headings 1801 through 1802 from any other chapter.  (B) A change to headings 1803 through 1805 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

**Modification:** The existing rule requires a shift from any other chapter in the production of primary cocoa products, namely cocoa beans (heading 1801), cocoa bean waste (heading 1802), cocoa paste (heading 1803), cocoa butter (heading 1804), and unsweetened cocoa powder (heading 1805). Effectively, this means that under the existing rule for cocoa paste, butter, or powder exports to obtain UCFTA origin under the current rule, they must have been produced from cocoa beans that originate in the United States or Chile. Part A of the proposed rule would not modify FTA origin criteria for products covered under headings 1801 and 1802, because both the existing and proposed rules require a chapter change. However, part B of the proposed rule is liberalizing in that it would allow nonoriginating cocoa beans to be used in the production of cocoa paste, butter, or powder which would then qualify for duty-free treatment under the UCFTA.

**Probable Economic Effect:** The proposed change would likely have no effect on U.S. imports of cocoa butter and not-defatted cocoa paste as their U.S. NTR duty rates are free. The proposed change would likely have a negligible effect on U.S. imports of defatted cocoa paste and unsweetened cocoa powder, for which NTR duty rates are 0.2 cents/kg (less than 1 percent AVE in 2007) and 0.52 cents/kg (less than 1 percent AVE in 2007), respectively. The current U.S. duty rate applicable to originating imports of the subject products from Chile is free under the UCFTA. The Chilean industry producing these products is small and U.S. imports of the subject products from Chile are negligible. Total Chilean exports of the subject products are relatively minor and are mainly destined for neighboring markets, including Argentina, Peru, and Bolivia.

The proposed change would likely have a negligible effect on U.S. exports and production of cocoa paste, cocoa butter, and unsweetened cocoa powder. The U.S. is a negligible producer of cocoa beans, and therefore must import beans for processing. U.S. processed products exports could benefit from this rule change because they could be exported to Chile under UCFTA and avoid the 6 percent ad valorem Chilean NTR duty rate; Chile's UCFTA duty rate is free. However, total U.S. exports of these products are limited, and Chilean imports of the subject products are supplied mainly by Brazil and Ecuador, which are major global producers of cocoa beans. Total U.S. exports of the products affected by the rule change in 2007 were \$140 million, including \$95,000 (less than 0.5 percent) shipped to Chile.

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<sup>5</sup> Petitioner submission from National Confectioners Association and Chocolate Manufacturers Association.

## COCOA PREPARATIONS<sup>6</sup>

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
1806.31– 1806.90	(A) A change to subheading 1806.31 from any other subheading.  (B) A change to subheading 1806.32 from any other heading.  (C) A change to subheading 1806.90 from any other subheading.	A change to subheadings 1806.31 through 1806.90 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

**Modification:** The proposed rule would modify the origin standard only for unfilled chocolate in blocks or bars (part B of the existing rule). The new rule would liberalize the origin restriction for such unfilled chocolate and for other cocoa preparations in blocks, slabs, or bars, weighing 2 kg or less, not filled (subheading 1806.32), by allowing a shift from any other subheading to confer origin rather than from any other heading. The modification effectively would grant UCFTA preference eligibility the use of nonoriginating upstream products, mainly sweetened cocoa powder (subheading 1806.10) or bulk chocolate (subheading 1806.20), in the production of smaller-sized, unfilled chocolate products (subheading 1806.32) and receive duty preferences under UCFTA. In addition, the modification would allow the use of nonoriginating cocoa preparations, not in bulk form (subheading 1806.90) to confer origin to produce larger-sized or bulk cocoa products.

**Probable Economic Effect:** The proposed rule change would likely have a negligible effect on U.S. imports of unfilled chocolate in blocks or slabs (subheading 1806.32). U.S. imports of these products are subject to dairy tariff rate quotas (TRQs) with an NTR in-quota duty rate of 5 to 7 percent ad valorem. The current U.S. duty rate for originating products from Chile is free up to a specified volume under the UCFTA. However, Chilean production of these products is limited and no U.S. imports of these products from Chile were recorded in 2007. Furthermore, total Chilean exports of the subject products are relatively minor and are mainly destined for neighboring Latin American markets, including Bolivia, Mexico, and Venezuela. In addition, it is unlikely that a significant amount of nonoriginating cocoa products classified under subheading 1806.90 would be used to produce cocoa products classified under subheading 1806.32, which would involve the melting of smaller-sized pieces to produce larger blocks, slabs, or bars, a process that is not commercially practical.

The proposed change would likely have a negligible effect on U.S. exports and production of unfilled chocolate in blocks or slabs (subheading 1806.32). The Chilean NTR duty rate for the subject products is 6 percent ad valorem, and Chilean duties for originating products under the UCFTA range between free and 5.5 percent. However, in 2007, U.S. exports of these products to Chile were negligible, accounting for only \$383,000 (0.5 percent) of total U.S. exports of \$82 million. Chilean imports of these products are supplied mainly by Brazil and Ecuador, which are major global producers of cocoa beans. In addition, it is unlikely that a significant amount of nonoriginating cocoa products classified under subheading 1806.90 would be used to produce cocoa products classified under subheading 1806.32 because this is an uneconomical process which would involve melting smaller-sized pieces to produce larger blocks, slabs, or bars.

<sup>6</sup> Petitioner submission from National Confectioners Association and Chocolate Manufacturers Association.

**MISCELLANEOUS EDIBLE PREPARATIONS: SAUCES AND PREPARATIONS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
2103.30– 2103.90	A change to subheadings 2103.30 through 2103.90 from any other chapter.	(A) A change to subheading 2103.30 from any other chapter.  (B) A change to subheading 2103.90 from any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

*Modification:* Part A of the proposed rule is the same as the existing rule, which allows mustard flour/meal and prepared mustard (subheading 2103.30) to be produced from nonoriginating inputs from another chapter in order to qualify for duty preferences under UCFTA. Part B of the proposed rule would allow the production of sauces, mixed condiments, and mixed seasonings (subheading 2103.90) from nonoriginating ingredients classified in any other subheading to confer FTA origin. Because the existing rule requires a chapter change for products classified in subheading 2103.90, the proposed change in part B is a liberalization of the existing rule for those products.

*Probable Economic Effect:* The proposed change would likely have a negligible effect on U.S. imports. U.S. NTR duty rates for goods classified under subheading 2103.90 range from free to 7.5 percent ad valorem, with the exception of subheading 2103.90.78 (mixed condiments and mixed seasoning), which has an NTR duty rate of 30.5 cents/kg plus 6.4 percent ad valorem (20.44 percent AVE in 2007). Goods of Chilean origin enter free of duty under UCFTA.<sup>7</sup> In 2007, total U.S. imports for this subheading were \$481 million, with Canada (\$153 million), Italy (\$76 million), and Mexico (\$73 million) the leading suppliers. U.S. imports of subheading 2103.90 from Chile in 2007 were \$91,000 (0.02 percent of total U.S. imports), consisting mostly of mixed condiments and mixed seasonings along with other preparations and sauces not otherwise specified. Chile is a minor producer of these products, however, and even if Chile’s exports to the United States doubled as a result of this rule change, the increase in total U.S. imports of these products would be negligible.

The proposed change would likely have a negligible effect on U.S. exports and production. Under the proposed rule, U.S. exports of goods classified in subheading 2103.90 made from nonoriginating ingredients would be subject to FTA duties ranging from free to 5.5 percent in 2008 (to be reduced to free by 2015); Chile’s NTR duty rate is 6 percent ad valorem. According to representatives of one U.S. manufacturer, although it does not currently export such products to Chile, the proposed rule change would ultimately benefit its current effort to expand sales in South American markets. Total U.S. exports of subheading 2103.90 in 2007 were \$485 million, with Canada (\$171 million) and Mexico (\$68 million) the leading destinations. Chile is a significantly smaller export market accounting for \$2.6 million, or 0.1 percent of total U.S. exports. Even if U.S. exports to Chile were to double as the result of this rule change, the effect on U.S. exports and production of these products would be negligible.

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<sup>7</sup> Under the UCFTA, mixed condiments and mixed seasoning (subheadings 2103.90.74 and 2103.90.78) that originate from Chile have a tariff rate quota for duty-free or reduced duty entry. However, the United States reports zero imports of these goods from Chile between 2003–07 and year-to-date 2008.

## CHEMICALS

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
Chapters 28–38 Note Change	<p>1. Chemical reaction origin rule</p> <p>Any good of Chapters 28 through 38, except a good of heading 3823, that is the product of a chemical reaction shall be considered to be an originating good if the chemical reaction occurred in the territory of one or both of the Parties. Notwithstanding any of the line-by-line rules, the “chemical reaction” rule may be applied to any good classified in the above chapters.</p> <p>Note: For purposes of this section, a “chemical reaction” is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.</p> <p>The following are not considered to be chemical reactions for the purposes of this definition: (a) dissolving in water or other solvents; (b) the elimination of solvents including solvent water; or (c) the addition or elimination of water of crystallization.</p>	<p>Notes to Section VI:</p> <p>Note 1</p> <p>Rules 1 through 7 of this Section confer origin to a good of any heading or subheading in this Section, except as otherwise specified in those rules.</p> <p>Note 2</p> <p>Notwithstanding Note 1, a good is an originating good if it meets the applicable change in tariff classification or satisfies the applicable value content requirement specified in the rules of origin in this Section.</p> <p>Rule 1: Chemical Reaction A good of Chapters 28 through 38, except goods of heading 3823, that results from a chemical reaction in the territory of one or more of the Parties shall be treated as an originating good.</p> <p>Note: For purposes of this section, a “chemical reaction” is a process (including a biochemical process) that results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.</p> <p>The following are not considered to be chemical reactions for the purposes of determining whether a good is originating: (a) dissolution in water or in another solvent; (b) the elimination of solvents, including solvent water; or (c) the addition or elimination of water of crystallization.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

**CHEMICALS, Continued**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>2. Separation prohibition</p> <p>A non-originating material or component will not be deemed to have satisfied all applicable requirements of these rules by reason of a change from one classification to another merely as the result of the separation of one or more individual materials or components from a man-made mixture unless the isolated material or component, itself, also underwent a chemical reaction.<sup>8</sup></p>	<p><b>Rule 2: Purification</b>            A good of Chapters 28 through 38, that is subject to purification shall be treated as an originating good provided that the purification occurs in the territory of one or more of the Parties and results in the following: (a) the elimination of 80 percent of the impurities; or (b) the reduction or elimination of impurities resulting in a good suitable: (i) as a pharmaceutical, medicinal, cosmetic, veterinary, or food grade substance; (ii) as a chemical product or reagent for analytical, diagnostic, or laboratory uses; (iii) as an element or component for use in micro-elements; (iv) for specialized optical uses; (v) for non-toxic uses for health and safety; (vi) for biotechnical use; (vii) as a carrier used in a separation process; or (viii) for nuclear grade uses.</p> <p><b>Rule 3: Mixtures and Blends</b>            A good of Chapters 30, 31, or 33 through 38, except for heading 3808, shall be treated as an originating good if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics that are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the Parties.</p> <p><b>Rule 4: Change in Particle Size</b>            A good of Chapter 30, 31, or 33, shall be treated as an originating good if the deliberate and controlled modification in particle size of the good, including micronizing by dissolving a polymer and subsequent precipitation, other than by merely crushing or pressing, resulting in a good having a defined particle size, defined particle size distribution, or defined surface area, which is relevant to the purposes of the resulting good and having different physical or chemical characteristics from the input materials, occurs in the territory of one or more of the Parties.</p>	

<sup>8</sup> After consulting with USTR for clarification, the existing rule for separation prohibition was intended to apply to HTS chapters 28–38.

**CHEMICALS, Continued**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
		<p><b>Rule 5: Standards Materials</b> A good of Chapters 28 through 38, shall be treated as an originating good if the production of standards materials occurs in the territory of one or more of the Parties.</p> <p>For purposes of this rule “standards materials” (including standard solutions) are preparations suitable for analytical, calibrating, or referencing uses, having precise degrees of purity or proportions that are certified by the manufacturer.</p> <p><b>Rule 6: Isomer Separation</b> A good of Chapters 28 through 38, shall be treated as an originating good if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties.</p> <p><b>Rule 7: Separation Prohibition</b> A good that undergoes a change from one classification to another in the territory of one or more of the Parties as a result of the separation of one or more materials from a man-made mixture shall not be treated as an originating good unless the isolated material underwent a chemical reaction in the territory of one or more of the Parties.<sup>9</sup></p>	

*Modification:* The existing note (implemented in HTS general note 26(m)(vi) and various chapter rules in general note 26(n)) provides for two types of process criteria to be used to assess origin under the UCFTA, i.e., chemical reaction and separation prohibition. The proposed note would maintain these two criteria and add five more. Under the proposed change, any one of the seven process criteria could be used to assess origin as an alternative to the tariff shift and regional value content FTA rules of origin that apply to the tariff lines in chapters 28–38. Given the breadth of the expansion of the process criteria, it cannot be ascertained whether eligibility for the products covered would be liberalized.

*Probable Economic Effect:* The proposed note change would likely have a negligible effect on U.S. production and trade between Chile and the United States in chemical products of chapters 28–38. The changes in the proposed note would primarily harmonize the rules of origin for chemical products under UCFTA with such rules in more recent U.S. FTAs (e.g., CAFTA and Peru). Although it is possible that some U.S. products destined for other export markets could be rerouted to Chile to take advantage of trade preferences, major changes in U.S. production capacity are not expected. U.S. industry and government sources indicate that the note change would allow companies to more readily prove a good’s origin using an expanded set of criteria and would improve the ability of Customs to administer the rule. U.S. industry representatives note that tariff shift and value content rules alone are “burdensome and inefficient.” The expanded list of rules for assessing origin in the proposed note consist of process-type tests that a chemist can apply and document more easily than a value content or tariff shift standard.

<sup>9</sup> After consulting with USTR for clarification, the proposed rule for separation prohibition applies to HTS chapters 28–38.



## COMPOUND RUBBER

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
4005–4017	(A) A change to heading 4005 from any other heading, except from heading 4001 or 4002.  (B) A change to headings 4006 through 4017 from any other heading, including another heading within that group.	A change to headings 4005 through 4017 from any other heading, including another heading within that group.	U.S. total trade: Imports: None Exports: Negligible  U.S. production: Negligible

*Modification:* Compared to part A of the existing rule (applicable to heading 4005), the proposed rule would liberalize the FTA origin standard by permitting the use of nonoriginating natural and synthetic rubbers of headings 4001 and 4002 in any proportion in the formulation of various unvulcanized rubber compounds which could then qualify for UCFTA origin status. For part B of the existing rule (headings 4006–4017), there would be no modification to the rule of origin, because both the existing and proposed rule changes overlap in heading coverage, i.e., “. . . from any other heading, including another heading within that group.”

*Probable Economic Effect:* The proposed rule change pertains only to unvulcanized compound rubber covered under heading 4005. Because these items have a U.S. NTR duty rate of free, the proposed rule would likely have no effect on U.S. imports.

The proposed rule change would likely result in a negligible increase in total U.S. exports and production. Chile’s NTR duty rate for these products is 6 percent ad valorem, and Chile’s UCFTA rate ranges from free to 3 percent ad valorem. The United States does not produce natural rubber; therefore, any unvulcanized rubber compounds produced in the United States with natural rubber are necessarily made with nonoriginating inputs, and would therefore benefit from the proposed rule change. However, the Chilean market is relatively small. In 2007, total U.S. exports of unvulcanized compound rubber amounted to \$566.2 million; U.S. exports to Chile were \$1.8 million, or 0.3 percent of total U.S. exports. In 2007, the United States was Chile’s third largest supplier of unvulcanized compound rubber, after Sweden and Brazil. Although there is trade in unvulcanized compound rubber, this product tends to be more difficult to ship and handle than the finished rubber goods covered under headings 4006–4017 because unvulcanized compound rubber can cure to a vulcanized (a high strength and more rigid) state in transit. This transformation is irreversible and would render the subject compound rubber a waste material, unsuitable for fabrication into a finished product. The United States exports greater amounts of finished rubber goods to Chile (\$76.8 million in 2007) than unvulcanized compound rubber (\$1.8 million in 2007). Tires dominated U.S. exports of finished goods to Chile, followed by belts, hoses, gaskets, and other items.

The proposed rule modification would indirectly pertain to natural (heading 4001) and synthetic (heading 4002) rubbers, which would no longer need to be obtained in the FTA region. However, it is not expected that U.S. imports and production of these inputs for unvulcanized rubber would be affected by the rule change owing to the limited nature of U.S. exports of unvulcanized compound rubber to Chile.

**PEARLS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
7101	A change to heading 7101 from any other heading, except from heading 0307.	A change to heading 7101 from any other heading.	U.S. total trade: Imports: None Exports: Negligible  U.S. production: Negligible

*Modification:* Under the current rule, natural and cultured pearls must be formed in and harvested from molluscs (a particular species of oyster, mussel, or clam covered under heading 0307) grown and obtained in the UCFTA region (the United States and/or Chile). The proposed rule would be a liberalization in that it would allow nonoriginating molluscs (heading 0307) to be used to form a pearl (heading 7101) to confer UCFTA origin status.

*Probable Economic Effect:* The proposed rule change would likely have no effect on U.S. imports under heading 7101 because the U.S. NTR duty rate for goods of this heading is free.

For U.S. exports and production, the proposed rule would likely have a negligible effect. Chile's NTR duty rate is 6 percent ad valorem, and the UCFTA rate is free. The development of cultured pearls has become the mainstay of the pearl industry in the commercial global market. The United States has little or no commercial harvesting of natural pearls and a relatively small cultured pearl industry compared with major producers such as China and countries in the South Sea region (Australia, Indonesia, and Burma). In addition, the Chilean market is relatively small. Chile's pearl imports from all countries totaled nearly \$51,000 in 2007, which represented only 0.2 percent of total U.S. domestic exports (\$33.6 million) that same year. Since the UCFTA went into effect in January 2004, the United States reported no domestic exports of pearls to Chile until the first quarter of 2008, when exports were valued at almost \$6,000, or 0.1 percent of total U.S. exports. Even if U.S. exports to Chile were to double as the result of this rule change, the effect on U.S. exports and production of pearls would likely be negligible.

**AIR CONDITIONERS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8415.10 – 8415.83	A change to subheadings 8415.10 through 8415.83 from any other subheading including another subheading within that group, except a change within that group resulting from a simple assembly.	A change to subheadings 8415.10 through 8415.83 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: None  U.S. production: None

*Modification:* For air conditioning machines covered under subheadings 8415.10 through 8415.83, the proposed rule appears to liberalize the origin standard by eliminating the exclusion clause in the existing rule: “. . . except a change within that group resulting from a simple assembly.” That is, the simple assembly of nonoriginating machinery would confer UCFTA origin under the proposed rule. The purpose of the proposed change is not discernible other than to simplify the wording, particularly as the existing rule allows simple assembly of parts (of subheading 8415.90) to confer origin, terms which the proposed rule would continue to allow. No other simple assembly pertaining to goods of subheadings 8415.10 through 8415.83 would be likely, because one type of air conditioning machine is generally not assembled with another type. Also, disassembly-reassembly processing would not seem to be commercially viable.

*Probable Economic Effect:* The proposed rule change would likely have no effect on total U.S. imports, exports, and production of air conditioning machines because, according to representatives of the U.S. air conditioning industry, interchanging different kinds of air conditioners as inputs into the other, as the proposed rule would allow, is impractical and not commercially viable.

**HEATING MACHINERY**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8419.11– 8419.89	(A) A change to subheadings 8419.11 through 8419.89 from any other heading, or  (B) A change to subheadings 8419.11 through 8419.89 from subheading 8419.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: 1) 35 percent when the build-up method is used, or 2) 45 percent when the build-down method is used.	(A) A change to subheading 8419.11 from any other subheading.  (B) A change to subheading 8419.19 from any other heading; or  (C) A change to subheading 8419.19 from any other subheading, provided that there is a regional value content of not less than: 1) 35 percent when the build-up method is used, or 2) 45 percent when the build-down method is used.  (D) A change to subheadings 8419.20 through 8419.89 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: Negligible  U.S. production: Negligible

*Modification:* The proposed rule would liberalize FTA origin standards for machinery and plant or laboratory equipment for the treatment of material involving temperature change. Specifically, for part A (subheading 8419.11, instantaneous gas water heaters) and part D (subheadings 8419.20 through 8419.89, products other than instantaneous or storage water heaters), the proposed rule would allow a change from any subheading to confer UCFTA origin and would eliminate the regional value content requirement for machinery made from nonoriginating parts covered under subheading 8419.90.

For subheading 8419.19 (other nonelectric instantaneous or storage water heaters, such as solar), the proposed rule would continue the FTA origin criteria of the existing rule. Specifically, the proposed rule would also allow a change from any subheading to confer origin, but would continue to require a percentage of regional value content for parts covered under subheading 8419.90.

*Probable Economic Effect:* The proposed rule change would likely have no effect on U.S. imports. The U.S. industry is composed of establishments primarily engaged in manufacturing heating equipment, such as boilers, water heaters (electric and non electric), heat exchangers, heating stoves and dryers, floor and wall furnaces, wall and baseboard heating units, and plant or laboratory equipment. The majority of these products have a U.S. NTR duty rate of free and therefore imports are not likely to increase as a result of the proposed rule change. The exceptions are brazed aluminum plate-fin heat exchangers (subheading 8419.50.10), machinery containing brazed aluminum plate-fin heat exchangers (subheading 8419.60.10), and a basket category of heating equipment (subheading 8419.89.95), which have U.S. NTR duty rates of 4.2 percent ad valorem; the U.S. UCFTA rate for these products is free. However, during the 2004–2007 period, the United States had no imports of products covered under these subheadings from Chile; nor have there been any imports from January to June 2008. Given that Chile has not been a U.S. supplier since the U.S.-Chile FTA went into effect in January 2004, the proposed rule would likely have no effect on U.S. imports of these products.

## **HEATING MACHINERY, *Continued***

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The proposed rule would likely have a negligible effect on U.S. exports and production. Chile's NTR duty rate is 6 percent ad valorem, and Chile's UCFTA rate is free. Although U.S.-made heating equipment manufactured with nonoriginating inputs would qualify for UCFTA tariff preferences under the proposed rule, the Chilean market is relatively small. In 2007, U.S. exports of heating equipment to Chile totaled \$16.1 million, accounting for approximately 1 percent of total U.S. exports of this product group. Even if U.S. exports to Chile were to double as a result of the rule change, the effect on U.S. exports and production would likely be negligible. The United States, several EU countries (primarily Germany, Spain, Italy, and Portugal), and, more recently, China are major suppliers of this product group to Chile. In addition, the Chilean government has established a number of FTAs, including FTAs with the EU and China. Consequently, the proposed rule change could help U.S. exports to Chile by maintaining U.S. supply share in an increasingly competitive market.

Although the proposed rule modification would not directly pertain to parts (subheading 8419.90), the U.S. industry that produces parts may be adversely affected by the rule change in light of the liberalization for goods of subheadings 8419.11 and 8419.20–8419.89, which would permit the assembly of nonoriginating parts to convey product origin. However, the impact of this liberalization on U.S. imports and production of parts would likely be negligible because of limited U.S. exports of the finished product to Chile.

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## ROLLING MACHINES

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8420.10	<p>(A) A change to subheading 8420.10 from any other heading, or</p> <p>(B) A change to subheading 8420.10 from subheading 8420.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol>	A change to subheading 8420.10 from any other subheading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* The proposed rule would liberalize the origin standard for rolling machines by allowing changes to goods of subheading 8420.10 from those of any other subheading, and by eliminating the regional value content requirement for these machines from parts covered under subheading 8420.99. This change would harmonize the UCFTA rule with its CAFTA counterpart.

*Probable Economic Effect:* The proposed rule would likely have a negligible affect on U.S. imports. The U.S. NTR rate of duty is free for most goods covered under subheading 8420.10 and would not therefore be affected by the proposed rule change. The exceptions are for textile calendering or rolling machines (subheading 8420.10.10) which have an NTR duty rate of 3.5 percent ad valorem. During the 2003–07 period, annual U.S. imports of these textile rolling machines from all sources ranged from \$471,000 to \$3.6 million. During this period, the United States reported no imports from Chile of textile rolling machines or corresponding parts. Accordingly, although the rule change could theoretically make Chilean products more competitive in the U.S. market, the rule change would likely result in no more than a negligible increase in total U.S. imports, which could be offset by reduced imports from other countries if these products are diverted to Chile for assembly.

The proposed rule would likely have a negligible affect on U.S. exports and production. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA rate is free. Because the proposed rule eliminates the heading change and regional value content requirement, U.S. producers of these goods could theoretically reduce their costs by using lower-cost parts from other countries, which could foster an increase in U.S. exports and production. However, any such increase would likely be negligible because the Chilean market is relatively small. During the 2003–07 period, total U.S. exports of rolling machines ranged from \$13.8 million to \$28.1 million compared with U.S. exports to Chile that ranged from zero dollars in 2004 to \$340,495 in 2006, or zero to 1.2 percent of total U.S. exports. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on U.S. exports and production of these products would likely be negligible. Chile has long been a net importer of this product group, of which Germany, Brazil, and Argentina provided the majority of supplies until 2007, when New Zealand (\$1.3 million) accounted for approximately one-half of Chile's imports. Chile's imports from China also increased in 2007 compared with previous years. The Chilean government has entered into a number of FTAs with other countries, including China and New Zealand in October 2006 and November 2006, respectively. Accordingly, the proposed rule change could help U.S. exports to Chile maintain their share in an increasingly competitive Chilean market.

Although the proposed rule would not directly pertain to parts classified under subheading 8420.99, U.S. manufacturers of such parts may be adversely affected by the proposed rule in light of the elimination of the regional value content requirement for machinery manufactured from nonoriginating parts (part B of the existing rule). However, the effect of this liberalization would likely be negligible on the U.S. industry producing such parts because of limited U.S. exports of this machinery to Chile.

**FILTERING MACHINERY**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8421.11– 8421.39	<p>(A) A change to subheadings 8421.11 through 8421.39 from any other heading, or</p> <p>(B) A change to subheadings 8421.11 through 8421.39 from subheading 8421.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>1) 35 percent when the build-up method is used, or</p> <p>2) 45 percent when the build-down method is used.</p>	A change to subheadings 8421.11 through 8421.39 from any other subheading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* The existing rule for centrifuges and filtering machinery provides for two ways to obtain FTA origin: a heading change in part A, or a subheading change from machinery parts of subheading 8421.99 with a regional value content requirement in part B. The proposed rule would liberalize the origin rule by allowing the production of centrifuges and filtering machinery from nonoriginating inputs classified in any other subheading, including machinery parts of subheadings 8421.91 or 8421.99, with no regional value content requirement to confer UCFTA origin status. This change would harmonize the UCFTA rule with its CAFTA counterpart.

*Probable Economic Effect:* The proposed rule would likely have a negligible effect on U.S. imports. The U.S. NTR duty rate is free for the majority of goods, and 1.3 and 2.5 percent for centrifuges (subheading 8421.19) and internal combustion engine filters (subheadings 8421.23 and 8421.31), respectively; the UCFTA rate for these products is free. Chile is not a significant producer or exporter of centrifuges or internal combustion engine filters. Of total U.S. imports of \$1 billion in 2007, Chile supplied \$14,000 (0.001 percent). In 2007, Germany, Canada, and Mexico supplied approximately 50 percent of total U.S. imports of these goods.

The proposed rule would likely have a negligible effect on U.S. exports and production. Chile's NTR duty rate on these goods is 6 percent ad valorem; the UCFTA rate ranges from free to 3 percent ad valorem. Under the current rule, U.S. machinery made with third-country parts must meet a regional value content rule. However, the provision to allow assembly of the machinery from nonoriginating parts and the elimination of the regional value content allows U.S. exports of centrifuges and filtering machinery to Chile to be made of primarily third-country parts and still obtain duty-free status under UCFTA. The proposed rule could allow companies greater flexibility in choosing suppliers for parts for production while still benefitting from duty-free preferences under UCFTA, enhancing the competitive position of U.S. producers. However, U.S. producers report that Chile is currently a minor market for U.S. exports of these products. In 2007, of the \$1.1 billion in total U.S. exports of these goods, U.S. exports to Chile were \$14 million (1.4 percent). Even if U.S. exports to Chile were to double as the result of this rule change, the effect on U.S. exports and production would be negligible.

**HEAVY CONSTRUCTION EQUIPMENT**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8424.10–8430.69	<p>(A) A change to subheadings 8424.10 through 8424.89 from any other subheading, including another subheading within that group.</p> <p>(B) A change to subheading 8424.90 from any other heading, except from subheadings 8414.40 or 8414.80.</p> <p>(C) A change to subheadings 8425.11 through 8425.19 from any other subheading, including another subheading within that group.</p> <p>(D) A change to pit-head winding gear or winches specially designed for use underground of subheading 8425.31 from any other good of subheading 8425.31 or from any other subheading, except from pit-head winding gear or winches specially designed for use underground of subheading 8425.39; or</p> <p>(E) A change to any other good of subheading 8425.31 from pit-head winding gear or winches specially designed for use underground of subheading 8425.31 or from any other subheading.</p>	<p>A change to subheadings 8424.10 through 8430.69 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>



**HEAVY CONSTRUCTION EQUIPMENT, Continued**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>(F) A change to pit-head winding gear or winches specially designed for use underground of subheading 8425.39 from any other good of subheading 8425.39 or from any other subheading, except from pit-head winding gear or winches specially designed for use underground of subheading 8425.31; or</p> <p>(G) A change to any other good of subheading 8425.39 from pit-head winding gear or winches specially designed for use underground of subheading 8425.39 or from any other subheading.</p> <p>(H) A change to subheadings 8425.41 through 8428.60 from any other subheading, including another subheading within that group.<sup>10</sup></p> <p>(I) A change to mine wagon pushers, locomotive or wagon tracers, wagon tippers and similar railway wagon handling equipment from any other good of subheading 8428.90 or from any other subheading; or</p> <p>(J) A change to any other good of subheading 8428.90 or from mine wagon pushers, locomotive or wagon tracers, wagon tippers and similar railway wagon handling equipment of subheading 8428.90 or from any other subheading.</p>		

<sup>10</sup> After consulting with USTR for clarification, part H of the existing rule was revised for this report so that it reads “. . . to subheadings 8425.41 through 8428.60,” instead of “. . . to subheadings 8425.11 through 8428.60,” as provided in the request letter on page A-12.

**HEAVY CONSTRUCTION EQUIPMENT, *Continued***

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>(K) A change to subheadings 8429.11 through 8429.59 from any other subheading, including another subheading within that group.</p> <p>(L) A change to subheadings 8430.10 through 8430.61 from any other subheading, including another subheading within that group.</p> <p>(M) A change to “scrapers” of subheading 8430.69 from any other good of subheading 8430.69 or from any other subheading.</p> <p>(N) A change to any other good of subheading 8430.69 from “scrapers” of subheading 8430.69 or from any other subheading.</p>		

## HEAVY CONSTRUCTION EQUIPMENT, *Continued*

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*Modification:* For subheadings 8424.10–8424.89, 8425.11–8425.19, 8425.41–8428.60, 8429.11–8429.59, and 8430.10–8430.61 (parts A, C, H, K, and L of the existing rule) there would be no modification to the rules of origin because both the existing and the proposed rules confer origin for changes from the same broad scope of subheadings through the language “. . . from any other subheading, including another subheading within that group.” The purpose of the proposed rule is not readily discernable other than to combine contiguous HTS subheadings under one rule of origin, particularly as both the current and proposed rules confer eligibility based on a change from the same subheadings.

For parts of mechanical projection-type appliances such as fire extinguishers, spray guns, and sand blasting machines (subheading 8424.90, part B of the existing rule), the proposed rule would liberalize origin determination by allowing nonoriginating inputs from air compressors mounted on wheeled chassis for towing (subheading 8414.40) and a basket category of compressors and air pumps not elsewhere specified (subheading 8414.80), which are excluded in the existing rule. In addition, the proposed rule would grant preference eligibility based on a subheading change compared with a heading change in the existing rule.

For winches and capstans powered by electric motor (subheading 8425.31, parts D and E of the existing rule) and winches and capstans powered by other than electric motor (subheading 8425.39, parts F and G of the existing rule), the proposed rule would simplify FTA origin determinations by eliminating the breakout of a specific product covered under each subheading (i.e., pit-head winding gear or winches designed for underground use). However, the proposed rule would result in a combination of restrictive and liberalizing origin criteria. The restrictive criteria of the proposed rule would exclude changes to any good of a subheading from any other good of the same subheading, which now grants preference eligibility under the existing rule. The liberalizing criteria of the proposed rule would grant UCFTA preference eligibility based on changes to pit-head winding gear or winches designed for underground use of the one subheading from said product of the other subheading, which is excluded in the existing rule.

For other categories of lifting, handling, loading, or unloading machinery (subheading 8428.90, parts I and J of the existing rule) and of nonself-propelled earth moving machinery (subheading 8430.69, parts M and N of the existing rule), the proposed rule would both simplify and restrict origin determination for these products. The proposed rule would simplify origin determination by eliminating the breakout of products covered under each subheading (i.e., railway wagon handling equipment of subheading 8428.90 and scrapers of subheading 8430.69) from all other products of the same subheading. In terms of restricting origin determination, the proposed rule eliminates the possibility that changes to goods within the same subheading would grant UCFTA preference eligibility.

*Probable  
Economic  
Effect:*

The proposed rule would likely have no effect on U.S. imports of products affected by the proposed change because they are subject to a U.S. NTR duty rate of free, with the exception of parts for simple piston pump sprays and bellows covered under subheading 8424.90.10, which has an NTR duty rate of 2.9 percent ad valorem. However, since the rule change for subheading 8424.90 would confer preference eligibility based on the use of nonoriginating air compressors (of subheadings 8414.40 and 8414.80) as inputs, and simple piston pump sprays and bellows are manual devices that do not contain air compressors, U.S. imports of these goods are also not likely to be affected.

The proposed rule would likely have a negligible effect on total U.S. exports and production. Chile's NTR duty rate is 6 percent ad valorem for all heavy construction equipment, and Chile's UCFTA duty rate ranges from free to 2.25 percent. The United States has been Chile's leading supplier of high-valued machinery that can be used for both construction and mining since before the UCFTA went into effect January 2004. These include self-propelled bulldozers, excavators, graders, and shovel loaders (heading 8429). For the remaining products covered by the proposed rule, the United States has been a major supplier along with several other countries, including Brazil, Germany, Japan, Sweden, and, more recently, China. Although the liberalization of origin determination in the proposed rule would likely improve the competitive position of U.S. products in Chile, the Chilean market is relatively small. During the 2004–07 period, total U.S. exports of all products covered under this proposed rule ranged from \$7.5 billion to \$13.5 billion, compared with U.S. exports to Chile that ranged from \$147.0 million to \$241.7 million, or 1.6–2.0 percent of total U.S. exports. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on U.S. exports and production would likely be negligible. Because the Chilean government has negotiated FTAs with a number of countries, including the EU and China, the proposed rule change could help U.S. exports to Chile maintain market share in an increasingly competitive Chilean market.

**HEAVY CONSTRUCTION EQUIPMENT, *Continued***

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Although the proposed rule modification would not directly pertain to air compressors (subheadings 8414.40 and 8414.80), U.S. producers of these products may be adversely affected by the rule change in light of the liberalization to subheading 8424.90 (part B of existing rule), which would permit the use of nonoriginating air compressors to convey product origin. However, the impact of this liberalization on U.S. imports and production of these air compressors would likely be negligible, as U.S. exports of mechanical projection-type appliances to Chile have remained at approximately 1 percent of total exports since before the UCFTA went into effect.

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**DAIRY/BEVERAGE MACHINERY AND PARTS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8434.10–8435.90	<p>(A) A change to subheadings 8434.10 through 8434.20 from any other subheading, including another subheading within that group.</p> <p>(B) A change to subheading 8434.90 from any other heading.</p> <p>(C) A change to subheading 8435.10 from any other subheading.</p> <p>(D) A change to subheading 8435.90 from any other heading.</p>	A change to subheadings 8434.10 through 8435.90 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* For milking machinery (subheading 8434.10, part A of the existing rule), dairy machinery (subheading 8434.20, part A of the existing rule), and machinery used in manufacturing wine, fruit juices, or similar beverages (subheading 8435.10, part C of the existing rule), there would be no modification to the rules of origin because both the existing rules and proposed rule confer FTA origin based on changes from any other subheading.

For parts of milking and dairy machinery (subheading 8434.90, part B of the existing rule) and parts of machinery used in manufacturing wine, fruit juices, or similar beverages (subheading 8435.90, part D of the existing rule), the proposed rule would liberalize the origin standard by eliminating the requirement for a heading change and expanding the range of origin eligibility to include parts removed from finished machines, mirroring the rule of origin for these products under CAFTA. The only apparent difference between the existing and proposed rules is that disassembly of nonoriginating finished machines into their parts would confer origin. However, the disassembly of finished machines into their parts is not likely to be commercially viable.

*Probable Economic Effect:* The proposed rule would likely have no effect on U.S. imports of machinery covered under subheadings 8434.10 through 8435.90 because all such provisions have a U.S. NTR duty rate of free.

The proposed rule would likely have a negligible effect on U.S. exports and production. Chile’s NTR duty rate is 6 percent ad valorem and Chile’s UCFTA duty rate is free. The U.S. industry for dairy machinery (with annual shipments of approximately \$200 million) and for machinery used in manufacturing wine, fruit juices, and similar beverages (with annual shipments of approximately \$50–\$75 million) are relatively small but stable. Compared with major U.S. export markets for these products, the Chilean market is small. In 2007, total U.S. exports of these products were valued at approximately \$131.3 million, compared with almost \$930,000 (about 1 percent) in exports to Chile the same year. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on U.S. exports and production would likely be negligible. Furthermore, the United States is a small supplier of these products to Chile. In 2007, Chile imported \$13 million of these products, of which some EU countries (Spain, Germany, France, and Denmark) accounted for about 66 percent, followed by Argentina (12 percent). In light of the fact that the Chilean government has established an FTA with the EU, the proposed rule change could help U.S. exports to Chile maintain market share in an increasingly competitive Chilean market.

**PAPERMAKING MACHINERY**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8439.10–8440.90	<p>(A) A change to subheadings 8439.10 through 8439.30 from any other subheading, including another subheading within that group.<sup>11</sup></p> <p>(B) A change to subheadings 8439.91 through 8439.99 from any other heading.</p> <p>(C) A change to subheading 8440.10 from any other subheading.</p> <p>(D) A change to subheading 8440.90 from any other heading.</p>	A change to subheadings 8439.10 through 8440.90 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>

*Modification:* The proposed rule for machinery to make pulp or paper (subheadings 8439.10 through 8439.30, part A of the existing rule) and machinery for bookbinding and sewing (subheading 8440.10, part C of the existing rule) would not change the effect of the FTA rule of origin because both the existing rule and proposed rule allow changes from any other subheading to confer origin.

The proposed rule change for parts of machinery to make pulp or paper (subheadings 8439.91 through 8491.99, part B of the existing rule) and for parts of machinery for bookbinding or sewing (subheading 8440.90, part D of the existing rule) would liberalize the origin standard by eliminating the requirement in the existing rule for a heading change and allow parts removed from finished, nonoriginating machines to be eligible for UCFTA-origin status. However, the disassembly of finished machines into their parts is not likely to be commercially viable.

*Probable Economic Effect:* The proposed rule, which affects only products covered under subheadings 8439.91, 8439.99, and 8440.90, would likely have no effect on U.S. imports as these products are already free of duty on an NTR basis.

The proposed rule would likely have a negligible effect on U.S. exports and production of parts or partially assembled pulp or paper making machinery and bookbinding machinery. Chile’s NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. Machinery for making pulp or paper is extremely large in size and such machines of third-country origin are not likely to undergo disassembly in the United States for the export of parts. Furthermore, the U.S. industry producing these products is relatively small and Chile is a small market for these products. U.S. exports of these machine parts were \$298 million in 2007, with Chile accounting for only 2 percent of the total. Chile’s total imports were \$18 million in 2007, mainly from Finland, Sweden, Brazil, and the United States. Even if U.S. exports to Chile were to double as a result of the rule change, the effect on U.S. exports and production would likely be no more than negligible.

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<sup>11</sup> Although part A of the existing rule was not included in USTR’s list of rule changes, page A-13 of the request letter, it is added here for the purpose of clarifying the differences between the existing and proposed rules.

**WASHING MACHINES**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8450.11– 8450.20	(A) A change to subheadings 8450.11 through 8450.20 from any other heading; or  (B) A change to subheadings 8450.11 through 8450.20 from subheading 8450.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: 1) 35 percent when the build-up method is used, or 2) 45 percent when the build-down method is used.	A change to subheadings 8450.11 through 8450.20 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

## WASHING MACHINES, *Continued*

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*Modification:* The proposed rule would liberalize the rules of origin for household or laundry-type automatic washing machines by eliminating the requirement for a tariff shift at the heading level (part A of the existing rule) and by eliminating the regional value content requirement for parts covered under subheading 8450.90 (part B of the existing rule).

*Probable Economic Effect:* The proposed rule changes would likely have a negligible effect on total U.S. imports. The U.S. NTR duty rates for these products range from 1 percent to 2.6 percent ad valorem, and the UCFTA rate is free. Although the United States is a net importer of washing machines, Chile accounted for only 0.003 percent (\$43,000) of total U.S. imports in 2007. Germany, Korea, and Mexico together have accounted for the dominant share of U.S. imports of washing machines since before the UCFTA went into effect in January 2004. Given the small share of U.S. imports from Chile, any increase in U.S. imports from Chile would likely be offset by reduced imports from other countries if such products are diverted to Chile for assembly; Chile has established FTAs with several countries, including the three dominant suppliers to the U.S. market.

The proposed rule would likely have a negligible effect on U.S. exports and production of household washing machines. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. Major household appliance firms such as Whirlpool Corporation supply Chile and other Latin American countries from assembly plants in Brazil. Other major washing machine firms such as GE export their products from the United States or Mexico. Because some types of high-end washing machines make use of electronic control parts made from a combination of U.S. and imported parts, many components may not qualify for duty-free entry under the current UCFTA rule of origin. The liberalization of the origin requirements could permit U.S. exporters of these products to lower their production costs by using lower-cost parts from other countries to enhance their competitive position in Chile. However, the Chilean market for these products is small. In 2007, U.S. exports of all types of washing machines to Chile amounted to 0.3 percent (\$1.9 million) of total U.S. exports. Even if U.S. exports of washing machines were to double as a result of this rule change, the effect on U.S. exports and production would likely be negligible. Although Chile is a growing import market for these products in terms of value since the UCFTA became effective, China, Korea, and Thailand together have been the dominant suppliers. Because the Chilean government has established a number of FTAs with other countries, including China and Korea, the proposed rule change could allow U.S. exports to Chile to maintain their market share in an increasingly competitive market.

Although the proposed rule modification would not directly cover parts (subheading 8450.90), U.S. producers of parts may be adversely affected by the rule change in light of the liberalization in subheadings 8450.11 through 8450.20, which would permit the use of more nonoriginating parts to confer origin without the effective limit imposed by the existing regional value content test. However, the impact of this liberalization on U.S. imports and production of parts would likely be negligible, as U.S. exports of washing machines to Chile account for less than 0.5 percent of total U.S. exports.

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## TEXTILE MACHINERY

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8451.10–8451.80	<p>(A) A change to subheadings 8451.10 through 8451.80 from any other heading, or</p> <p>(B) A change to subheadings 8451.10 through 8451.80 from subheading 8451.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol>	A change to subheadings 8451.10 through 8451.80 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

**Modification:** For textile cleaning, processing, and similar machinery covered under subheadings 8451.10 through 8451.80, the proposed rule would liberalize FTA origin criteria by requiring only a subheading-level tariff shift compared with a heading tariff shift (in part A of the existing rule). By eliminating the regional value content requirement for parts covered under subheading 8451.90 (in part B of the existing rule), the proposed rule would allow for the use of more nonoriginating parts in the production of UCFTA-qualifying products. The proposed changes also bring this UCFTA rule closer to conformity with those developed for CAFTA.

**Probable Economic Effect:** The proposed rule would likely have a negligible effect on U.S. imports of textile machinery. U.S. imports of dry-cleaning machines (subheading 8451.10), ironing machines and presses (subheading 8451.30), and machines for reeling, unreeling, folding, and cutting textile fabrics (subheading 8451.50), all of which have a U.S. NTR duty rate of free, will not be affected by the proposed rule change. For U.S. imports of the remaining goods (washing, bleaching, dyeing, drying, and a basket category of other machines), for which the U.S. NTR duty rate is 2.6–3.5 percent ad valorem and the UCFTA rate is free, the effect of the rule change would likely be negligible. The United States is a net importer of these textile machines. However, Chile accounted for only 0.01 percent (\$38,288) of total U.S. imports in 2007. Even if Chile's exports to the United States were to double as a result of this rule change, the increase in total imports would likely be negligible. Canada and Korea together have been the dominant U.S. suppliers since before the UCFTA went into effect in January 2004. Any increased imports from Chile could be offset by reduced imports from other countries if such products are diverted to Chile for assembly; Chile has negotiated FTAs with several countries including the two dominant U.S. suppliers.

The proposed rule would likely have a negligible effect on U.S. exports and production of textile machinery. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. The U.S. textile machinery industry is a world leader in the production of energy efficient machinery but faces increased competition from firms in the Asia-Pacific region. This liberalization of the rules of origin could allow U.S. exporters of these products to lower production costs by using lower-cost, nonoriginating parts and still garner UCFTA tariff preferences. Chile's Export Council for Energy Efficiency estimates that there were approximately 4,500 textile companies in 2007, which generally use outdated and inefficient technology and could benefit from the purchase of U.S.-made, energy-efficient textile machinery. However, for the United States, the Chilean market is currently very small. In 2007, U.S. exports of textile machines to Chile totaled approximately \$1.2 million, accounting for 0.3 percent of total U.S. exports of this product group. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on U.S. exports and production would likely be negligible. Chile has negotiated several FTAs, including with China and Korea. Accordingly, the proposed rule change could allow U.S. exports to Chile to maintain U.S. market share in an increasingly competitive Chilean market.

**TEXTILE MACHINERY, *Continued***

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Although the proposed rule modification would not directly pertain to parts (subheading 8451.90), U.S. manufacturers of textile machinery parts may be adversely affected by the rule change in light of the liberalization in subheadings 8451.10 through 8451.80, which would permit the use of more nonoriginating parts without the effective limit imposed by the existing regional value content test. However, the impact of this liberalization would likely be negligible for imports and production of parts, as U.S. exports of textile machinery to Chile are less than 0.5 percent of total U.S. exports.

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**METAL-ROLLING MILLS, ROLLS, AND PARTS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8455.10–8455.90	(A) A change to subheadings 8455.10 through 8455.30 from any other subheading, including another subheading within that group.  (B) A change to subheading 8455.90 from any other heading, except from heading 8501 when resulting from a simple assembly.	A change to subheadings 8455.10 through 8455.90 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: Negligible  U.S. production: Negligible

*Modification:* The proposed rule would not represent a change from part A of the existing rule for metal-rolling mills and rolls thereof (subheadings 8455.10 through 8455.30) because the existing and proposed rules would apply the same standard –third country inputs must change tariff classification. For part B of the existing rule covering parts, other than the rolls, for metal-rolling mills (subheading 8455.90), the proposed rule is liberalizing because it eliminates the requirement for a heading change and provides for a change in subheading. It also eliminates the exception for a change from heading 8501 (electric motors and generators), under which such inputs must be made in the UCFTA region.

*Probable Economic Effect:* The proposed rule would likely have no effect on U.S. imports of parts of metal-rolling mills (subheading 8455.90) because items covered under this subheading have a U.S. NTR duty rate of free.

The proposed rule would likely have a negligible effect on U.S. exports and production because the current exceptions are expected to affect few transactions. Chile’s NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. Because the proposed rule eliminates the need for a heading change and would grant preference eligibility based on simple assembly of electric motors/generators with metal-rolling mill parts (subheading 8455.90), U.S. producers of these metal-rolling mill parts that incorporate a motor or generator could reduce their costs by using lower-cost motors/generators from other countries, which could foster a negligible increase in U.S. exports and production of the metal-rolling mill parts. However, the Chilean market is relatively small. During the 2003–07 period, total U.S. exports of products in subheading 8455.90 ranged from \$54.9 million to \$121.2 million, compared with U.S. exports to Chile that ranged from \$72,343 to \$241,088, or 0.1–0.2 percent of total U.S. exports. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on U.S. exports and production would likely be negligible. Chile has long been a net importer of these metal-rolling mill parts (subheading 8455.90), with Italy, Germany, and the United States together accounting for the majority of imports in terms of value. In 2007, China became the dominant supplier at 39 percent (\$2.2 million).

Although the proposed rule modification would not directly pertain to electric motors and generators covered under heading 8501, U.S. manufacturers of these goods may be adversely affected by the rule change in light of the liberalization for goods of subheading 8455.90, which would permit simple assembly of parts covered under subheading 8455.90 with nonoriginating electric motors/generators of heading 8501 to confer FTA origin. However, the impact of this liberalization is expected to be negligible on the U.S. industry producing such motors/generators, as U.S. exports of metal-rolling mill parts (subheading 8455.90) to Chile are less than 0.5 percent of total exports.

## TYPEWRITERS/WORD PROCESSORS

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8469	<p>(A) A change to word-processing machines or automatic typewriters of heading 8469 from any other good of heading 8469 or from any other heading; or</p> <p>(B) A change to any other good of heading 8469 from word-processing machines or automatic typewriters of heading 8469 or from any other heading.</p>	A change to heading 8469 from any other heading.	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>

*Modification:* The existing rule allows a change to any good classified under heading 8469 (e.g., a typewriter) from any other good classified under heading 8469 (e.g., a word-processing machine) to confer origin under the UCFTA (parts A and B), which is not likely to be commercially viable. The proposed rule would restrict the origin for these products by eliminating the possibility of the change to a good of heading 8469 into another good also classified under heading 8469. The proposed rule would allow typewriters or word-processing machines to contain nonoriginating inputs of another heading without disqualifying the goods from FTA benefits.

*Probable Economic Effect:* The proposed rule would likely have no effect on U.S. imports as the U.S. NTR duty rate for these goods is free.

The proposed rule would likely have no effect on U.S. exports and production of these goods. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. U.S. production of goods of this heading is limited to one firm that produces portable typewriters, and total U.S. exports were less than \$10 million in 2007. Industry representatives report that word-processing machines are no longer produced in the United States and no U.S. exports of typewriters to Chile were reported in the last five years. With respect to technical feasibility, industry representatives indicate that changing a nonoriginating good classified under heading 8469 into another good classified under heading 8469 is not commercially practical.

## PARTS OF OFFICE AUTOMATION MACHINERY

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8473	A change to heading 8473 from any other heading.	(A) A change to subheadings 8473.10 through 8473.50 from any other subheading, including another subheading within that group; or  (B) No change in tariff classification is required, provided that there is a regional value content of not less than: 1) 35 percent when the build-up method is used, or 2) 45 percent when the build-down method is used.	U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

*Modification:* Under the existing rule for heading 8473, parts and accessories must be made in the region, and any nonoriginating inputs used in such goods must come from another tariff heading. Part A of the proposed rule would liberalize the rule of origin for parts and accessories for office automation machinery classified under heading 8473 (e.g., parts and accessories for typewriters, calculators, postage machines, and data-processing machines) by allowing a change in subheading to confer UCFTA origin. Parts and accessories of certain office machines classified under any subheading of heading 8473, therefore, could be made with nonoriginating inputs and be eligible for duty-free treatment under the UCFTA. Further liberalization is reflected in part B of the proposed rule, which permits such parts to be manufactured from nonoriginating inputs of any subheading of heading 8473 even in the absence of a change in tariff classification, provided that the regional value content threshold of 35 or 45 percent is met.

*Probable Economic Effect:* The proposed rule change would likely have no effect on U.S. imports of the majority of products classified under heading 8473 because the U.S. NTR duty rate for these goods is free. For dutiable goods of this heading, they are low: 2 percent ad valorem for typewriter parts and accessories and word-processing machine accessories (subheadings 8473.10.40, 8473.10.60, and 8473.10.90) and 1.9 percent for parts and accessories of certain other office machines (subheading 8473.40.85). Furthermore, Chile has not been a significant producer or exporter of these goods. Total U.S. imports of these dutiable products were \$207 million in 2007; Chile supplied \$18,000, or 0.01 percent. Even if Chilean exports to the United States were to double as a result of this rule change, it would likely result in only a negligible increase in total U.S. imports of these dutiable goods.

The proposed rule would likely have a negligible effect on total U.S. exports and production. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. The United States is a large producer and exporter of these products; total U.S. exports were \$10.4 billion in 2007, with parts for automatic data-processing machines (subheading 8473.30) accounting for the vast majority of these exports. In 2007, U.S. exports to Chile under heading 8473 totaled \$66.9 million, or about 1 percent of total U.S. exports. The main import suppliers of these products to Chile were the United States, accounting for 45 percent of Chilean imports in 2007, and China, accounting for 24 percent. U.S. products could become more competitive in the Chilean market if those comprised of nonoriginating inputs qualified for duty-free treatment under the proposed rule. However, even if U.S. exports to Chile were to double as a result of the rule change, the effect on total U.S. exports and production would likely be negligible.

**LAMPS**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
8539.10– 8539.49	<p>(A) A change to subheadings 8539.10 through 8539.21 from any other subheading, including another subheading within that group.</p> <p>(B) A change to subheading 8539.22 from any other heading, or</p> <p>(C) A change to subheading 8539.22 from any other subheading, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:            1) 35 percent when the build-up method is used, or            2) 45 percent when the build-down method is used.</p> <p>(D) A change to subheading 8539.29 from any other heading; or</p> <p>(E) A change to subheading 8539.29 from subheading 8539.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:            1) 35 percent when the build-up method is used, or            2) 45 percent when the build-down method is used.</p> <p>(F) A change to subheading 8539.31 from any other subheading.</p>	<p>A change to subheadings 8539.10 through 8539.49 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade:            Imports: Negligible            Exports: Negligible</p> <p>U.S. production: Negligible</p>

LAMPS, Continued

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>(G) A change to subheadings 8539.32 through 8539.39 from any other subheading outside that group.</p> <p>(H) A change to subheadings 8539.41 through 8539.49 from any other subheading outside that group.</p>		

*Modification:* In general terms, these proposed changes would allow the assembly of parts of subheading 8539.90 into the finished goods of other subheadings within heading 8539, and would drop the regional value requirement now applicable to parts assembly. The proposed rule change would bring the existing UCFTA rules of origin closer to conformity with the rule developed for CAFTA.

For sealed beam lamps and other lamps, other than ultraviolet and infrared (subheadings 8539.10–8539.21, part A of the existing rule), there is no modification to the existing rule because both the existing and proposed rule require subheading level shifts as noted in the following language: “. . . from any other subheading, including another subheading within that group.” Similarly, the existing rule for fluorescent and hot cathode discharge lamps (subheading 8539.31, part F of the existing rule) is identical in its standard to the proposed rule.

For household and Christmas tree lamps with more than 200 W and 100 V (subheading 8539.22, part B of the existing rule), the proposed rule would liberalize FTA origin criteria by allowing inputs from any other subheading, including subheadings within heading 8539. Further, the proposed rule change would eliminate the regional value content restrictions in part C of the existing rule, so that only a subheading shift (from subheading 8539.90) would be needed.

For Christmas tree lamps under 100 V, lamps for surgical instruments, flashlight lamps, and other lamps exceeding 100 V (subheading 8539.29, part D of the existing rule), the proposed rule would liberalize origin criteria by allowing inputs from any other subheading, including subheadings within heading 8539, rather than the heading-level change required in the existing rule. The proposed rule would also eliminate the existing regional value content restriction, leaving only a required change from subheading 8539.90 (lamp parts) in part E of the existing rule.

For mercury vapor, sodium vapor, or metal halide lamps (subheadings 8539.32–8539.39, part G of the existing rule), the proposed rule appears to be more liberal than the existing rule by allowing inputs from within the the group to confer eligibility. However, using any mercury vapor, sodium vapor, or metal halide lamps as inputs to make another such lamp is not commercially viable according to industry sources. It appears that the proposed rule of origin would simplify the rule, with recognition of the fact that finished goods would rarely be turned into other finished goods of the same subheading.

For ultraviolet, infrared, and arc lamps (subheadings 8539.41–8539.49, part H of the existing rule), the proposed rule appears to be more liberal than the existing rule by allowing inputs from within the group to confer eligibility. However, using any ultraviolet, infrared, and arc lamps as inputs to make another such lamp is not commercially viable according to industry sources. It appears that the proposed rule of origin would simplify the rule, with recognition of the fact that finished goods would rarely be turned into other finished goods of the same subheading.

*Probable  
Economic  
Effect:*

The proposed rule change would likely have no effect on U.S. imports, exports, and production for most of the products covered in this grouping. For lamps under subheadings 8539.10–8539.21 and 8539.31 (parts A and F), there would be no change between the current and proposed rule of origin criteria. For lamps under subheadings 8539.32–8539.39 and 8539.41–8539.49 (parts G and H), the use of a lamp as inputs to make another such lamp, as the proposed rule would allow, is not commercially viable according to industry sources. Therefore, production and trade for these products would likely not be affected by the proposed change in the rule of origin criteria.

In terms of U.S. imports of household and Christmas tree lamps with more than 200 W and 100 V (subheading 8539.22, parts B and C of the existing rule) and other lamps, including Christmas tree lamps under 100 V and surgical instrument lamps (subheading 8539.29, parts D and E of the existing rule), the proposed rule would likely have a negligible effect. The U.S. NTR duty rate for subheading 8539.29.30 (included in parts D and E) is free and therefore would likely not be affected by the proposed rule change. For the remaining products under these two subheadings, the U.S. NTR duty rates range from 2.6 to 5.8 percent ad valorem; the UCFTA duty rate is free. Chile is not a major producer and exporter of these products. During the 2003–07 period, annual U.S. imports under subheading 8539.22 from all sources ranged from \$276.9 million to \$322.0 million, and U.S. imports of subheading 8539.29 ranged from \$162.7 million to \$228.9 million. The United States imported these products from Chile in 2005 only, for subheading 8539.22 valued at \$104,220 (0.03 percent of total U.S. imports that year). There were no other U.S. imports from Chile during the period. Although the rule change could make Chilean products more competitive in the U.S. market, it would likely result in no more than a negligible increase in total U.S. imports, which could be offset by reduced imports from other countries if these products are diverted to Chile for assembly.

In terms of U.S. exports and production of goods covered under subheadings 8539.22 and 8539.29, the proposed rule would likely have a negligible effect. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA duty rate is free. Because the proposed rule would eliminate the heading change and regional value content requirement, U.S. producers of these goods could reduce their costs by using lower-cost parts from other countries, spurring an increase in U.S. exports and production to Chile. However, compared with major U.S. export markets for these products, Chile's market is small. During the 2003–07 period, total U.S. exports of goods covered under subheadings 8539.22 and 8539.29 ranged from \$114.6 million to \$208.1 million. U.S. exports to Chile ranged from \$56,053 to \$1.1 million, or 0.03 to 0.6 percent of total U.S. exports. Even if U.S. exports to Chile were to double as a result of this rule change, the effect on total U.S. exports and production would likely result in a negligible increase. Chile has long been a net importer of these products, with Argentina, Brazil, China, and Hungary accounting for the majority of imports. The proposed rule change could allow U.S. exports to Chile to maintain market share in an increasingly competitive Chilean market resulting from Chile's FTAs with other countries, including with China, which went into effect October 2006.

Although this proposed rule modification would not directly pertain to parts (subheading 8539.90), the U.S. industry producing parts may be adversely affected by the rule change in light of the liberalization for goods of subheadings 8539.22 and 8539.29, which would permit the use of more nonoriginating parts without the effective limit imposed by the existing regional value content test. However, the impact of this liberalization would likely be negligible on imports and production of parts as U.S. exports of lamps to Chile are less than 1 percent of total U.S. exports.

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**INSTRUMENTS FOR MEASURING ELECTRICAL QUANTITIES**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
9030.10– 9030.89	<p>(A) A change to subheading 9030.10 from any other heading; or</p> <p>(B) A change to subheading 9030.10 from any other subheading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol> <p>(C) A change to subheading 9030.20 from any other heading; or</p> <p>(D) A change to other instruments and apparatus with a recording device of subheading 9030.20 from any other good of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol> <p>(E) A change to parts and accessories of oscilloscopes, spectrum analyzers, and other instruments and apparatus for measuring or checking electrical quantities of subheading 9030.20 from any other good of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:</p>	<p>A change to subheadings 9030.10 through 9030.89 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

**INSTRUMENTS FOR MEASURING ELECTRICAL QUANTITIES, *Continued***

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>1) 35 percent when the build-up method is used, or                      2) 45 percent when the build-down method is used.</p> <p>(F) A change to any other good of subheading 9030.20 from other instruments and apparatus with a recording device of subheading 9030.20 or from parts and accessories of oscilloscopes, spectrum analyzers and other instruments and apparatus for measuring or checking electrical quantities of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:                      1) 35 percent when the build-up method is used, or                      2) 45 percent when the build-down method is used.</p> <p>(G) A change to subheading 9030.31 from any other heading;                      or</p> <p>(H) A change to subheading 9030.31 from any other subheading, provided there is a regional value content of not less than:                      1) 35 percent when the build-up method is used, or                      2) 45 percent when the build-down method is used.</p> <p>(I) A change to subheading 9030.32 from any other heading;                      or</p>		

**INSTRUMENTS FOR MEASURING ELECTRICAL QUANTITIES, Continued**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	<p>(J) A change to other instruments and apparatus with a recording device of subheading 9030.32 from any other good of subheading 9030.32 or from any other subheading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol> <p>(K) A change to any other good of subheading 9030.32 from other instruments and apparatus with a recording device of subheading 9030.32 or from any other subheading, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol> <p>(L) A change to subheadings 9030.33 through 9030.39 from any other heading; or</p> <p>(M) A change to subheadings 9030.33 through 9030.39 from any other subheading outside that group, provided there is a regional value content of not less than:</p> <ol style="list-style-type: none"> <li>1) 35 percent when the build-up method is used, or</li> <li>2) 45 percent when the build-down method is used.</li> </ol> <p>(N) A change to subheadings 9030.40 through 9030.89 from any other heading; or</p>		

**INSTRUMENTS FOR MEASURING ELECTRICAL QUANTITIES, Continued**

HTS No.	Existing rule	Proposed rule	Probable economic effect advice
	(O) A change to subheadings 9030.40 through 9030.89 from any other subheading, including another subheading within that group, provided there is a regional value content of not less than: 1) 35 percent when the build-up method is used, or 2) 45 percent when the build-down method is used.		

**Modification:** In general terms, these changes would allow the assembly of parts of subheading 9030.90 into the finished goods of other subheadings within heading 9030, and would drop the regional value requirement now applicable to parts assembly. The proposed rule change would bring the existing UCFTA rules of origin closer to conformity with the rule developed for CAFTA.

The proposed rule for instruments and apparatus for measuring or detecting ionizing radiations (subheading 9030.10, parts A and B of the existing rule), multimeters without a recording device (subheading 9030.31, parts G and H of the existing rule), other instruments and apparatus for measuring or checking voltage, current, resistance, or power (subheadings 9030.33–9030.39, parts L and M of the existing rule), and other measuring or checking instruments and apparatus (subheadings 9030.40–9030.89, parts N and O of the existing rule) would liberalize the FTA origin standard for these products. The proposed rule eliminates both the heading change requirement and the regional value content requirement accompanying a subheading change within the heading. Accordingly, assembly of instrument parts and accessories (subheading 9030.90) for these products could confer FTA origin without a regional value content requirement.

For oscilloscopes and oscillographs (subheading 9030.20, parts C, D, E, and F of the existing rule) and multimeters with a recording device (subheading 9030.32, parts I, J, and K of the existing rule), the proposed rule would simplify the process of determining origin by eliminating the breakout of certain products and corresponding rules. The current rules allowing within-subheading processing to confer FTA origin were the result of revisions to the original FTA rules. They were proclaimed earlier this year with the goal of allowing all previously possible tariff shifts, however abstract and without consideration of economic feasibility. Thus, it appears that the proposed rule would simplify the rule of origin for subheadings 9030.20 and 9030.32, with recognition of the fact that finished goods would rarely be turned into other finished goods of the same subheading. In addition, the proposed rule would liberalize origin criteria for products covered under these subheadings by eliminating the requirement for a heading change and the regional value content requirement for a change between subheadings within the same heading (9030).

*Probable Economic Effect:*

The proposed rule change would likely have no effect on U.S imports for the following goods because their U.S. NTR duty rate is free: oscilloscopes and oscillographs specially designed for telecommunications (subheading 9030.20.05), other instruments and apparatus specially designed for telecommunications (subheading 9030.40), and instruments used for measuring and checking semiconductor wafers or devices (subheading 9030.82). For the remaining products, the U.S. NTR duty rate is relatively low at 1.6 to 1.7 percent ad valorem, while the UCFTA rate is free. Of these remaining products, Chile accounted for a range of 0.001 percent (\$7,349) to 0.05 percent (\$40,045) of total U.S. imports during the 2003–07 period. Even if Chilean exports to the United States were to double as a result of this rule change, it would likely result in a negligible increase which could be diverted from other suppliers if Chile were to become the low-cost producer. Many large global producers have shifted production to relatively low-cost producing countries such as China and Malaysia. Although neither country benefits from special tariff treatment in the U.S. market, China and Malaysia were the dominant U.S. import suppliers for these products in 2007 and continued to be in the first quarter of 2008. Given the relatively low U.S. NTR duty rates for this product group, the small amount of imports from Chile, and the growth in imports from relatively low-cost producing countries that do not benefit from preferential tariff treatment, it is likely that the proposed rule would have a

## **INSTRUMENTS FOR MEASURING ELECTRICAL QUANTITIES, *Continued***

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negligible effect on total U.S. imports. If these products were diverted to Chile for assembly, the increase could be offset by reduced imports from other countries.

The proposed rule would likely have a negligible effect on U.S. exports and production. Chile's NTR duty rate is 6 percent ad valorem and the UCFTA rate for this product group is free. Because the proposed rule would eliminate the heading change and regional value content requirements, U.S. producers of these instruments could reduce their costs by using lower-cost parts from other countries, fostering an increase in U.S. exports and production. The United States has been Chile's dominant import source for this product category, accounting for an import share of 40 percent in 2007; this share has been fairly constant for the four-year period that the UCFTA has been in effect. Chile accounted for 0.2 percent (approximately \$7.9 million) of total U.S. exports (\$4.5 billion) in 2007. Even if U.S. exports to Chile were to double due to this rule change, the effect would likely result in a negligible increase in U.S. exports and production. Chile has also sourced this product group from other countries, including Germany (8 percent in 2007), China (8 percent), and France (5 percent). Although these countries represent a small import share, the Chilean government has negotiated a number of FTAs, including pacts with the EU and China. Under the Chile-China FTA, tariff rates for originating goods in this product group were immediately reduced to free. Consequently, the proposed rule change could allow U.S. exports to Chile to maintain their market share in an increasingly competitive Chilean market.

Although this proposed rule of origin modification would not directly pertain to parts and accessories (subheading 9030.90), U.S. manufacturers of these parts may be adversely affected by the rule change in light of the liberalization of subheadings 9030.10 through 9030.89, which would permit the use of more nonoriginating parts for each subheading without the effective limit imposed by the existing regional value content test. However, the impact of this liberalization would likely be negligible on U.S. imports and production of parts as U.S. exports of finished instruments to Chile account for less than 0.5 percent of total U.S. exports.

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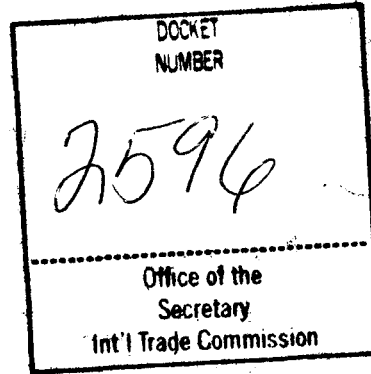
**APPENDIX A**  
**REQUEST LETTER FROM THE USTR**  
**(with attached proposed ROO modifications)**





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

The Honorable Daniel R. Pearson  
Chairman  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436



FEB 08 2008

RECEIVED  
OFFICE OF THE SECRETARY  
OF THE U.S. TRADE REPRESENTATIVE  
2008 FEB 11 AM 10:50

Dear Chairman Pearson:

Chapter Four and Annex 4.1 of the United States-Chile Free Trade Agreement (USCFTA) set out rules of origin for applying the tariff provisions of the USCFTA. Our negotiators recently reached agreement in principle with representatives of the government of Chile on the proposed modifications to Annex 4.1 contained in the attached document.

Section 202(o) of the U.S.-Chile Free Trade Agreement Implementation Act ("the Act") authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim modifications to the USCFTA rules of origin. One of the requirements set out in section 103 is that the President obtain advice from the United States International Trade Commission ("the Commission") regarding the proposed action.

Under authority delegated by the President, and pursuant to section 103 of the Act, I request that the Commission provide advice on the probable economic effect of the modifications reflected in the enclosed proposals on U.S. trade under the USCFTA and on domestic industries. Please note that Annex I to Presidential Proclamation 8214 of December 27, 2007, modified some of the rules of origin in the USCFTA to reflect changes to the Harmonized System. These rules took effect on February 1, 2008. Where applicable, the attached document includes both the original rules of origin in the USCFTA, as well as the revised rules that took effect as of February 1.

I request that the Commission provide this advice at the earliest possible date, but not later than October 31, 2008. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,

Susan C. Schwab

Enclosure

**U.S.-Chile Free Trade Agreement**

**Proposals to Modify the Rules of Origin**

**Chapter 7: Edible Vegetables and Certain Roots and Tubers**

**Current Rule**

07.01 – 07.14: A change to heading 07.01 through 07.14 from any other chapter.

**Proposed Rule**

0701.10 - 0712.39 A change to subheading 0701.10 through 0712.39 from any other chapter.

0712.90 A change to marjoram, savory or cilantro, crushed or ground, of subheading 0712.90 from marjoram, savory or cilantro, neither crushed nor ground, of subheading 0712.90 or any other chapter; or

A change to any other good of subheading 0712.90 from any other chapter.

07.13 - 07.14 A change to heading 07.13 through 07.14 from any other chapter.

**Chapter 9: Coffee, Tea, Maté and Spices**

**Current Rule**

09.01 A change to heading 09.01 from any other chapter.

**Proposed Rule**

0901.11 – 0901.12 A change to subheading 0901.11 through 0901.12 from any other chapter.

0901.21 A change to subheading 0901.21 from any other subheading.

0901.22 A change to subheading 0901.22 from any other subheading, except from subheading 0901.21.

0901.90 A change to subheading 0901.90 from any other chapter.

**Current Rule**

09.03 – 09.10 A change to heading 09.03 through 09.10 from any other chapter.

**Proposed Rule**

- 09.03 A change to heading 09.03 from any other chapter.  
*(Formatting only; no change in intent.)*
- 0904.11 – 0910.99 A change to crushed, ground, or powdered spices put up for retail sale of subheading 0904.11 through 0910.99 from spices that are not crushed, ground, or powdered of subheading 0904.11 through 0910.99, or from any other subheading; or
- A change to mixtures of spices or any good of subheading 0904.11 through 0910.99 other than crushed, ground, or powdered spices put up for retail sale from any other subheading.

**Chapter 12: Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder**

**Current Rule**

- 12.01 – 12.14 A change to heading 12.01 through 12.14 from any other chapter.

**Proposed Rule**

- 12.01 0 12.07 A change to heading 12.01 through 12.07 from any other chapter.
- 1208.10 - 1209.30 A change to subheading 1208.10 through 1209.30 from any other chapter.
- 1209.91 A change to celery seeds, crushed or ground, of subheading 1209.91 from celery seeds, neither crushed nor ground, of subheading 1209.91 or any other chapter; or
- A change to any other good of subheading 1209.91 from any other chapter.
- 1209.91 - 1211.40 A change to subheading 1209.91 through 1211.40 from any other chapter.
- 1211.90 A change to basil, rosemary or sage, crushed or ground, of subheading 1211.90 from basil, rosemary or sage, neither crushed nor ground, of subheading 1211.90 or any other chapter; or
- A change to any other good of subheading 1211.90 from any other chapter.
- 12.12 – 12.14 A change to heading 12.12 through 12.14 from any other chapter.

## **Chapter 18: Cocoa and Cocoa Preparations**

### **Current Rule**

18.01-18.05            A change to heading 18.01 through 18.05 from any other chapter.

### **Proposed Rule**

18.01 – 18.02            A change to heading 18.01 through 18.02 from any other chapter.

18.03 – 18.05            A change to heading 18.03 through 18.05 from any other heading.

### **Current Rule**

1806.31                A change to subheading 1806.31 from any other subheading.

1806.32                A change to subheading 1806.32 from any other heading.

1806.90                A change to subheading 1806.90 from any other subheading.

### **Proposed Rule**

1806.31 – 1806.90      A change to subheading 1806.31 through 1806.90 from any other subheading, including another subheading within that group.

## **Chapter 21: Miscellaneous Edible Preparations**

### **Current Rule**

2103.30 – 2103.90      A change to subheading 2103.30 through 2103.90 from any other chapter.

### **Proposed Rule**

2103.30                A change to subheading 2103.30 from any other chapter.

2103.90                A change to subheading 2103.90 from any other subheading.

## **SECTION VI: PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES**

### **Current Chapter Note**

1.        Chemical reaction origin rule

Any good of Chapters 28 through 38, except a good of heading 3823, that is the product of a chemical reaction shall be considered to be an originating good if the chemical reaction occurred in the territory of one or both of the Parties. Notwithstanding any of the line-by-line rules, the “chemical reaction” rule may be applied to any good classified in the above chapters.

Note: For purposes of this section, a “chemical reaction” is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.

The following are not considered to be chemical reactions for the purposes of this definition: (a) dissolving in water or other solvents; (b) the elimination of solvents including solvent water; or(c) the addition or elimination of water of crystallization.

## 2. Separation prohibition

A non-originating material or component will not be deemed to have satisfied all applicable requirements of these rules by reason of a change from one classification to another merely as the result of the separation of one or more individual materials or components from a man-made mixture unless the isolated material or component, itself, also underwent a chemical reaction.

### **Proposed Chapter Notes**

Notes to Section VI:

Note 1

Rules 1 through 7 of this Section confer origin to a good of any heading or subheading in this Section, except as otherwise specified in those rules.

Note 2

Notwithstanding Note 1, a good is an originating good if it meets the applicable change in tariff classification or satisfies the applicable value content requirement specified in the rules of origin in this Section.

#### Rule 1: Chemical Reaction

A good of Chapters 28 through 38, except goods of heading 38.23, that results from a chemical reaction in the territory of one or more of the Parties shall be treated as an originating good.

Note: For purposes of this section, a “chemical reaction” is a process (including a biochemical process) that results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.

The following are not considered to be chemical reactions for the purposes of determining whether a good is originating:

(a) dissolution in water or in another solvent; (b) the elimination of solvents, including solvent water; or (c) the addition or elimination of water of crystallization.

## Rule 2: Purification

A good of Chapters 28 through 38, that is subject to purification shall be treated as an originating good provided that the purification occurs in the territory of one or more of the Parties and results in the following:

- (a) the elimination of 80 percent of the impurities; or
- (b) the reduction or elimination of impurities resulting in a good suitable:
  - (i) as a pharmaceutical, medicinal, cosmetic, veterinary, or food grade substance;
  - (ii) as a chemical product or reagent for analytical, diagnostic, or laboratory uses;
  - (iii) as an element or component for use in micro-elements;
  - (iv) for specialized optical uses;
  - (v) for non-toxic uses for health and safety;
  - (vi) for biotechnical use;
  - (vii) as a carrier used in a separation process; or
  - (viii) for nuclear grade uses.

## Rule 3: Mixtures and Blends

A good of Chapters 30, 31, or 33 through 38, except for heading 38.08, shall be treated as an originating good if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics that are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the Parties.

## Rule 4: Change in Particle Size

A good of Chapter 30, 31, or 33, shall be treated as an originating good if the deliberate and controlled modification in particle size of the good, including micronizing by dissolving a polymer and subsequent precipitation, other than by merely crushing or pressing, resulting in a good having a defined particle size, defined particle size distribution, or defined surface area, which is relevant to the purposes of the resulting good and have different physical or chemical characteristics from the input materials, occurs in the territory of one or more of the Parties.

## Rule 5: Standards Materials

A good of Chapters 28 through 38, shall be treated as an originating good if the production of standards materials occurs in the territory of one or more of the Parties.

For the purposes of this rule “standards materials” (including standard solutions) are preparations suitable for analytical, calibrating, or referencing uses, having precise degrees of purity or proportions that are certified by the manufacturer.

Rule 6: Isomer Separation

A good of Chapters 28 through 38, shall be treated as an originating good if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties.

Rule 7: Separation Prohibition

A good that undergoes a change from one classification to another in the territory of one or more of the Parties as a result of the separation of one or more materials from a man-made mixture shall not be treated as an originating good unless the isolated material underwent a chemical reaction in the territory of one or more of the Parties.

**Chapter 40: Rubber and Articles Thereof**

**Current Rule**

40.05 A change to heading 4005 from any other heading, except from heading 4001 or 4002.

40.06 – 40.17 A change to heading 40.06 through 40.17 from any other heading, including another heading within that group.

**Proposed Rule**

40.05 – 40.17 A change to heading 40.05 through 40.17 from any other heading, including another heading within that group.

**Chapter 71: Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals, Metals Clad with Precious Metal and Articles Thereof, Imitation Jewellery; Coin**

**Current Rule**

71.01 A change to heading 71.01 from any other heading, except from heading 03.07.

**Proposed Rule**

71.01 A change to heading 71.01 from any other heading.

**Chapter 84: Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof**

**Current Rule**

8415.10 - 8415.83 A change to subheading 8415.10 through 8415.83 from any other subheading including another subheading within that group, except a change within that group resulting from a simple assembly.

**Proposed Rule**

8415.10 – 8415.83                      A change to subheading 8415.10 through 8415.83 from any other subheading, including another subheading within that group.

**Current Rule**

8419.11 – 8419.89                      A change to subheading 8419.11 through 8419.89 from any other heading, or

A change to subheading 8419.11 through 8419.89 from subheading 8419.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

**Proposed Rule**

8419.11                                      A change to subheading 8419.11 from any other subheading.

8419.19                                      A change to subheading 8419.19 from any other heading; or

A change to subheading 8419.19 from any other subheading, provided that there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

8419.20 – 8419.89                      A change to subheading 8419.20 through 8419.89 from any other subheading, including another subheading within that group.

**Current Rule**

8420.10                                      A change to subheading 8420.10 from any other heading, or

A change to subheading 8420.10 from subheading 8420.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

**Proposed Rule**

8420.10                                      A change to subheading 8420.10 from any other subheading.



**Current Rule**

- 8421.11 – 8421.39 A change to subheading 8421.11 through 8421.39 from any other heading, or
- A change to subheading 8421.11 through 8421.39 from subheading 8421.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 35 percent when the build-up method is used, or
  - (b) 45 percent when the build-down method is used.

**Proposed Rule**

- 8421.11 – 8421.39 A change to subheading 8421.11 through 8421.39 from any other subheading.

**Current Rule (Note: Text in blue highlight indicates a rule that *will be changed* as a result of the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin as it will be changed as a result of the 2007 changes to the Harmonized System.)**

- 8424.10-8424.89 A change to subheading 8424.10 through 8424.89 from any other subheading, including another subheading within that group.
- 8424.90 A change to subheading 8424.90 from any other heading, except from subheading 8414.40 or 8414.80.

8425.11 - 8429.59 A change to subheadings 8425.11 through 8429.59 from any other subheading, including another subheading within that group.

8425.11 – 8425.19: A change to subheadings 8425.11 through 8425.19 from any other subheading, including another subheading within that group.

8425.31: A change to pit-head winding gear or winches specially designed for use underground of subheading 8425.31 from any other good of subheading 8425.31 or from any other subheading, except from pit-head winding gear or winches specially designed for use underground of subheading 8425.39; or

A change to any other good of subheading 8425.31 from pit-head winding gear or winches specially designed for use underground of subheading 8425.31 or from any other subheading.

8425.39: A change to pit-head winding gear or winches specially designed for use underground of subheading 8425.39 from any other good of subheading 8425.39 or from any other subheading, except from pit-head winding

	gear or winches specially designed for use underground of subheading 8425.31; or
	A change to any other good of subheading 8425.39 from pit-head winding gear or winches specially designed for use underground of subheading 8425.39 or from any other subheading.
8425.41 – 8428.60:	A change to subheadings 8425.11 through 8428.60 from any other subheading, including another subheading within that group.
8428.90:	A change to mine wagon pushers, locomotive or wagon traversers, wagon tippers and similar railway wagon handling equipment from any other good of subheading 8428.90 or from any other subheading; or
	A change to any other good of subheading 8428.90 or from mine wagon pushers, locomotive or wagon traversers, wagon tippers and similar railway wagon handling equipment of subheading 8428.90 or from any other subheading.
8429.11 – 8429.59:	A change to subheadings 8429.11 through 8429.59 from any other subheading, including another subheading within that group.
8430.10 – 8430.61	A change to subheadings 8430.10 through 8430.61 from any other subheading, including another subheading within that group.
8430.69	A change to “scrapers” of subheading 8430.69 from any other good of subheading 8430.69 or from any other subheading.
	A change to any other good of subheading 8430.69 from “scrapers” of subheading 8430.69 or from any other subheading.

**Proposed Rule**

8424.10 – 8430.69                      A change to subheading 8424.10 through 8430.69 from any other subheading, including another subheading within that group.

**Current Rule**

8434.10-8434.20                      A change to subheading 8434.10 through 8434.20 from any other subheading, including another subheading within that group.

8434.90                                      A change to subheading 8434.90 from any other heading.

8435.10                                      A change to subheading 8435.10 from any other subheading.

8435.90                                      A change to subheading 8435.90 from any other heading.

**Proposed Rule**

8434.10 – 8435.90 A change to subheading 8434.10 through 8435.90 from any other subheading, including another subheading within that group.

**Current Rule**

8439.91-8439.99 A change to subheading 8439.91 through 8439.99 from any other heading.

8440.10 A change to subheading 8440.10 from any other subheading.

8440.90 A change to subheading 8440.90 from any other heading.

**Proposed Rule**

8439.10 – 8440.90 A change to subheading 8439.10 through 8440.90 from any other subheading, including another subheading within that group.

**Current Rule**

8450.11-8450.20 A change to subheading 8450.11 through 8450.20 from any other heading; or

A change to subheading 8450.11 through 8450.20 from subheading 8450.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

**Proposed Rule**

8450.11 – 8450.20 A change to subheading 8450.11 through 8450.20 from any other subheading, including another subheading within that group.

**Current Rule**

8451.10-8451.80 A change to subheading 8451.10 through 8451.80 from any other heading; or

A change to subheading 8451.10 through 8451.80 from subheading 8451.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

**Proposed Rule**

8451.10 – 8451.80 A change to subheading 8451.10 through 8451.80 from any other subheading, including another subheading within that group.

**Current Rule**

8455.10-8455.30 A change to subheading 8455.10 through 8455.30 from any other subheading, including another subheading within that group.

8455.90 A change to subheading 8455.90 from any other heading, except from heading 85.01 when resulting from a simple assembly.

**Proposed Rule**

8455.10 – 8455.90 A change to subheading 8455.10 through 8455.90 from any other subheading, including another subheading within that group.

**Current Rule (Note: Text in blue highlight indicates a rule that *will be changed* as a result of the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin as it will be changed as a result of the 2007 changes to the Harmonized System.)**

8469.11 A change to subheading 8469.11 from any other subheading, except from subheading 8469.12.

8469.12 A change to subheading 8469.12 from any other subheading, except from subheading 8469.11.

8469.20 A change to subheading 8469.20 from any other subheading, except from subheading 8469.30.

8469.30 A change to subheading 8469.30 from any other subheading, except from subheading 8469.20.

84.69: A change to word-processing machines or automatic typewriters of heading 84.69 from any other good of heading 84.69 or from any other heading; or

A change to any other good of heading 84.69 from word-processing machines or automatic typewriters of heading 84.69 or from any other heading.

**Proposed Rule**

84.69 A change to heading 84.69 from any other heading

**Current Rule**

84.73 A change to heading 84.73 from any other heading.

**Proposed Rule**

8473.10 – 8473.50 A change to subheading 8473.10 through 8473.50 from any other subheading, including another subheading within that group; or

No change in tariff classification is required, provided that there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

**Chapter 85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles**

**Current Rule**

8539.10-8539.21 A change to subheading 8539.10 through 8539.21 from any other subheading, including another subheading within that group.

8539.22 A change to subheading 8539.22 from any other heading, or

A change to subheading 8539.22 from any other subheading, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

8539.29 A change to subheading 8539.29 from any other heading; or

A change to subheading 8539.29 from subheading 8539.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

8539.31 A change to subheading 8539.31 from any other subheading.

8539.32 – 8539.39 A change to subheading 8539.32 through 8539.39 from any other subheading outside that group.

8539.41 – 8539.49 A change to subheading 8539.41 through 8539.49 from any other subheading outside that group.

**Proposed Rule**

8539.10 – 8539.49                      A change to subheading 8539.10 through 8539.49 from any other subheading, including another subheading within that group.

**Chapter 90: Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus; Parts and Accessories Thereof**

**Current Rule (Note: Text in blue highlight indicates a rule that *will be changed* as a result of the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin as it will be changed as a result of the 2007 changes to the Harmonized System.)**

9030.10 - 9030.89                      A change to subheadings 9030.10 through 9030.89 from any other heading; or

A change to subheadings 9030.10 through 9030.89 from any other subheading, including another subheading within that group, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

9030.10:                                      A change to subheading 9030.10 from any other heading; or

A change to subheading 9030.10 from any other subheading, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

9030.20:                                      A change to subheading 9030.20 from any other heading; or

A change to other instruments and apparatus with a recording device of subheading 9030.20 from any other good of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

A change to parts and accessories of oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking electrical quantities of subheading 9030.20 from any other good of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:

- (a)     35 percent when the build-up method is used, or
- (b)     45 percent when the build-down method is used.

	A change to any other good of subheading 9030.20 from other instruments and apparatus with a recording device of subheading 9030.20 or from parts and accessories of oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking electrical quantities of subheading 9030.20 or from any other subheading, provided there is a regional value content of not less than:
	(a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.
9030.31:	A change to subheading 9030.31 from any other heading; or
	A change to subheading 9030.31 from any other subheading, provided there is a regional value content of not less than:
	(a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.
9030.32:	A change to subheading 9030.32 from any other heading; or
	A change to other instruments and apparatus with a recording device of subheading 9030.32 from any other good of subheading 9030.32 or from any other subheading, provided there is a regional value content of not less than:
	(a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.
	A change to any other good of subheading 9030.32 from other instruments and apparatus with a recording device of subheading 9030.32 or from any other subheading, provided there is a regional value content of not less than:
	(a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.
9030.33-9030.39:	A change to subheading 9030.33 through 9030.39 from any other heading; or
	A change to subheading 9030.33 through 9030.39 from any other subheading outside that group, provided there is a regional value content of not less than:
	(a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.
9030.40-9030.89:	A change to subheading 9030.40 through 9030.89 from any other heading; or

A change to subheading 9030.40 through 9030.89 from any other subheading, including another subheading within that group, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

**Proposed Rule**

9030.10 – 9030.89

A change to subheading 9030.10 through 9030.89 from any other subheading, including another subheading within that group.



**APPENDIX B**  
***FEDERAL REGISTER* NOTICE**

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Commission, without further notice to the respondent, to find the facts to be as alleged in the complaint and this notice and to enter an initial determination and a final determination containing such findings, and may result in the issuance of an exclusion order or cease and desist orders or both directed against the respondent.

Issued: March 10, 2008.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E8-5067 Filed 3-13-08; 8:45 am]

BILLING CODE 7020-02-P

## INTERNATIONAL TRADE COMMISSION

[Investigation No. Chile FTA-103-019]

### Probable Economic Effect of Certain Modifications to the United States-Chile Free Trade Agreement Rules of Origin

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of investigation and request for written submissions.

**SUMMARY:** Following receipt of a request on February 11, 2008, from the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the United States-Chile Free Trade Agreement Implementation Act (19 U.S.C. 3805 note), the Commission instituted investigation No. Chile FTA-103-019, *Probable Economic Effect of Certain Modifications to the United States-Chile Free Trade Agreement Rules of Origin*.

**DATES:** February 11, 2008: Date of receipt of request from the USTR. March 6, 2008: Date of institution of investigation. May 1, 2008: Deadline for written statements. October 31, 2008: Transmittal of report to the USTR.

**ADDRESSES:** All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW., Washington, DC. All written submissions, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436.

**FOR FURTHER INFORMATION CONTACT:** Information may be obtained from Joanna Bonarriva, Office of Industries (202-205-3312, [joanna.bonarriva@usitc.gov](mailto:joanna.bonarriva@usitc.gov)) or Linda White, Office of Industries (202-205-3427, [linda.white@usitc.gov](mailto:linda.white@usitc.gov)) for information specific to this

investigation; for information on the legal aspects, contact William Gearhart of the Commission's Office of the General Counsel (202-205-3091 or [william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov)). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819 or [margaret.olaughlin@usitc.gov](mailto:margaret.olaughlin@usitc.gov)). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202-205-1810). General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS-ONLINE) at <http://www.usitc.gov/secretary/edis.htm>. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

**SUPPLEMENTARY INFORMATION:** According to the USTR's letter, U.S. negotiators have recently reached agreement in principle with representatives of the government of Chile on the proposed modifications to Annex 4.1 of the United States-Chile Free Trade Agreement (U.S.-Chile FTA) contained in the document attached to the letter. Chapter 4 and Annex 4.1 of the U.S.-Chile FTA set out the rules of origin for applying the tariff provisions of the FTA to trade in goods. Section 202(o) of the United States-Chile Free Trade Agreement Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules as may from time to time be agreed to by both countries. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission.

The USTR has requested that the Commission provide advice on the probable economic effect of the proposed modifications on U.S. trade under the U.S.-Chile FTA and on domestic industries. A complete list of the products and the proposed modifications is available from the Office of the Secretary to the Commission or by accessing the electronic version of this notice at the Commission's Internet site (<http://www.usitc.gov>). The current U.S. rules of origin can be found in General Note 26 of the 2008 Harmonized Tariff Schedule of the United States (see "General Notes" link at [http://hotdocs.usitc.gov/tariff\\_chapters\\_current/toc.html](http://hotdocs.usitc.gov/tariff_chapters_current/toc.html)). As

requested, the Commission will forward its advice to the USTR by October 31, 2008, and will issue a public version of its report (with any confidential business information deleted) as soon as possible thereafter.

**Written Submissions:** In lieu of a public hearing, interested parties are invited to submit written statements concerning the matters to be addressed by the Commission in this investigation. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436. To be assured of consideration by the Commission, written statements should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on May 1, 2008. 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 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, from which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, [http://www.usitc.gov/secretary/fed\\_reg\\_notices/rules/documents/handbook\\_on\\_electronic\\_filing.pdf](http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf)). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or [edis@usitc.gov](mailto:edis@usitc.gov)).

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 this investigation in the report it sends to the USTR and the President. However, the Commission will not publish such confidential business information in the public version of its report in a manner that would reveal the operations of the firm supplying the information.

Issued: March 10, 2008.

By order of the Commission.

**Marilyn R. Abbott,**

Secretary to the Commission.

[FR Doc. E8-5072 Filed 3-13-08; 8:45 am]

BILLING CODE 7020-02-P

## DEPARTMENT OF JUSTICE

### Notice of Lodging of Consent Decree Under the Oil Pollution Act

Notice is hereby given that on March 7, 2008, a proposed Consent Decree in *United States et al. v. Kure Shipping S.A., et al.*, Civil Action No. C-08-1328 JL, was lodged with the United States District Court for the Northern District of California.

The Consent Decree settles claims for natural resource damages under the Oil Pollution Act, 33 U.S.C. 2701 *et seq.*, and certain state law claims that arose in connection with a 1997 spill of fuel oil from the *M/V Kure* in the vicinity of Humboldt Bay, near Eureka, California. Under the Consent Decree the defendants will: (1) Pay \$2,462,067 jointly to the state and federal natural resource trustees for natural resource damages; (2) pay \$1,093,092 to cover assessment and response costs incurred by the U.S. Department of the Interior and the California Department of Fish and Game; (3) pay \$100,000 to resolve certain state law claims; and (4) purchase a conservation easement to protect approximately 300 acres of redwood forest in perpetuity as habitat for the marbled murrelet.

The Department of Justice will receive for a period of thirty (30) days from the date of this publication comments relating to the Consent Decree. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources Division, and either e-mailed to [pubcomment-ees.enrd@usdoj.gov](mailto:pubcomment-ees.enrd@usdoj.gov) or mailed to P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611, and should refer to *United States et al. v. Kure Shipping S.A., et al.*, D.J. Ref. 90-5-1-1-4529.

During the public comment period, the proposed Consent Decree may also be examined on the following Department of Justice Web site: [http://www.usdoj.gov/enrd/Consent\\_Decrees.html](http://www.usdoj.gov/enrd/Consent_Decrees.html).

[www.usdoj.gov/enrd/Consent\\_Decrees.html](http://www.usdoj.gov/enrd/Consent_Decrees.html). A copy of the Consent Decree may also be obtained by mail from the Consent Decree Library, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611 or by faxing or e-mailing a request to Tonia Fleetwood ([tonia.fleetwood@usdoj.gov](mailto:tonia.fleetwood@usdoj.gov)), fax no. (202) 514-0097, phone confirmation number (202) 514-1547. In requesting a copy from the Consent Decree Library, please enclose a check in the amount of \$19.75 (25 cents per page reproduction cost) payable to the U.S. Treasury.

**Henry S. Friedman,**

Environmental Enforcement Section,  
Environment and Natural Resources Division.

[FR Doc. E8-5095 Filed 3-13-08; 8:45 am]

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## DEPARTMENT OF JUSTICE

### Bureau of Alcohol, Tobacco, Firearms, and Explosives

[OMB Number 1140-0058]

#### Agency Information Collection Activities: Proposed Collection; Comments Requested

**ACTION:** 30-Day Notice of Information Collection Under Review: Investigator Integrity Questionnaire.

The Department of Justice (DOJ), Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) will be submitting the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. This proposed information collection was previously published in the **Federal Register** Volume 73, Number 6, page 1646-1647 on January 9, 2008, allowing for a 60 day comment period.

The purpose of this notice is to allow for an additional 30 days for public comment until April 14, 2008. This process is conducted in accordance with 5 CFR 1320.10.

Written comments and/or suggestions regarding the items contained in this notice, especially the estimated public burden and associated response time, should be directed to The Office of Management and Budget, Office of Information and Regulatory Affairs, Attention Department of Justice Desk Officer, Washington, DC 20503. Additionally, comments may be submitted to OMB via facsimile to (202) 395-5806.

Written comments and suggestions from the public and affected agencies concerning the proposed collection of information are encouraged. Your comments should address one or more of the following four points:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agencies estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

#### Overview of This Information Collection

(1) *Type of Information Collection:* Extension of a currently approved collection.

(2) *Title of the Form/Collection:* Investigator Integrity Questionnaire.

(3) Agency form number, if any, and the applicable component of the Department of Justice sponsoring the collection: Form Number: ATF F 8620.7. Bureau of Alcohol, Tobacco, Firearms and Explosives.

(4) Affected public who will be asked or required to respond, as well as a brief abstract: *Primary:* Individuals or households. *Other:* None. *Abstract:* ATF utilizes the services of contract investigators to conduct security/suitability investigations on prospective or current employees, as well as those contractors and consultants doing business with ATF. Persons interviewed by contract investigators will be randomly selected to voluntarily complete a questionnaire regarding the investigator's degree of professionalism.

(5) An estimate of the total number of respondents and the amount of time estimated for an average respondent to respond: There will be an estimated 2,500 respondents, who will complete the form within approximately 5 minutes.

(6) An estimate of the total burden (in hours) associated with the collection: There are an estimated 250 total burden hours associated with this collection.

**APPENDIX C**  
**ORGANIZATIONS CONTACTED**

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# Organizations Contacted

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The Commission solicited comments on the proposed rule modifications by issuing a public notice which was published in the *Federal Register* (see appendix B). The organizations listed below were contacted directly for industry information and views on the proposed rule modifications.

ACF Environmental  
AeA (formerly the American Electronics Association)  
Agilent Technologies  
Air-Conditioning, Heating and Refrigeration Institute  
American Forest and Paper Association  
American Textile Machinery Association  
Association of Equipment Manufacturers  
Chocolate Manufacturers Association  
Fanwood Chemical, Inc.  
McCormick & Company, Inc.  
National Coffee Association of U.S.A., Inc.  
National Confectioners Association  
National Electrical Manufacturers Association (NEMA)  
National Milk Producers Federation  
Panasonic Corp.  
Philips  
Progressive Methods  
Siemens Water Technologies  
Sony  
Sylvania  
The National Association of Manufacturers  
The Clorox Sales Company  
The Hershey Company  
Whirlpool Corp.





**APPENDIX D**  
**SUMMARIES OF VIEWS OF**  
**INTERESTED PARTIES**

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# Summaries of Views of Interested Parties

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## Agilent Technologies<sup>1</sup>

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In a written submission, Agilent Technologies, Inc. said that it supports the proposed rule for HTS subheadings 9030.10–9030.89 (instruments for measuring electrical quantities); specifically, it favors elimination of the regional value content requirements. Agilent stated that value-based origin determinations are generally “less desirable” than other methods, and that the calculation requirements associated with determining regional value content add to the complexity and administrative burden of complying with the spirit of the UCFTA. For these reasons, Agilent said that it supports the elimination of regional value content as an origin criteria from this and any future free trade agreements.

## Clorox Sales Company<sup>2</sup>

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The Clorox Sales Company is a manufacturer of home cleaning and other household packaged products, employing over 7,500 people worldwide with production facilities throughout the United States and in over 30 other countries. The company’s Hidden Valley Manufacturing Division produces salad dressings and other condiments.

Clorox expressed support for the shift for subheading HTS 2103.90, noting that it would provide manufacturers of mixed seasonings and condiments duty-free treatment under the UCFTA by allowing the use of nonoriginating ingredients. Clorox said that it expects this rule change will help it expand sales and exports to Chile by achieving duty savings and thereby becoming more competitive in the Chilean market.

Clorox noted also that it produces a wide variety of home cleaning products and said that it has expressed its support for the proposed chemical note change (to HTS chapters 28–38) under the UCFTA. The company stated that the proposed change “represents a step toward harmonizing of the rules of origin for chemical products with other recently negotiated and implemented U.S. FTAs.” The company further stated that it expects the note change, in combination with the modification to the rule of origin for subheadings 2103.30–2103.90 (for miscellaneous edible preparations: sauces and preparations), to provide duty savings that will help the company increase its sales and exports to Chile by allowing it to price its exports competitively.

## McCormick & Company, Inc.<sup>3</sup>

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In a written submission, McCormick & Company, Inc. (McCormick) said that it is a U.S.-based, multinational manufacturer and marketer of spices, herbs, seasonings, and other

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<sup>1</sup> Stephen R. Handy, Americas custom manager, Agilent Technologies, Inc., written submission to the Commission, June 9, 2008.

<sup>2</sup> Zoran Franicevich, manager, Global Trade Programs, Clorox Sales Company, written submission to the Commission, April 25, 2008.

<sup>3</sup> Kevin Sullivan, of counsel, Baker & McKenzie LLP, on behalf of McCormick & Company, Inc., written submission to the Commission, April 30, 2008.

flavors, with approximately 7,500 employees worldwide. McCormick indicates that it markets these products to a variety of customers, including food manufacturers, food service providers, and retail distributors.

McCormick stated that it generally supports the proposed changes to the UCFTA rules of origin for spices, herbs, seasonings, and other flavors. However, McCormick said that the proposed rule change for crushed, ground, or powdered spices classified in HTS subheadings 0904.11 through 0910.99 should be further liberalized by eliminating the requirement that such spices be put up for retail sale. McCormick indicated that the current proposed rule would be burdensome. Additionally, McCormick said that the portion of the rule that covers mixtures of spices, other than crushed, ground, or powdered, classified in HTS subheadings 0904.11 through 0910.99 should also be further liberalized by eliminating the requirement that such mixtures be put up for retail sale and the requirement that such mixtures not be crushed, ground, or powdered. According to McCormick, that portion of the current proposal is unduly restrictive. McCormick asserted that these changes would bring the rules into greater conformity with current and proposed NAFTA rules of origin.

## **National Milk Producers Federation<sup>4</sup>**

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In a written submission, the National Milk Producers Federation (NMPF) said that it is a national organization that represents U.S. dairy farmers and their associated dairy marketing cooperatives. NMPF said that its members produce dairy products that are used in the manufacture of cocoa preparations subject to the proposed rule changes.

NMPF asserted that the proposed changes to the UCFTA rules of origin for cocoa preparations would be potentially harmful to the U.S. dairy industry. Specifically, the NMPF said that the proposed rule change for HTS subheading 1806.32 will permit duty-free access to the United States for additional dairy components from third countries that currently are subject to tariff-rate quotas, resulting in reduced prices received by U.S. dairy farmers.

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<sup>4</sup> Peter Vitaliano, vice president, Economic Policy and Market Research, National Milk Producers Federation, written submission to the Commission, May 1, 2008.

**APPENDIX E**  
**COMPILATION OF APPLICABLE UCFTA**  
**TARIFF RATES AND NTR TARIFF**  
**RATES FOR THE UNITED STATES AND**  
**CHILE**

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**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
Marjoram, savory, and cilantro				
0701.10 – 0712.39	Free (except 0702.00.20, 1.4¢/kg 0702.00.40, 1.1¢/kg 0703.90.00, 11.6% 0704.90.40 (See 9911.95.00 – 9911.95.05) 0706.10.05 (See 9911.95.06 – 9911.95.10) 0707.00.40 (See 9911.77.01 – 9911.77.02) 0707.00.50, 2.8¢/kg 0709.20.90, 7.9% 0709.40.20 (See 9911.95.11 – 9911.95.15) 0709.40.60, 0.9¢/kg 0709.51.01, 4.4¢/kg + 10% 0709.59.90, 4.4¢/kg + 10% 0709.70.00 (See 9911.95.16 – 9911.95.20) 0709.90.35, 3.3¢/kg 0709.90.45 (See 9911.95.21 – 9911.95.25) 0709.90.65, 5.6% 0709.90.91 (See 9911.95.26 – 9911.95.30) 0710.22.40, 4.2% 0710.30.00 – 0710.40.00, 5.2% 0710.80.20, 2.8¢/kg + 4% 0710.80.40, 1.4¢/kg 0710.80.85 (See 9911.95.31 – 9911.95.35) 0710.80.97, 5.5% 0710.90.91, 5.2% 0711.20.38, 2.2¢/kg on drained weight 0711.51.00 – 0711.59.10 (See 9911.95.36 – 9911.95.40) 0712.20.20 (See 9911.95.41 – 9911.95.45)	Free – 2.25%	Free (except 0701.10 – 0701.90, 0.5¢/kg 0702.00.20, 3.9 ¢/kg 0702.00.40, 2.8¢/kg 0702.00.60, 2.8¢/kg 0703.10.20, 0.83¢/kg 0703.10.30, 0.96¢/kg 0703.10.40, 3.1¢/kg 0703.20.00, 0.43¢/kg 0703.90.00, 20% 0704.10.20, 2.5% 0704.10.40, 10% 0704.10.60, 14% 0704.20.00, 12.5% 0704.90.20, 0.54¢/kg 0704.90.40, 20% 0705.11.20, 0.4¢/kg 0705.11.40, 3.7¢/kg 0705.19.20, 0.4¢/kg 0705.19.40, 3.7¢/kg 0705.21.00 – 0705.29.00, 0.15¢/kg 0706.10.05, 14.9% 0706.10.10, 1.4¢/kg 0706.10.20, 0.7¢/kg 0706.90.20, 2.7% 0706.90.30, 1.9% 0706.90.40, 10% 0706.90.40, 10% 0707.00.20, 4.2¢/kg 0707.00.40, 5.6¢/kg 0707.00.50, 5.6¢/kg 0707.00.60, 1.5¢/kg 0708.10.20, 0.5¢/kg 0708.10.40, 2.8¢/kg 0708.20.10, 2.3¢/kg 0708.20.90, 4.9¢/kg 0708.90.05, 1¢/kg 0708.90.15, 0.1¢/kg 0708.90.30, 0.8¢/kg 0708.90.40, 4.9¢/kg 0709.20.10, 5% 0709.20.90, 21.3% 0709.30.40, 1.9¢/kg 0709.40.20, 14.9% 0709.40.40, 0.25¢/kg 0709.40.60, 1.9¢/kg 0709.51.01, 8.8¢/kg + 20% 0709.59.90, 8.8¢/kg + 20% 0709.60.20, 4.4¢/kg 0709.60.40, 4.7¢/kg	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Marjoram, savory, and cilantro—Continued</i>				
0701.10 – 0712.39 cont.	0712.20.40 (See 9911.95.46 – 9911.95.50)		0709.70.00, 20% 0709.90.05, 11.3% 0709.90.10, 5.6% 0709.90.14, 20% 0709.90.20, 1.5¢/kg 0709.90.30, 8% 0709.90.35, 8.8¢/kg 0709.90.45, 21.3% 0709.90.65, 11.3% 0709.90.91, 20% 0710.10.00, 14% 0710.21.20, 1¢/kg 0710.21.40, 2¢/kg 0710.22.10, 2.3¢/kg 0710.22.15, 4.9¢/kg 0710.22.25 – 0710.22.37, 4.9¢/kg 0710.22.40, 11.2% 0710.29.05, 1¢/kg 0710.29.15, 0.1¢/kg 0710.29.30, 0.8¢/kg 0710.29.40, 3.5¢/kg 0710.30.00, 14% 0710.40.00, 14% 0710.80.20, 5.7¢/kg + 8% 0710.80.40, 2.9¢/kg 0710.80.45 – 0710.80.50, 2.1¢/kg 0710.80.60, 8% 0710.80.65, 12.5% 0710.80.70, 11.3% 0710.80.85, 14% 0710.80.93 – 0710.80.97, 14.9% 0710.90.11, 7.9% 0710.90.91, 14% 0711.20.18, 3.7¢/kg on drained weight 0711.20.28 – 0711.20.38, 5.9¢/kg on drained weight 0711.20.40, 8.6¢/kg on drained weight 0711.40.00, 7.7% 0711.51.00 – 0711.59.10, 5.7¢/kg on drained weight + 8% 0711.59.90, 7.7% 0711.90.30, 8% 0711.90.50, 5.1% 0711.90.65, 7.7% 0712.20.20, 29.8% 0712.20.40, 21.3%	



**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Marjoram, savory, and cilantro—Continued</i>				
0701.10 – 0712.39 cont.			0712.31.10, 1.3¢/kg + 1.8% 0712.31.20, 1.9¢/kg + 2.6% 0712.32.00 – 0712.33.00, 8.3% 0712.39.10, 1.3¢/kg + 1.8% 0712.39.20, 1.9¢/kg + 2.6%)	
0712.90	Free (except: 0712.90.40 (See 9911.95.51 – 9911.95.60))	Free	Free (except : 0712.90.10, 1.3% 0712.90.15, 5.5¢/kg 0712.90.20, 2.5¢/kg 0712.90.30, 2.3¢/kg 0712.90.40, 29.8% 0712.90.65, 3.8% 0712.90.70, 1.9% 0712.90.74 – 0712.90.78, 8.7% 0712.90.85, 8.3%)	6
0713 – 0714	Free (except (except: 0714.90.05 (See 9911.95.61 – 9911.95.65) 0714.90.40, 6% 0714.90.42, 5.2%))	Free – 2.25%	Free (except : 0713.10.10, 1.5¢/kg 0713.10.40, 0.4¢/kg 0713.20.10, 1.5¢/kg 0713.20.20, 1.4¢/kg 0713.31.10, 0.8¢/kg 0713.31.40, 0.3¢/kg 0713.32.10, 1.5¢/kg 0713.32.20, 1.2¢/kg 0713.33.10, 1.5¢/kg 0713.33.20, 1¢/kg 0713.33.40 – 0713.39.10, 1.5¢/kg 0713.39.20 – 0713.39.40, 0.8¢/kg 0713.40.10, 1.5¢/kg 0713.40.20, 0.15¢/kg 0713.50.10, 1.5¢/kg 0713.50.20, 1.2¢/kg 0713.90.10, 1.5¢/kg 0713.90.60, 0.8¢/kg 0713.90.80, 1.5¢/kg 0714.10.10, 7.9% 0714.10.20, 11.3% 0714.20.10, 6% 0714.20.20, 4.5% 0714.90.05, 20% 0714.90.10, 2.3% 0714.90.20, 6.4% 0714.90.40, 16% 0714.90.41, 7.9% 0714.90.42, 14% 0714.90.45, 6%)	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<b>Marjoram, savory, and cilantro—Continued</b>				
0713 – 0714 cont.			0714.90.48, 8.3% 0714.90.60, 8.3%)	
<b>Coffee</b>				
0901.11 – 0901.12	Free	Free	Free	6
0901.21	Free	Free	Free	6
0901.22	Free	Free	Free	6
0901.90	Free	Free	Free (except: 0901.90.20, 1.5¢/kg)	6
<b>Spice mixtures</b>				
0903	Free	Free	Free	6
0904.11 – 0910.99	Free	Free	Free (except :0904.20.20, 3¢/kg 0904.20.40, 5¢/kg 0904.20.60, 2.5¢/kg 0904.20.76, 5¢/kg 0908.20.20, 7.4¢/kg 0910.10.40, 1¢/kg 0910.91.00, 1.9% 0910.99.06, 4.8% 0910.99.07, 3.2% 0910.99.40, 3.4% 0910.99.60, 1.9%)	6
<b>Celery seeds, basil, rosemary, and sage</b>				
1201 – 1207	Free (except (except 1202.10.80, 95.5% 1202.20.80, 76.9%)	Free – 2.5%	Free (except : 1202.10.05, 9.35¢/kg 1202.10.40, 9.35¢/kg 1202.10.80, 163.8% 1202.20.05, 6.6¢/kg 1202.20.40, 6.6¢/kg 1202.20.80, 131.8% 1204.00.00, 0.39¢/kg 1205.10.00, 0.58¢/kg 1205.90.00, 0.58¢/kg 1207.20.00, 0.47¢/kg 1207.91.00, 0.06¢/kg)	6
1208.10 – 1209.30	Free	Free – 2.5%	Free (except: 1208.10.00, 1.9% 1208.90.00, 1.4% 1209.21.00, 1.5¢/kg 1209.22.20, 1.6¢/kg 1209.24.00, 1.2¢/kg 1209.25.00, 1.4¢/kg 1209.30.00, 1¢/kg)	6
1209.91	Free	Free	Free (except: 1209.91.10, 5.9¢/kg 1209.91.50, 0.68¢/kg 1209.91.80, 1.5¢/kg )	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Celery seeds, basil, rosemary, and sage—Continued</i>				
1209.99 – <sup>1</sup> 1211.40	Free	Free – 3.5%	Free (except : 1209.99.40, 0.83¢/kg 1210.10.00, 13.2¢/kg 1210.20.00, 13.2¢/kg)	6
1211.90	Free	Free – 3.5%	Free (except: 1211.90.40, 4.8% 1211.90.60, 6.6¢/kg)	6
1212 – 1214	Free	Free – 3.5%	Free (except: 1212.91.00, 39.7¢/t 1212.99.10, \$1.24/t 1212.99.30, 1.5¢/kg 1214.10.00, 1.4%)	6
<i>Cocoa</i>				
1801 – 1802	Free	Free	Free	6
1803 – 1805	Free	Free	Free (except: 1803.20.00, 0.2¢/kg 1805.00.00, 0.52¢/kg)	6
<i>Cocoa preparations</i>				
1806.31 – 1806.90	Free (except: 1806.32.06 (See 9911.04.30, 9911.04.40) 1806.32.08 (See 9911.04.30, 9911.04.41) 1806.32.16 (See 9911.04.30, 9911.04.40) 1806.32.18 (See 9911.04.30, 9911.04.41) 1806.32.70 (See 9911.04.30, 9911.04.44) 1806.32.80 (See 9911.04.30, 9911.04.45) 1806.90.08 (See 9911.04.30, 9911.04.44) 1806.90.10 (See 9911.04.30, 9911.04.45)	Free – 5.5%	Free (except: 1806.31.00, 5.6% (See subheading 9903.02.45) 1806.32.01, 5% 1806.32.04, 5% 1806.32.06, 37.2¢/kg +4.3% 1806.32.08, 52.8¢/kg + 4.3% 1806.32.14, 5% 1806.32.16, 37.2¢/kg + 4.3% 1806.32.18, 52.8¢/kg + 4.3% 1806.32.30, 4.3% 1806.32.55, 7% 1806.32.60, 7% 1806.32.70, 37.2¢/kg + 6% 1806.32.80, 52.8¢/kg 1806.32.80, 52.8¢/kg + 6% 1806.32.90, 6%	6

<sup>1</sup> After consulting with USTR for clarification, part E of the proposed rule was revised for this report so that it reads “. . . from subheading 1209.99 through 1211.40 ” instead of “. . . from subheading 1209.91,” as provided in the request letter on page A-5.

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Cocoa preparations—Continued</i>				
1806.31 – 1806.90	1806.90.18 (See 9911.04.30, 9911.04.44) 1806.90.20 (See 9911.04.30, 9911.04.45) 1806.90.28 (See 9911.04.30, 9911.04.44) 1806.90.30 (See 9911.04.30, 9911.04.45) 1806.90.39 (See 9911.17.05, 9911.17.60) 1806.90.49, (See 9911.17.05, 9911.17.60) 1806.90.59 (See 9911.17.05, 9911.17.60))		1806.90.01, 3.5% 1806.90.05, 3.5% 1806.90.08, 37.2¢/kg + 6% 1806.90.10, 52.8¢/kg + 6% 1806.90.15, 3.5% 1806.90.18, 37.2¢/kg + 6% 1806.90.20, 52.8¢/kg + 6% 1806.90.25, 3.5% 1806.90.28, 37.2¢/kg + 6% 1806.90.30, 52.8¢/kg + 6% 1806.90.35, 3.5% 1806.90.39, 37.2¢/kg + 6% 1806.90.45, 3.5% 1806.90.49, 37.2¢/kg + 6% 1806.90.55, 3.5% 1806.90.59, 37.2¢/kg + 6% 1806.90.90, 6%)	
<i>Miscellaneous edible preparations</i>				
2103.30	Free	Free	Free (except: 2103.30.40, 2.8¢/kg)	6
2103.90	Free	Free – 5.5%	Free (except: 2103.90.40, 3.2%) 2103.90.72, 7.5% 2103.90.74, 7.5% 2103.90.78, 30.5¢/kg + 6.4% 2103.90.80, 6.4% 2103.90.90, 6.4%	6
<i>Chemicals</i>				
No tariff rate applies				
<i>Compound rubber</i>				
4005 – 4017	Free (except: 4011.10.10 (See 9911.40.05 – 9911.40.10) 4011.20.10 (See 9911.40.25 – 9911.40.30)	Free – 3.0%	Free (except: 4006.10.00, 2.9% 4006.90.50, 2.7% 4008.11.50, 3.3% 4008.19.60, 3.3% 4008.19.80, 3.3% 4008.29.20, 2.9% 4008.29.40, 2.9% 4009.11.00, 2.5% 4009.12.00, 2.5% 4009.21.00, 2.5%	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Compound rubber—Continued</i>				
4005 – 4017 cont.			4009.22.00, 2.5% 4009.31.00, 2.5% 4009.32.00, 2.5% 4009.41.00, 2.5% 4009.42.00, 2.5% 4010.11.00, 3.3% 4010.12.10, 4.1% 4010.12.50, 8% 4010.12.55, 6.4% 4010.12.90, 1.9% 4010.19.10, 4.1% 4010.19.50, 8% 4010.19.55, 6.4% 4010.19.80, 1.9% 4010.19.91, 3.3% 4010.31.30, 3.4% 4010.31.60, 2.8% 4010.32.30, 3.4% 4010.32.60, 2.8% 4010.33.30, 3.4% 4010.33.60, 2.8% 4010.34.30, 3.4% 4010.34.60, 2.8% 4010.35.30, 4.1% 4010.35.41, 8% 4010.35.45, 6.4% 4010.35.50, 1.9% 4010.35.90, 3.3% 4010.36.30, 4.1% 4010.36.41, 8% 4010.36.45, 6.4% 4010.36.50, 1.9% 4010.36.90, 3.3% 4010.39.10, 3.4% 4010.39.20, 2.8% 4010.39.30, 4.1% 4010.39.41, 8% 4010.39.45, 6.4% 4010.39.50, 1.9% 4010.39.90, 3.3% 4011.10.10, 4% 4011.10.50, 3.4% 4011.20.10, 4% 4011.20.50, 3.4% 4011.93.40, 4% 4011.93.80, 3.4% 4011.94.40, 4% 4011.94.80, 3.4% 4011.99.45, 4% 4011.99.85, 3.4% 4012.11.40, 4% 4012.11.80, 3.4% 4012.12.40, 4% 4012.12.80, 3.4% 4012.19.40, 4% 4012.19.80, 3.4%	

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Compound rubber—Continued</i>				
4005 – 4017 cont.			4012.90.45, 4.2% 4012.90.90, 2.7% 4013.10.00, 3.7% 4013.90.50, 3.7% 4014.90.50, 4.2% 4015.19.10, 3% 4015.19.50, 14% 4015.90.00, 4% 4016.91.00, 2.7% (See 9902.25.54) 4016.92.00, 4.2% (See 9902.25.51) 4016.93.10, 2.5% 4016.93.50, 2.5% 4016.94.00, 4.2% 4016.95.00, 4.2% 4016.99.03, 3% 4016.99.05, 3.4% 4016.99.10, 3.3% 4016.99.15, 2.7% 4016.99.20, 4.3% 4016.99.55, 2.5% 4016.99.60, 2.5% 4017.00.00, 2.7%)	
<i>Pearls</i>				
7101	Free	Free	Free	6
<i>Air conditioners</i>				
8415.10 – 8415.83	Free	Free – 3.0%	Free (except: 8415.10.60, 1% 8415.10.90, 2.2% 8415.20.00, 1.4% 8415.81.01, 1% 8415.82.01, 2.2% 8415.83.00, 1.4%)	6
<i>Heating machinery</i>				
8419.11	Free	Free	Free	6
8419.19	Free	Free	Free	6
8419.20 – 8419.89	Free	Free	Free (except: 8419.50.10, 4.2% 8419.60.10, 4.2% 8419.89.95, 4.2%)	6
<i>Rolling machines</i>				
8420.10	Free	Free	8420.10.10, 3.5%	6
<i>Filtering machinery</i>				
8421.11 – 8421.39	Free	Free – 3.0%	Free (except: 8421.19.00, 1.3% 8421.23.00, 2.5% 8421.31.00, 2.5%)	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

<b>HTS</b>	<b>U.S. UCFTA rate</b>	<b>Chile UCFTA rate</b>	<b>U.S. NTR rate</b>	<b>Chile NTR rate</b>
<b>Heavy construction equipment</b>				
8424.10 – 8430.69	Free	Free – 3.0%	Free (except: 8424.20.10, 2.9% 8424.81.90, 2.4%)	6
<b>Heavy construction equipment—Continued</b>				
8424.10 – 8430.69			8424.89.00, 1.8% 8424.90.10, 2.9%)	
<b>Diary/beverage machinery and parts</b>				
8434.10 – 8435.90	Free	Free	Free	6
<b>Papermaking machinery</b>				
8439.10 – 8440.90	Free	Free	Free	6
<b>Washing machines</b>				
8450.11 – 8450.20	Free	Free	8450.11.00, 1.4% 8450.12.00, 2.6% 8450.19.00, 1.8% 8450.20.00, 1%	6
<b>Textile machinery</b>				
8451.10 – 8451.80	Free	Free	Free (except : 8451.21.00, 3.4% 8451.29.00, 2.6% 8451.40.00, 3.5% 8451.80.00, 3.5%)	6
<b>Metal-rolling mills, rolls, and parts</b>				
8455.10 – 8455.90	Free	Free	Free	6
<b>Typewriters/word processors</b>				
8469	Free	Free	Free	6
<b>Parts of office automation machinery</b>				
8473.10 – 8473.50	Free	Free	Free (except: 8473.10.40, 2% 8473.10.60, 2% 8473.10.90, 2% 8473.40.85, 1.9%)	6
<b>Lamps</b>				
8539.10 – 8539.49	Free	Free	Free (except: 8539.10.00, 2% 8539.21.40, 2.6% 8539.22.40, 5.8% 8539.22.80, 2.6% 8539.29.10, 5.8% 8539.29.20, 5.2% 8539.29.40, 2.6% 8539.31.00, 2.4% 8539.32.00, 2.4% (See 9902.23.37)	6

**APPENDIX E.1 UCFTA tariff rates and NTR tariff rates for the United States and Chile, 2008**

HTS	U.S. UCFTA rate	Chile UCFTA rate	U.S. NTR rate	Chile NTR rate
<i>Lamps—Continued</i>				
8539.10 – 8539.49 cont.			8539.39.00, 2.4% 8539.41.00, 2.6% 8539.49.00, 2.4%)	
<i>Instruments for measuring electrical quantities</i>				
9030.10 – 9030.89	Free	Free	Free (except: 9030.10.00, 1.6% 9030.20.10, 1.7% 9030.31.00, 1.7% 9030.32.00, 1.7% 9030.33.00, 1.7% 9030.39.01, 1.7% 9030.84.00, 1.7% 9030.89.01, 1.7%)	6