

United States International Trade Commission

# Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review

**CLASSIFIED BY: United States Trade Representative,  
Letter Dated August 9, 2005**

**DECLASSIFIED BY: United States Trade  
Representative, Letter Dated August 9, 2005**

Investigation No. 332-470  
USITC Publication 3819  
November 2005



# U.S. International Trade Commission

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# U.S. International Trade Commission

Washington, DC 20436

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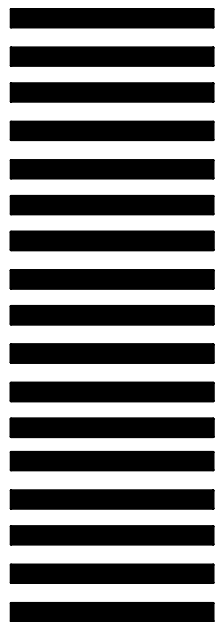
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## INTRODUCTION<sup>1</sup>

On August 9, 2005, the Commission received a request from the United States Trade Representative (USTR) for an investigation under section 332(g) of the Tariff Act of 1930 for the purpose of providing advice concerning possible modifications to the U.S. Generalized System of Preferences (GSP). The USTR request letter is included in appendix A. Following receipt of the request, the Commission instituted investigation No. 332-470 to provide as follows--

- (a.) advice as to the probable economic effect on U.S. industries producing like or directly competitive articles, and on consumers, of the elimination of U.S. import duties for all beneficiary countries under the GSP for HTS subheading 1302.39.0010. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits;
- (b.) advice as to the probable economic effect on U.S. industries producing like or directly competitive articles, and on consumers, of the restoration of duty-free status for India for HTS subheading 2916.39.15; and
- (c.) advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits for the Philippines for HTS subheading 0804.50.80; for Brazil for HTS subheading 4412.19.40; and for Turkey for HTS subheadings 6802.21.10 and 6802.91.20. The competitive need limit is \$115,000,000.

The Commission instituted the investigation on August 15, 2005, and indicated that it would provide its advice no later than November 10, 2005, as requested by the USTR. The Commission's notice of investigation is contained in appendix B.

All interested parties were afforded an opportunity to provide the Commission with written comments and information. In addition, the Commission held a public hearing on the investigation in Washington, DC, on September 29, 2005 (see appendix C for the list of hearing witnesses).

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

## DIGEST STRUCTURE

This report contains 5 digests covering 6 HTS subheadings with each digest containing the following sections:

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

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

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

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

### **FOR “ADDITION/RESTORATION” AND “COMPETITIVE-NEED-LIMIT WAIVER” DIGESTS:**

#### **Level of total U.S. imports:**

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

#### **U.S. industry and employment:**

- Code A: Little or no adverse impact.
- Code B: Significant adverse impact (significant proportion of workers unemployed, declines in output and profit levels, and departure of firms; effects on some segments of the industry may be substantial even though they are not industry wide).
- Code C: Substantial adverse impact (substantial unemployment, widespread idling of productive facilities; substantial declines in profit levels; effects felt by the entire industry).
- Code N: None.

**U.S. consumer:**

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

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

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

**IV. GSP import situation, 2004:** This section provides 2004 U.S. import data, including imports from all countries and certain GSP-eligible country-specific data.

**V. Competitiveness profiles, GSP suppliers:** This section provides background information on GSP-eligible countries for the digest, their ranking as an import source, the price elasticities of supply and demand, and the price and quality of the imports versus U.S. and other foreign products.<sup>2</sup>

**VI. Position of interested parties:** This section provides brief summaries of the petition filed with the USTR, testimony presented at the Commission's hearing, and any written submissions to the Commission from interested parties.

Import and export data are provided at the end of each digest. Import data is provided for each individual HTS item number included in the digests covering multiple subheadings.

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

## DIGEST SUMMARY

| HTS subheading                  | Digest title                                 | Action               | Petitioner(s)  | Col. 1 rate of duty as of 7/1/05 | U.S. production? | Probable effect advice |
|---------------------------------|--|----------------------|--|----------------------------------|------------------|------------------------|
| <u>0804.50.80</u>               | Dried mangoes and other dried tropical fruit | Waiver (Philippines) | Government of the Philippines; Philippines Dried Mangos Industry               | 0.5% <sup>1</sup>                | (2)              | ***                    |
| <u>1302.39.0010</u>             | Carrageenan                                  | Addition             | Government of the Philippines; Seaweed Industry Association of the Philippines | 3.2%                             | Yes              | ***                    |
| <u>2916.39.15</u>               | Ibuprofen                                    | Restoration (India)  | Shasun Chemicals and Drugs, Ltd., India; Shasun USA, Inc., NJ                  | 6.5%                             | Yes              | ***                    |
| <u>4412.19.40</u>               | Softwood plywood                             | Waiver (Brazil)      | Industria de Compansados Guararapos Ltda., Brazil                              | 8.0%                             | Yes              | ***                    |
| <u>6802.21.10</u><br>6802.91.20 | Certain travertine dimension stone           | Waiver (Turkey)      | Istanbul Mineral and Metals Exporters' Assoc., Turkey                          | 4.2%<br>4.2%                     | Yes<br>Yes       | ***<br>***             |

<sup>1</sup> The compound rate of duty for this HTS subheading is 1.5 cents/kg.

<sup>2</sup> There is little or no commercial production of the products covered in this HTS subheading.

## Dried Mangoes and Other Dried Tropical Fruit

Digest No. 0804.50.80

### I. Introduction

X Competitive-need-limit waiver: Philippines

| HTS subheading(s)       | Short description                      | Col. 1 rate of<br>duty (1/1/05)      | Like or directly<br>competitive article<br>produced in the United<br>States on Jan. 1, 1995? |
|-------------------------|--|--------------------------------------|--|
|                         |  | <b><i>Percent ad<br/>valorem</i></b> |  |
| 0804.50.80 <sup>1</sup> | Guavas, mangoes and mangosteens, dried | 0.5 <sup>2</sup>                     | ( <sup>3</sup> )   |

<sup>1</sup> The Philippines has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 0804.50.80, effective July 1, 2005.

<sup>2</sup> The compound rate of duty for this HTS subheading is 1.5 cents/kg.

<sup>3</sup> According to industry officials, there is little or no U.S. commercial production of the types of dried tropical fruits covered by this digest.

Description and uses.—The dried tropical fruits covered in this digest are consumed as a fruit snack or used as an ingredient for bakery goods, desserts, condiments, sauces, drink mixes and beverages, and certain other processed food products, including international-style foods and food preparations. Dried mango is principally consumed as a snack item, either in the form of dried mango slices or as diced fruit pieces.

### II. Probable economic effect advice – Competitive-need-limit waiver: Philippines

\* \* \* \* \*

### III. U.S. market profile

#### Profile of U.S. industry and market, 2000-04

| Item  | 2000             | 2001             | 2002             | 2003             | 2004             |
|---|------------------|------------------|------------------|------------------|------------------|
| Producers ( <i>number</i> ) . . . . .                       | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Employment ( <i>1,000 employees</i> ) . . . . .             | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Shipments ( <i>1,000 dollars</i> ) . . . . .                | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Exports ( <i>1,000 dollars</i> ) . . . . .                  | ( <sup>2</sup> ) | ( <sup>2</sup> ) | ( <sup>2</sup> ) | ( <sup>2</sup> ) | ( <sup>2</sup> ) |
| Imports ( <i>1,000 dollars</i> ) <sup>3</sup> . . . . .     | 5,372            | 5,793            | 10,377           | 15,434           | 21,356           |
| Consumption ( <i>1,000 dollars</i> ) <sup>1</sup> . . . . . | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Import-to-consumption ratio ( <i>percent</i> ) . . . . .    | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Capacity utilization ( <i>percent</i> ) . . . . .           | ( <sup>4</sup> ) | ( <sup>4</sup> ) | ( <sup>4</sup> ) | ( <sup>4</sup> ) | ( <sup>4</sup> ) |

<sup>1</sup> According to industry officials there is little or no U.S. commercial production of the types of dried tropical fruits covered by this digest. Thus, imports roughly approximate U.S. consumption and the import-to-consumption ratio is near 100 percent.

<sup>2</sup> The export data cover an assortment of products, most of which are not included in this digest (HTS 0804.50 covers both dried and fresh mangoes, guavas, and mangosteens). Given the likely negligible U.S. commercial production of these types of dried tropical fruits, exports of these products are assumed to be nonexistent. Therefore, no digest-level export data are presented at the end of this digest.

<sup>3</sup> The import data for HTS subheading 0804.50.80 include dried mangoes, guavas and mangosteens. U.S. import data likely reflect mainly imports of dried mangoes, with imports of dried guavas and mangosteens likely accounting for a small share.

<sup>4</sup> Not applicable.

**Comment.**— Most dried mangoes sold by U.S.-owned businesses are grown and dried by foreign suppliers and shipped to the United States for domestic distribution and sale. According to industry officials, there is little or no U.S. commercial production of the types of dried tropical fruits covered by this digest.<sup>3</sup> In general, most U.S. tropical fruit production is sold for fresh-market use, mainly for local consumption, with negligible amounts processed as juice, frozen pulp, jelly, paste, and other processed products. A small number of local farmers have been reported to grow and sell dried mango locally under an organic or “Hawaii” brand label. However, drying mangoes for commercial sale is usually limited by low overall production and high demand in the fresh market.

All U.S. commercial mango production, located mainly in Florida and Hawaii, totals approximately 6 million pounds annually.<sup>4</sup> Puerto Rico’s mango production is reported to be between 30-40 million pounds annually.<sup>5</sup> Virtually all U.S. mango production is consumed fresh in-country with very little exported fresh. Most of Puerto Rico’s mango production is either exported fresh to the United States and Europe or consumed fresh locally with less than 1 percent undergoing further processing.

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<sup>3</sup> Telephone interviews by Commission staff with university and extension service staff at the University of Florida’s Institute of Food and Agricultural Sciences (UF/IFAS) Tropical Research and Education Center, the University of Hawaii’s College of Tropical Agriculture and Human Resources, and the University of Puerto Rico’s Recinto Universitario de Mayagüez. Other information was obtained from USDA’s National Agriculture Statistics Service (NASS), the California Rare Fruit Growers, Inc., representing U.S. farms producing organic tropical fruits, and U.S. distributors of dried tropical fruit.

<sup>4</sup> USDA, NASS; USDA’s Agricultural Marketing Service; and University of Florida Extension Service. More than 90 percent of all U.S. mango production is in Florida. Mangoes are also grown in California but given the small number of producers, data are not reported to protect confidential business information.

<sup>5</sup> USDA, NASS; and Puerto Rico’s Department of Agriculture.



IV. GSP import situation, 2004

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

| Item                                 | Imports                  | Percent<br>of total<br>imports | Percent<br>of GSP<br>imports | Percent<br>of U.S.<br>consumption |
|--------------------------------------|--------------------------|--------------------------------|------------------------------|-----------------------------------|
|                                      | <i>1,000<br/>dollars</i> |                                |                              |                                   |
| Grand total .....                    | 21,356                   | 100                            | ( <sup>1</sup> )             | 100                               |
| Imports from GSP-eligible countries: |                          |                                |                              |                                   |
| Total .....                          | 16,766                   | 79                             | 100                          | 79                                |
| Philippines .....                    | 11,674                   | 55                             | 70                           | 55                                |

<sup>1</sup> Not applicable.

Comment.—The duty rate for U.S. imports covered under this HTS subheading is 0.5 percent ad valorem equivalent. As noted above, the import data for HTS 0804.50.80 covers dried mangoes, guavas, and mangosteens. However, the majority of imports likely are dried mangoes, with imports of dried guava and dried mangosteen accounting for a small share of imports. The Philippines is the primary GSP-eligible source of U.S. imports of these products, accounting for about 70 percent of total GSP-eligible imports and 55 percent of total U.S. imports from all sources. Thailand accounts for 20 percent of total U.S. imports of these dried tropical fruits.

V. Competitiveness profile, Philippines

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Ranking as a U.S. import supplier, 2004 ..... 1

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

Is the product a finished product for final sale to consumers? ..... Yes X No \_\_\_

Is the product an intermediate good used as an input in the production of another good? ..... Yes X No \_\_\_

Is the product an agricultural or food product? ..... Yes X No \_\_\_

What is the aggregate price elasticity of U.S. demand? ..... High \_\_\_ Moderate X Low \_\_\_

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High \_\_\_ Moderate X Low \_\_\_

U.S. producers? ..... High \_\_\_ Moderate N/A Low \_\_\_

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High \_\_\_ Moderate X Low \_\_\_

U.S. producers? ..... High \_\_\_ Moderate N/A Low \_\_\_

What is the substitution elasticity? ..... High \_\_\_ Moderate X Low \_\_\_

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes \_\_\_ No X

Does the country have significant export markets besides the United States? .. Yes X No \_\_\_

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes X No \_\_\_

What is the price elasticity of supply for affected imports? .... High \_\_\_ Moderate X Low \_\_\_

Price level compared with--

U.S. products ..... Above \_\_\_ Equivalent N/A Below \_\_\_

Other foreign products ..... Above \_\_\_ Equivalent X Below \_\_\_

Quality compared with--

U.S. products ..... Above \_\_\_ Equivalent N/A Below \_\_\_

Other foreign products ..... Above \_\_\_ Equivalent X Below \_\_\_

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Comment.— Dried tropical fruits may be marketed either as a finished or as an intermediate product, although most dried mango and other dried tropical fruits are sold as a finished snack food. These products are relatively high-priced food items with limited but increasing demand. According to industry officials, there is little or no U.S. commercial production of the types of dried tropical fruits covered by this digest. Information is not available to precisely contrast product attributes and market characteristics between imported and domestic dried tropical fruits that may be produced.

## VI. Position of interested parties<sup>6</sup>

Petitioner.--The Government of the Republic of the Philippines states in the petition<sup>7</sup> to the USTR that waiving the competitive need limit on imports under HTS subheading 0804.50.80 is necessary to maintain the price competitiveness of Philippine product in the U.S. market relative to other foreign suppliers. The petitioner states that the loss of GSP eligibility as of July 1, 2005, raised the cost of Philippine dried mangoes and caused U.S. importers to source from other competitively priced suppliers. Since the United States is the Philippines' top export market for dried mango, the petitioner claims that loss of GSP eligibility is of paramount concern. The petitioner claims that without GSP eligibility, dried mangoes from the Philippines cannot compete against product from Thailand in terms of price; matching the price of dried mango from Thailand would require Philippine exporters to sell their product below the break-even price. The petitioner asserts that the high cost of imported machinery and equipment needed to upgrade its production operations inhibits it from offering more competitive prices. Because product from Thailand is eligible for GSP treatment, the petitioner claims that Thailand will gain an advantage over the Philippines in the U.S. dried mango market. The petitioner further notes that most of the top 10 suppliers of dried mango to the United States are eligible for duty-free access either under the GSP program or under other U.S. assistance programs and free trade agreements (FTA) initiatives. In addition to Thailand, these countries include Mexico, Colombia, Costa Rica, Honduras, South Africa, and India.

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

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<sup>6</sup> Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

<sup>7</sup> Petitions were filed with the USTR on or before June 15, 2005.

Table 1.—Dried mangoes and other tropical fruit (HTS subheading 0804.50.80): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000             | 2001             | 2002              | 2003              | 2004              | January - June   |                   |
|---|------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|   |                  |                  |                   |                   |                   | 2004             | 2005              |
| ----- <i>In Actual Dollars</i> -----        |                  |                  |                   |                   |                   |                  |                   |
| Philippines                                 | 726,134          | 2,098,266        | 5,293,163         | 8,669,844         | 11,674,130        | 6,187,784        | 8,401,947         |
| Mexico                                      | 1,277,379        | 1,231,007        | 1,574,083         | 2,638,702         | 4,335,320         | 816,815          | 1,258,312         |
| Thailand                                    | 1,547,723        | 1,699,468        | 3,031,294         | 3,400,002         | 4,215,418         | 2,027,507        | 2,506,171         |
| Colombia                                    | 19,210           | 17,017           | 33,121            | 255,534           | 438,241           | 116,750          | 134,591           |
| Costa Rica                                  | 11,481           | 36,342           | 169,532           | 244,951           | 169,963           | 103,078          | 158,808           |
| South Africa                                | 59,805           | 80,861           | 90,787            | 42,004            | 124,566           | 82,376           | 182,035           |
| China                                       | 10,392           | 0                | 0                 | 3,209             | 103,498           | 33,618           | 86,851            |
| Honduras                                    | 0                | 2,419            | 0                 | 0                 | 74,919            | 0                | 0                 |
| Greece                                      | 0                | 0                | 0                 | 0                 | 51,480            | 0                | 0                 |
| Vietnam                                     | 0                | 2,508            | 0                 | 21,054            | 31,892            | 0                | 0                 |
| All other                                   | 1,719,600        | 625,344          | 184,813           | 158,497           | 136,350           | 65,497           | 123,134           |
| <b>Total</b>                                | <b>5,371,724</b> | <b>5,793,232</b> | <b>10,376,793</b> | <b>15,433,797</b> | <b>21,355,777</b> | <b>9,433,425</b> | <b>12,851,849</b> |
| <b>Imports from GSP-eligible countries:</b> |                  |                  |                   |                   |                   |                  |                   |
| Philippines                                 | 726,134          | 2,098,266        | 5,293,163         | 8,669,844         | 11,674,130        | 6,187,784        | 8,401,947         |
| Thailand                                    | 1,547,723        | 1,699,468        | 3,031,294         | 3,400,002         | 4,215,418         | 2,027,507        | 2,506,171         |
| All other                                   | 1,604,728        | 710,782          | 410,804           | 669,219           | 876,434           | 346,582          | 556,953           |
| <b>Total</b>                                | <b>3,878,585</b> | <b>4,508,516</b> | <b>8,735,261</b>  | <b>12,739,065</b> | <b>16,765,982</b> | <b>8,561,873</b> | <b>11,465,071</b> |

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

## Carrageenan

Digest No. 1302.39.0010

### I. Introduction

X Addition

| HTS subheading(s) | Short description   | Col. 1 rate of<br>duty (1/1/05) | Like or directly<br>competitive article<br>produced in the United<br>States on Jan. 1, 1995? |
|-------------------|---|---------------------------------|--|
|                   |   | <i>Percent ad<br/>valorem</i>   |  |
| 1302.39.0010      | Mucilages and thickeners derived from vegetable products: Carrageenan | 3.2                             | Yes  |

Description and uses.—Carrageenan is a thickening and gelling extract derived from carrageen seaweed and from other related seaweeds. The leading uses of carrageenan are as food gums and stabilizers in cocoa mixes and chocolate milk, ice cream and frozen desserts, cereal (granola) bars, prepared meats and poultry products (such as turkey roll), and canned pet food. An estimated three-quarters of its use is in food and pet food. In pharmaceutical and cosmetic products, carrageenan is used prominently in toothpaste.

Traditionally, the seaweed carrageen from which this product is derived is found mostly along the cold-water coasts of North America and Europe. Another type of seaweed grows in tropical waters and is used to produce a product called Philippine natural-grade carrageenan (PNG) or seaweed flour; these product are processed or semi-refined using a relatively simple technology.<sup>8</sup> The United States imports significant amounts of raw seaweed of various types;<sup>9</sup> the sole U.S. manufacturer uses a process employing a more sophisticated technology using an alcohol process to make a higher-valued product.<sup>10</sup> U.S. harvesting of the raw seaweed carrageen has fallen sharply in recent decades.

### II. Probable economic effect advice – Addition

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<sup>8</sup> Hearing transcript, p. 29.

<sup>9</sup> U.S. imports of all types of seaweed imported under HTS 1212.20 amounted to \$48 million in 2004; the seaweed carrageen is believed to be imported from Canada, Chile, the Philippines, Indonesia, France, and Norway, which together supplied about \$13 million of these products in 2004.

<sup>10</sup> Hearing transcript, p. 32.

### III. U.S. market profile

Profile of U.S. industry and market, 2000-04

| Item  | 2000             | 2001             | 2002             | 2003             | 2004             |
|---|------------------|------------------|------------------|------------------|------------------|
| Producers ( <i>number</i> ) . . . . .                     | 1                | 1                | 1                | 1                | 1                |
| Employment ( <i>1,000 employees</i> ) . . . . .           | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Shipments ( <i>1,000 dollars</i> ) <sup>2</sup> . . . . . | *50,000          | *50,000          | *50,000          | *50,000          | *50,000          |
| Exports ( <i>1,000 dollars</i> ) <sup>3</sup> . . . . .   | *23,675          | *24,498          | *26,022          | *24,804          | *22,895          |
| Imports ( <i>1,000 dollars</i> ) . . . . .                | 37,748           | 45,798           | 50,134           | 51,006           | 55,117           |
| Consumption ( <i>1,000 dollars</i> ) . . . . .            | *64,073          | *71,300          | *74,112          | *76,202          | *82,222          |
| Import-to-consumption ratio ( <i>percent</i> ) . . .      | *59              | *65              | *68              | *67              | *67              |
| Capacity utilization ( <i>percent</i> ) . . . . .         | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |

<sup>1</sup> Not available.

<sup>2</sup> Estimated by Commission staff.

<sup>3</sup> Export data corresponding to HTS subheading 1302.39.00 include other mucilages and thickeners not covered in this digest; U.S. exports of carrageenan are estimated to account for 50 percent of the Schedule B subheading. Export data reported for the entire product group are provided in the table at the end of this digest.

Comment.—Imported and domestic seaweed are processed domestically into carrageenan. There are two types of seaweed harvested in the United States: kelp and very small amounts of carrageen. There is only one firm in the United States manufacturing carrageenan from raw seaweed carrageen, most of which is imported by its plant in Maine.<sup>11</sup> U.S. carrageenan tends to be a high-quality, high-value product derived using alcohol process technology, whereas the imported product from the Philippines is mainly the pet food or semi-refined carrageenan that has a much lower unit value and goes into different uses.<sup>12</sup> The domestic product is sold at a price of \$12 per kilogram, whereas the typical semi-refined or crude product from Asia sells for \$2.50 to \$4.50 per kilogram.<sup>13</sup>

U.S. demand for carrageenan has been rising as a result of its increased use in food products, cosmetics, and dental products. Popularity of low-fat foods has increased the use of carrageenan. During 2000-04, U.S. production of carrageenan is estimated to have remained relatively flat at about \$50 million annually. U.S. imports of carrageenan rose to \$55 million in 2004. Meanwhile, U.S. exports of carrageenan averaged about \$23 million per year during 2000-04.

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<sup>11</sup> Letter to Committee on Ways and Means, U.S. House of Representatives from David Manning, FMC Corporation, Food Ingredients Division, Rockland, Maine, Aug. 28, 1992 in the matter of the proposed duty suspension bill on carrageenan; and letter to the Secretary, USITC, from Collier, Shannon, and Scott, counsel on behalf of FMC Corporation, in the matter of Probable Effect of Certain Modifications to the NAFTA Rules of Origin Proposal for HS Headings 1302 and 3912, Aug. 27, 2004, USITC inv. No. NAFTA-103-6.

<sup>12</sup> Hearing transcript, p. 29; and posthearing submission on behalf of Romeo Borillo, Commercial Counselor, Embassy of the Philippines, Oct. 6, 2005.

<sup>13</sup> Posthearing submission on behalf of Romeo Barillo, Oct. 6, 2005, p. 1.

IV. GSP import situation, 2004

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

| Item                                 | Imports                  | Percent<br>of total<br>imports | Percent<br>of GSP<br>imports | Percent<br>of U.S.<br>consumption |
|--------------------------------------|--------------------------|--------------------------------|------------------------------|-----------------------------------|
|                                      | <i>1,000<br/>dollars</i> |                                |                              |                                   |
| Grand total .....                    | 55,117                   | 100                            | ( <sup>1</sup> )             | *67                               |
| Imports from GSP-eligible countries: |                          |                                |                              |                                   |
| Total .....                          | 22,765                   | 41                             | 100                          | *28                               |
| Philippines .....                    | 21,638                   | 39                             | 95                           | *26                               |
| Indonesia .....                      | 1,127                    | 2                              | 5                            | *2                                |

<sup>1</sup> Not applicable.

Comment.—The duty rate for U.S. imports covered under this HTS subheading is 3.2 percent. The EU is the leading U.S. import supplier of carrageenan, followed closely by the Philippines. Canada, Chile, South Korea, and Indonesia were virtually the only other suppliers. The Philippines and Indonesia are the only GSP-eligible suppliers.

V. Competitiveness profile, the Philippines

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Ranking as a U.S. import supplier, 2004 ..... 1

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

Is the product a finished product for final sale to consumers? ..... Yes  No

Is the product an intermediate good used as an input in the production of another good? ..... Yes  No

Is the product an agricultural or food product? ..... Yes  No

What is the aggregate price elasticity of U.S. demand? ..... High  Moderate  Low

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High  Moderate  Low

U.S. producers? ..... High  Moderate  Low

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High  Moderate  Low

U.S. producers? ..... High  Moderate  Low

What is the substitution elasticity? ..... High  Moderate  Low

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes  No

Does the country have significant export markets besides the United States? .. Yes  No

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes  No

What is the price elasticity of supply for affected imports? .... High  Moderate  Low

Price level compared with--

U.S. products ..... Above  Equivalent  Below

Other foreign products ..... Above  Equivalent  Below

Quality compared with--

U.S. products ..... Above  Equivalent  Below

Other foreign products ..... Above  Equivalent  Below

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Comment.—The Philippines is the world’s leading producer of carrageenan; it specializes in low-valued products and exports to major markets of the world. In recent years, the Philippines accounted for 31 percent of world carrageenan production.<sup>14</sup> The EU was the second-leading supplier with 28 percent, followed by the United States with 15 percent.

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<sup>14</sup> Posthearing submission on behalf of Romeo Barillo, Oct. 6, 2005, p. 1.

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V. Competitiveness profile, all GSP-eligible sources

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Ranking as a U.S. import supplier, 2004 ..... N/A

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

Is the product a finished product for final sale to consumers? ..... Yes     No X

Is the product an intermediate good used as an input in the production of another good? ..... Yes X No    

Is the product an agricultural or food product? ..... Yes X No    

What is the aggregate price elasticity of U.S. demand? ..... High     Moderate     Low X

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High     Moderate X Low    

U.S. producers? ..... High     Moderate     Low X

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate     Low    

U.S. producers? ..... High     Moderate     Low X

What is the substitution elasticity? ..... High     Moderate     Low X

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes X No    

Does the country have significant export markets besides the United States? .. Yes X No    

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes X No    

What is the price elasticity of supply for affected imports? .... High X Moderate     Low    

Price level compared with--

U.S. products ..... Above     Equivalent     Below X

Other foreign products ..... Above     Equivalent     Below X

Quality compared with--

U.S. products ..... Above     Equivalent     Below X

Other foreign products ..... Above     Equivalent     Below X

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Comment.—The Philippines is by far the leading GSP-eligible supplier of carrageenan imports to the U.S. market. Indonesia is the only other GSP-eligible supplier, most of which is destined for pet food.<sup>15</sup>

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<sup>15</sup> Hearing transcript, p. 29.

VI. Position of interested parties<sup>16</sup>

Petitioner.<sup>17</sup>—The Government of the Philippines and the Seaweed Industry Association of the Philippines, which represents seaweed farmers, farm organizations, seaweed traders, seaweed processors/exporters and academics located in the areas of Southern Luzon, the Viasyas, and Mindanao, state that U.S. firms engaged in the carrageenan business in the Philippines, primarily FMC Marine Colloids and CP Kelco, would benefit from the addition of this HTS subheading to the list of GSP-eligible articles. Food and non-food users of carrageenan in the United States would benefit from lower costs associated with importing this product from the Philippines.

Comment.—The only U.S. producer of carrageenan, FMC Corporation, BioPolymer Division (Maine), indicated that removal of the import duty on carrageenan from GSP-eligible countries would have a negligible, if any, impact on the U.S. production of that product. In its letter to the Commission, FMC states that it is not opposed to the addition of carrageenan to the list of GSP-eligible products. FMC Corporation noted that it has become involved with carrageenan production in the Philippines and supplements its U.S. production with imports from the Philippines.

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<sup>16</sup> Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

<sup>17</sup> Petitions were filed with the USTR on or before June 15, 2005.

Table 1.—Carrageenan (HTS subheading 1302.39.0010): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> -----        |                   |                   |                   |                   |                   |                   |                   |
| Philippines                                 | 12,227,311        | 13,843,124        | 13,725,784        | 16,501,509        | 21,638,347        | 9,905,614         | 10,042,071        |
| Denmark                                     | 12,391,446        | 13,990,553        | 12,589,491        | 13,361,037        | 11,622,020        | 6,435,210         | 6,048,054         |
| France                                      | 5,051,565         | 4,668,383         | 6,116,542         | 4,887,025         | 8,288,820         | 3,257,344         | 4,125,728         |
| Canada                                      | 233,720           | 2,526,075         | 4,342,601         | 4,936,368         | 5,537,345         | 2,439,507         | 3,481,361         |
| Chile                                       | 3,777,084         | 5,041,002         | 5,960,431         | 5,013,352         | 2,269,779         | 1,049,801         | 3,143,933         |
| South Korea                                 | 1,297,737         | 951,677           | 1,613,224         | 1,701,231         | 1,789,920         | 910,524           | 864,755           |
| United Kingdom                              | 1,227,866         | 1,238,042         | 1,634,536         | 1,860,667         | 1,487,189         | 1,026,766         | 1,134,410         |
| Indonesia                                   | 507,600           | 471,640           | 368,300           | 562,200           | 1,126,900         | 422,500           | 913,460           |
| Spain                                       | 782,637           | 1,412,556         | 1,534,002         | 1,044,295         | 934,161           | 403,255           | 699,428           |
| Belgium                                     | 0                 | 11,659            | 2,084             | 5,367             | 129,733           | 6,154             | 2,178             |
| All other                                   | 250,999           | 1,642,879         | 2,246,866         | 1,133,234         | 293,232           | 164,568           | 293,921           |
| <b>Total</b>                                | <b>37,747,965</b> | <b>45,797,590</b> | <b>50,133,861</b> | <b>51,006,285</b> | <b>55,117,446</b> | <b>26,021,243</b> | <b>30,749,299</b> |
| <b>Imports from GSP-eligible countries:</b> |                   |                   |                   |                   |                   |                   |                   |
| Philippines                                 | 12,227,311        | 13,843,124        | 13,725,784        | 16,501,509        | 21,638,347        | 9,905,614         | 10,042,071        |
| Indonesia                                   | 507,600           | 471,640           | 368,300           | 562,200           | 1,126,900         | 422,500           | 913,460           |
| All other                                   | 0.00              | 83,658.00         | 57,559.00         | 16,960.00         | 0.00              | 0.00              | 0.00              |
| <b>Total</b>                                | <b>12,734,911</b> | <b>14,398,422</b> | <b>14,151,643</b> | <b>17,080,669</b> | <b>22,765,247</b> | <b>10,328,114</b> | <b>10,955,531</b> |

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

Table 2.—Carrageenan (including other mucilages and thickeners)<sup>1</sup>: U.S. exports of domestic merchandise, by market, 2000-2004, January-June 2004, and January-June 2005

| Source                               | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                      |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> ----- |                   |                   |                   |                   |                   |                   |                   |
| Mexico                               | 5,770,793         | 5,077,423         | 7,582,615         | 6,497,540         | 10,139,981        | 5,805,987         | 3,967,666         |
| China                                | 4,432,224         | 5,804,428         | 6,038,064         | 5,812,365         | 4,415,097         | 3,050,334         | 2,356,408         |
| Canada                               | 3,057,779         | 4,003,185         | 3,762,248         | 5,519,537         | 4,342,095         | 2,345,359         | 1,798,038         |
| India                                | 3,643,850         | 3,879,037         | 3,399,569         | 4,576,061         | 4,174,359         | 2,349,480         | 1,899,023         |
| Thailand                             | 1,993,041         | 2,503,351         | 2,590,120         | 2,715,905         | 2,872,628         | 1,617,998         | 1,362,552         |
| South Korea                          | 4,204,189         | 6,422,820         | 9,080,333         | 2,573,018         | 2,408,608         | 900,538           | 1,550,834         |
| Venezuela                            | 1,791,592         | 2,000,282         | 2,118,565         | 1,835,417         | 1,878,915         | 1,261,385         | 1,085,937         |
| United Kingdom                       | 992,998           | 1,069,293         | 972,534           | 974,831           | 1,859,111         | 1,192,392         | 640,944           |
| Brazil                               | 2,958,454         | 2,837,411         | 3,246,912         | 2,658,055         | 1,826,395         | 932,426           | 767,686           |
| Norway                               | 1,515,921         | 2,540,040         | 1,386,988         | 2,829,023         | 1,181,718         | 412,386           | 539,461           |
| All other                            | 16,673,851        | 12,858,142        | 11,865,820        | 13,616,583        | 10,691,293        | 5,526,280         | 6,654,127         |
| <b>Total</b>                         | <b>47,034,692</b> | <b>48,995,412</b> | <b>52,043,768</b> | <b>49,608,335</b> | <b>45,790,200</b> | <b>25,394,565</b> | <b>22,622,676</b> |

<sup>1</sup> Export data are not separately provided for the Schedule B subheading corresponding to import subheading 1302.39.0010 and include other mucilages and thickeners not covered in this digest. U.S. exports of carrageenan (See "U.S. Market Profile") are estimated to account for approximately 50 percent of the exports reported in this table.

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

## Ibuprofen

Digest No. 2916.39.15

### I. Introduction

X Restoration: India

| HTS subheading(s)       | Short description | Col. 1 rate of<br>duty (1/1/05) | Like or directly<br>competitive article<br>produced in the United<br>States on Jan. 1, 1995? |
|-------------------------|-------------------|---------------------------------|--|
|                         |                   | <i>Percent ad<br/>valorem</i>   |  |
| 2916.39.15 <sup>1</sup> | Ibuprofen         | 6.5                             | Yes  |

<sup>1</sup> India was removed from GSP eligibility for HTS subheading 2916.39.15 on July 1, 1991, as a result of the petition process. Presidential Proclamation 6425 (dated April 29, 1992, effective May 14, 1992) removed India from GSP eligibility for all articles in HTS chapters 28 through 38 (products of the chemical and allied products industries) due to IPR violations. However, India was graduated before the April 1992 proclamation and therefore is not part of the overall sanction. India was not restored to GSP eligibility for this HTS subheading when India was restored to GSP eligibility for articles in HTS chapters 28 through 38 (products of the chemical and allied products industries) as a result of Presidential Proclamation 7912, effective July 1, 2005.

Description and uses.—Bulk ibuprofen, 2-(4-isobutylphenyl)propionic acid, is a white crystalline solid that is easily compressed and not very soluble in water. The chemical is produced through a series of chemical reactions either by batch or continuous production process.

Ibuprofen is a nonsteroidal anti-inflammatory agent (NSAIA) that is also used to control pain and fever. The bulk form of this product is only used to manufacture dosage forms for human consumption, namely tablets, caplets, or liquid suspensions. In dosage forms, this product is used in the symptomatic treatment of acute and chronic rheumatoid arthritis, osteoarthritis, and in the symptomatic treatment of muscular pain and inflammation. Ibuprofen tablets are sold over-the-counter in 200 milligram dosages under several trade names and private labels. Prescription ibuprofen tablets are sold in 300, 400, 600, and 800 milligram dosages.

### II. Probable economic effect advice – Restoration: India

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III. U.S. market profile

Profile of U.S. industry and market, 2000-04

| Item  | 2000             | 2001             | 2002             | 2003   | 2004   |
|---|------------------|------------------|------------------|--------|--------|
| Producers ( <i>number</i> ) . . . . .                     | 2                | 2                | 2                | 2      | 2      |
| Employment ( <i>employees</i> ) . . . . .                 | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ***    | ***    |
| Shipments ( <i>1,000 dollars</i> ) <sup>2</sup> . . . . . | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ***              | ***    | ***    |
| Exports ( <i>1,000 dollars</i> ) <sup>3</sup> . . . . .   | ***              | ***              | ***              | ***    | ***    |
| Imports ( <i>1,000 dollars</i> ) . . . . .                | 7,858            | 8,342            | 10,375           | 13,031 | 12,337 |
| Consumption ( <i>1,000 dollars</i> ) . . . . .            | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ***              | ***    | ***    |
| Import-to-consumption ratio ( <i>percent</i> ) . . .      | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ***              | ***    | ***    |
| Capacity utilization ( <i>percent</i> ) . . . . .         | ***              | ***              | ***              | ***    | ***    |

<sup>1</sup> Not available.

<sup>2</sup> Data are based on industry estimates.

<sup>3</sup> The export data presented in this table are estimated based on industry information. Export data corresponding to HTS subheading 2916.39.15 includes ibuprofen not covered in this digest. Export data reported for the entire product group are provided in the table at the end of this digest.

Comment—Currently, there are two U.S. producers of ibuprofen, Albemarle Corporation and BASF, with plants in South Carolina and Texas, respectively. These two plants have a total ibuprofen capacity of \*\*\*. Consumption of bulk ibuprofen \*\*\*. The United States is a mature market for ibuprofen. U.S. demand \*\*\*.<sup>18</sup>

<sup>18</sup> Posthearing submission on behalf of Albemarle Corp., Oct. 7, 2005, pp. 4 and 13.

IV. GSP import situation, 2004

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

| Item                                 | Imports                  | Percent<br>of total<br>imports | Percent<br>of GSP<br>imports | Percent<br>of U.S.<br>consumption |
|--------------------------------------|--------------------------|--------------------------------|------------------------------|-----------------------------------|
|                                      | <i>1,000<br/>dollars</i> |                                |                              |                                   |
| Grand total .....                    | 12,337                   | 100                            | ( <sup>1</sup> )             | ***                               |
| Imports from GSP-eligible countries: |                          |                                |                              |                                   |
| Total .....                          | 12,300                   | 97                             | 100                          | ***                               |
| India .....                          | 12,300                   | 97                             | 100                          | ***                               |

<sup>1</sup> Not applicable.

Comment.—The duty rate for U.S. imports covered under this HTS subheading is 6.5 percent. India is the only GSP-eligible country that currently produces bulk ibuprofen in exportable quantities. There are two domestic producers of ibuprofen in India, Shasun Chemicals and Drugs, Ltd. and Cheminor Drugs, Ltd. (a subsidiary of Dr. Reddy’s Laboratories in India). Until recently, India was the major competitor to the U.S. industry for the bulk ibuprofen market. However, lower-priced imports from China began entering the U.S. market in 2003. China operates two FDA-approved bulk ibuprofen plants and \*\*\*.<sup>19</sup> The increase in U.S. imports of bulk ibuprofen from China is said to be not included in the official data as it is entering through a foreign trade zone where it is tableted into dosage-sized ibuprofen.<sup>20</sup>

<sup>19</sup> Posthearing submission on behalf of Albemarle, Oct. 7, 2005, p. 10.

<sup>20</sup> Ibid., p. 11.

V. Competitiveness profile, India

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Ranking as a U.S. import supplier, 2004 ..... 1

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

Is the product a finished product for final sale to consumers? ..... Yes     No X

Is the product an intermediate good used as an input in the production of another good? ..... Yes X No    

Is the product an agricultural or food product? ..... Yes     No X

What is the aggregate price elasticity of U.S. demand? ..... High     Moderate X Low    

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate     Low    

U.S. producers? ..... High X Moderate     Low    

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate     Low    

U.S. producers? ..... High X Moderate     Low    

What is the substitution elasticity? ..... High X Moderate     Low    

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes X No    

Does the country have significant export markets besides the United States? .. Yes X No    

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes X No    

What is the price elasticity of supply for affected imports? .... High X Moderate     Low    

Price level compared with--

U.S. products ..... Above     Equivalent     Below X

Other foreign products ..... Above     Equivalent X Below    

Quality compared with--

U.S. products ..... Above     Equivalent X Below    

Other foreign products ..... Above     Equivalent X Below    

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Comment.—India is the only major exporter of bulk ibuprofen to the United States; Shasun is the world’s largest producer of bulk ibuprofen.<sup>21</sup> Because both Indian firms are FDA-qualified manufacturing firms, the imported bulk product is the same high quality as the U.S.- produced ibuprofen. During 2000-04, U.S. imports of bulk ibuprofen from India increased from \$7.6 million to \$12.3 million, or by over 38 percent, despite imposition of the 6.5 percent duty rate, which occurred in 1991. The increase in imports is attributed to declining U.S. shipments and lower prices for the Indian product, which effectively suppressed U.S. prices during 2000-04.<sup>22</sup>

<sup>21</sup> Posthearing submission on behalf of BASF, Oct. 7, 2005, p. 3.

<sup>22</sup> Ibid., p. 4.



## VI. Position of interested parties<sup>23</sup>

Petitioner.<sup>24</sup>—Shasun Chemicals and Drugs, Ltd. requested the restoration of GSP eligibility for imports of bulk ibuprofen from India and a waiver of the competitive need limit. Shasun stated that the restoration would not harm U.S. producers of bulk ibuprofen. The waiver is requested because total imports are below the de minimis level even though India accounted for nearly all the imports for consumption of bulk ibuprofen.

According to Shasun, restoring GSP eligibility for U.S. imports of Indian bulk ibuprofen will not have a significant impact on U.S. producers because demand has increased significantly and the U.S. producers are not able to supply bulk ibuprofen to the tablet makers, especially those producing generic and prescription products. Indian ibuprofen producers are faced with rising raw materials costs that are hindering their ability to be competitive in the U.S. market, while U.S. firms are not faced with the same rising costs for their raw materials as the Indian producers. According to Shasun, the restoration will permit the Indian firms to expand their sales to the U.S. market as demand continues to rise. Shasun states that with the increased sales in the United States, they will be able to finance upgrades to their plants and hire more trained workers, which is the result intended by the GSP program.

Opposition.—Albemarle Corp., a U.S. producer of bulk ibuprofen opposed to the petition, states that U.S. producers have ample capacity to meet any increase in domestic demand. The domestic ibuprofen market is mature, growing by \*\*\* percent annually. U.S. imports of bulk ibuprofen from India (in metric tons) have increased by over 240 percent since 1998.

According to Albemarle, raw material costs have not made Indian imports less competitive in the United States because rising raw material costs are affecting all producers, including those in the United States. Despite rising costs, import prices continue to decline, further suppressing domestic prices. Albemarle states that restoring GSP eligibility to Indian bulk ibuprofen would result in a 10 percent increase in U.S. imports from Shasun as well as an increase in exports to the United States by Cheminor, another Indian producer, resulting in additional lost sales for Albemarle.

BASF Corp., the other U.S. producer of bulk ibuprofen, is also opposed to the petition. BASF states that the restoration and possible waiver would result in an adverse impact on the U.S. industry. BASF disputes Shasun's statements that granting this request would not adversely affect the U.S. producers because domestic producers are already operating at near capacity. BASF claims that Shasun's estimates of U.S. consumption and market growth are incorrect and U.S. producers have sufficient unused capacity to handle any increase in domestic demand. BASF also states that the U.S. industry is highly vulnerable to imports from India and the decline in price for bulk ibuprofen in the domestic market is due, in large part, to the lower-priced imports.

BASF disputes Shasun's claim that the granting of GSP eligibility to Indian bulk ibuprofen will enable it to offset higher production costs and that U.S. producers are more protected from increases in raw material costs because of their large size and structure. BASF states that despite cost increases, it had to lowered its prices in order to maintain market share in the face of rising imports of low-priced Indian product.

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<sup>23</sup> Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

<sup>24</sup> Petitions were filed with the USTR on or before June 15, 2005.

Table 1.—Ibuprofen (HTS subheading 2916.39.15): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000             | 2001             | 2002              | 2003              | 2004              | January - June   |                  |
|---|------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|
|   |                  |                  |                   |                   |                   | 2004             | 2005             |
| ----- <i>In Actual Dollars</i> -----        |                  |                  |                   |                   |                   |                  |                  |
| India                                       | 7,582,443        | 8,012,921        | 10,187,172        | 12,261,866        | 12,300,228        | 7,378,965        | 7,596,193        |
| China                                       | 0                | 16,922           | 81,067            | 645,842           | 30,939            | 30,939           | 2,597            |
| Italy                                       | 0                | 0                | 0                 | 0                 | 3,000             | 0                | 3,000            |
| Germany                                     | 6,600            | 0                | 0                 | 2,745             | 2,478             | 2,478            | 0                |
| Canada                                      | 232,858          | 311,780          | 67,582            | 101,320           | 0                 | 0                | 0                |
| France                                      | 0                | 0                | 26,670            | 15,400            | 0                 | 0                | 14,059           |
| Japan                                       | 3,808            | 0                | 0                 | 0                 | 0                 | 0                | 0                |
| Singapore                                   | 0                | 0                | 0                 | 4,250             | 0                 | 0                | 0                |
| Switzerland                                 | 0                | 0                | 0                 | 0                 | 0                 | 0                | 0                |
| United Kingdom                              | 32,598           | 0                | 12,410            | 0                 | 0                 | 0                | 0                |
| <b>Total</b>                                | <b>7,858,307</b> | <b>8,341,623</b> | <b>10,374,901</b> | <b>13,031,423</b> | <b>12,336,645</b> | <b>7,412,382</b> | <b>7,615,849</b> |
| <b>Imports from GSP-eligible countries:</b> |                  |                  |                   |                   |                   |                  |                  |
| India                                       | 7,582,443        | 8,012,921        | 10,187,172        | 12,261,866        | 12,300,228        | 7,378,965        | 7,596,193        |
| <b>Total</b>                                | <b>7,582,443</b> | <b>8,012,921</b> | <b>10,187,172</b> | <b>12,261,866</b> | <b>12,300,228</b> | <b>7,378,965</b> | <b>7,596,193</b> |

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

Table 2.—Ibuprofen (including other than bulk)<sup>1</sup>: U.S. exports of domestic merchandise, by market, 2000-2004, January-June 2004, and January-June 2005

| Source                               | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                      |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> ----- |                   |                   |                   |                   |                   |                   |                   |
| Germany                              | 470,978           | 1,055,825         | 7,533,891         | 1,273,185         | 16,089,432        | 4,703,236         | 9,217,984         |
| Belgium                              | 193,650           | 386,660           | 8,333,472         | 6,975,530         | 6,089,017         | 3,071,577         | 4,632,922         |
| Argentina                            | 1,021,764         | 1,106,684         | 861,115           | 1,242,641         | 1,470,825         | 912,740           | 805,564           |
| Canada                               | 1,487,944         | 1,522,237         | 1,406,601         | 1,292,466         | 1,217,089         | 734,058           | 2,153,758         |
| Japan                                | 370,048           | 1,015,675         | 1,853,864         | 153,245           | 667,038           | 169,556           | 157,125           |
| Mexico                               | 832,185           | 676,044           | 293,201           | 611,378           | 525,042           | 441,438           | 232,026           |
| Philippines                          | 0                 | 0                 | 33,627            | 322,239           | 408,052           | 164,769           | 28,960            |
| Venezuela                            | 89,853            | 114,854           | 62,008            | 21,711            | 404,564           | 325,336           | 104,518           |
| Colombia                             | 265,850           | 443,609           | 232,554           | 401,190           | 306,861           | 170,610           | 406,815           |
| Pakistan                             | 170,826           | 81,000            | 0                 | 2,690             | 297,120           | 0                 | 687,970           |
| All other                            | 16,508,860        | 19,022,193        | 7,618,942         | 6,306,744         | 2,902,030         | 1,099,089         | 2,860,995         |
| <b>Total</b>                         | <b>21,411,958</b> | <b>25,424,781</b> | <b>28,229,275</b> | <b>18,603,019</b> | <b>30,377,070</b> | <b>11,792,409</b> | <b>21,288,637</b> |

<sup>1</sup> Export data are not separately provided for the Schedule B subheading corresponding to import subheading 2916.39.15 and include ibuprofen other than bulk covered in this digest. See “U.S. Market Profile” for estimated U.S. bulk ibuprofen export data.

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

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## Softwood Plywood

Digest No. 4412.19.40

### I. Introduction

X Competitive-need-limit waiver: Brazil

| HTS subheading(s)       | Short description   | Col. 1 rate of<br>duty (1/1/05) | Like or directly<br>competitive article<br>produced in the United<br>States on Jan. 1, 1995? |
|-------------------------|---|---------------------------------|--|
|                         |   | <i>Percent ad<br/>valorem</i>   |  |
| 4412.19.40 <sup>1</sup> | Plywood with plies not more than 6 mm thick and outer plies of coniferous wood of other than Parana pine or European red pine and not surface covered or covered with a clear material. | 8                               | Yes  |

<sup>1</sup> Brazil has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 4412.09.40, effective July 1, 2005.

Description and uses.—Plywood is a flat panel comprising a number of thin sheets of wood (veneer) that are glued together under high heat and pressure with the direction of grain of each ply perpendicular to that of adjacent plies. The wood species of the face ply, which is the highest quality, determines the classification of the particular panel. The subject plywood has outer plies of coniferous (softwood) tree species other than Parana pine (*Araucaria angustifolia*) and European red pine (*Pinus silvestris*) and is typically manufactured in Brazil using loblolly pine (*P. taeda*) or slash pine (*P. elliotii*).<sup>25</sup> The subject product competes with U.S. softwood plywood made with a variety of native coniferous tree species. It may be prefinished with a clear coat that does not obscure the grain pattern of the face ply.

Softwood plywood is a structural panel, typically used for structural purposes in residential construction and remodeling and to a lesser extent in industrial and nonresidential construction.<sup>26</sup> Unsanded grades of softwood plywood are used principally as sheathing in walls, roofs, and floors competing in this application with other structural panels, particularly oriented strand board (OSB).<sup>27</sup> Softwood plywood remains the preferred product in applications where moisture resistance and/or strength are required<sup>28</sup> and in end uses that require sanded plywood (e.g., furniture, cabinets, fixtures, concrete forming, and home projects such as shelving).<sup>29</sup> The long-term shift to OSB in the U.S. market for structural panels is expected to continue as further technical improvements are made.<sup>30</sup>

### II. Probable economic effect advice – Competitive-need-limit waiver: Brazil

\* \* \* \* \*

<sup>25</sup> Loblolly and slash pine, native to the Southeastern United States, are two variety of trees known as “southern yellow pines.”

<sup>26</sup> Craig Adair, Director, Market Research, The Engineered Wood Association (APA), *Structural Panel and Engineered Wood Yearbook*, Apr. 2005, p. 4.

<sup>27</sup> OSB is made with strands or wafers of wood of various softwood and hardwood tree species and is therefore less expensive than plywood to produce. Hearing transcript, p. 140.

OSB has gained share in the U.S. market for structural panels and represented 49 percent of U.S. production of structural panels in 2004. Since 1990, U.S. production of softwood plywood has declined steadily at an annual compound rate of approximately 3 percent. During the same period, U.S. production of OSB increased at a compound annual growth rate of approximately 7 percent. Adair, *Structural Panel and Engineered Wood Yearbook*, pp. 8-9.

<sup>28</sup> Hearing transcript, pp. 102 and 119.

<sup>29</sup> Email communication to Commission staff from \*\*\*, Sept. 22, 2005. In 2004, approximately 12 percent of U.S. production of softwood plywood was sanded. Adair, *Structural Panel and Engineered Wood Yearbook*, p. 27.

<sup>30</sup> Hearing transcript, pp. 102 and 119.

### III. U.S. market profile

Profile of U.S. industry and market, 2000-04

| Item   | 2000      | 2001      | 2002      | 2003      | 2004      |
|--|-----------|-----------|-----------|-----------|-----------|
| Producers ( <i>number</i> ) <sup>1</sup> . . . . .             | 39        | 38        | 36        | 33        | 34        |
| Employment ( <i>1,000 employees</i> ) <sup>2</sup> . . . . .   | 28        | 26        | 25        | 24        | 24        |
| Shipments ( <i>1,000 dollars</i> ) <sup>2</sup> . . . . .      | 4,682,913 | 4,146,378 | 4,017,927 | 3,944,485 | 3,755,779 |
| Exports ( <i>1,000 dollars</i> ) <sup>3</sup> . . . . .        | 68,056    | 53,642    | 51,556    | 41,191    | 43,899    |
| Imports ( <i>1,000 dollars</i> ) . . . . .                     | 64,273    | 113,559   | 164,783   | 265,447   | 451,977   |
| Consumption ( <i>1,000 dollars</i> ) . . . . .                 | 4,679,130 | 4,206,294 | 4,131,154 | 4,168,741 | 4,163,856 |
| Import-to-consumption ratio ( <i>percent</i> ) . . . . .       | 1         | 3         | 4         | 6         | 11        |
| Capacity utilization ( <i>percent</i> ) <sup>4</sup> . . . . . | 94        | 91        | 92        | 88        | 93        |

<sup>1</sup> APA Economic Reports E68 and E17. Email from \*\*\*, September 22, 2005.

<sup>2</sup> 2000-02 data are from U.S. Census Bureau report no. EC02-311-321212, *Softwood Veneer and Plywood Manufacturing: 2002*. Data for other years are Commission estimates based on long-term trends that do not reflect seasonal or short-term price fluctuations.

<sup>3</sup> The export data presented in this table are estimated based on industry information. Export data corresponding to HTS subheading 4412.19.40 includes products not covered in this digest. Export data reported for the entire product group are provided in the table at the end of this digest

<sup>4</sup> Capacity utilization figures are estimated based on APA capacity data.

Comment.— There are approximately 34 U.S. firms, both large and small, that produce softwood plywood. During 2000-04, both U.S. production of softwood plywood and U.S. capacity declined. Production decreased at a compound annual rate of 4 percent, from 17.5 to 14.7 billion square feet,<sup>31</sup> and the U.S. industry closed capacity totaling 3.4 billion square feet,<sup>32</sup> which accounted for approximately 18 percent of annual U.S. production capacity.<sup>33</sup>

Because softwood plywood structural panels are used primarily for construction, the principal demand drivers are residential housing construction and residential remodeling. A relatively steady increase in U.S. housing starts beginning in 1994 and a long-term trend toward larger homes<sup>34</sup> helped usher in a period of relatively strong U.S. demand for structural panels, which increased from 36.5 billion square feet in 2000 to 40.1 billion square feet in 2004, or by 10 percent.<sup>35</sup> U.S. demand is expected to increase by about 2 percent per year during the next 5 years.<sup>36</sup> Another factor that may impact demand is damage from hurricanes making landfall in the United States. Demand rises as a result of home reconstruction in the wake of such storms. However, rebuilding typically takes place slowly, over a period of years.<sup>37</sup> It is estimated that rebuilding efforts resulting from hurricane Katrina will increase total demand for structural panels by approximately 4.6 billion square feet and annual demand by 2 to 3 percent over the next 5 years.<sup>38</sup> However, not all of this increase in demand will be accounted for by softwood plywood due to the continuing shift toward OSB for sheathing in residential construction.<sup>39</sup>

<sup>31</sup> Adair, *Structural Panel and Engineered Wood Yearbook*, p. 8.

<sup>32</sup> Hearing handout of Georgia-Pacific p. 6.

<sup>33</sup> During 2000-04, annual U.S. production capacity for OSB increased by 2.1 billion square feet. Adair, *Structural Panel and Engineered Wood Yearbook*, p. 8.

<sup>34</sup> Hearing transcript, p. 101; posthearing submission on behalf of Guararapes, exhibit 8.

<sup>35</sup> Adair, *Structural Panel and Engineered Wood Yearbook*, p. 5.

<sup>36</sup> Hearing transcript, p. 109; and hearing handout of Georgia-Pacific, p. 2.

<sup>37</sup> National Association of Home Builders, "Impact of Hurricane Katrina on Building Materials and Prices," found at [http://www.nahb.org/news\\_details.aspx](http://www.nahb.org/news_details.aspx) and retrieved Sept. 21, 2005.

<sup>38</sup> Hearing transcript p. 11; "Estimated Impact of Hurricane Katrina on Structural Wood Panel Demand," APA, email \*\*\* on Oct. 3, 2005.

<sup>39</sup> Posthearing submission on behalf of the APA – The Engineered Wood Association, Oct. 7, 2005, p. 1.

Short-term factors such as new capacity, seasonality of construction, inclement weather and hurricanes, and transportation disruptions can alter the supply/demand balance in the market for structural panels and cause the price of softwood plywood to vary widely.<sup>40</sup> During 2000-04, the annual variation in the U.S. composite price of southern pine plywood ranged between 10 and 80 percent, and during the entire period, the variation was over 100 percent from a low of \$343 per thousand square feet (MSF) in 2001 to a high of \$688 per MSF in 2004.<sup>41</sup>

IV. GSP import situation, 2004

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

| Item                                 | Imports              | Percent of total imports | Percent of GSP imports | Percent of U.S. consumption |
|--------------------------------------|----------------------|--------------------------|------------------------|-----------------------------|
|                                      | <b>1,000 dollars</b> |                          |                        |                             |
| Grand total .....                    | 451,977              | 100                      | (1)                    | 11                          |
| Imports from GSP-eligible countries: |                      |                          |                        |                             |
| Total .....                          | 251,143              | 56                       | 100                    | 6                           |
| Brazil .....                         | 249,970              | 55                       | 100                    | 6                           |

<sup>1</sup> Not applicable.

Comment.—The duty rate for U.S. imports covered under this HTS subheading is 8 percent. During 2000-04, Brazil accounted for virtually all GSP imports of softwood plywood. The Brazilian forest products industry originally processed native species such as Parana pine (*Araucaria angustifolia*), but shifted to plantations as the native resource dwindled.<sup>42</sup> Reportedly, the plywood industry in Brazil has about 300 small, widely scattered companies, but 40 firms concentrated in the southeast part of Brazil control about 75 percent of production.<sup>43</sup> The output from small mills is approximately 10 times less on an annual basis than that from larger mills.<sup>44</sup> The installed annual production capacity of the plywood industry in Brazil is estimated to be about 2.4 million cubic meters.<sup>45</sup> Reportedly, the Brazilian softwood plywood industry enjoys certain advantages versus the U.S. industry, including wage rates approximately 5 to 10 times less than those paid by the U.S. industry and lower costs for logs.<sup>46</sup> While the principal species of pine used in Brazil are the same as in the United States, growth rates in Brazil may be 2 to 3 times faster and rotations consequently shorter than in the United States.<sup>47</sup> In addition, availability of logs is higher in Brazil than in the United States where softwood plywood producers must compete for available logs with manufacturers of other products such as laminated veneer lumber or wide-dimension lumber.<sup>48</sup> On the other hand, Brazilian manufacturers have higher transportation and capital costs than do U.S. producers.<sup>49</sup>

<sup>40</sup> Hearing transcript, p. 111; and posthearing submission on behalf of Georgia-Pacific, Oct. 7, 2005, p. 5.

<sup>41</sup> Random Lengths, *Forest Product Market Prices and Statistics 2004 Yearbook*, 2005, p. 276.

<sup>42</sup> “Brazil Realizes Its Potential,” *Timber & Wood Products International*, Vol. 384, No. 6290, June 27, 1998, p. 22.

<sup>43</sup> *Ibid.*

<sup>44</sup> On average, small mills in Brazil produce 30 million to 50 million square feet annually, whereas the large mills produce 200 million to 300 million square feet and are comparable in size to U.S. plywood plants. Hearing transcript, p. 177.

<sup>45</sup> *Brazil, Solid Wood Products Annual Report-2004*, USDA FAS, Gain report BR4631, Dec. 17, 2004, p. 6.

<sup>46</sup> Posthearing submission on behalf of Guararapes, Oct. 7, 2005.

<sup>47</sup> “Brazil Realizes Its Potential,” pp. 20-21.

<sup>48</sup> Hearing transcript, p. 155.

<sup>49</sup> Hearing transcript, p. 92; and posthearing submission on behalf of Guararapes, Oct. 7, 2005.

V. Competitiveness profile, Brazil

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Ranking as a U.S. import supplier, 2004 ..... 1

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

Is the product a finished product for final sale to consumers? ..... Yes X No \_\_\_

Is the product an intermediate good used as an input in the production of another good? ..... Yes X No \_\_\_

Is the product an agricultural or food product? ..... Yes \_\_\_ No X

What is the aggregate price elasticity of U.S. demand? ..... High \_\_\_ Moderate X Low \_\_\_

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate \_\_\_ Low \_\_\_

U.S. producers? ..... High \_\_\_ Moderate X Low \_\_\_

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate \_\_\_ Low \_\_\_

U.S. producers? ..... High \_\_\_ Moderate X Low \_\_\_

What is the substitution elasticity? ..... High \_\_\_ Moderate X Low \_\_\_

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes \_\_\_ No X

Does the country have significant export markets besides the United States? .. Yes X No \_\_\_

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes X No \_\_\_

What is the price elasticity of supply for affected imports? .... High \_\_\_ Moderate X Low \_\_\_

Price level compared with--

U.S. products ..... Above \_\_\_ Equivalent X Below \_\_\_

Other foreign products ..... Above \_\_\_ Equivalent X Below \_\_\_

Quality compared with--

U.S. products ..... Above \_\_\_ Equivalent X Below \_\_\_

Other foreign products ..... Above \_\_\_ Equivalent X Below \_\_\_

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Comment.— Brazilian softwood plywood is typically made from species of wood native to the southern United States and is considered by most end users to be interchangeable with U.S. southern pine plywood in most applications.<sup>50</sup> Most of the U.S. imports of Brazilian plywood are certified by U.S. grading agencies, and the prices are comparable to U.S. prices for plywood from mills in the southeastern states of Georgia, Florida, North Carolina, South Carolina, and Virginia.<sup>51</sup>

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<sup>50</sup> “Brazilian Plywood a Growing Force in U.S. Market,” *Random Lengths International*, Vol. 37, No. 14, July 7, 2004, p. 1.

<sup>51</sup> The selling price is typically an average of the domestic selling price during the transit time minus a percentage. *Ibid.*, pp. 1-2.



## VI. Position of interested parties<sup>52</sup>

Petitioner.<sup>53</sup>—Industria de Compensados Gaurarapes Ltda. (Gaurarapes), a major Brazilian producer of softwood plywood, states that the sharp increase in U.S. imports of Brazilian softwood plywood in 2004 resulted from a surge in U.S. residential construction and the inability of U.S. domestic mills to meet the rising U.S. demand. Gaurarapes states that the U.S. manufacturers' inability to meet demand for softwood plywood stems from the closure of existing plywood mills and lack of investment in new facilities in favor of investment in OSB mills. Gaurarapes maintains that it had been asked by its U.S. customers to increase production and that the large Florida market had been neglected by U.S. manufacturers. In addition, Gaurarapes states that Canada, traditionally the primary foreign supplier to the United States, is producing plywood at or near capacity. Therefore, a competitive-need-limit waiver poses little risk of injury to the U.S. domestic industry because strong demand is expected to continue. Gaurarapes also noted that some U.S. corporations have invested in Brazil's forests.

Support.—The National Association of Home Builders, Conex Forest Products, Inc., and TECO Corp. state that U.S. demand for softwood plywood is not currently being met by domestic production because U.S. firms have either closed plants or converted them to the production of other products. These companies state that decreased timber supply from U.S. public lands was the cause of several mill closures in the western United States. Therefore, to meet domestic demand, increased imports from Brazil are necessary.

Opposition.—GP, the largest U.S. producer, argues that Brazil has become a global competitor, that Brazil had previously gained market share in Europe at the expense of U.S. exports of softwood plywood, and that the lost export shipments as well as lost domestic shipments resulting from increased U.S. imports of Brazilian softwood plywood have been responsible in part for plant closures in the United States. GP notes that some western U.S. mills were closed due to inadequate timber supplies and that some were changed over to laminated veneer lumber production. GP maintains that low prices, not the fact that the plants were noncompetitive, caused most of the plant closures. According to GP, the southern mills were closed in response to market conditions.

Coastal Plywood Company, which operates a plywood mill in Havana, Florida, states that Brazilian imports adversely affected its product mix, prices, and sales volumes. Product mix and prices for specific grades, particularly 19/32-inch Rated Sheathing, are affected by Brazilian plywood imports. When shipments of Brazilian plywood began arriving at Florida ports, the firm lost local business and was forced to sell in more distant markets.

Roseburg Forest Products of Oregon and Martco Limited Partnership of Louisiana also request that the competitive-need-limit waiver not be granted. Roseburg states that it competes against substitute products as well as imports.

APA-The Engineered Wood Association, which represents the U.S. plywood industry, states that the recent decline in U.S. production and capacity is the result of a combination of weakening demand due to competition from OSB and surging imports of softwood plywood.

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<sup>52</sup> Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

<sup>53</sup> Petitions were filed with the USTR on or before June 15, 2005.

Table 1.—Softwood plywood (HTS subheading 4412.19.40): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000              | 2001               | 2002               | 2003               | 2004               | January - June     |                    |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   |                   |                    |                    |                    |                    | 2004               | 2005               |
| ----- <i>In Actual Dollars</i> -----        |                   |                    |                    |                    |                    |                    |                    |
| Brazil                                      | 10,013,153        | 21,085,877         | 43,623,802         | 107,544,359        | 249,969,702        | 119,748,076        | 140,991,971        |
| Canada                                      | 39,403,214        | 67,957,315         | 83,054,627         | 105,293,543        | 131,154,203        | 70,970,359         | 63,647,338         |
| Chile                                       | 7,336,396         | 19,226,419         | 33,915,449         | 47,184,920         | 61,223,220         | 26,986,339         | 29,084,511         |
| China                                       | 0                 | 593,242            | 441,623            | 1,326,068          | 6,558,075          | 2,537,390          | 4,646,684          |
| Mexico                                      | 4,313,248         | 1,959,000          | 1,443,882          | 1,017,151          | 1,066,536          | 540,394            | 434,050            |
| Malaysia                                    | 2,142,343         | 1,931,481          | 801,988            | 589,809            | 445,206            | 174,124            | 54,940             |
| Paraguay                                    | 0                 | 0                  | 0                  | 521,945            | 443,313            | 294,810            | 156,509            |
| Argentina                                   | 0                 | 38,629             | 900,727            | 826,512            | 383,066            | 350,845            | 97,250             |
| Colombia                                    | 0                 | 0                  | 12,012             | 177,294            | 262,200            | 120,960            | 102,003            |
| Belgium                                     | 38,500            | 0                  | 0                  | 0                  | 96,009             | 96,009             | 0                  |
| All other                                   | 1,026,256         | 766,933            | 588,535            | 965,124            | 375,106            | 219,101            | 378,627            |
| <b>Total</b>                                | <b>64,273,110</b> | <b>113,558,896</b> | <b>164,782,645</b> | <b>265,446,725</b> | <b>451,976,636</b> | <b>222,038,407</b> | <b>239,593,883</b> |
| <b>Imports from GSP-eligible countries:</b> |                   |                    |                    |                    |                    |                    |                    |
| Brazil                                      | 10,013,153        | 21,085,877         | 43,623,802         | 107,544,359        | 249,969,702        | 119,748,076        | 140,991,971        |
| Paraguay                                    | 0                 | 0                  | 0                  | 521,945            | 443,313            | 294,810            | 156,509            |
| Argentina                                   | 0                 | 38,629             | 900,727            | 826,512            | 383,066            | 350,845            | 97,250             |
| Colombia                                    | 0                 | 0                  | 12,012             | 177,294            | 262,200            | 120,960            | 102,003            |
| All other                                   | 706,324           | 471,655            | 404,035            | 269,752            | 84,519             | 76,757             | 12,396             |
| <b>Total</b>                                | <b>10,719,477</b> | <b>21,596,161</b>  | <b>44,940,576</b>  | <b>109,339,862</b> | <b>251,142,800</b> | <b>120,591,448</b> | <b>141,360,129</b> |

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

Table 2.—Softwood plywood (including other products)<sup>1</sup>: U.S. exports of domestic merchandise, by market, 2000-2004, January-June 2004, and January-June 2005

| Source                               | 2000             | 2001             | 2002             | 2003             | 2004             | January - June   |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                      |                  |                  |                  |                  |                  | 2004             | 2005             |
| ----- <i>In Actual Dollars</i> ----- |                  |                  |                  |                  |                  |                  |                  |
| Canada                               | 1,172,921        | 1,352,879        | 1,771,171        | 2,108,049        | 2,202,146        | 1,100,324        | 1,352,994        |
| Mexico                               | 631,162          | 702,799          | 388,473          | 532,941          | 804,143          | 406,871          | 407,118          |
| Bahamas                              | 346,438          | 325,346          | 366,748          | 556,932          | 437,417          | 166,563          | 314,282          |
| United Kingdom                       | 55,798           | 420,786          | 131,629          | 43,814           | 378,467          | 310,000          | 165,890          |
| Jamaica                              | 1,289,419        | 117,944          | 56,728           | 131,334          | 193,899          | 6,520            | 122,357          |
| Barbados                             | 49,527           | 21,846           | 25,675           | 42,755           | 67,912           | 3,192            | 57,615           |
| St. Lucia Island                     | 0                | 0                | 0                | 4,702            | 62,819           | 62,819           | 0                |
| Bermuda                              | 134,004          | 84,640           | 36,095           | 133,208          | 50,292           | 22,970           | 7,255            |
| Taiwan                               | 0                | 100,357          | 4,408            | 8,898            | 46,566           | 0                | 8,283            |
| Panama                               | 12,500           | 0                | 7,600            | 0                | 44,321           | 32,498           | 0                |
| All other                            | 1,193,556        | 1,291,619        | 2,216,477        | 909,824          | 353,668          | 173,373          | 439,065          |
| <b>Total</b>                         | <b>4,885,325</b> | <b>4,418,216</b> | <b>5,005,004</b> | <b>4,472,457</b> | <b>4,641,650</b> | <b>2,285,130</b> | <b>2,874,859</b> |

<sup>1</sup> Export data are not separately provided for the Schedule B subheading corresponding to import subheading 4412.19.40 and include products not covered in this digest. See “U.S. Market Profile” for estimated U.S. softwood plywood export data.

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

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**Certain Travertine Dimension Stone**

Digest No. 6802.21.10

**I. Introduction**

X Competitive-need-limit waiver: Turkey

| HTS subheading(s)       | Short description  | Col. 1 rate of duty (1/1/05) | Like or directly competitive article produced in the United States on Jan. 1, 1995? |
|-------------------------|--|------------------------------|---|
|                         |  | <i>Percent ad valorem</i>    |   |
| 6802.21.10 <sup>1</sup> | Travertine, simply cut or sawn, with a flat or even surface  | 4.2                          | Yes   |
| 6802.91.20 <sup>1</sup> | Travertine, simply cut or sawn, with a flat or even surface, dressed or polished, but not further worked | 4.2                          | Yes   |

<sup>1</sup> Turkey has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheadings 6802.21.10 and 6802.91.20, effective July 1, 2005.

Description and uses.—Travertine refers to nonmarine carbonate precipitates formed in or near terrestrial springs, rivers, lakes, and caves. Travertine occurs in areas where limestone is common and groundwater contains calcium carbonate. Travertine deposits are found typically in caves, where spring waters come to the surface and either evaporate or undergo certain chemical and/or biochemical processes, leading to the formation of calcite and/or aragonite rocks. Travertine is a natural rock material quarried to obtain blocks or slabs that meet specifications as to size (width, length, and thickness) and shape. The process to convert rough travertine into a polished and shaped form ready for construction applications (called “dimension stone”) is known as “working” or “dressing.”

The subject travertine stone is one of numerous types of ornamental stone used primarily in high-end commercial and noncommercial (principally residential) construction applications. Travertine can be found in building lobbies, wall cladding, flooring, countertops, garden and home decoration, in swimming pools, paving, tombstones, and ornamental articles. Most travertine used is white, tan, or cream colored. Color, grain texture and pattern, and the ability of the stone to take a polish are qualities required by customers. Firms that process travertine into dimension stone typically process other types of limestone such as dolomite, calcareous, and tufa, as well as marble.

**II. Probable economic effect advice – Competitive-need-limit waiver: Turkey (HTS subheadings 6802.21.10 and 6802.91.20)**

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### III. U.S. market profile

Profile of U.S. industry and market, 2000-04

| Item   | 2000             | 2001             | 2002             | 2003             | 2004             |
|--|------------------|------------------|------------------|------------------|------------------|
| Producers ( <i>number</i> ) . . . . .                    | 3                | 3                | 3                | 3                | 3                |
| Employment ( <i>employees</i> ) . . . . .                | 130              | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | 58               |
| Shipments ( <i>1,000 dollars</i> ) . . . . .             | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Exports ( <i>1,000 dollars</i> ) <sup>2</sup> . . . . .  | 4,885            | 4,418            | 5,005            | 4,472            | 4,642            |
| Imports ( <i>1,000 dollars</i> ) . . . . .               | 61,900           | 66,490           | 63,456           | 64,368           | 88,888           |
| Consumption ( <i>1,000 dollars</i> ) . . . . .           | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Import-to-consumption ratio ( <i>percent</i> ) . . . . . | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Capacity utilization ( <i>percent</i> ) . . . . .        | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) | ( <sup>1</sup> ) |

<sup>1</sup> Not available.

<sup>2</sup> U.S. exports cannot be separately estimated for travertine stone and include other dimension stone not covered in this digest and re-exports of imported travertine dimension stone.

Comment.—There are three remaining manufacturers of travertine stone in the United States. One company, New Mexico Travertine with both quarrying and finishing operations, sells a full line of travertine products to industry. Another company, Idaho Travertine, Inc., maintains quarrying and finishing operations. In recent years, the U.S. market has experienced growing demand for travertine dimension stone for upscale residential and commercial uses, which cannot be completely satisfied by domestic production. As a result, the U.S. industry has increasingly concentrated on higher-value, speciality construction markets, leaving the other segments of the market to be supplied by imports.

### IV. GSP import situation, 2004

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

| Item                                 | Imports              | Percent of total imports | Percent of GSP imports | Percent of U.S. consumption |
|--------------------------------------|----------------------|--------------------------|------------------------|-----------------------------|
|                                      | <i>1,000 dollars</i> |                          |                        |                             |
| Grand total . . . . .                | 88,888               | 100                      | ( <sup>1</sup> )       | ( <sup>2</sup> )            |
| Imports from GSP-eligible countries: |                      |                          |                        |                             |
| Total . . . . .                      | 62,422               | 70                       | 100                    | ( <sup>2</sup> )            |
| Turkey . . . . .                     | 52,147               | 59                       | 84                     | ( <sup>2</sup> )            |

<sup>1</sup> Not applicable.

<sup>2</sup> Not available.

Comment.—The duty rate for U.S. imports covered under both HTS subheadings covered in this digest is 4.2 percent. Turkey has emerged as the leading supplier of travertine dimension stone in the U.S. market, supplanting Italy and Mexico. U.S. imports from Turkey increased 243 percent during 2001-04 to \$52.1 million in 2004, due to increased demand for residential and commercial travertine stone in the United States.

V. Competitiveness profile, Turkey

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Ranking as a U.S. import supplier, 2004 ..... 1

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

Is the product a finished product for final sale to consumers? ..... Yes X No    

Is the product an intermediate good used as an input in the production of another good? ..... Yes     No X

Is the product an agricultural or food product? ..... Yes     No X

What is the aggregate price elasticity of U.S. demand? ..... High     Moderate     Low X

Substitution elasticity:

What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High X Moderate     Low    

U.S. producers? ..... High     Moderate X Low    

What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:

Imports from other suppliers? ..... High     Moderate X Low    

U.S. producers? ..... High     Moderate X Low    

What is the substitution elasticity? ..... High     Moderate X Low    

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? ..... Yes X No    

Does the country have significant export markets besides the United States? .. Yes X No    

Could exports from the country be readily redistributed among its foreign export markets? ..... Yes     No X

What is the price elasticity of supply for affected imports? .... High X Moderate     Low    

Price level compared with--

U.S. products ..... Above     Equivalent     Below X

Other foreign products ..... Above     Equivalent     Below X

Quality compared with--

U.S. products ..... Above     Equivalent X Below    

Other foreign products ..... Above     Equivalent X Below    

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Comment.— An estimated 40 percent of travertine reserves worldwide are located in Turkey. Travertine quarries in Turkey are largely located in rural areas of the Denizli, Afyon, and Balikesir provinces in the east Anatolian region. The travertine is quarried in large blocks and carried to factories located generally near the quarries. In the factories, the travertine blocks are cut or sawed into slabs or into other forms, including tiles and mosaic cubes. Other small, family-owned workshops often buy slabs from the factories and process them (cut, saw, polish, and dress, etc.) and sell them either domestically or into the export market.

Total Turkish travertine production in 2004 was estimated at 625,000 metric tons, and nearly 85 percent of total production was exported, with the United States absorbing an estimated 63 percent of 2004 Turkish exports. Total Turkish travertine exports increased from \$115 million in 2002 to \$267 million in 2004.

## VI. Position of interested parties<sup>54</sup>

Petitioner.<sup>55</sup>—Istanbul Mineral and Metals Exporters' Association (IMMIB) is a trade association representing Turkish-based producers and/or exporters of mineral and metal products, including the subject travertine stone. According to IMMIB, through the U.S. GSP program, Turkish companies and travertine stone workers have been able to develop a small but profitable business supplying stones for use in U.S. construction markets. There are about 180 travertine quarries in Turkey and nearly 200 establishments operating to process the quarried travertine stone. Total employment in the travertine industry in Turkey has been estimated by the IMMIB at 12,000.

According to IMMIB, because of limited U.S. production capacity for this product, a waiver of the competitive need limit would not adversely affect the industry in the United States. Because of limited domestic capacity, the United States has become increasingly reliant on imports of travertine stone from developing-country suppliers to satisfy rising demand for travertine. According to IMMIB, without the waiver of the competitive need limit for these HTS subheadings, Turkish exports would be at a disadvantage relative to competitive products from other developing-country suppliers to the U.S. market. The IMMIB estimates that 82 percent of the subject travertine stones imported into the United States in 2004 from all sources were subject to preferential arrangements and were shipped duty free.<sup>56</sup>

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<sup>54</sup> Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

<sup>55</sup> Petitions were filed with the USTR on or before June 15, 2005.

<sup>56</sup> Commission staff verified that 18 percent of total U.S. imports covered under these HTS subheadings were dutiable in 2004.



Table 1.—Certain travertine dimension stone (HTS subheadings 6802.21.10 and 6802.91.20): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> -----        |                   |                   |                   |                   |                   |                   |                   |
| <b>6802.21.10:</b>                          |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 4,781,134         | 5,632,859         | 8,262,544         | 6,745,550         | 16,383,548        | 5,746,222         | 16,261,674        |
| Mexico                                      | 1,637,970         | 3,477,621         | 4,197,934         | 3,604,967         | 3,889,251         | 2,073,851         | 1,646,181         |
| Italy                                       | 8,542,354         | 8,063,144         | 6,811,477         | 6,172,401         | 3,348,490         | 1,688,954         | 2,350,018         |
| Peru  | 934,760           | 515,826           | 1,097,646         | 966,611           | 1,767,522         | 616,513           | 1,083,975         |
| Colombia                                    | 153,639           | 131,493           | 364,680           | 425,630           | 682,615           | 127,100           | 365,612           |
| United Arab Emirates                        | 0                 | 35,566            | 9,576             | 104,393           | 451,459           | 87,600            | 181,757           |
| Israel                                      | 20,646            | 40,724            | 17,039            | 65,798            | 123,555           | 97,147            | 147,102           |
| Philippines                                 | 392,481           | 248,492           | 189,986           | 322,270           | 82,610            | 82,610            | 0                 |
| Brazil                                      | 22,845            | 20,372            | 47,260            | 32,317            | 70,792            | 30,242            | 63,331            |
| Spain                                       | 179,145           | 269,593           | 249,415           | 157,843           | 62,024            | 0                 | 64,930            |
| All other                                   | 745,676           | 526,351           | 601,241           | 458,173           | 366,737           | 80,905            | 288,781           |
| <b>Total</b>                                | <b>17,410,650</b> | <b>18,962,041</b> | <b>21,848,798</b> | <b>19,055,953</b> | <b>27,228,603</b> | <b>10,631,144</b> | <b>22,453,361</b> |
| <b>Imports from GSP-eligible countries:</b> |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 4,781,134         | 5,632,859         | 8,262,544         | 6,745,550         | 16,383,548        | 5,746,222         | 16,261,674        |
| Peru  | 934,760           | 515,826           | 1,097,646         | 966,611           | 1,767,522         | 616,513           | 1,083,975         |
| Colombia                                    | 153,639           | 131,493           | 364,680           | 425,630           | 682,615           | 127,100           | 365,612           |
| Philippines                                 | 392,481           | 248,492           | 189,986           | 322,270           | 82,610            | 82,610            | 0                 |
| All other                                   | 548,028           | 456,960           | 555,222           | 362,098           | 230,443           | 56,186            | 312,827           |
| <b>Total</b>                                | <b>6,810,042</b>  | <b>6,985,630</b>  | <b>10,470,078</b> | <b>8,822,159</b>  | <b>19,146,738</b> | <b>6,628,631</b>  | <b>18,024,088</b> |

Table 1.—Certain travertine dimension stone (HTS subheadings 6802.21.10 and 6802.91.20): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> -----        |                   |                   |                   |                   |                   |                   |                   |
| 6802.91.20:                                 |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 11,879,586        | 14,139,704        | 13,723,581        | 19,358,532        | 35,763,343        | 12,649,274        | 22,981,582        |
| Mexico                                      | 10,002,458        | 9,717,465         | 8,170,928         | 7,030,058         | 8,443,865         | 4,162,665         | 4,207,733         |
| Italy                                       | 18,971,327        | 17,580,249        | 12,922,956        | 10,754,302        | 8,062,083         | 4,191,257         | 4,391,876         |
| Peru  | 2,282,104         | 3,010,456         | 3,403,103         | 5,461,554         | 6,019,554         | 2,675,569         | 1,444,822         |
| China                                       | 45,351            | 5,112             | 48,329            | 139,760           | 915,666           | 216,901           | 1,102,393         |
| Spain                                       | 252,541           | 473,724           | 628,354           | 381,152           | 462,481           | 227,882           | 252,744           |
| Argentina                                   | 164,953           | 1,094,737         | 1,127,803         | 479,915           | 458,135           | 212,836           | 361,202           |
| India                                       | 7,800             | 698,514           | 206,602           | 184,739           | 442,738           | 145,870           | 710,628           |
| Israel                                      | 52,434            | 56,990            | 40,367            | 110,175           | 218,255           | 2,379             | 138,904           |
| Greece                                      | 403,098           | 232,760           | 304,457           | 528,154           | 154,715           | 56,236            | 68,941            |
| All other                                   | 427,215           | 518,657           | 1,030,905         | 883,892           | 718,726           | 312,741           | 737,328           |
| <b>Total</b>                                | <b>44,488,867</b> | <b>47,528,368</b> | <b>41,607,385</b> | <b>45,312,233</b> | <b>61,659,561</b> | <b>24,853,610</b> | <b>36,398,153</b> |
| <b>Imports from GSP-eligible countries:</b> |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 11,879,586        | 14,139,704        | 13,723,581        | 19,358,532        | 35,763,343        | 12,649,274        | 22,981,582        |
| Peru  | 2,282,104         | 3,010,456         | 3,403,103         | 5,461,554         | 6,019,554         | 2,675,569         | 1,444,822         |
| Argentina                                   | 164,953           | 1,094,737         | 1,127,803         | 479,915           | 458,135           | 212,836           | 361,202           |
| India                                       | 7,800             | 698,514           | 206,602           | 184,739           | 442,738           | 145,870           | 710,628           |
| All other                                   | 83,763            | 370,200           | 668,694           | 638,947           | 591,664           | 253,747           | 558,500           |
| <b>Total</b>                                | <b>14,418,206</b> | <b>19,313,611</b> | <b>19,129,783</b> | <b>26,123,687</b> | <b>43,275,434</b> | <b>15,937,296</b> | <b>26,056,734</b> |

Table 1.—Certain travertine dimension stone (HTS subheadings 6802.21.10 and 6802.91.20): U.S. imports for consumption, by principal sources, 2000-2004, January-June 2004, and January-June 2005

| Source                                      | 2000              | 2001              | 2002              | 2003              | 2004              | January - June    |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   |                   |                   |                   |                   |                   | 2004              | 2005              |
| ----- <i>In Actual Dollars</i> -----        |                   |                   |                   |                   |                   |                   |                   |
| Total:                                      |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 16,660,720        | 19,772,563        | 21,986,125        | 26,104,082        | 52,146,891        | 18,395,496        | 39,243,256        |
| Mexico                                      | 11,640,428        | 13,195,086        | 12,368,862        | 10,635,025        | 12,333,116        | 6,236,516         | 5,853,914         |
| Italy                                       | 27,513,681        | 25,643,393        | 19,734,433        | 16,926,703        | 11,410,573        | 5,880,211         | 6,741,894         |
| Peru  | 3,216,864         | 3,526,282         | 4,500,749         | 6,428,165         | 7,787,076         | 3,292,082         | 2,528,797         |
| China                                       | 60,561            | 5,112             | 48,329            | 159,555           | 972,699           | 228,087           | 1,123,889         |
| Colombia                                    | 194,809           | 156,170           | 432,586           | 472,816           | 817,459           | 223,518           | 426,697           |
| Spain                                       | 431,686           | 743,317           | 877,769           | 538,995           | 524,505           | 227,882           | 317,674           |
| India                                       | 164,068           | 820,218           | 402,340           | 262,936           | 503,201           | 160,833           | 753,296           |
| United Arab Emirates                        | 8,415             | 68,386            | 67,210            | 143,401           | 475,037           | 111,178           | 237,164           |
| Argentina                                   | 450,913           | 1,226,590         | 1,249,399         | 508,384           | 469,785           | 212,836           | 367,417           |
| All other                                   | 1,557,372         | 1,333,292         | 1,788,381         | 2,188,124         | 1,447,822         | 516,115           | 1,257,516         |
| <b>Total</b>                                | <b>61,899,517</b> | <b>66,490,409</b> | <b>63,456,183</b> | <b>64,368,186</b> | <b>88,888,164</b> | <b>35,484,754</b> | <b>58,851,514</b> |
| <b>Imports from GSP-eligible countries:</b> |                   |                   |                   |                   |                   |                   |                   |
| Turkey                                      | 16,660,720        | 19,772,563        | 21,986,125        | 26,104,082        | 52,146,891        | 18,395,496        | 39,243,256        |
| Peru  | 3,216,864         | 3,526,282         | 4,500,749         | 6,428,165         | 7,787,076         | 3,292,082         | 2,528,797         |
| Colombia                                    | 194,809           | 156,170           | 432,586           | 472,816           | 817,459           | 223,518           | 426,697           |
| India                                       | 164,068           | 820,218           | 402,340           | 262,936           | 503,201           | 160,833           | 753,296           |
| All other                                   | 1,057,070         | 2,055,030         | 2,489,964         | 1,761,966         | 1,167,545         | 493,998           | 1,213,684         |
| <b>Total</b>                                | <b>21,293,531</b> | <b>26,330,563</b> | <b>29,811,764</b> | <b>35,029,965</b> | <b>62,422,172</b> | <b>22,565,927</b> | <b>44,165,730</b> |

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

Table 2.—Certain travertine dimension stone (including other products)<sup>1</sup>: U.S. exports of domestic merchandise, by market, 2000-2004, January-June 2004, and January-June 2005

| Source                               | 2000             | 2001             | 2002             | 2003             | 2004             | January - June   |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                      |                  |                  |                  |                  |                  | 2004             | 2005             |
| ----- <i>In Actual Dollars</i> ----- |                  |                  |                  |                  |                  |                  |                  |
| Canada                               | 1,172,921        | 1,352,879        | 1,771,171        | 2,108,049        | 2,202,146        | 1,100,324        | 1,352,994        |
| Mexico                               | 631,162          | 702,799          | 388,473          | 532,941          | 804,143          | 406,871          | 407,118          |
| Bahamas                              | 346,438          | 325,346          | 366,748          | 556,932          | 437,417          | 166,563          | 314,282          |
| United Kingdom                       | 55,798           | 420,786          | 131,629          | 43,814           | 378,467          | 310,000          | 165,890          |
| Jamaica                              | 1,289,419        | 117,944          | 56,728           | 131,334          | 193,899          | 6,520            | 122,357          |
| Barbados                             | 49,527           | 21,846           | 25,675           | 42,755           | 67,912           | 3,192            | 57,615           |
| St. Lusia Island                     | 0                | 0                | 0                | 4,702            | 62,819           | 62,819           | 0                |
| Bermuda                              | 134,004          | 84,640           | 36,095           | 133,208          | 50,292           | 22,970           | 7,255            |
| Taiwan                               | 0                | 100,357          | 4,408            | 8,898            | 46,566           | 0                | 8,283            |
| Panama                               | 12,500           | 0                | 7,600            | 0                | 44,321           | 32,498           | 0                |
| All Other                            | 1,193,556        | 1,291,619        | 2,216,477        | 909,824          | 353,668          | 173,373          | 439,065          |
| <b>Total</b>                         | <b>4,885,325</b> | <b>4,418,216</b> | <b>5,005,004</b> | <b>4,472,457</b> | <b>4,641,650</b> | <b>2,285,130</b> | <b>2,874,859</b> |

<sup>1</sup> Export data are not separately provided for the Schedule B subheadings 6802.21.10 and 6802.91.20, and include products not covered in this digest and re-exports of imported travertine dimension stone.

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

**APPENDIX A**

**U.S. Trade Representative's Request Letter**



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

BUCKET # 002/000  
NUMBER

2443

Office of the  
Secretary  
Int'l Trade Commission

AUG 9 2005

2005 AUG -8 AM 2:45

*For transmission  
Accepted by  
Secretary  
8/9/05*

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

Dear Chairman Koplan:

The Trade Policy Staff Committee (TPSC) has recently decided and will announce in the *Federal Register* to accept certain product petitions for the 2005 Annual Review for modification of the Generalized System of Preferences (GSP). For the most part, modifications to the GSP program which may result from this review will be announced in the spring of 2006 and become effective in the summer of 2006.

In accordance with sections 501, 503(a)(1)(A), 503(e) and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and pursuant to the authority delegated to me by the President in sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, I hereby notify the U.S. International Trade Commission (Commission) that the articles identified in Part A of the annex to this letter ("the annex") are being considered for designation as eligible articles, as set forth in sections 501, 503(a)(1)(A) of the 1974 Act, for purposes of the GSP program.

In accordance with sections 501, 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act, and under authority delegated to me by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request that the Commission provide its advice, with respect to the articles identified in Part A of the annex, as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP program.

In addition, I request that the Commission provide its advice, with respect to each of the watches identified in Case Nos. 2005-02 through 2005-08 in Part A of the annex, as to the probable economic effect on United States industries (defined for watches and watch bands, straps and bracelets as those located in the United States and the United States insular possessions) manufacturing or assembling watches, watch bands, straps or bracelets of the elimination of U.S. import duties under the GSP program. In addition to advice on the probable economic effect on these industries as a single geographic unit, the Commission should provide separate advice on the probable economic effect of such action on the watch manufacturing and assembly industry and the watch band, strap and bracelet manufacturing and assembly industry and for each geographic area (the United States and the United States insular possessions).

In providing its advice on the articles in Part A of the annex, I request the Commission to assume that the benefits of the GSP program

The Honorable Stephan Koplan  
Page Two

would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act.

I further request,

a) in order to form a basis for the injury determination required by section 503(b)(1)(b) of the 1974 Act for the watches identified in Case Nos. 2005-02 through 2005-08 in Part A of the annex, that the Commission provide, to the maximum extent possible, data and analysis on the following factors for the most recent three-year period for the United States industries (as defined above) manufacturing or assembling watches or manufacturing or assembling watch bands, straps or bracelets: annual production, capacity, capacity utilization, domestic shipments, exports, inventories, employment, wages, financial experience (including prices), the potential decline in output, market share, profits, productivity and return on investment, the potential negative effects on cash flow, the ability to raise capital and investment, any rapid increases in import penetration and the likelihood that such penetration will rise to an injurious level, factors affecting domestic prices, and any other factors that the Commission deems relevant. Also, that data be provided for the most recent three-year period, to the extent possible, on the following factors for current and potential foreign produces: current and potential production capacity and capacity utilization, domestic shipments, and exports to the United States and other markets.

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

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

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

Under the provisions of the 1974 Act, the Commission has up to six months to provide the advice requested herein in relating to sections 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act on articles specified in Part A of the annex. However, it would be greatly appreciated if the requested advice could be provided by no later than 90 days from receipt of this letter. For Case Nos. 2005-02 through 2005-08 in Part A of the annex, however, the Commission is requested to provide the requested advice as soon as possible, but not later than 6 months



The Honorable Stephan Koplan  
Page Three

after receipt of this letter. It would be greatly appreciated if, to the maximum extent possible, the probable economic effect advice

and statistics (profile of the United States industry and market and United States import and export data) and any other relevant information or advice be provided separately and individually for each Harmonized Tariff Schedule subheading for all the cases in this investigation.

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

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

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

Sincerely,



Rob Portman

Annex

The Harmonized Tariff Schedule of the United States (HTS) subheadings listed below have been accepted as product petitions for the 2005 Generalized System of Preferences (GSP) Annual Review for modification of the (GSP). The tariff nomenclature in the HTS for the subheadings listed below are definitive; the product descriptions in this list are for informational purposes only (except in those cases where only part of a subheading is the subject of a petition). The descriptions below are not intended to delimit in any way the scope of the subheading. The HTS may be viewed on <http://www.usitc.gov/tata/index.htm>.

| Case No. | HTS Subheading | Brief Description | Petitioner |
|----------|----------------|-------------------|------------|
|----------|----------------|-------------------|------------|

A. Petitions to add products to the list of eligible articles for the Generalized System of Preferences.

|         |              |   |   |
|---------|--------------|---|---|
| 2005-01 | 1302.39.0010 | Carrageenan   | Government of the Philippines;<br>Seaweed Industry Association of the Philippines |
| 2005-02 | 9102.11.10   | Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, gold- or silver-plated case, band of textile material or base metal                               | Government of the Philippines;<br>Timex Corporation, Middlebury, CT               |
| 2005-03 | 9102.11.25   | Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, case other than gold- or silver-plated, with band of textile material or base metal               | do.   |
| 2005-04 | 9102.11.30   | Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, gold- or silver-plated case, with band of material not elsewhere specified or included            | do.   |
| 2005-05 | 9102.11.45   | Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, case other than gold- or silver-plated, with band of material not elsewhere specified or included | do.   |
| 2005-06 | 9102.19.20   | Wrist watches not elsewhere specified or included, electrically operated, with both optoelectronic and mechanical displays, 0-1 jewel, band of textile material or base metal                                   | do.   |
| 2005-07 | 9102.19.40   | Wrist watches not elsewhere specified or included, electrically operated, with both optoelectronic and mechanical displays, 0-1 jewel, band of material not elsewhere specified or included                     | do.   |
| 2005-08 | 9102.91.40   | Watches (excluding wrist watches) not elsewhere specified or included, electrically operated, with 0-1 jewel in the movement  | do.   |

Annex  
-2-

| Case No. | HTS Subheading | Brief Description | Petitioner |
|----------|----------------|-------------------|------------|
|----------|----------------|-------------------|------------|

B. Petition to restore duty-free status from a beneficiary developing country/countries for a product on the list of eligible articles for Generalized System of Preferences.

|         |                       |           |   |
|---------|-----------------------|-----------|---|
| 2005-09 | 2916.39.15<br>(India) | Ibuprofen | Shasun Chemicals and<br>Drugs, Limited, India;<br>Shasun USA, Inc., South<br>Plainfield, NJ |
|---------|-----------------------|-----------|---|

C. Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.

|         |                             |  |  |
|---------|-----------------------------|--|--|
| 2005-10 | 0804.50.80<br>(Philippines) | Guavas, mangoes, and mangosteens, dried  | Government of the<br>Philippines;<br>Philippines Dried<br>Mangoes Industry |
| 2005-11 | 4412.19.40<br>(Brazil)      | Plywood of wood sheets, not over 6 mm thick each, with outer plies of coniferous wood, with a face play not elsewhere specified or included, not surface covered or surface covered with clear material does not obscure grain | Industria de Compansados<br>Guararapes Ltda.,<br>Brazil                    |
| 2005-12 | 6802.21.10<br>(Turkey)      | Monumental or building stone and articles thereof, of travertine, simply cut or sawn, with flat or even surface  | Istanbul Mineral and<br>Metals Exporters'<br>Association, Turkey           |
| 2005-13 | 6802.91.20<br>(Turkey)      | Monumental or building stone and articles thereof, of travertine, dressed or polished but not further worked, not elsewhere specified or included  | do.  |



**APPENDIX B**

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



## INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-470]

### Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review

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

**ACTION:** Institution of investigation and scheduling of hearing.

**SUMMARY:** Following receipt on August 9, 2005 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission instituted investigation No. 332-470, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review.

**Background:** As requested by the USTR, in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended (1974 Act), and under section 332(g) of the Tariff Act of 1930, the Commission will provide advice with respect to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP for HTS subheading 1302.39.0010. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of competitive need limits specified in section 503(c)(2)(A) of the 1974 Act. In his letter, the USTR also requested that the Commission provide advice, on a different time schedule, with respect to the probable economic effect of the elimination of U.S. duties on certain watches. The Commission will provide that advice in February 2006 in its report on investigation No. 332-471, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches.

As requested by the USTR, the Commission will provide advice as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the restoration of India for duty-free treatment under the GSP for HTS subheading 2916.39.15.

As requested by the USTR and in accordance with section 503(d)(1)(A) of the 1974 Act, the Commission will provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the

competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for the Philippines for HTS subheading 0804.50.80; for Brazil for HTS subheading 4412.19.40; and for Turkey for HTS subheadings 6802.21.10 and 6802.91.20.

As requested by the USTR, the Commission will provide its advice no later than November 10, 2005. With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission, as requested, will use the dollar value limit of \$115,000,000.

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

**FOR FURTHER INFORMATION CONTACT:** Project Leader, Cynthia B. Foreso ((202) 205-3348 or [cynthia.foreso@usitc.gov](mailto:cynthia.foreso@usitc.gov)). Deputy Project Leader, Alan Treat ((202) 205-3426 or [alan.treat@usitc.gov](mailto:alan.treat@usitc.gov)).

The above persons are in the Commission's Office of Industries. For more information on legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel at (202) 205-3091 or [william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations at (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 these investigations may be viewed on the Commission's electronic docket (EDIS-ONLINE) at <http://edis.usitc.gov/hvwebex>.

**Public Hearing:** A public hearing in connection with this investigation will be held beginning at 9:30 a.m. on September 29, 2005, at the United States International Trade Commission Building, 500 E Street SW., Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, no later than the close of business (5:15 p.m.) on September 9, 2005, in accordance with the requirements in the "Submissions" section below.

**Written Submissions:** In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning these investigations. All written submissions, including requests to appear at the hearing, statements, and

briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436. Any prehearing statements or briefs should be filed not later than 5:15 p.m., September 12, 2005; the deadline for filing posthearing statements or briefs is 5:15 p.m., October 7, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, [http://hotdocs.usitc.gov/pubs/electronic\\_filing\\_handbook.pdf](http://hotdocs.usitc.gov/pubs/electronic_filing_handbook.pdf)).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

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

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

By order of the Commission.

Issued: August 15, 2005.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 05-16544 Filed 8-19-05; 8:45 am]

BILLING CODE 7020-02-P

## INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-471]

### Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches

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

**ACTION:** Institution of investigation and scheduling of hearing.

**SUMMARY:** Following receipt on August 9, 2005 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332 (g)), the Commission instituted investigation No. 332-471, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches.

*Background:* As requested by the USTR, in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended (1974 Act), and under section 332(g) of the Tariff Act of 1930, the Commission will provide advice with respect to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP for the following HTS subheadings: 9102.11.10, 9102.11.25, 9102.11.30, 9102.11.45, 9102.19.20, 9102.19.40, and 9102.91.40. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of competitive need limits specified in section 503(c)(2)(A) of the 1974 Act. In his letter, the USTR also requested that the Commission provide advice concerning other modifications to the GSP as part of the 2005 review. The Commission will provide that advice in November 2005 in its report on investigation No. 332-470, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review.

In addition, as requested by the USTR, the Commission will provide advice with respect to HTS subheadings 9102.11.10, 9102.11.25, 9102.11.30, 9102.11.45, 9102.19.20, 9102.19.40, and

9102.91.40, as to the probable economic effect on United States industries (defined for watches and watch bands, straps and bracelets as those located in the United States and United States insular possessions) manufacturing or assembling watches, watch bands, straps or bracelets of the elimination of U.S. import duties under the GSP program. In addition to advice on the probable economic effect on these industries as a single geographic unit, the Commission will also provide separate advice on the probable economic effect of such action on the watch manufacturing and assembly industry and the watch band, strap, and bracelet manufacturing and assembly industry and for each geographic area (the United States and the United States insular possessions).

As requested, the Commission will also provide, to the extent possible, data and analysis on the following factors for the most recent three year period for the United States industries (as defined above) manufacturing or assembling watches or manufacturing or assembling watch bands, straps or bracelets: annual production, capacity, capacity utilization, domestic shipments, exports, inventories, employment, wages, financial experience (including prices), the potential decline in output, market share, profits, productivity and return on investment, the potential negative effects on cash flow, the ability to raise capital and investment, any rapid increases in import penetration and the likelihood that such penetration will rise to an injurious level, factors affecting domestic prices, and any other factors that the Commission deems relevant. The Commission will also provide data for the most recent three-year period, to the extent possible, on the following factors for current and potential foreign producers: current and potential production capacity and capacity utilization, domestic shipments, and exports to the United States and other markets.

As requested by the USTR, the Commission will seek to provide its advice no later than February 17, 2006.

**DATES:** Effective August 9, 2005.

**FOR FURTHER INFORMATION CONTACT:** Project Leader, Cynthia B. Foreso ((202) 205-3348 or [cynthia.foreso@usitc.gov](mailto:cynthia.foreso@usitc.gov)) or Deputy Project Leader, Alan Treat ((202) 205-3426 or [alan.treat@usitc.gov](mailto:alan.treat@usitc.gov))

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

should contact Margaret O'Laughlin, Office of External Relations at (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 these investigations may be viewed on the Commission's electronic docket (EDIS-ONLINE) at <http://edis.usitc.gov/hvwebex>.

*Public Hearing:* A public hearing in connection with this investigation is scheduled to begin on September 29, 2005 following the close of the hearing on investigation No. 332-470, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review (Investigation No. 332-470), at the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, not later than the close of business (5:15 p.m.) on September 9, 2005, in accordance with the requirements in the "Submissions" section below.

*Written Submissions:* In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning these investigations. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. Any prehearing statements or briefs should be filed not later than 5:15 p.m., September 12, 2005; the deadline for filing posthearing statements or briefs is 5:15 p.m., November 7, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information



**APPENDIX C**

**List of Witnesses Appearing before the U.S. International Trade Commission  
at the hearing on September 29, 2005**



## CALENDAR OF PUBLIC HEARING

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

**Subject:** Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review

**Inv. No.:** 332-470

**Date and Time:** September 29, 2005 - 9:30 a.m.

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

### PANEL 1

#### ORGANIZATION AND WITNESS:

#### PRODUCT:

*Carrageenan*

Embassy of the Philippines  
Washington, D.C.

**Romeo G. Borillo**, Commercial Counselor

**Harris J. Bixler**, Vice President, Regulatory  
Affairs, Seaweed Industry Association  
of the Philippines

*Panel 1 (continued)*

**ORGANIZATION AND WITNESS:**

**PRODUCT:**

*Ibuprofen*

Williams Mullen  
Washington, D.C.  
on behalf of

Shasun Chemicals and Drugs, Ltd.  
Shasun, Inc.

**Govindarajan Narayanan**, Chief Executive  
Officer, Shasun Chemicals and Drugs, Ltd.

**Jitesh Devendra**, Vice President, Business  
Development, Americas, Shasun Chemicals  
and Drugs, Ltd.

**James R. Cannon, Jr.** ) – OF COUNSEL

*Certain Travertine  
Dimension Stones*

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

Istanbul Minerals & Metals Exporters  
Association (“IMMIB”)

**Artemiz Turunc Akyatan**, Partner, Tureks-Turunc  
Minerals Trade, Inc.

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

**Warren H. Marauyama** ) – OF COUNSEL

Panel 2

**ORGANIZATION AND WITNESS:**

**PRODUCT:**

*Softwood Plywood*

Adduci, Mastriani & Schaumberg, L.L.P.  
Washington, D.C.  
on behalf of

Industria de Compansados Guararapes Ltda. (“Guararapes”)  
National Association of Home Builders (“NAHB”)  
Conex Forest Products, Inc. (“Conex”)

**Carl J. Kurtz**, Managing Director, Tropical  
Woods International, Ltda.

**Jose Carlos Januario**, Export Sales Director/Partner,  
Guararapes

**Steve G. Winistorfer**, President, Certification  
and Testing Division, TECO Corporation

**Michael S. Carliner**, Staff Vice President,  
Economics, NAHB

**Stephen L. Conowall**, President, Conex

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

**V. James Adduci II** )  
 ) – OF COUNSEL  
**William C. Sjoberg** )

Roberts & Dybdahl Inc.  
Des Moines, IA

**Larry Warner**, Vice President, Sales and  
Operations, Roberts International, Inc.  
Roberts & Dybdahl, Inc.

Panel 2 (continued)

**ORGANIZATION AND WITNESS:**

Georgia-Pacific  
Washington, D.C.

**David J. Patterson**, Executive Vice President,  
Building Products

**D. Craig Adair**, Director, Market Research,  
APA The Engineered Wood Association

**PRODUCT:**

*Softwood Plywood (continued)*

**-END-**

## **APPENDIX D**

### **Model for Evaluating Probable Economic Effects of Changes in GSP Status**





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

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

### **Introduction**

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

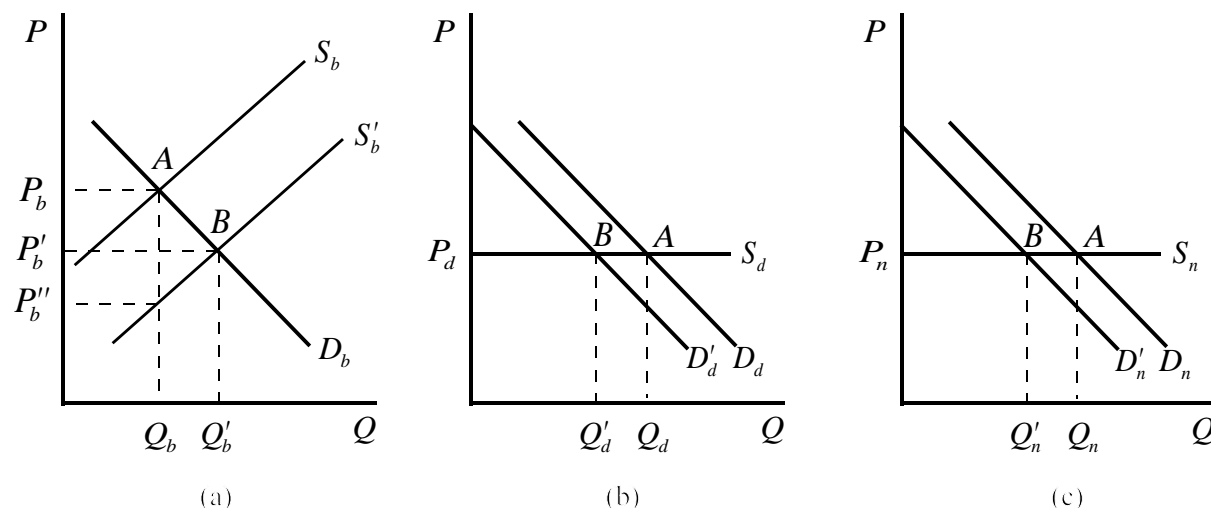
The following model illustrates the case of granting a product GSP duty-free status. The illustration is for a product for which domestic production, GSP imports, and non-GSP imports are imperfect substitutes, and shows the basic results of a tariff removal on a portion of imports.

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

**Figure D-1**

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



Consider the market for imports from GSP beneficiary countries illustrated in fig. D-1, panel (a).

The line labeled  $D_b$  is the U.S. demand for imports from GSP beneficiary countries, the line labeled

$S_b$  is the supply of imports from GSP beneficiary countries with the tariff in place, and the line labeled

$S'_b$  is the supply of imports from GSP beneficiary countries without the tariff (i.e., the product is

receiving duty-free treatment under GSP). Point A is the equilibrium with the tariff in place, and point **B**

is the equilibrium without the tariff.  $Q_b$  and  $Q'_b$  are equilibrium quantities at **A** and **B**, respectively.

$P_b$  and  $P'_b$  are equilibrium prices at **A** and **B**, and  $P''_b$  is the price received by GSP-beneficiary

producers when the tariff is in place. The difference between  $P_b$  and  $P''_b$  denotes the tariff,  $t$ .

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

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

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

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

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

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

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

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

<sup>3</sup> Armington (1969), p. 167.

<sup>4</sup> Ibid., p. 168.

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

In addition the aggregate quantity index  $q$  can be defined as

$$q = k_A p^{\eta_A} \quad (3)$$

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

Substituting equation (3) into equation (1) yields

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

Further manipulation and simplification yields

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

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

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

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

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

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

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

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

equation (4) can be rendered as

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

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

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

$$\begin{aligned} [p_b(1+t)]^{\varepsilon_{sb}} - \frac{p^{\sigma+\eta_A}}{p_b^\sigma} &= 0 && \text{for imports from GSP beneficiary countries,} \\ p_n^{\varepsilon_{sn}} - \frac{p^{\sigma+\eta_A}}{p_n^\sigma} &= 0 && \text{for imports from nonbeneficiary countries,} \\ p_d^{\varepsilon_{sd}} - \frac{p^{\sigma+\eta_A}}{p_d^\sigma} &= 0 && \text{for U.S. domestic production, and} \\ p &= \left( \sum_{i=b,n,d} b_i^\sigma p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} && \text{for the price aggregator.} \end{aligned}$$

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

### *Consumer effects*

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

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

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

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