~~CONFIDENTIAL NATIONAL SECURITY INFORMATION~~

United States International Trade Commission

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2003 Review

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

DECLASSIFIED BY: Robert B. Zoellick, United States Trade Representative, Letter Dated February 13, 2004

Investigation No. 332-459
USITC Publication 3696
May 2004

~~CONFIDENTIAL NATIONAL SECURITY INFORMATION~~

U.S. International Trade Commission

Robert A. Rogowsky
Director of Operations
Acting Director, Office of Industries

Project Leader
Cynthia B. Foreso*, Office of Industries*

Deputy Project Leader
Eric Land*, Office of Industries*

Digest Authors
Raymond Cantrell, John Cutchin, Queena Fan, Cynthia B. Foreso, Lawrence Johnson, John Kitzmiller, Eric Land, Deborah McNay, Rose Steller, and Norman VanToai
Office of Industries

Assisted by
Walker Pollard*, Office of Economics*
Brenda Carroll*, Office of Industries*

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2003 Review

Investigation No. 332-459

CLASSIFIED BY: United States Trade Representative, Letter Dated March 3, 1998
DECLASSIFIED BY: Robert B. Zoellick, United States Trade Representative, Letter Dated February 13, 2004

Publication 3696

May 2004

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE UNITED STATES TRADE REPRESENTATIVE ON MAY 12, 2004. ALL NSI CONFIDENTIAL AND CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***).

CONTENTS

ITC READER SATISFACTION SURVEY

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2003 Review

The U.S. International Trade Commission (USITC) is interested in your voluntary comments (burden less than 10 minutes) to help assess the value and quality of our reports, and to assist in improving future products. Please **return survey by facsimile (202-205-2150) or by mail** to the USITC, or visit the USITC Internet home page (*http://reportweb.usitc.gov/reader_survey/readersurvey.html*) to electronically submit a Web version of the survey.

(Please print; r*esponses below not for attribution):*

Your name and title: _____

Organization (if applicable): _____

Which format is most useful to you? ❑ CD-ROM ❑ Hardcopy ❑ USITC Internet site

Circle your assessment of each factor below: **SA** = strongly agree, **A** = agree, **N** = no opinion, **D** = disagree, or **SD** = strongly disagree.

Value of this report:					
▶ Statistical data are useful	SA	A	N	D	SD
▶ Other non-numerical facts are useful	SA	A	N	D	SD
▶ Analysis augments statistical data/other facts	SA	A	N	D	SD
▶ Relevant topic(s)/subject matter	SA	A	N	D	SD
▶ Primary or leading source of information on this subject	SA	A	N	D	SD
Quality of this report:					
▶ Clearly written	SA	A	N	D	SD
▶ Key issues are addressed	SA	A	N	D	SD
▶ Charts and graphs aid understanding	SA	A	N	D	SD
▶ References cite pertinent sources	SA	A	N	D	SD

Other preferred source of information on this subject: _____

Specify chapters, sections, or topics in report that are most useful: _____

_____

_____

Identify any type of additional information that should have been included in report: _____

_____

_____

Suggestions for improving report: _____

_____

_____

Please update your mailing and electronic addresses below (voluntary)-

Mailing address: _____

City, state, and zip code: _____

E-mail address: _____

OMB No.: 3117-0188

FOLD

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, DC 20436

OFFICIAL BUSINESS
PENALTY FOR PRIVATE, USE $300

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 12840 WASHINGTON, DC

POSTAGE WILL BE PAID BY ADDRESSEE

U.S INTERNATIONAL TRADE COMMISSION
500 E STREET, SW.
WASHINGTON, DC 20277-2840

ATTN:
OFFICE OF INDUSTRIES
Advice Concerning Possible Modifications to
the U.S. Generalized System of Preferences,
2003 Review

INTRODUCTION

On February 13, 2004, 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).[1] The USTR request letter is included in appendix A. Following receipt of the request, the Commission instituted investigation No. 332-459 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 adding products to the list of eligible articles for the Harmonized Tariff Schedule (HTS) subheadings 8708.92.50 and 8714.92.10; 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 removing products from the list of eligible articles for all beneficiary countries under the GSP for the following HTS subheadings: 2917.12.10, 3901.10.00 (pt.), 3901.20.00 (pt.), 3907.60.0010, and 3920.62.00; 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 Argentina for HTS subheading 4107.11.80; for Thailand for HTS subheading 7615.19.30; and for Indonesia for HTS subheading 8525.40.80. The Commission was requested to use the dollar value limit of $110,000,000.

The Commission instituted the investigation on February 19, 2004, and indicated that it would seek to provide its advice no later than May 13, 2004, 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 March 31, 2004. The list of witnesses testifying before the Commission is contained in appendix C.

[1] The following *Federal Register* notices were issued by the USTR and the Commission relating to investigation No. 332-459:

Date	Notice	Subject
Feb. 24, 2004	69 F.R. 8514	USTR notice of GSP review
Feb. 25, 2004	69 F.R. 8680	Notice of USITC investigation

PRESENTATION OF ADVICE

In response to the USTR request for probable economic effect advice on whether any industry in the United States is likely to be adversely affected by possible modifications to the U.S. GSP, the Commission provides its advice in the form of commodity digests, as has been done in prior GSP investigations. This
report contains 9 digests covering 10 HTS subheadings with each digest containing the following sections:

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

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

III. GSP import situation, 2003. -- This section provides 2003 U.S. import data, including world total and GSP-country-specific data.

IV. Competitiveness profiles, GSP suppliers. --This section provides background information on GSP-eligible countries for the digest, their ranking as an import source, the price elasticities of supply and demand for imports from that country, and the price and quality of the imports versus U.S. and other foreign products.[2]

V. Position of interested parties. -- This section provides brief summaries of the GSP petitions, hearing testimony, and any written submissions from interested parties.

[2] 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. There are a number of guidelines based on the absolute elasticity value when characterizing elasticities. The elasticity is low when its absolute value is less than 1.0 because the change in quantity demanded or supplied is less than proportional to the change in price. The elasticity is moderate when its absolute value is between 1 and 2, with percentage changes in quantity being one to two times greater than the change in price. The elasticity is high when their absolute values exceed 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 Commission staff analysis of industry trends.

VI. Summary of probable economic effect advice.--This section provides advice on the short-term (1 to 5 years) impact of the proposed GSP-eligibility modifications on U.S. industries producing like or directly competitive articles and on U.S. consumers. In the course of providing this advice, the Commission also estimates changes in the U.S. import levels resulting from the GSP modifications. The probable economic effect advice, to a degree, integrates and summarizes the data provided in sections I-V of the digests with particular emphasis on the price sensitivity of supply and demand. Appendix D provides a brief textual and graphic presentation on the model used for evaluating the probable economic effect of changes in the GSP. It should be noted that the probable economic effect advice with respect to changes in import levels is presented in terms of the degree to which GSP modifications could affect the level of U.S. trade with the world. Consequently, if GSP beneficiaries supply a very small share of the total U.S. imports of a particular product or if imports from beneficiaries readily substitute for imports from developed countries, the overall effect on U.S. imports could be minimal. The digests contain a coded summary of the probable economic effect advice.

The coding scheme for both "addition" and "competitive-need-limit waiver" digests is as follows:

Total U.S. imports:

Code A: Little or no increase (less than 5 percent).
Code B: Moderate increase (6 to 15 percent).
Code C: Significant increase (greater than 15 percent).
Code N: No effect.

U.S. industry and employment:

Code A: Little or negligible adverse impact.
Code B: Significant adverse impact (significant proportion of workers unemployed, declines in output and profit levels, and departure of firms; effects on some segments of the industry may be substantial even though they are not 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: No effect.

U.S. consumer:[3]

Code A: The bulk of duty saving (greater than 75 percent) is expected to be absorbed by the foreign suppliers.
Code B: Duty saving is expected to benefit both the foreign suppliers and the domestic consumer (neither absorbing more than 75 percent of the costs).
Code C: The bulk of duty saving (greater than 75 percent) is expected to benefit the U.S. consumer.
Code N: No effect.

[3] For effects advice, "U.S. consumer" is limited to the first-level consumer and may be a firm receiving an intermediate good for further processing or an end-use consumer receiving a final good.

The coding scheme for "removal" digests is as follows:

Total U.S. imports:

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

U.S. industry and employment:

Code X: Little or negligible beneficial impact.
Code Y: Significant beneficial impact (significant number of additional workers employed; increases in output; increases in profit levels; new firms; but beneficial impact not industry wide).
Code Z: Substantial beneficial impact (substantial increase in employment; widespread increased production; substantial increases in profits levels; beneficial impact on the industry as a whole).
Code N: No effect.

U.S. consumer:

Code X: The bulk of the duty increase (greater than 75 percent) is expected to be absorbed by the foreign suppliers.
Code Y: The duty increase is expected to increase costs to both the foreign suppliers and the domestic consumer (neither absorbing more than 75 percent of the costs).
Code Z: The bulk of the duty increase (greater than 75 percent) is expected to be passed on to the U.S. consumer.
Code N: No effect.

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

DIGEST LOCATOR

Report digests are listed in sequential order by digest number, which is the HTS subheading. The digest locator provides the following information on the individual digests: the proposed action, the HTS subheadings, the digest title, the petitioner, the column 1 rate of duty as of January 1, 2004, the existence of U.S. production on January 1, 1995, the probable economic effect advice, and the name of the International Trade Analyst assigned.

Digest No. (HTS subheading(s))	Digest title	Petitioners	Col. 1 duty rate as of 1/1/04 (% ad valorem)	U.S. production on 1/1/95?	Probable economic effect advice	Analyst (Division)
REMOVALS:						
2917.12.10	Adipic acid	Invista Inc., DE	6.5	Yes	***	Johnson (CH)
3901.10.00 (pt.) 3901.20.00 (pt.)	Ultra-high molecular weight polyethylene resins	Ticona LLC, NJ	6.5 6.5	Yes	*** ***	Land and Cantrell (CH)
3907.60.0010	PET bottle-grade resins in primary forms	U.S. PET Resins Producers Coalition (Voridian, TN; Wellman, Inc., NJ; M&G Polymers, USA, TX; DAK Americas, Inc., PA; Nan Ya Plastics Corp., SC)	6.5	Yes	***	Foreso and Cantrell (CH)
3920.62.00	PET film	Dupont Teijin Films, DE; Mitsubishi Polyester Film of America, SC; Toray Plastics (America), Inc., RI; SKC America, Inc., GA	4.2	Yes	***	Foreso and Cantrell (CH)
COMPETITIVE-NEED-LIMIT WAIVER (ARGENTINA):						
4107.11.80	Fancy leather	Camara de la Curtidora, Argentina	2.4	Yes	***	Steller (AG)
COMPETITIVE-NEED-LIMIT WAIVER (THAILAND):						
7615.19.30	Certain stamped aluminum cookware	Meyer Corp., CA	3.1	Yes	***	VanToai (MM)
COMPETITIVE-NEED-LIMIT WAIVER (INDONESIA):						
8525.40.80	Camcorders	P.T. Matsushita Kotobuki Electronics Industries, Indonesia	2.1	No	***	Fan and Kitzmiller (ET)
ADDITIONS:						
8708.92.50	Mufflers and exhaust pipes for motor vehicles other than tractors suitable for agricultural use	Govt. of Argentina; Conforma S.R.L., Argentina	2.5	Yes	***	McNay (ET)
8714.92.10	Wheel rims for bicycles	Eninco Engeharia, Industria e Comercio Ltda, Brazil	5.0	Yes	***	Cutchin (MM)

COMMODITY DIGESTS

Adipic Acid

I. Introduction

X Removal

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
2917.12.10	Adipic acid	6.5	Yes

Description and uses.–Adipic acid is a synthetic organic aliphatic dicarboxylic acid principally derived from the oxidation of cyclohexane. Adipic acid is used primarily to make nylon 6,6, which is in turn used in the production of industrial and apparel fabrics and carpets as well as engineering resins.[1] Other uses include the production of polyurethane foam, esters for use as plasticizers and synthetic lubricants, food additives, baking powders, and adhesives.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	3	3	3	3	3
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)[2]	*843,700	*917,100	*775,700	*970,000	*986,490
Exports (***1,000 dollars***)	61,268	64,220	53,520	66,911	84,080
Imports (***1,000 dollars***)	56,395	58,199	63,233	51,448	47,701
Consumption (***1,000 dollars***)	*838,827	*911,079	*785,413	*954,537	*950,111
Import-to-consumption ratio (***percent***)	7	6	8	5	5
Capacity utilization (***percent***)	*90	*90	*90	*90	*90

[1] Not available.
[2] Prehearing submission of Rhodia Poliamida Ltda., Mar. 5, 2004, p. 5.

Comment.–More than 80 percent of domestically-produced adipic acid is used captively to manufacture nylon 6,6 fibers and resins.[2] Shipments rose during 1999-2003, except for 2001. The dip in 2001 was attributed to a decline in demand in the Asian markets for both adipic acid and finished nylon fibers corresponding with a small increase in production capacity for adipic acid in that region. Exports also rose each year during the period except for 2001. Imports from Canada accounted for more than 88 percent of total adipic acid imports during the period, while Canada and Brazil together supplied more than 99 percent.

[1]USITC public hearing, March 31, 2004, transcript (hereinafter "Hearing transcript"), p. 169.
[2]Hearing transcript, p. 171.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	47,701	100	([1])	*5
Imports from GSP countries:				
GSP total[2]	5,259	11	100	*1
Brazil	5,259	11	100	*1

[1] Not applicable.
[2] HTS subheading 2917.12.10 was added to the list of GSP-eligible items in July 2003.

Comment.–Brazil was the only source of GSP imports of adipic acid in 2003; such imports began in July of that year. Rhodia, a French firm with subsidiaries worldwide, produces adipic acid in Brazil at its subsidiary. The U.S. subsidiary, Rhodia North America, imports adipic acid from the Brazilian subsidiary and sells it in the U.S. market.

IV. Competitiveness profile, Brazil

Ranking as a U.S. import supplier, 2003	2		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Brazil is currently the only GSP-eligible supplier of adipic acid to the U.S. market. Adipic acid from Brazil is similar in all respects, including technical requirements and price, to the domestic product but primarily serves the merchant market,[3] and is similarly priced. Imports of adipic acid from Brazil supply segments of the U.S. market that do not have a current domestic source of supply and are competitive in segments of the U.S. market where domestic supply exists.

[3]Hearing transcript, p. 172.

IV. Competitiveness profile, all GSP suppliers

Ranking as a U.S. import supplier, 2003	NA		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Brazil is currently the only GSP-eligible supplier of adipic acid to the U.S. market. There is currently no other GSP-eligible country with adipic acid production capacity.[4]

[4]Hearing transcript, p. 190

V. Position of interested parties

Petitioner.–Invista, Inc., the petitioner, stated that GSP treatment for the product helps a major foreign producer that already has a substantial presence in the U.S. market. Invista stated that this is contrary to the intent of the GSP program, which is to help a developing country enter the U.S. market. Invista also cited domestic oversupply, a weak market made worse by rising GSP imports, and the lack of reciprocity by Brazil as reasons for removing GSP treatment for adipic acid. They claim GSP imports have resulted in falling prices and lost sales by U.S. manufacturers in the U.S. market.

Support.--Inolex Chemical Co. supports the petition for removal of GSP treatment for adipic acid because it believes that GSP benefits help a major foreign producer that already has a substantial presence in the U.S. market. Inolex stated that this is contrary to the intent of the GSP program, which is to help a developing country enter the U.S. market. Inolex also cited weak market conditions in the United States, falling prices, and domestic oversupply, which are being exacerbated by rising GSP imports from Brazil.

Opposition.–Rhodia Poliamida Ltda. (Rhodia), the producer of the adipic acid imported from Brazil under the GSP, indicated that the proposed action would damage U.S. consumers by increasing the cost of this ingredient in formulated products produced in the United States. Further, Rhodia stated that there is no impact on a U.S. industry because most of the domestically-produced adipic acid is consumed captively by the U.S. manufacturers to make other products. Rhodia indicated that its imports are a very small part of a very large market and have declined since the granting of GSP in July 2003. Rhodia claimed that even if all its excess capacity were directed to the United States, it would still make up a small share of the U.S. market. Rhodia stated that much of its excess capacity is expected to supply growing markets in Brazil and Argentina and that its prices in the U.S. market are rising, not falling, as contended by the petitioner. In addition, Rhodia stated that U.S. manufacturers are net exporters of adipic acid to South American markets.

VI. Summary of probable economic effects advice-Removal

* * * * * * *

Table 1.--Adipic acid: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Canada	49,798	52,557	58,246	46,077	42,111	88.3%
Brazil	6,080	5,465	4,604	4,608	5,259	11.0%
Japan	0	7	193	460	204	0.4%
Ukraine	110	0	116	171	66	0.1%
United Kingdom	20	0	3	6	32	0.1%
Taiwan	0	0	0	0	13	0.0%
Ireland	0	0	0	6	10	0.0%
Korea	0	0	0	0	4	0.0%
Germany	274	0	21	0	2	0.0%
Belgium	0	26	0	0	0	0.0%
All other	113	144	50	120	0	0.0%
Total	**56,395**	**58,199**	**63,233**	**51,448**	**47,701**	**100.0%**
Imports from GSP-eligible nations:						
Brazil	6,080	5,465	4,604	4,608	5,259	100.0%
Total from GSP-eligible nations	**6,080**	**5,465**	**4,604**	**4,608**	**5,259**	**100.0%**
Export market:						
Argentina	12,552	16,535	7,929	10,795	19,056	22.7%
Japan	11,350	21,776	14,728	17,989	16,680	19.8%
Israel	3,707	1,297	1,759	3,858	12,371	14.7%
Canada	10,485	6,343	6,406	7,784	12,007	14.3%
Taiwan	6,910	5,665	3,733	4,502	6,689	8.0%
China	295	112	248	2,201	4,987	5.9%
Mexico	2,188	2,807	3,169	2,734	3,367	4.0%
Korea	2,734	1,752	317	3,826	2,788	3.3%
Singapore	177	3,785	0	6,215	2,577	3.1%
Brazil	287	885	842	1,030	861	1.0%
All Other	10,582	3,264	14,390	5,976	2,699	3.2%
Total	**61,268**	**64,220**	**53,520**	**66,911**	**84,080**	**100.0%**

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

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

Ultra-high Molecular Weight Polyethylene Resin

I. Introduction

X Removal

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3901.10.00(pt.)	Low-density polyethylene	6.5	Yes
3901.20.00(pt.)	High-density polyethylene	6.5	Yes

Description and uses.–Ultra-high molecular weight polyethylene resin (UHMWPE) is a very specialized product within the range of polyethylene products. UHMWPE is a white powder with an average molecular weight in the range of 3,000,000 to 6,000,000, and with a relative viscosity of 1.44 or greater, at a concentration of 0.02 percent, at 135°C in decahydronapthalene, according to ASTM Standard D-4020. UHMWPE has a molecular weight average 10 times that of conventional polyethylene.

Polyethylene, the leading commodity resin produced in the United States, is produced by polymerizing ethylene, which is in turn produced from natural gas or petroleum feedstocks. UHMWPE, which accounts for a very small share of the polyethylene produced in the United States, serves higher-end niche markets such as sheets, rods, fibers, and linings that require its combination of characteristics, including superior strength, inertness, lubricity, and abrasion resistance. It is also approved by the FDA (CFR Title 21 section 177.1520(a)(2)) and USDA for use on cutting boards, and table tops; for hangers used in poultry processing; protective gloves; and molds for cookies and chocolates. Non-food applications include use in orthopedic implants and bullet-proof vests, as well as large sheets used instead of ice for skating rinks.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003[1]

Item	1999	2000	2001	2002	2003
Producers[2]	*14	*14	*14	*14	*14
Employment (***1,000 employees***)	*12	*12	*12	*13	*13
Shipments (***1,000 dollars***)[3]	*10,400,000	*11,500,000	*10,000,000	*9,800,000	*11,700,000
Exports (***1,000 dollars***)	1,580,492	1,860,866	1,690,148	1,677,799	1,877,937
Imports (***1,000 dollars***)	1,009,750	1,191,905	1,263,356	1,045,134	1,306,511
Consumption (***1,000 dollars***)	*9,829,258	*10,831,039	*9,573,208	*9,167,335	*11,128,574
Import-to-consumption ratio (***percent***)	*10	*11	*13	*11	*12
Capacity utilization (***percent***)[3]	*89	*88	*82	*85	*86

[1] This table contains data for the total U.S. primary polyethylene industry and market.
[2] There are 14 companies operating at 28 locations, primarily along the Texas and Louisiana Gulf Coast.
[3] Commission estimates based on American Plastics Council statistics and industry prices.

Comment.–The United States is the world's largest producer and consumer of polyethylene. However, the U.S. market for UHMWPE accounts for a *** share of the overall polyethylene market.[5] The following tabulation shows a profile for the domestic UHMWPE market:

Item	1999	2000	2001	2002	2003
Producers[1]	***	***	***	***	***
Employment (***1,000 employees***)	***	***	***	***	***
Shipments (***1,000 dollars***)	***	***	***	***	***
Exports (***1,000 dollars***)	***	***	***	***	***
Imports (***1,000 dollars***)	***	***	***	***	***
Consumption (***1,000 dollars***)	***	***	***	***	***
Import-to-consumption ratio (***percent***)	***	***	***	***	***
Capacity utilization (***percent***)	***	***	***	***	***

[1] *** (See Posthearing submission of Polialden Petroquímica S.A., Attachment 1.)
[2] ***
[3] ***

The U.S. market for UHMWPE is reported ***.[6] However, Ticona has the ability to expand production capacity at its domestic plant and to supplement the availability of UHMWPE in the U.S. market with temporary burst capacity from their German plant.[7] GSP imports from Polialden in Brazil, dutiable imports from Ticona's UHMWPE plant in Germany, and imports from several other small suppliers in the Netherlands and China are reported to supply most of the remaining domestic demand. In 2001, Ticona announced a major expansion of capacity (from 16,000 metric tons to 30,000 metric tons) for which they constructed an entirely new domestic facility.[8] This new plant, which became operational in 2002, received the International Organization for

[5]Posthearing submission of Polialden Petroquímica S.A., Attachment 1.
[6]Posthearing submission of Polialden Petroquímica S.A., pp. 5.
[7]Posthearing submission of Ticona LLC to the USTR for the 2003 Annual GSP Review, Apr. 13, 2004, p. 3.
[8]Ticona Press Release, *Ticona Breaks Ground for 30,000 Ton Plant for GUR® Ultra-High Molecular Weight Polyethylene in Bishop, Texas*, May 16, 2001, found at *http://www.ticona.com/news-details?id=4687.*

for Standardization's (ISO) approval in 2003.[9] Annual growth in global demand for UHMWPE is estimated to be in the range of 5 percent.[10]

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003[1]

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	1,306,511	100	([2])	*12
Imports from GSP countries:				
GSP total	50,900	4	100	([3])
Thailand	29,046	2	57	([3])
Brazil	21,314	2	42	([3])
India	176	([3])	([3])	([3])
Indonesia	175	([3])	([3])	([3])

[1] Import data shown in this table include the total imports in the two relevant HTS subheadings and include items other than UHMWPE. Brazil is currently the only GSP supplier of UHMWPE.
[2] Not applicable.
[3] Less than 0.5 percent.

Note.–Data may not add to the totals shown.

Comment.–Imports from GSP-eligible countries account for a relatively small share of total U.S. imports of the products in the HTS subheadings covered in this digest and account for a negligible share of total U.S. consumption. Thailand and Brazil were the only GSP-eligible sources of U.S. imports of any significance and together these accounted for 99 percent of total GSP imports. However, Brazilian imports ***

[9]Ticona Press Release, *All Seven Ticona North America Facilities Achieve ISO 14001,* March 4, 2003, found at *http://www.ticona.com/news-details?id=4804.*

[10]Ticona Press Release, *Ticona to increase European GUR® capacity,* October 9, 2003, found at *http://www.ticona.com/news-details?id=8413.*

IV. Competitiveness profile, Brazil

Ranking as a U.S. import supplier, 2003	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 ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___	No X	
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Brazil is the only source of GSP-eligible imports of UHMWPE to the United States.

IV. Competitiveness profile, all GSP suppliers

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 ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Brazil is the only source of GSP-eligible imports of UHMWPE to the United States.[11] No other GSP-eligible countries have the capacity to produce UHMWPE.

[11]Hearing transcript, p. 10.

V. Position of interested parties

Petitioner.–The petitioner, Ticona LLC (a division of Celanese AG), Summit, NJ, stated that GSP eligibility should be removed for U.S. imports of UHMWPE from Brazil because such imports are not necessarily beneficial to U.S. consumers of UHMWPE resin and are harmful to the petitioner's competitiveness. The petitioner is the only U.S. producer of UHMWPE and also imports the product from its sister plant in Germany. The Brazilian producer is reportedly the second largest global producer of UHMWPE and accounts for a significant share of U.S. imports of the subject product. The petitioner stated that UHMWPE accounts for a small percentage of the total annual U.S. polyethylene import volume, and, as a result, it is difficult to accurately track imports of UHMWPE from U.S. Government trade statistics alone. The petitioner suggests that the Brazilian firm may be shipping UHMWPE under alternate U.S. tariff classifications thus skewing actual U.S. imports. The majority of this product is believed to be included under the HDPE classification, HTS subheading 3901.20.00. This category includes a wide array of commodity-grade polyethylene resins, making it difficult for the UHMWPE industry to identify UHMWPE import volumes.

Opposition.–Polialden Petroquímica S.A. (Polialden) opposes the petition from Ticona to remove UHMWPE from the list of GSP-eligible articles. Polialden stated that the removal petition should be denied because the U.S. UHMWPE industry (Ticona) has not been adversely affected by GSP imports and because Ticona mischaracterizes the relevant U.S. industry; Polialden also stated that it believes that Ticona would immediately use the GSP removal as an opportunity to raise prices as it did when Basell, another U.S. producer, left the market.[12]

Ultra Poly, a privately owned company located in Tacoma, Washington, that processes UHMWPE for special applications in various industries, stated that it has worked with Polialden since 1997 and insecurities in the market forced Ultra Poly to source raw materials from different suppliers, including Basell, Ticona, Polialden, as well as from China. Twice during the last ten years, when UHMWPE resin was in tight demand, Ticona, the main supplier at that time, decided to divert the product from Ultra Poly to more profitable markets and contracts. Ultra Poly stated that this decision by Ticona almost forced Ultra Poly to close its plant. Ultra Poly believes that it is critical to have a second large supplier in the market.

*** opposes the removal of UHMWPE from GSP-eligibility. As the two main suppliers of UHMWPE to the domestic market are Ticona and the one GSP supplier, Polialden, *** is concerned that having only one supplier in the market would be detrimental to competition. The company stated that any reduction in the level of competition among its suppliers would make it more difficult to produce in the United States and compete in the world market. The company further stated that Polialden offers security of supply.

*** *** purchases UHMWPE from Ticona, Polialden, and other suppliers. It had previously purchased the majority of its UHMWPE from Basell and is concerned that eliminating GSP status will leave Ticona as the only viable option in the United States. While Ticona is competitive in terms of price and non-price factors, it would not be able to fulfill the total U.S. demand without a large second supplier. *** believes that it is important to maintain several sources of UHMWPE in the United States and worldwide. *** noted that much of their competition in the *** comes from foreign sources supplied with their raw materials by Ticona. Prices in the market increased in 2002 related to the withdrawal of Basell from the domestic industry, and further price increases are feared if Polialden is forced out of the U.S. market.

[12]Hearing transcript, p. 13.

VI. Summary of probable economic effects advice-Removal (3901.10.00(pt.) and 3901.20.00(pt.))

* * * * * * *

Table 1.--Ultra-high molecular weight polyethylene resins: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Canada	940,823	1,113,759	1,192,949	986,492	1,209,988	92.6%
Thailand	7,345	22,488	25,194	10,357	29,046	2.2%
Brazil	2,270	7,955	2,734	10,491	21,314	1.6%
Japan	8,392	8,164	10,786	12,698	13,685	1.0%
Germany	4,717	7,385	6,081	7,878	10,198	0.8%
Belgium	3,458	3,534	2,686	2,435	3,415	0.3%
France	12,013	7,683	2,316	1,845	3,126	0.2%
Mexico	7,521	7,358	3,559	3,268	2,955	0.2%
Switzerland	1,602	1,653	1,843	2,161	2,634	0.2%
Korea	5,923	4,862	2,097	782	2,265	0.2%
All other	15,686	7,065	13,111	6,727	7,887	0.6%
Total	**1,009,750**	**1,191,905**	**1,263,356**	**1,045,134**	**1,306,511**	**100.0%**
Imports from GSP-eligible nations:						
Thailand	7,345	22,488	25,194	10,357	29,046	57.1%
Brazil	2,270	7,955	2,734	10,491	21,314	41.9%
India	0	12	390	10	176	0.3%
Indonesia	126	359	829	476	175	0.3%
All other	4,682	1,028	1,633	422	190	0.4%
Total from GSP-eligible nations	**14,423**	**31,841**	**30,780**	**21,755**	**50,900**	**100.0%**
Export market:						
Mexico	435,792	560,325	516,913	492,247	616,330	32.8%
Canada	417,643	504,658	454,093	414,350	520,123	27.7%
Belgium	47,112	60,142	63,015	81,212	79,720	4.2%
China	52,950	86,930	73,517	58,622	54,465	2.9%
Netherlands	29,943	35,614	28,468	33,312	46,697	2.5%
Columbia	34,917	40,525	26,583	36,247	44,049	2.3%
Guatemala	37,592	40,672	39,153	53,552	43,879	2.3%
Costa Rica	30,311	33,995	31,882	27,429	42,853	2.3%
Israel	24,680	26,040	17,192	23,639	38,226	2.0%
Taiwan	28,660	21,968	28,060	33,707	31,718	1.7%
All Other	440,892	449,996	411,273	423,483	359,876	19.2%
Total	**1,580,492**	**1,860,866**	**1,690,148**	**1,677,799**	**1,877,937**	**100.0%**

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

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

Table 2.--Ultra-high molecular weight polyethylene resins (by HTS subheading): U.S. imports for consumption, by principal sources, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
HTS subheading 3901.10.00:						
Canada	460,029	525,361	411,715	326,028	344,869	92.1%
Japan	4,034	4,348	5,862	7,378	7,861	2.1%
Brazil	1,718	5,586	118	134	5,322	1.4%
Thailand	433	1,637	2,224	1,071	3,344	0.9%
Germany	2,143	2,418	3,275	1,892	2,565	0.7%
Mexico	6,857	6,948	2,177	2,639	2,367	0.6%
Switzerland	1,247	1,322	1,630	1,933	2,042	0.6%
Korea	4,873	2,390	1,198	259	1,485	0.6%
France	10,757	5,497	882	352	1,129	0.6%
Sweden	135	134	633	1,413	778	0.6%
All other	10,081	2,433	6,990	3,021	2,575	0.6%
Total	**502,307**	**558,075**	**436,703**	**346,119**	**374,338**	**100.0%**
HTS subheading 3901.20.00:						
Canada	480,794	588,399	781,234	660,465	865,119	92.8%
Thailand	6,911	20,851	22,970	9,286	25,702	2.8%
Brazil	551	2,369	2,616	10,357	15,991	1.7%
Germany	2,575	4,967	2,806	5,986	7,633	0.8%
Japan	4,358	3,816	4,924	5,320	5,823	0.6%
Belgium	991	2,838	2,141	1,893	3,031	0.3%
France	1,256	2,186	1,434	1,493	1,996	0.3%
Netherlands	273	1,240	860	741	1,049	0.3%
Sweden	826	605	401	376	983	0.3%
Korea	1,050	2,471	900	523	780	0.3%
All other	7,858	4,089	6,367	2,575	4,066	0.3%
Total	**507,442**	**633,830**	**826,653**	**699,015**	**932,174**	**100.0%**

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

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

PET Bottle-Grade Resins in Primary Forms[13]

I. Introduction

X Removal

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3907.60.0010	PET bottle-grade resins in primary forms	6.5	Yes

Description and uses.–Polyethylene terephthalate (PET) is a thermoplastic polyester resin produced from purified terephthalic acid (PTA) and monoethylene glycol (MEG). PET resin producers typically sell the product to downstream converters that fabricate the resin into finished products. PET resins are primarily used to manufacture containers for soft drinks, water, juice, peanut butter, salad dressings, oil, cosmetics, and household cleaners. Manufacturers prefer to use PET resins to package products because of their strength, thermo-stability, and transparency. Customers prefer these items because they are lightweight, shatter-resistant, resealable, and recyclable.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	7	7	7	7	7
Employment	***	***	***	***	***
Shipments (***1,000 dollars***)	***	***	***	***	***
Exports (***1,000 dollars***)[1]	301,262	331,476	460,163	399,551	476,244
Imports (***1,000 dollars***)	197,785	269,467	257,351	282,288	369,876
Consumption (***1,000 dollars***)	***	***	***	***	***
Import-to-consumption ratio (***percent***)	***	***	***	***	***
Capacity utilization (***percent***)	***	***	***	***	***

[1] The export data cover products not included in this digest. Actual export data for the products covered in this digest are estimated to be 85 percent of the data shown.

Comment.–The U.S. PET resins industry consists principally of large producers with facilities in the United States, Canada and Mexico, many of whom have consolidated operations in recent years.[14] During 1999-2002, U.S. plants were running at relatively high capacity utilization rates to satisfy domestic demand that is growing from 7 to 10 percent per year.[15] The primary markets for U.S. exports are Mexico and Canada; Canada is the primary supplier of U.S. imports under the provisions of NAFTA. U.S. production capacity was added during

[13]The information and probable economic effect advice in this digest are 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.

[14]Hearing transcript, p. 41.

[15]Hearing transcript, pp. 28.

2003 to supply domestic consumption requirements in the United States and demand in Mexico and Canada. Capacity expansions, according to U.S. producers, take 2 to 4 years for planning and implementation; some North American expansions were planned and completed but others were cancelled or delayed.[16]

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	369,876	100	([1])	***
Imports from GSP countries:				
GSP total	146,826	40	100	***
Thailand	78,141	21	53	***
India	32,236	9	22	***
Indonesia	30,763	8	21	***

[1] Not applicable.

Note.–Data may not add to the totals shown.

Comment.–Thailand, India, and Indonesia are the principal GSP suppliers of PET bottle-grade resins in primary forms to the U.S. market, together accounting for 96 percent of total GSP imports and 38 percent of total U.S. imports. GSP imports accounted for about *** percent of total U.S. consumption in 2003.

[16]Hearing transcript, p. 40.

IV. Competitiveness profile, Thailand

Ranking as a U.S. import supplier, 2003	2		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	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 X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Thailand was the second-largest supplier of total U.S. imports of PET bottle-grade resins as well as the largest GSP-import supplier during 2001-03, increasing its market share significantly in 2002 and 2003. The United States is Thailand's primary export market for these resins, accounting for 35 to 45 percent of Thailand's total production. U.S. imports of PET bottle-grade resins from Thailand are estimated to be of comparable quality to U.S.-produced products. By volume, nearly 60 percent of U.S. imports from Thailand are landed on the West Coast; most U.S. production is located in the Southeastern and Southern United States.[17]

[17]Hearing transcript, p. 27.

IV. Competitiveness profile, India

Ranking as a U.S. import supplier, 2003	4		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___		No X
Is the product an intermediate good used as an input in the production of another good?	Yes X		No ___
Is the product an agricultural or food product?	Yes ___		No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No ___
Does the country have significant export markets besides the United States?	Yes X		No ___
Could exports from the country be readily redistributed among its foreign export markets?	Yes X		No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–During 2003, India was the second-leading GSP supplier of PET bottle-grade resins to the U.S. market. U.S. imports of PET bottle-grade resins from India are estimated to be of comparable quality to the U.S.-produced product.

IV. Competitiveness profile, Indonesia

Ranking as a U.S. import supplier, 2003	5		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Indonesia was the fifth-largest supplier of U.S. imports of PET bottle-grade resins during 2001-03. These imports increased significantly in 2002 and are estimated to be of comparable quality to U.S.-produced product. More than 70 percent of U.S. imports from Indonesia are landed on the West Coast.[18]

[18]Hearing transcript, p. 27.

IV. Competitiveness profile, all GSP suppliers

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

Comment.–Thailand, India, and Indonesia are the primary GSP suppliers of PET bottle-grade resins to the U.S. market. The United States is a major market for the GSP-eligible countries, and these countries have geared much of their production capacity to export.

V. Position of interested parties

Petitioner.–The petitioner, the United States PET Resin Producers Coalition (PET Coalition), comprises the following major U.S. PET producers: Voridian, a Division of Eastman Chemical Company, Kingsport, TN; DAK Americas, Inc., Chadds Ford, PA; Wellman, Inc., Shrewsbury, NJ; Nan Ya Plastics Corporation America, Lake City, SC;, and, M&G Polymers USA, LLC, Houston, TX. These firms stated that GSP status is no longer needed for this product because of the recent increase in import volume and the resulting downward price pressure, which have negatively impacted the U.S. industry. The petition further stated that PET bottle-grade resins producers in Thailand, India, and Indonesia received subsidies. As a result, the EC imposed antidumping and countervailing duty orders against India, Indonesia, and Thailand in 2000 and those exports were thus diverted from the EC to the U.S. market.[19]

Support.–BP Amoco Chemicals (BP) supports the petition to remove HTS subheading 3907.60.0010 from GSP-eligibility. BP is the world's largest producer of PTA, the primary material used to manufacture PET resin for use as beverage bottles and food containers. BP stated that PTA demand has been adversely impacted by the economic conditions in the U.S. textile and polyester fiber industry. As a result, BP's business has become dependent on the PET resin industry, which is now facing deteriorating economic conditions due to increases in low-priced imports of duty-free PET resins. BP stated that reinstating the 6.5 percent duty rate on PET resins would reduce the price disadvantage now facing the U.S. industry.

CSX Transportation (CSXT), a major U.S. rail carrier and active transporter of finished industrial products and raw materials for the chemical industry, supports the petition. CSXT stated that the U.S. PET resin industry is an important component of its business and that GSP-eligible imports could result in a legitimate risk to sustained operations for certain domestic producers.

Opposition.–Futura Polyesters Ltd., Reliance Industries, Ltd., and South Asian Petrochem Ltd. are opposed to the removal of HTS subheading 3907.60.0010 from GSP eligibility. They stated that the petitioners, three of which are foreign owned, are strong global competitors either through exports to or production in foreign markets, and maintain a commanding share of the U.S. market. These companies stated that taking into account both market share based on U.S. production, as well as the share of imports from affiliates in NAFTA countries controlled by domestic producers, the U.S. industry supplied approximately 90 percent of U.S. demand in 2003. India's exports to the U.S. are negligible, accounting for only 1.5 percent of the U.S. market. The companies further stated that demand for PET resin in the United States and globally is projected to increase dramatically, in particular, demand in India is projected to sustain a 25-percent rate of growth in 2004. Under these circumstances, access to diverse sources of PET resin supply is essential because this product is an important input for a variety of end-products purchased by U.S. consumers.

The PET Users Coalition[20] is opposed to the removal of HTS subheading 3907.60.0010 from GSP eligibility because the U.S. economy benefits from the duty savings. The cost of PET resins for U.S. companies would increase with the increase in the tariffs and add extra costs for U.S. converters of PET resins and consumer product manufacturers. The PET Users Coalition stated that GSP countries supply only a small share of the U.S. market and generally provide less complex and less expensive resins than those supplied by the U.S. producers. Although GSP imports increased in recent years, higher raw material costs in Asia during the first two quarters of 2004 will result in significant decreases in exports to the United States. GSP imports, according to the PET Users Coalition, replaced imports from Canada, not U.S. production. Any injury suffered by the petitioners is the result of the disparity between costs for the raw materials of PET resins and a temporary overcapacity in the U.S. market, not GSP imports, according to the PET users Coalition.

According to the PET Users Coalition, GSP imports did not lead to price declines; price declines were due to efforts by the petitioners to debottleneck (improve the efficiency of the production process) and the addition of production capacity in Mexico, Canada, and the United States. The PET Users Coalition further stated that three U.S. producers have added nearly 1 million metric tons of production capacity in Mexico and in January

[19]Council Regulation (EC) No. 2603/2000, 2000 O.J. (L 301) 1, Nov. 27, 2000.

[20]The PET Users Coalition consists of the following companies: The National Soft Drink Association, American Frozen Food Institute, Constar International, Inc., The Cosmetic, Toiletry, and Fragrance Association, Grocery Manufacturers Association, Graham Packaging, International Bottled Water Association, Lion Chemical Industries, Inc., National Association for the Specialty Food Trade, National Food Processors Association, Nestle USA, Nestle Waters North America, Ocean Spray Cranberries, Inc., Owens-Illinois, Inc., PepsiCo, Inc., Procter & Gamble Co., and Welch's Co.

2004, M&G Polymers announced that it will increase production capacity in its Mexican facility. The PET Users Coalition contends that U.S. imports from U.S. plants operating in Mexico will fill any void in import levels resulting from the removal of GSP status.

Indo-Pet (Thailand) Ltd., Thai Shinkong Industry Corp., Ltd., and Bangkok Polyester Public Co., Ltd., which are Thai producers of PET resins, and P.T. Indorama Ltd., an Indonesian producer of PET resin, oppose the removal of HTS subheading 3907.60.0010 from GSP eligibility because GSP PET resin imports are not significant in the U.S. market and removal of GSP status will result in a significant impact on U.S. consumers. According to these firms, most of the U.S. imports are from U.S. producers' plants in Canada. In addition, capacity expansions by U.S. producers operating in Mexico will result in Mexico replacing GSP imports if the HTS subheading is removed from GSP eligibility. These firms stated that GSP imports supply only a small share of the U.S. market and that the petitioners, which are large global companies, are not import sensitive or injured by GSP imports. If this HTS subheading is removed from GSP eligibility, the U.S. PET resin producers, with worldwide exports, will be in a position to control not only the U.S. market but also markets in Europe and Asia.

VI. Summary of probable economic effects advice-Removal

* * * * * * *

Table 1.--PET bottle-grade resins in primary forms: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Canada	155,938	221,220	190,683	161,001	121,444	32.8%
Thailand	2,283	8,889	19,731	40,302	78,141	21.1%
Mexico	10,642	4,606	7,762	13,390	62,062	16.8%
India	1,168	5,149	6,798	11,732	32,236	8.7%
Indonesia	11,381	13,171	13,500	37,990	30,763	8.3%
Taiwan	36	400	1,458	3,755	26,013	7.0%
Korea	6,774	959	3,889	7,588	6,145	1.7%
Pakistan	597	189	0	49	2,921	0.8%
Ireland	77	160	0	2,400	2,896	0.8%
Turkey	1	0	0	0	2,151	0.6%
All other	8,888	14,725	13,530	4,080	5,103	1.4%
Total	**197,785**	**269,467**	**257,351**	**282,288**	**369,876**	**100.0%**
Imports from GSP-eligible nations:						
Thailand	2,283	8,889	19,731	40,302	78,141	53.2%
India	1,168	5,149	6,798	11,732	32,236	22.0%
Indonesia	11,381	13,171	13,500	37,990	30,763	21.0%
Pakistan	597	189	0	49	2,921	2.0%
Turkey	1	0	0	0	2,151	1.5%
All other	236	3,669	2,967	1,334	614	0.4%
Total from GSP-eligible nations	**15,666**	**31,067**	**42,995**	**91,408**	**146,826**	**100.0%**
Export market:						
Mexico	36,260	39,278	64,528	95,776	117,806	24.7%
Canada	114,215	116,823	124,739	87,052	89,906	18.9%
Netherlands	53,656	50,349	56,033	58,754	56,744	11.9%
Peru	611	24,161	24,950	31,579	51,624	10.8%
Brazil	26,502	29,212	82,477	22,075	27,069	5.7%
Venezuela	656	3,534	7,405	9,700	13,025	2.7%
Argentina	5,544	11,352	16,075	5,616	12,201	2.6%
United Kingdom	6,130	4,806	4,747	5,843	9,233	1.9%
Singapore	1,869	2,899	9,501	10,660	8,352	1.8%
Belgium	3,705	3,877	3,839	5,322	8,309	1.7%
All Other	52,104	45,185	65,870	67,175	81,976	17.2%
Total	**301,252**	**331,476**	**460,163**	**399,551**	**476,244**	**100.0%**

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

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

PET Film

I. Introduction

X Removal

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3920.62.00[1]	PET film	4.2	Yes

[1] Antidumping orders are currently in place for PET film from Korea (original order date: 6/5/91; continued date: 3/7/00) and Taiwan (order date: 7/1/02). Antidumping and countervailing duty orders are currently in place for PET film from India (orders date: 7/1/02).

Description and uses.–PET film is a high-performance, flexible, transparent or translucent material produced from molten polyethylene terephthalate (PET) polymer, which is a linear, thermoplastic polyester resin. The end product is usually available in rolls of varying widths up to several feet, and in thicknesses ranging from an ultra thin 2 microns (8 gauge), to a relatively thick 350 microns (1,400 gauge). Domestic PET film is consumed captively, sold on the merchant market to downstream converters who fabricate the film into finished products, or exported. These films have an excellent combination of physical and chemical properties suitable for a myriad of applications, including packaging, industrial, electrical, imaging, and magnetics. Some typical applications are food packaging, adhesive tapes, and plastic cards of many types (including smart cards), electrical motor insulation, wire, cable, capacitors, microfilm, X-ray films, instant films, ink jet photo paper, overhead projector film, audio and video tape, computer floppy disks, and computer storage media.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	9	9	9	8	8
Employment	***	***	***	***	***
Shipments (***1,000 dollars***)	*1,250,000	*1,300,000	*1,000,000	*1,100,000	*1,300,000
Exports (***1,000 dollars***)	350,837	437,427	356,620	345,416	405,748
Imports (***1,000 dollars***)	297,210	315,273	233,376	239,605	249,356
Consumption (***1,000 dollars***)	*1,196,373	*1,177,846	*876,756	*994,189	*1,143,608
Import-to-consumption ratio (***percent***)	*25	*27	*27	*24	*22
Capacity utilization (***percent***)	*85	*80	*80	*85	*88

Comment.–DuPont Teijin is the largest U.S. PET film producer. Approximately 75 percent of industry capacity is slated for the merchant market and about 25 percent for captive use. Film lines are designed to run at full capacity to achieve maximum efficiency and cost competitiveness. Volume growth has been about 1 to 3 percent during the period covered, led by packaging applications, while magnetic media (audio/video tape, floppy disks, etc.) have experienced negative growth. During 1999-2003, there was a considerable amount of restructuring by merchant producers because of changing patterns in demand.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	249,356	100	([1])	*22
Imports from GSP countries:				
GSP total[2]	23,902	10	100	*3
Indonesia	10,380	4	43	*1
Brazil	6,710	3	28	*1
Thailand	5,400	2	23	*1

[1] Not applicable.

[2] Data presented do not include U.S. imports from India. India was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 3920.62.00 as of July 1, 1998.

Comment.–While not the largest GSP-eligible source, Thailand increased shipments of PET film to the U.S. market during the last half of 2003. In April 2003, the Indian-owned PET film producer in Thailand (Polyplex), began operations.[21]

[21]Hearing transcript, p. 75.

IV. Competitiveness profile, Indonesia

Ranking as a U.S. import supplier, 2003	10		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent ___	Below X
Other foreign products	Above___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent ___	Below X
Other foreign products	Above___	Equivalent X	Below ___

Comment.–Indonesia ranks tenth in terms of overall U.S. imports. Indonesian product is believed to be interchangeable with U.S. product for its intended use. Import values have fluctuated from a low of $5 million in 1999 to a high of $15 million in 2002. Imports were valued at $10 million in 2003.

IV. Competitiveness profile, Brazil

Ranking as a U.S. import supplier, 2003	12		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Brazil ranks twelfth in terms of total U.S. imports. Brazilian product is believed to be interchangeable with U.S. product for its intended use. Imports from Brazil have fluctuated from a high of $10 million in 2001 to a low of $2 million in 2002; imports were $7 million in 2003. Some U.S. imports from Brazil may be accounted for by a captive venture between a U.S. company and the Brazilian source.

IV. Competitiveness profile, Thailand

Ranking as a U.S. import supplier, 2003	13		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No ___	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent ___	Below X
Other foreign products	Above___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above___	Equivalent ___	Below X
Other foreign products	Above___	Equivalent ___	Below X

Comment.–While not currently a major source of U.S. imports of PET film, Thailand is the third largest source of these imports from GSP-eligible nations. U.S. imports from Thailand increased significantly in 2003 as shipments began from Polyplex, an Indian-owned plant located in Thailand.

IV. Competitiveness profile, all GSP suppliers

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

Comment.–All GSP products are believed to be interchangeable with U.S. products for a given application. Although India was a leading source of U.S. imports of PET film from GSP-eligible countries, it was removed from eligibility for GSP treatment for this product as of July 1, 1998.

V. Position of interested parties

Petitioner.–The petitioners, DuPont Teijin Films, Wilmington, DE; Mitsubishi Polyester Film of America, Greer, SC; Toray Plastics (America), Inc., North Kingstown, RI; and SKC America, Inc., Covington, GA, requested the removal of this HTS subheading from GSP eligibility with respect to Thailand. Petitioners stated that Polyplex, an Indian firm, built a plant in Thailand as a way to ship products to the U.S. market and thus avoid duties. The petitioners claimed that in 2002, Polyplex began expanding its global production facilities to include two large PET film lines in Thailand and is a worldwide competitor. According to the petitioner, the U.S. domestic industry is already suffering from lost revenues and is thus having difficulty supporting investment in production facilities and expanding U.S. capacity because of unfair imports of low-priced product from Thailand.

Opposition.–Polyplex, the Indian-owned Thai producer of PET film and exporter to the U.S. market, stated that PET film from Thailand accounted for only 1 percent of U.S. consumption and 2 percent of total PET film imports into the United States in 2003. The petitioners, according to Polyplex, are all Japanese and Korean companies who import PET film from China, Indonesia, Korea, and Malaysia, and are attempting to increase non-GSP imports at the expense of GSP-eligible countries. In addition, Polyplex, which recently increased capacity, has just begun to export PET film to the United States from its plant in Thailand. Polyplex stated that it faces high transportation costs in shipping PET film from Thailand to the United States.

VI. Summary of probable economic effects advice-Removal

* * * * * * *

Table 1.--PET film: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Japan	72,201	65,557	40,675	42,096	48,367	19.4%
Korea	63,870	46,760	36,721	41,136	47,484	19.0%
Canada	17,383	24,003	15,946	18,993	21,472	8.6%
United Kingdom	32,978	31,633	21,315	20,520	17,952	7.2%
China	27,971	25,145	16,204	19,322	16,819	6.7%
Italy	9,226	12,004	15,623	11,539	14,052	5.6%
Taiwan	6,766	12,435	9,050	8,938	13,315	5.3%
India[1]	18,194	29,926	30,500	17,841	12,070	4.8%
Germany	7,695	11,971	6,965	15,335	11,839	4.7%
Indonesia	5,155	11,845	7,302	14,784	10,380	4.2%
All other	35,773	43,997	33,075	29,102	35,607	14.3%
Total	**297,210**	**315,273**	**233,376**	**239,605**	**249,356**	**100.0%**
Imports from GSP-eligible nations:						
India[1]	18,194	29,926	30,500	17,841	12,070	33.6%
Indonesia	5,155	11,845	7,302	14,784	10,380	28.9%
Brazil	9,039	10,447	6,152	2,030	6,710	18.7%
Thailand	0	13	19	25	5,400	15.0%
All other	87	11	287	621	1,413	3.9%
Total from GSP-eligible nations	**32,475**	**52,241**	**44,261**	**35,300**	**35,972**	**100.0%**
Export market:						
Canada	82,843	87,358	79,216	86,034	94,871	32.8%
Japan	13,540	28,200	17,892	19,001	54,669	13.5%
France	17,993	57,107	32,456	35,208	41,563	10.2%
United Kingdom	41,637	45,987	32,117	34,657	39,866	9.8%
Mexico	44,798	51,379	49,799	40,686	26,918	6.6%
Brazil	9,380	20,593	22,875	18,323	21,941	5.4%
Singapore	14,179	16,944	14,734	20,358	16,938	4.2%
Germany	33,213	21,402	15,927	13,847	16,758	4.1%
Taiwan	7,667	10,140	10,829	9,941	13,398	3.3%
China	3,829	12,920	12,334	11,670	11,904	2.9%
All Other	81,758	85,399	68,442	55,690	66,922	16.5%
Total	**350,837**	**437,427**	**356,620**	**345,416**	**405,748**	**100.0%**

[1] U.S. imports of PET film from India are subject to both antidumping and countervailing duty orders.

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

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

Fancy leather

I. Introduction

X Competitive-need-limit waiver: Argentina

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
4107.11.80[1]	Fancy leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine or equine animals, without hair on, full grains, unsplit (other than full grains, unsplit of bovines, and of a unit surface area not exceeding 28 square feet)	2.4	Yes

[1] Argentina was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 4107.11.80 on July 1, 2003.

Description and uses.–The term "fancy," as applied to leather, means leather that has been embossed, printed, or otherwise decorated in any manner or to any extent.[22] Such leather is used for handbags, footwear, and leather-covered specialities. The leather, which has been subjected to the tanning process, included in this digest is derived from the hides and skins of bovine and equine animals. In the tanning process, hides and skins of most animals are treated with chemicals to preserve them and convert them into a form in which they can be made into common leather articles such as shoes, leather garments, and gloves. Fancy leather derived from bovine hides is believed to be the most important leather type in terms of U.S. production and with respect to U.S. imports within this subheading.

[22]As defined in Ch. 41, Additional U.S. Note 1 of the Harmonized Tariff Schedule of the United States.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	(1)	(1)	(1)	(1)	(1)
Employment (***1,000 employees***)	(1)	(1)	(1)	(1)	(1)
Shipments (***1,000 dollars***)	(1)	(1)	(1)	(1)	(1)
Exports (***1,000 dollars***)[2]	5,627	1,230	2,569	65	46,589
Imports (***1,000 dollars***)[2]	105,830	94,266	82,404	33,714	21,400
Consumption (***1,000 dollars***)	(1)	(1)	(1)	(1)	(1)
Import-to-consumption ratio (***percent***)	(1)	(1)	(1)	(1)	(1)
Capacity utilization (***percent***)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

[2] The 1999-2001 import and export data cover products not included in this digest. Actual 1999-2001 import and export data for the products covered in this digest are estimated to be 25 percent of the data shown.

Comment.–During 1999-2001, one HTS number and one Schedule B number represented the product "Fancy leather including full grains and full grain splits." However, in 2002, revisions to the HTS and Schedule B resulted in breaking out the HTS number and the Schedule B number into two numbers resulting in two products: "Fancy leather, full grains, unsplit" and "Fancy leather, grain splits." Thus, import and export values for 1999-2001 are not directly comparable to data from 2002 forward. In addition, Commission staff contends that the value of U.S. exports for 2003 is in error and has notified the U.S. Census Bureau.[23]

Data on U.S. manufacturers of fancy leather are not available. One industry source stated that U.S. leather shipments have declined as many domestic manufacturing facilities have closed or relocated to countries with low-cost labor.[24] The United States is a major producer of hides, skins, and leather as well as a major exporter of hides and skins. Of the leather produced in the United States, over 95 percent of the quantity is derived from cattlehide skins.

[23]U.S. Department of Commerce, Bureau of the Census official, interview by USITC staff, Feb. 26, 2004.

[24]Leather Industries of America official, interview by USITC staff, Feb. 20, 2004.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	21,400	100	([1])	([2])
Imports from GSP countries:				
GSP total	16,549	77	100	([2])
Argentina	12,493	58	75	([2])

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

Comment.–Argentina is a major producer of hides, skins, and leather and restricts the export of its hides and skins to encourage domestic processing of hides and skins.[25] During 2003, GSP countries accounted for 77 percent of U.S. fancy leather imports from all sources and Argentina accounted for 58 percent of total imports and 75 percent of GSP imports. However, because it exceeded the competitive-need limit, Argentina became ineligible for GSP treatment on July 1, 2003.

[25]Leather Industries of America official, interview by USITC staff, Feb. 20, 2004.

IV. Competitiveness profile, Argentina

Ranking as a U.S. import supplier, 2003	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes X	No ___	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes ___	No X	
Does the country have significant export markets besides the United States?	Yes X	No ___	
Could exports from the country be readily redistributed among its foreign export markets?	Yes X	No ___	
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Most leathers produced in Argentina are similar in performance to leather produced in other U.S. import-source countries. However, Argentine hides reportedly only compete with U.S. hides in limited markets because Argentine hides are smaller in size and differ in thickness. In addition, Argentine hides are generally inferior to U.S. hides as a result of the use of farm barbed wire resulting in holes and marks on the hides, the slaughtering method, and treatment in the chilling room.

V. Position of interested parties

Petitioner.–The petitioner, Camara de la Industria Curtidora Argentina, requests the reinstatement of duty-free treatment for fancy leather. The petitioner states that denial of GSP eligibility for imports of leather from Argentina will seriously harm the Argentine leather tanning industry as well as U.S. leather manufacturers. According to the petitioner, duty-free treatment will allow for the continued access of Argentine exports to the U.S. market while benefitting U.S. consumers through lower prices and U.S. manufacturers via duty savings in their import sourcing. In addition, the duty-free savings will allow Argentine leather producers to invest in new plant equipment and technology to increase the productivity of their operations.

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

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

* * * * * * *

Table 1.--Fancy leather: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Argentina	11,398	6,493	2,987	24,797	12,493	58.4%
Brazil	15,778	11,762	12,999	5,250	2,968	13.9%
Italy	32,826	37,467	34,977	1,358	2,217	10.4%
China	18	168	110	15	1,934	9.0%
Uruguay	4,793	4,169	3,214	334	1,084	5.1%
Korea	767	2,262	3,287	572	215	1.0%
Spain	10,600	10,835	8,468	266	120	0.6%
Belgium	314	48	52	43	103	0.5%
New Zealand	62	54	388	229	93	0.4%
Hong Kong	58	10	114	0	88	0.4%
All other	29,216	20,999	15,808	850	85	0.4%
Total	**105,830**	**94,266**	**82,404**	**33,714**	**21,400**	**100.0%**
Imports from GSP-eligible nations:						
Argentina	11,398	6,493	2,987	24,797	12,493	75.5%
Brazil	15,778	11,762	12,999	5,250	2,968	17.9%
Uruguay	4,793	4,169	3,214	334	1,084	6.6%
All other	6,128	5,382	3,651	39	4	0.0%
Total from GSP-eligible nations	**38,096**	**27,805**	**22,851**	**30,420**	**16,549**	**100.0%**
Export market:						
Mexico	612	79	466	0	46,059	98.9%
Italy	190	50	170	0	237	0.5%
China	1,136	569	243	0	137	0.3%
Hong Kong	2,357	310	104	49	108	0.2%
Brazil	26	0	0	0	30	0.1%
United Kingdom	53	4	1,445	12	18	0.0%
Argentina	41	26	0	0	0	0.0%
Colombia	60	0	0	0	0	0.0%
Czech Republic	0	0	0	0	0	0.0%
Ecuador	0	4	0	0	0	0.0%
All Other	1,152	189	141	3	0	0.0%
Total	5,627	1,230	2,569	65	46,589	**100.0%**

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

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

Certain Stamped Aluminum Cookware

I. Introduction

X Competitive-need-limit waiver: Thailand

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
7615.19.30[1]	Aluminum, cooking and kitchenware (other than cast), enameled or glazed or containing nonstick interior finishes.	3.1	Yes

[1] Thailand was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 7615.19.30 as of July 1, 2003.

Description and uses.–This HTS subheading covers cookware made of stamped aluminum or spun aluminum that is enameled, glazed or containing nonstick interior finishes. There are two major U.S. marketers of these products, Calphalon Corp. and Meyer Corp. This cookware can be classified into two categories, gourmet and low-end, with further breakouts within these categories based on price. Gourmet cookware falls into three categories: good, at a price range of $150-$300; better, at a price range of $300-$400; and best, at over $400 per set.[26]

The good gourmet sets are generally sold in bargain retail stores, such as Target and Kohl's, and department stores such as Hechts and Sears. The Calphalon product in this category includes Calphalon Kitchen Essentials, Cooking with Calphalon, and Simply Calphalon, which are produced in China, and Calphalon Pots and Pans, which is produced in Indonesia and receives GSP treatment. Meyer's products in this category include KitchenAid Gourmet and Fundamentals, Circulon Classic, Circulon 2, Circulon Premier, Anolon Classic, Anolon Advanced, and Anolon Titanium, which are all produced in Thailand.[27]

The better gourmet sets are generally sold in department stores and specialty chain stores. Calphalon Contemporary, which is both produced in the United States and imported from China, falls within this category. Meyer has no product in this price category.[28]

The best category are sets generally sold in better department stores, such as Bloomingdales. Calphalon's U.S.-produced Calphalon Commercial Nonstick and, to a lesser extent, Germany's Berndes account for most of the sales in this category. Meyer has no product in this category.[29]

[26]Posthearing submission of Meyer Corp., Apr. 7, 2004, Appendix.

[27]Statement of Calphalon Corp., Mar. 29, 2004, p. 6, hearing transcript, p. 145, and posthearing submission of Meyer Corp., Apr. 7, 2004, Appendix.

[28]Posthearing submission of Meyer Corp., Apr. 7, 2004, p. 5 and Appendix and hearing transcript, p. 139.

[29]Posthearing submission of Meyer Corp., Apr. 7, 2004, p. 5-6 and Appendix.

Low-end cookware falls into two categories: under $50 per set, of which Newell Rubbermaid is the only U.S. manufacturer and markets the Mirro and Regal brands; and $5 to $150 per set. In this range, Newell Rubbermaid offers the Wearever brand, and Meyer offers the Farberware and Silverstone.[30]

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	(1)	(1)	(1)	(1)	(1)
Employment	***	***	***	***	***
Shipments (***1,000 dollars***)	***	***	***	***	***
Exports (***1,000 dollars***)	18,931	19,438	17,329	18,653	16,168
Imports (***1,000 dollars***)	259,904	286,767	282,785	319,969	353,854
Consumption (***1,000 dollars***)[2]	***	***	***	***	***
Import-to-consumption ratio (***percent***)	***	***	***	***	***
Capacity utilization (***percent***)	(3)	(3)	(3)	(3)	(3)

[1] Not available. ***

[2] ***

[3] Not available.

Comment.–To reduce production costs, many U.S. producers have outsourced production to countries including China, Indonesia, and Thailand. Calphalon is the largest U.S. marketer of stamped aluminum cookware with production capabilities in the United States; Meyer is the second-largest U.S. marketer with no U.S. production facility as of 2002.[31] Newell Rubbermaid, the parent company of Calphalon, closed its last remaining U.S. production facility in 2003; Meyer closed its two U.S. production facilities in 1999 and 2001.[32]

[30]Newell Rubbermaid is the parent company of Calphalon and produced the low-end products at Calphalon's U.S. facility until 2002 when production was moved offshore and product was imported from China and Mexico; Meyer's low-end products are produced in Thailand. Posthearing submission of Meyer Corp., Apr. 7, 2004, Appendix and hearing transcript, p. 139. Newell Rubbermaid sold its Mirro Cookware division to Global Home Products, LLC, an affiliate of Cerberus Capital Management L.P., a New York-based private investment firm, on April 13, 2004. (See *www.newellco.com* for further details.)

[31]Hearing transcript, p. 107.

[32]The public version of the petition of Meyer Corp., to the USTR GSP Subcommittee, Sept. 2, 2003, p. 7.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	353,854	100	([1])	***
Imports from GSP countries:				
GSP total	139,277	39	100	***
Thailand	101,915	29	73	***
Brazil	15,173	4	11	***
Indonesia	10,976	3	8	***
India	4,223	1	3	***

[1] Not applicable.

Comment.–U.S. imports of stamped aluminum cookware increased by $94 million or 36 percent during 1999-2003. Imports from China increased by over $110 million, or 536 percent, displacing imports mainly from Indonesia, as well as replacing discontinued domestic production. U.S. imports from Thailand reached a high for the period in 2002, exceeding the GSP competitive-need limit and was proclaimed non-eligible for GSP treatment. Once U.S. imports from Thailand were again dutiable, the level declined. During 1999-2003, U.S. imports from Indonesia declined significantly (81 percent) as Calphalon closed its plant in Indonesia and transferred production to China.[33]

[33]Hearing transcript, pp. 117-120.

IV. Competitiveness profile, Thailand

Ranking as a U.S. import supplier, 2003	2		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X		No
Is the product an intermediate good used as an input in the production of another good?	Yes		No X
Is the product an agricultural or food product?	Yes		No X
What is the aggregate price elasticity of U.S. demand?	High	Moderate X	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High 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	Moderate X	Low
What is the substitution elasticity?	High	Moderate X	Low
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No
Does the country have significant export markets besides the United States?	Yes X		No
Could exports from the country be readily redistributed among its foreign export markets?	Yes		No X
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

Comment.–U.S. imports from Thailand are produced using machinery and equipment similar to that used in the United States. All imports of the subject product from Thailand are from the Meyer-owned Thai affiliate. Subject imports from Thailand are price- and quality-competitive with imports from other countries including Italy and France. Product from Thailand is generally higher priced than cookware imported from China.[34]

[34]Posthearing submission of Meyer Corp., Apr. 7, 2004, p. 7.

V. Position of interested parties

Petitioner.–Meyer Corporation (Meyer) U.S., the U.S. affiliate of Meyer International Holding Ltd.,[35] requested a waiver of the GSP competitive-need limit for Thailand on U.S. imports of certain stamped aluminum cookware, as provided for under HTS subheading 7615.19.30. The petitioner stated that, given the limited geographic scope of the waiver, the production rationalization of the U.S. cookware industry, and the small margin of tariff preference at issue, such a waiver will not adversely affect the U.S. industry. On the other hand, Meyer estimated that if it is required to absorb the 3.1-percent increase in import duty on a permanent basis, the employment of up to 60 of its U.S. employees may be threatened. The petitioner maintained that the waiver will allow its Thai affiliate to remain competitive with rapidly growing imports from China. Meyer further stated that Thailand has undertaken steps to improve the protection of property rights and the protection of labor rights. In addition, the Government of Thailand has endorsed the negotiation of a free trade agreement with the United States that would abolish all trade barriers between the two countries.

Meyer disagreed with Calphalon's claim that imports from Thailand compete with Calphalon's domestically-produced products. Meyer stated that Calphalon is the largest U.S. producer of coated, stamped aluminum cookware and also imports a significant amount of cookware from China. Meyer also stated that its imports from Thailand compete directly with Calphalon's imported product from China, not, as Calphalon claims, Calphalon's domestic production of high-end cookware.

Opposition.–Calphalon Corporation[36] opposed the granting of a waiver of the competitive-need limit for Thailand. Calphalon stated that a waiver defies the purpose of the GSP program because Thailand's manufacturers are already competitive and import penetration is already extremely high. Calphalon further stated that granting the waiver would seriously jeopardize the continued production of stamped aluminum cookware at Calphalon's facilities in the United States. Calphalon maintained that stamped aluminum cookware manufactured in Thailand competes directly with stamped aluminum cookware produced domestically by Calphalon and that granting the petition would lead to further substitution of imports for domestic production of stamped aluminum cookware, reducing capacity utilization at Calphalon's Perrysburg, OH plant to levels that would threaten the plant's viability.

[35]Meyer International Holding Ltd. is a private British Virgin Island company with headquarters in Hong Kong.

[36]Calphalon Corp. is the largest U.S. manufacturer and importer of aluminum cookware, which is sold under the Calphalon brand name in retail outlets located throughout North America. Hearing transcript, p. 107.

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

* * * * * * *

Table 1.--Certain stamped aluminum cookware: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
China	20,592	37,972	41,406	97,970	131,021	37.0%
Thailand	69,125	82,332	99,460	105,377	101,915	28.8%
Italy	5,405	23,609	35,392	32,436	44,949	12.7%
France	57,651	45,930	38,783	38,546	28,709	8.1%
Brazil	94	121	61	4,326	15,173	4.3%
Indonesia	57,000	37,031	25,518	16,471	10,976	3.1%
Korea	13,919	18,182	14,414	13,477	7,237	2.0%
India	331	605	623	1,313	4,223	1.2%
Argentina	2	38	0	0	4,190	1.2%
Colombia	396	611	996	4,240	2,688	0.8%
All other	35,391	40,335	26,131	5,813	2,774	0.8%
Total	**259,904**	**286,767**	**282,785**	**319,969**	**353,854**	**100.0%**
Imports from GSP-eligible nations:						
Thailand	69,125	82,332	99,460	105,377	101,915	73.2%
Brazil	94	121	61	4,326	15,173	10.9%
Indonesia	57,000	37,031	25,518	16,471	10,976	7.9%
India	331	605	623	1,313	4,223	3.0%
All other	523	799	1,127	4,430	6,991	5.0%
Total from GSP-eligible nations	**127,073**	**120,888**	**126,789**	**131,917**	**139,277**	**100.0%**
Export market:						
Japan	7,517	7,351	7,085	7,725	6,424	39.7%
Canada	3,671	5,014	4,638	5,207	5,025	31.1%
Mexico	1,455	1,214	1,338	1,522	1,237	7.7%
Singapore	112	295	106	90	434	2.7%
South Africa	10	3	24	9	299	1.8%
Saudi Arabia	64	730	197	176	267	1.7%
Ecuador	5	7	24	78	192	1.2%
Costa Rica	374	42	89	173	160	1.0%
Guatemala	144	180	207	80	144	0.9%
Hong Kong	211	134	81	87	143	0.9%
All Other	5,370	4,468	3,540	3,507	1,842	11.4%
Total	**18,931**	**19,438**	**17,329**	**18,653**	**16,168**	**100.0%**

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

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

Camcorders

I. Introduction

X Competitive-need-limit waiver: Indonesia

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
8525.40.80[1]	Camcorders	2.1	No

[1] Indonesia was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 8525.40.80 as of July 1, 2003.

Description and uses.–A camcorder is a combination camera and video recorder in one device. Camcorders permit easy and rapid photography and recording simultaneously. Camcorders are available in most home video formats, such as 8mm, VHS, and so forth.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	([1])	([1])	([1])	([1])	([1])
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	([1])	([1])	([1])	([1])	([1])
Exports (***1,000 dollars***)[3]	59,608	67,195	62,690	76,112	97,606
Imports (***1,000 dollars***)	2,067,312	2,383,504	2,047,504	2,109,612	1,941,263
Consumption (***1,000 dollars***)	2,007,704	2,316,309	1,984,814	2,033,500	1,843,657
Import-to-consumption ratio (***percent***)	100	100	100	100	100
Capacity utilization (***percent***)	([2])	([2])	([2])	([2])	([2])

[1] There is no U.S. production of the products covered in this digest.
[2] Not applicable.
[3] These data reflect imports that were re-exported by firms in the United States.

Comment.–There is no U.S. production of camcorders. The United States is not a significant producer of consumer electronic products other than television receivers. Consumer electronic products such as camcorders generally are produced in regions such as Asia to take advantage of lower labor costs.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	1,941,263	100	([1])	100
Imports from GSP countries:				
GSP total	122,397	6	100	6
Indonesia	106,906	6	87	6

[1] Not applicable.

Comment.–Indonesia accounts for the largest share (87 percent) of U.S. imports of camcorders from GSP countries. Indonesia is the third-largest source of total U.S. imports of camcorders, accounting for 6 percent.

IV. Competitiveness profile, Indonesia

Ranking as a U.S. import supplier, 2003	3		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes X	No	
Is the product an intermediate good used as an input in the production of another good?	Yes	No X	
Is the product an agricultural or food product?	Yes	No X	
What is the aggregate price elasticity of U.S. demand?	High X	Moderate	Low
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High	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	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	No X	
Could exports from the country be readily redistributed among its foreign export markets?	Yes	No X	
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent	Below
Other foreign products	Above	Equivalent	Below X
Quality compared with--			
U.S. products	Above	Equivalent	Below
Other foreign products	Above	Equivalent	Below X

Comment.–There is no U.S. production of camcorders. According to the petitioner, MKI is the sole producer of camcorders in Indonesia and over 95 percent of its Indonesian camcorder production is exported to the United States.

V. Position of interested parties

Petitioner.–P.T. Matsushita Kotobuki Electronics Industries Indonesia (MKI), the petitioner, stated that it is the sole producer of camcorders in Indonesia with over 95 percent of its camcorder production exported to the United States. MKI stated the following reasons in support of its request for a competitive-need-limit waiver: (1) there is no U.S. production, (2) there are no imports of camcorders from other beneficiary developing countries, (3) the United States would show its continued support of Indonesia's economic recovery process, and (4) the waiver would be a measure of support for Indonesia's government under President Megawati.

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

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

* * * * * * *

Table 1.--Camcorders: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Japan	1,679,736	1,760,275	1,230,032	1,446,050	1,363,553	70.2%
Malaysia	33,470	194,444	341,737	203,271	217,021	11.2%
Indonesia	3	2,132	168,110	171,443	106,905	5.5%
Korea	79,107	73,980	77,688	164,317	102,214	5.3%
China	190,363	228,217	149,314	30,242	89,182	4.6%
Thailand	37,569	82,276	45,484	59,344	13,834	0.7%
Taiwan	13,623	9,602	8,663	11,224	12,327	0.6%
Germany	2,757	4,948	4,623	7,137	9,713	0.5%
Denmark	5,312	6,545	5,727	5,036	8,119	0.4%
United Kingdom	18,884	15,109	9,574	2,277	5,354	0.3%
All other	6,489	5,975	6,551	9,272	13,041	0.7%
Total	**2,067,312**	**2,383,504**	**2,047,504**	**2,109,612**	**1,941,263**	**100.0%**
Imports from GSP-eligible nations:						
Indonesia	3	2,132	168,110	171,443	106,905	87.3%
Thailand	37,569	82,276	45,484	59,344	13,834	11.3%
India	0	0	25	0	1,220	1.0%
All other	560	284	338	385	438	0.4%
Total from GSP-eligible nations	**38,132**	**84,693**	**213,957**	**231,173**	**122,397**	**100.0%**
Export market:						
Mexico	11,878	19,705	22,917	20,187	23,856	24.4%
Italy	1,648	2,067	5,269	8,083	12,609	12.9%
China	1,084	2,699	547	8,770	11,671	12.0%
Hong Kong	5,350	6,403	4,061	6,230	8,865	9.1%
Brazil	4,069	3,363	2,876	2,846	6,186	6.3%
United Kingdom	3,750	4,752	6,249	6,294	5,320	5.5%
Argentina	13,825	6,720	1,320	2,945	3,769	3.9%
Colombia	118	45	46	1,559	2,053	2.1%
Czech Republic	733	675	520	595	1,614	1.7%
Ecuador	1,486	1,599	509	416	1,560	1.6%
All Other	15,666	19,167	18,376	18,188	20,103	20.6%
Total	**59,608**	**67,195**	**62,690**	**76,112**	**97,606**	**100.0%**

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

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

Mufflers and Exhaust Pipes for Motor Vehicles Other than Tractors Suitable for Agricultural Use

I. Introduction

X Addition

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
8708.92.50	Mufflers and exhausts for motor vehicles other than tractors suitable for agricultural use	2.5	Yes

Description and uses.–A muffler, which is part of a motor-vehicle exhaust system, is a unit through which exhaust gases are passed to quiet the sounds of a running engine. The muffler is designed to slow the expansion of the exhaust gases and to develop the least amount of back pressure, which prevents the free flow of the exhaust gases. The body of the muffler is constructed in three layers: two thin layers of metal, such as stainless steel or aluminum, with a thicker, slightly insulated layer between them.

Although muffler design varies by manufacturer, there are two common muffler types – straight flow and reverse flow. Straight flow mufflers push exhaust gases through the system without changing the direction of the exhaust gases. In this design, a central pipe perforated with holes is surrounded by sheet metal. The space between the pipe and sheet metal can be open or filled with a sound-deadening material, such as fiberglass. Reverse flow systems, on the other hand, change the direction of exhaust gases to reduce noise more efficiently and save space.[37]

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Establishments	**40	**40	**37	**40	**38
Employment	**11,000	**11,100	**10,100	**11,000	**10,500
Shipments (***1,000 dollars***)	**2,883,068	**3,067,735	**2,881,680	**3,035,687	**2,952,542
Exports (***1,000 dollars***)	330,556	366,610	349,491	344,636	364,822
Imports (***1,000 dollars***)	244,940	277,412	360,798	423,190	484,768
Consumption (***1,000 dollars***)	**2,797,452	**2,978,537	**2,892,987	**3,114,241	**3,072,488
Import-to-consumption ratio (***percent***)	**9	**9	**12	**14	**16
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1] Not available.

[37]Information developed from William K. Toboldt, Larry Johnson, and Steven W. Olive, eds., *Automotive Encyclopedia* (South Holland, IL: The Goodheart-Willcox Company, 1999), pp. 269-270, and "How Mufflers Work," found at *http://auto.howstuffworks.com/muffler.htm,* retrieved Feb. 23, 2004.

Comment.–The U.S. industry producing motor-vehicle parts, including mufflers and exhaust pipes, serves two distinct markets -- the original equipment market (OEM) for vehicle makers and the aftermarket (replacement). Because of the different requirements for these markets (e.g., QS-9000 certification and designated manufacturing and materials specifications for OEM suppliers), manufacturing facilities are generally dedicated to production of parts for only one market segment.

U.S. demand for OEM mufflers and exhaust pipes is largely influenced by the number of vehicles produced in North America, which experienced an overall decline of 7 percent during the period in part because of continued economic weakness following the September 2001 attack. The shift to more durable materials such as stainless steel in the manufacture of mufflers and exhaust pipes may impact demand for aftermarket exhaust system components. The bulk of imports (76 percent) are sourced from Japan and NAFTA partners Canada and Mexico. The North American automotive industry is highly integrated and producers rationalize production among their regional facilities to suit individual company requirements. Japanese transplant producers in the United States are believed to be significant purchasers of mufflers and exhaust pipes from Japan.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	484,768	100	([1])	**16
Imports from GSP countries:				
GSP total	9,488	2	100	([2])
South Africa	5,842	1	62	([2])
Philippines	2,027	([2])	21	([2])
Czech Republic	623	([2])	7	([2])
Brazil	412	([2])	4	([2])

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

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

Comment.–NAFTA suppliers Canada and Mexico are two of the leading U.S. import sources of mufflers and exhaust pipes, accounting for 54 percent ($261.4 million) of total U.S. imports. These imports are likely destined for the OEM (automakers) market because of the integrated nature of the North American automotive industry. Japan is the second-leading source of these imports, accounting for 22 percent ($105.4 million) of U.S. imports. Imports from Japan are likely destined for Japanese transplant automakers in the United States and for use as replacement parts for the large number of Japanese vehicles operating in the United States. Imports from other countries lacking a large base of certified OEM suppliers, such as China, are likely destined as replacement parts for the U.S. aftermarket.

IV. Competitiveness profile, South Africa

Ranking as a U.S. import supplier, 2003	9		
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	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High X	Moderate	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High	Moderate	Low X
U.S. producers?	High	Moderate	Low X
What is the substitution elasticity?	High	Moderate X	Low
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No	
Does the country have significant export markets besides the United States?	Yes X	No	
Could exports from the country be readily redistributed among its foreign export markets?	Yes	No X	
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below
Quality compared with--			
U.S. products	Above	Equivalent X	Below
Other foreign products	Above	Equivalent X	Below

Comment.–The motor vehicle industry in South Africa has gradually shifted from an insular, highly protected sector to an export-oriented industry with the enactment of the Motor Industry Development Program (MIDP) in September 1995. The essential component of MIDP is the slow reduction of import tariffs to allow the domestic industry to adjust to world market conditions and gain manufacturing efficiencies. South Africa is an attractive manufacturing base for motor vehicle and parts producers because of its low costs for short production runs, competitive tooling costs, and manufacturing flexibility, which help to offset its geographic disadvantage vis-à-vis its export markets. As a result, many of the world's leading motor vehicle parts manufacturers have established operations in South Africa to supply local vehicle making facilities because of just-in-time delivery and local content requirements, and to export to Europe and Asia, in part to meet global sourcing needs. U.S. producers command a premium in the U.S. market because of their ability to meet automakers' supply requirements. Less than 2 percent of South Africa's production of mufflers and exhaust pipes was exported in 2002, with Germany, the Netherlands, the United States, and the United Kingdom the leading export markets in 2001.[38]

[38]Information for this section compiled from sources of the National Association of Automotive Components and Allied Manufacturers, found at *http://www.naacam.co.za/midp.htm*.

IV. Competitiveness profile, Philippines

Ranking as a U.S. import supplier, 2003	14		
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 ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate ___	Low X
U.S. producers?	High ___	Moderate ___	Low X
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No ___
Does the country have significant export markets besides the United States?	Yes X		No ___
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___		No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent ___	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 ___

Comment.–The Philippine automotive parts industry, which totals about 250 firms, is dominated by Japanese suppliers because of the extensive inroads made by Japanese vehicle producers in the Philippine market. U.S. and European parts producers, however, are increasing investments in the local industry, in part because of Philippine government initiatives to improve the economic and business environment. For example, under the Commercial Vehicle Development Program, tariffs on imports of automotive parts were reduced to 3 percent in April 2001 from 10 percent in an effort to rationalize the automotive industry and encourage development of the Philippines into a regional production hub.[39] The Philippines is also an active participant in the AICO industrial cooperation program under ASEAN that promotes joint manufacturing among eligible ASEAN-based corporations through preferential tariff rates. Moreover, the automotive components industry is considered to be an investment priority sector with incentives granted under the Omnibus Investments Code. Investment in the Philippine automotive industry allows suppliers to meet the local/regional content and just-in-time delivery requirements of Philippine-based automakers. U.S. producers command a premium in the U.S. market because of their ability to meet automakers' supply requirements.

[39]U.S. Department of State telegram, "Philippines: 2004 National Trade Estimate Report," message reference No. 06503, prepared by U.S. Embassy, Manila, Dec. 2003.

IV. Competitiveness profile, Czech Republic

Ranking as a U.S. import supplier, 2003	19		
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	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate	Low
U.S. producers?	High X	Moderate	Low
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High	Moderate X	Low
U.S. producers?	High	Moderate X	Low
What is the substitution elasticity?	High	Moderate X	Low
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X	No	
Does the country have significant export markets besides the United States?	Yes X	No	
Could exports from the country be readily redistributed among its foreign export markets?	Yes	No X	
What is the price elasticity of supply for affected imports?	High	Moderate X	Low
Price level compared with--			
U.S. products	Above	Equivalent	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

Comment.–The automotive industry is a key economic sector of the Czech Republic, accounting for 13 percent of Czech industrial production. The Czech industry benefits from its proximity to major European markets, its established reputation for successful R&D and quality manufacturing, and its qualified, low cost work force.[40] The Czech Republic is the largest producer of automobiles in Central and Eastern Europe. This production base supports more than 270 automotive component firms, many of which are leading European, Japanese-based, and U.S.-based parts producers that have established manufacturing operations to meet such requirements as just-in-time delivery, greater local content, and global sourcing. U.S.-based producers command a premium in the U.S. market because of their ability to meet automakers' supply requirements.

[40]U.S. and Foreign Commercial Service and U.S. Department of State, "Market for Auto Parts: Automotive & Ground Transportation in the Czech Republic, Industry Sector Analysis," Feb. 20, 2003, found at http://www.stat-usa.gov, retrieved Feb. 24, 2004.

IV. Competitiveness profile, all GSP suppliers

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 ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High ___	Moderate X	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?	Yes X		No ___
Does the country have significant export markets besides the United States?	Yes X		No ___
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___		No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above___	Equivalent ___	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 ___

Comment.–The globalization of the automotive industry has led U.S., European, and Japanese automotive parts producers to invest in production facilities near automakers' U.S. and foreign assembly plants to meet such requirements as just-in-time delivery, global sourcing, and local content. U.S. producers generally command a premium in the U.S. market because of their ability to meet automakers' supply requirements.

V. Position of interested parties

Petitioner.–The Government of the Argentine Republic and Conforma S.R.L. petitioned for the addition of mufflers and exhaust pipes (HTS 8708.92.50) as a GSP-eligible item. Conforma, which manufactures stainless steel exhaust systems, claims that the Argentine economic crisis is impacting its production and export capabilities, and that granting GSP eligibility for this product would have an insignificant effect on the U.S. industry. The Government also cites the economic crisis in Argentina as having a detrimental impact on Argentine industry, with financial restrictions and lack of credit contributing to industry's inability to increase exports to world markets. Argentina currently accounts for less than 0.05 percent of total U.S. imports under this HTS subheading. The Government also indicates that GSP eligibility would enhance access to the U.S. market and contribute to improved economic activity in Argentina.

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

VI. Summary of probable economic effects advice-Addition

* * * * * * *

Table 1.--Mufflers and exhaust pipes for motor vehicles other than tractors suitable for agricultural use: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Canada	101,292	113,205	147,601	160,722	193,189	39.9%
Japan	64,593	72,083	85,534	94,631	105,439	21.8%
Mexico	18,525	26,961	39,423	62,822	68,220	14.1%
Germany	21,526	20,739	31,377	31,011	40,630	8.4%
China	2,283	3,338	6,912	13,200	17,471	3.6%
Italy	4,220	5,109	7,473	10,151	13,065	2.7%
Korea	6,766	6,796	7,815	9,480	9,936	2.0%
Taiwan	5,518	5,234	6,863	11,033	9,714	2.0%
South Africa	3,600	6,003	7,723	7,716	5,842	1.2%
United Kingdom	4,467	4,404	5,677	5,811	4,906	1.0%
All other	12,150	13,542	14,400	16,614	16,356	3.4%
Total	**244,940**	**277,412**	**360,798**	**423,190**	**484,768**	**100.0%**
Imports from GSP-eligible nations:						
South Africa	3,600	6,003	7,723	7,716	5,842	61.6%
Philippines	1,102	1,104	1,428	1,567	2,027	21.4%
Czech Republic	48	45	292	275	623	6.6%
All other	1,506	1,850	2,375	1,803	995	10.5%
Total from GSP-eligible nations	**6,255**	**9,002**	**11,818**	**11,361**	**9,488**	**100.0%**
Export market:						
Canada	272,101	273,111	258,235	278,561	291,910	80.0%
Mexico	25,789	37,430	35,501	28,894	42,510	11.7%
Belgium	1,447	1,210	3,151	15,178	12,412	3.4%
Germany	7,787	7,055	4,586	1,594	3,745	1.0%
Japan	5,477	15,490	11,464	7,350	2,926	0.8%
United Kingdom	2,293	10,304	14,509	2,505	1,857	0.5%
Brazil	484	1,706	351	1,965	1,220	0.3%
China	128	97	925	1,073	1,197	0.3%
Australia	2,395	2,838	859	864	897	0.2%
Korea	138	555	66	173	657	0.2%
All Other	12,519	16,814	19,843	6,481	5,491	1.5%
Total	**330,556**	**366,610**	**349,491**	**344,636**	**364,822**	**100.0%**

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

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

Wheel Rims for Bicycles

I. Introduction

X Addition

HTS subheading	Short description	Col. 1 rate of duty (1/1/04)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
8714.92.10	Wheel rims for bicycles and other cycles	5.0	Yes

Description and uses.–Wheel rims for bicycles are metallic rings (usually of aluminum or steel alloys for low-end and carbon fiber or composite materials for high-end equipment) upon which wheel spokes, tires, and inner tubes are mounted. The flared sides of the rim also provide a surface upon which the brake pads of caliper braking systems can make contact with the wheel assembly and, through friction, slow or stop the forward progress of the vehicle. Rims are typically extruded or cold rolled from strips of metal to produce a concave or "c-shaped" profile and then rounded into a circular shape. The ends of the metal piece are then joined, commonly by butt welding, to form a circle. Subsequently, holes are formed in the rim to accommodate the wheel's spokes and inner tube valve stem. The wheel assembly is completed with the addition of wheel spokes, hub assembly (with which the finished wheel is attached to the vehicle), and inner tube and tire. Most wheel rims for adult riders are either 26 or 27 inches in diameter, while those for juvenile riders typically range between 12 and 24 inches.

II. U.S. market profile

Profile of U.S. industry and market, 1999-2003

Item	1999	2000	2001	2002	2003
Producers	10	8	7	6	6
Employment (***1,000 employees***)	(1)	(1)	(1)	(1)	(1)
Shipments (***1,000 dollars***)	26,000	25,000	21,000	14,000	18,000
Exports (***1,000 dollars***)	21,457	20,441	17,591	11,863	15,162
Imports (***1,000 dollars***)	12,465	12,796	7,684	9,163	7,479
Consumption (***1,000 dollars***)	17,008	17,355	11,093	11,300	10,317
Import-to-consumption ratio (***percent***)	73	74	69	81	72
Capacity utilization (***percent***)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Comment.–The U.S. industry producing bicycle rims has, over the last 10-11 years, gradually shifted or ceded production of these parts to low cost foreign suppliers, notably Taiwan and China. Much of the production that remains in the United States is for aftermarket (replacement) sales in U.S. and foreign markets.

III. GSP import situation, 2003

U.S. imports and share of U.S. consumption, 2003

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	7,479	100	(1)	72
Imports from GSP countries:				
GSP total	30	(2)	100	(2)
Brazil	15	(2)	50	(2)
India	10	(2)	33	(2)
South Africa	5	(2)	17	(2)

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

Comment.–Imports from designated GSP beneficiary countries, notably South Africa and Indonesia, have fallen dramatically since 1999, in large part due to the increased competitiveness of suppliers in China and Italy. In addition, as production operations on finished bicycles have shifted from the United States to Asian and European markets, rim production has tended to follow.

IV. Competitiveness profile, Brazil

Ranking as a U.S. import supplier, 2003	14		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___	No X	
Is the product an intermediate good used as an input in the production of another good?	Yes X	No ___	
Is the product an agricultural or food product?	Yes ___	No X	
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	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 ___	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 ___	No X	
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___	No X	
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above X	Equivalent ___	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above X	Equivalent ___	Below ___

Comment.–Compared with the major suppliers of bicycle rims in the Pacific Rim, the petitioning Brazilian company indicates that suppliers of rims in Brazil face higher transportation costs associated with getting their products to U.S. purchasers. The U.S. market for rims is also contracting as more U.S. companies outsource production operations to low cost foreign suppliers, notably China, Mexico, and Taiwan.

IV. Competitiveness profile, India

Ranking as a U.S. import supplier, 2003	15		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?	Yes ___		No X
Is the product an intermediate good used as an input in the production of another good?	Yes X		No ___
Is the product an agricultural or food product?	Yes ___		No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate 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 ___	Low X
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 ___		No X
Could exports from the country be readily redistributed among its foreign export markets?	Yes ___		No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above X	Equivalent ___	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Although Indian rim production capabilities have gradually increased since 1997, U.S. industry sources indicate that producers in India are still not quite on par with those in Asia or Europe but are equivalent to some other GSP suppliers.

IV. Competitiveness profile, all GSP suppliers

Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate 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 ___	Low X
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 ___	No X
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above X	Equivalent ___	Below ___
Quality compared with--			
U.S. products	Above___	Equivalent X	Below ___
Other foreign products	Above___	Equivalent X	Below ___

Comment.–GSP-eligible countries account for less than 0.5 percent of total U.S. imports of the products covered in this digest.

V. Position of interested parties

Petitioner.– The petitioner, Brazilian manufacturer Eninco Engeharia, Industria e Comercio Ltda., indicates that due to high freight costs between Brazil and the United States compared with those incurred by suppliers in Asia, the company is not in a good position to export to U.S. customers. The company states that the granting of duty-free entry for bicycle rims from Brazil under the GSP would enable the company to realize its full plant capacity for rims, enable it to hire new workers, and increase its annual sales of rims.

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

VI. Summary of probable economic effects advice-Addition

* * * * * * *

Table 1.--Wheel rims for bicycles: U.S. imports for consumption, by principal sources, and U.S. exports of domestic merchandise, by principal markets, 1999-2003

Nation	1999	2000	2001	2002	2003	Share of total, 2003
	Value (1,000 dollars)					
Import source:						
Taiwan	2,846	3,671	1,974	2,051	1,979	26.5%
France	4,307	3,806	2,782	2,855	1,813	24.2%
China	311	1,393	736	1,382	1,675	22.4%
Italy	806	502	660	1,492	788	10.5%
Australia	2,279	826	372	338	372	5.0%
Spain	63	0	129	339	314	4.2%
Netherlands	198	349	342	236	115	1.5%
United Kingdom	40	24	22	17	102	1.4%
Switzerland	0	0	2	0	95	1.3%
Malaysia	0	0	0	30	67	0.9%
All other	1,616	2,226	664	423	159	2.1%
Total	**12,465**	**12,796**	**7,684**	**9,163**	**7,479**	**100.0%**
Imports from GSP-eligible nations:						
Brazil	31	0	0	23	15	50.0%
India	0	2	3	7	10	33.3%
South Africa	240	1,044	3	15	5	16.7%
All other	117	143	168	71	0	0.0%
Total from GSP-eligible nations	**388**	**1,189**	**173**	**117**	**30**	**100.0%**
Export market:						
Canada	2,497	2,513	1,967	1,035	2,354	15.5%
Mexico	7,284	8,409	4,977	2,751	1,792	11.8%
Taiwan	1,588	1,317	873	564	1,700	11.2%
United Kingdom	308	340	970	816	1,166	7.7%
Japan	3,733	1,787	2,483	1,554	1,166	7.7%
Australia	550	380	308	361	1,161	7.7%
Italy	182	219	604	974	603	4.0%
China	0	40	382	173	548	3.6%
Netherlands	794	364	407	311	414	2.7%
Germany	183	355	422	399	409	2.7%
All Other	4,337	4,717	4,198	2,925	3,849	25.4%
Total	**21,457**	**20,441**	**17,591**	**11,863**	**15,162**	**100.0%**

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

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

APPENDIX A

U.S. Trade Representative's Request Letter

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

FEB 13 2004

The Honorable Deanna Tanner Okun
Chairman
United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Chairman Okun:

The Trade Policy Staff Committee (TPSC) has recently decided and will announce in the Federal Register the acceptance of product petitions for the 2003 GSP Annual Review for modification of the Generalized System of Preferences (GSP). For the most part, modifications to the GSP which may result from this review will be announced in the spring of 2004 and become effective in the summer of 2004. In this connection, I am making the requests listed below.

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

In accordance with sections 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act, and under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request that the Commission provide its advice, with respect to the articles identified in Part A of the enclosed annex, as to the probable economic effect on 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.

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

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

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

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 limits specified in section 503(c)(2)(A) of the 1974 Act for the country specified with respect to the articles in Part C of the enclosed Annex.

With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission is requested to use the dollar value limit of $110,000,000.

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

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

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

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

Sincerely,

Josette Sheeran Shiner
Acting

Annex

The Harmonized Tariff Schedule of the United States (HTS) subheadings listed below have been accepted as product petitions for the 2003 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/taffairs.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.		
2003-01	8708.92.50	Mufflers and exhaust pipes of the motor vehicles of headings 8701 to 8705 except for tractors suitable for agricultural use	Government of Argentina; Conforma S.R.L., Argentina
2003-02	8714.92.10	Wheel rims for bicycles and other cycles, not motorized	Eninco Engeharia, Industria e Comercio Ltda, Brazil
B.	Petition to remove duty-free status for a product on the list of eligible articles for Generalized System of Preferences.		
2003-03	3907.60.0010	Bottle-grade polyethylene terephthalate resins	Voridian, Kingsport, TN; Wellman, Inc., Shrewsbury, NJ; M&G Polymers USA, LLC, Houston, TX; DAK Americas, Inc., Chadds Ford, PA; Nan Ya Plastics Corporation, Lake City, SC
2003-04	2917.12.10	Adipic acid	INVISTA Inc., Wilmington, DE
2003-05	3901.10.00(pt)	Linear polyethylene having a specific gravity of less than 0.94 and a relative viscosity of 1.44 or more	Ticona LLC, Summit, NJ
	3901.20.00(pt)	Linear polyethylene having a specific gravity of 0.94 or more and a relative viscosity of 1.44 or more	do.
2003-06	3920.62.00	Poly(ethylene terephthalate) plates, sheets, film, foil and strip, noncellular and not reinforced, laminated or supported or similarly combined with other materials	Dupont Teijin Films, Wilmington, DE; Mitsubishi Polyester Film of America, Greer, SC; Toray Plastics (America), Inc., North Kingdom, RI SKC America, Inc., Covington, GA

Case No.	HTS Subheading	Brief Description	Petitioner
C.	Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.		
2003-07	4107.11.80 (Argentina)	Other fancy full grain whole hides and skins, unsplit, further prepared after tanning or crusting, of bovine (other than buffalo) or equine animals	Camara de la Curtidora Argentina, Argentina
2003-08	7615.19.30 (Thailand)	Aluminum cooking and kitchen ware (other than cast), enameled or glazed or containing nonstick interior finishes	Meyer Corporation, Vallejo, CA
2003-09	8525.40.80 (Indonesia)	Still image video cameras (other than digital) and other video camera recorders; digital cameras	P.T. Matsushita Kotobuki Electronics Industries Indonesia, Indonesia

APPENDIX B

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

submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public inspection in their entirety. However, individual respondents may request that we withhold their names and addresses from the public record, and we will honor such requests to the extent allowed by law. If you wish to withhold your name and/or address, you must state that request prominently at the beginning of your comment.

DATES: Locations, dates, and times of public scoping meetings will be published in local newspapers and may also be obtained by contacting the park Site Manager. This information will also be published on the General Management Plan Web site (*http://www.nps.gov/tuai*) for Tuskegee Airmen National Historic Site.

ADDRESSES: Scoping suggestions should be submitted to the following address to ensure adequate consideration by the National Park Service: Site Manager, Tuskegee Airmen National Historic Site, 1616 Chief Anderson Drive, P.O. Box 830918, Tuskegee Institute, AL 36088, Telephone: 334–724–0922, e-mail: *Tuin_Superintendent@nps.gov.*

FOR FURTHER INFORMATION CONTACT: Site Manager, Tuskegee Airmen National Historic Site, 1616 Chief Anderson Drive, P.O. Box 830918, Tuskegee Institute, AL 36088, Telephone: 334–724–0922, e-mail: *Tuin_Superintendent@nps.gov.*

SUPPLEMENTARY INFORMATION: Before 1940, African Americans were barred from flying for the U.S. military. Civil rights organizations and the black press exerted pressure that resulted in the formation of an all African-American pursuit squadron based in Tuskegee, Alabama in 1941. They became known as the Tuskegee Airmen. The Tuskegee Airmen overcame segregation and prejudice to become one of the most highly respected fighter groups of World War II. They proved conclusively that African Americans could fly and maintain sophisticated combat aircraft. The Tuskegee Airmen's achievements, together with the men and women who supported them, paved the way for full integration of the U.S. military. The Tuskegee Airmen National Historic Site at Moton Field in Tuskegee, Alabama, was established on November 6, 1998, with the signing of Public Law 105–355. The park was created to commemorate and interpret the heroic actions of the Tuskegee Airmen during World War II.

A General Management Plan and Environmental Impact Statement would provide the park with guidance and direction to manage natural and cultural resources and to provide a quality visitor experience. This will be the National Historic Site's first General Management Plan. The plan will establish management prescriptions, carrying capacities, and appropriate types and levels of development and recreational use for all areas of the park. Resource protection, visitor experiences and community relationships will be improved through completion and implementation of the General Management Plan.

Public documents associated with the planning effort, including all newsletters, will be posted on the Internet through the park's Web site at *http://www.nps.gov/tuai.*

The Draft and Final General Management Plan and Environmental Impact Statement will be made available to all known interested parties and appropriate agencies. Full public participation by Federal, State, and local agencies as well as other concerned organizations and private citizens is invited throughout the preparation process of this document.

The responsible official for this Environmental Impact Statement is Patricia A. Hooks, Acting Regional Director, Southeast Region, National Park Service, 100 Alabama Street, SW., 1924 Building, Atlanta, Georgia 30303.

Dated: January 6, 2004.

Patricia A. Hooks,

Acting Regional Director, Southeast Region.

[FR Doc. 04–4134 Filed 2–24–04; 8:45 am]

BILLING CODE 4310–E7–P

DEPARTMENT OF THE INTERIOR

National Park Service

Selma to Montgomery National Historic Trail Advisory Council; Notice of Meeting

Notice is hereby given in accordance with the Federal Advisory Committee Act, Public Law 92–463, that a meeting of the Selma to Montgomery National Historic Trail Advisory Council will be held Tuesday, March 30, 2004, at 9 a.m. until 3:30 p.m., at the Selma Convention Center in Selma, Alabama.

The Selma to Montgomery National Historic Trail Advisory Council was established pursuant to Public Law 100–192, establishing the Selma to Montgomery National Historic Trail. This Council was established to advise the National Park Service on such issues as preservation of trail routes and features, public use, standards for posting and maintaining trail markers, and administrative matters.

The matters to be discussed include:

(A) History and background of the historic trail;

(B) Roles and responsibilities of the Advisory Council;

(C) Update of current trail activities;

(D) Review of the Comprehensive Management Plan;

(E) Plans for the 40th anniversary of the Voting Rights March.

The meeting will be open to the public. However, facilities and space for accommodating members of the public are limited and persons will be accommodated on first come, first serve basis. Anyone may file a written statement with Catherine F. Light, Trail Superintendent, concerning the matters to be discussed.

Persons wishing further information concerning this meeting may contact Catherine F. Light, Trail Superintendent, Selma to Montgomery National Historic Trail, at 334–727–6390 (phone), 334–727–4597 (fax), or mail 1212 Old Montgomery Road, Tuskegee Institute, Alabama 36088.

Catherine F. Light,

Selma to Montgomery National Historic Trail, Superintendent.

[FR Doc. 04–4131 Filed 2–24–04; 8:45 am]

BILLING CODE 4310–04–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–459]

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2003 Review

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

EFFECTIVE DATE: February 19, 2004.

SUMMARY: Following receipt on February 13, 2004 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. 332–459, *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2003 Review.*

FOR FURTHER INFORMATION CONTACT: Information specific to this investigation may be obtained from Cynthia B. Foreso (202–205–3348 or *foreso@usitc.gov*) or Eric Land (202–205–3349 or *land@usitc.gov*), Office of Industries, United States International Trade Commission, Washington, DC 20436.

For information on legal aspects of the investigation, contact William Gearhart of the Office of the General Counsel (202–205–3091 or *wgearhart@usitc.gov*). General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*).

Background: As requested by the USTR, in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974 (1974 Act), and under section 332(g) of the Tariff Act of 1930, the Commission will provide advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary countries under the GSP for HTS subheadings 8708.92.50 and 8714.92.10. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act.

As requested under section 332(g) of the Tariff Act of 1930, the Commission will provide advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the removal from eligibility for duty free treatment under the GSP of HTS subheadings 2917.12.10, 3901.10.00 (pt.), 3901.20.00 (pt.), 3907.60.0010, and 3920.62.00.

As requested under section 332(g) of the Tariff Act of 1930 and in accordance with section 503(d)(1)(A) of the 1974 Act, the Commission will provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Argentina for HTS subheading 4107.11.80; for Thailand for HTS subheading 7615.19.30; and for Indonesia for HTS subheading 8525.40.80.

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 $110,000,000.

As requested by the USTR, the Commission will seek to provide its advice not later than May 13, 2004.

Public Hearing: A public hearing in connection with this investigation is scheduled to begin at 9:30 a.m. on March 31, 2004, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., March 4, 2004 in accordance with the requirements in the "Submissions" section below. In the event that, as of the close of business on March 4, 2004, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary (202–205–2000) after March 4, 2004, to determine whether the hearing will be held.

Statements and Briefs: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning the investigation in accordance with the requirements in the "Submissions" section below. Any prehearing briefs or statements should be filed not later than 5:15 p.m., March 5. 2004; the deadline for filing post-hearing briefs or statements is 5:15 p.m., April 2, 2004.

Submissions: 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. 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); 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 201.8 of the rules require 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. Section 201.6 of the rules require that the cover of the document and the individual pages clearly be marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets.

The Commission may include confidential business information submitted in the course of this investigation in the report to the USTR. All written submissions, except for confidential business information, will be made available for inspection by interested parties. In the public version of the report, however, the Commission will not publish confidential business information in a manner that could reveal the operations of the firm supplying the 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 Commission's Rules (19 CFR 201.8)(*see* Handbook for Electronic Filing Procedures, *ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf*). Persons with questions regarding electronic filing should contact the Secretary (202–205–2000 or *edis@usitc.gov.)*

The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting our TDD terminal on (202) 205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

By order of the Commission.
Issued: February 19. 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–4112 Filed 2–24–04; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Civil Rights Division; Agency Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 60-Day Notice of Information Collection Under Review: Compliant Form, Coordination and Review Section, Civil Rights Division.

The Department of Justice (DOJ), Civil Rights Division (CRT), has submitted the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. Comments are encouraged and will be accepted for "sixty days" until April 26, 2004. This process is conducted in accordance with 5 CFR 1320.10.

If you have comments especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact Merrily A. Friedlander, Chief, Coordination and Review Section, Civil Rights Division, Department of Justice 1425 New York Avenue, NW, Washington, DC 20005.

APPENDIX C

Calendar of the Public Hearing, March 31, 2004

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, 2003 Review

Inv. No.: 332-459

Date and Time: March 31, 2004 - 9:30 a.m.

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

ORGANIZATION AND WITNESS: **PRODUCT:**

PANEL 1 ***Polyethylene Resins in Primary Forms***

Shook, Hardy & Bacon L.L.P.
Washington, D.C.
on behalf of

Polialden Petroquimica S.A.

Cleantho de Paiva Leite Filho, Export Director,
Polialden Petroquimica S.A.

Peter D. Bernstein) – OF COUNSEL

ORGANIZATION AND WITNESS: **PRODUCT:**

PANEL 1 (continued) ***PET Bottle-Grade Resins in Primary Forms***

The PET Users Coalition
Washington, D.C.

Drew M. Davis, Vice President, Federal Affairs, the PET Users Coalition (representing the National Soft Drink Association)

Dan Mullock, Vice President, Purchasing, the PET Users Coalition (representing Constar International)

John F. McDermid, President, International Business-Government Counsellors

Coudert Brothers LLP
Washington, D.C.
on behalf of

Indo-Pet Limited
Thai Shinkong Industry Corporation Ltd.
P.T. Indorama Ltd.

Matthew J. McConkey) – OF COUNSEL

ORGANIZATION AND WITNESS: **PRODUCT:**

PANEL 1 (continued) ***PET Bottle-Grade Resins in Primary Forms***

Howrey Simon Arold & White LLC
Washington, D.C.
on behalf of

The U.S. PET Resin Producers Coalition

Mark Adlam, Americas Commercial Manager, M&G Polymers USA LLC

John Cullen, Commercial Manager, DAK Americas LLC

Michael Dewsbury, Vice President, PET Resins, Wellman, Inc.

Robert Taylor, Business Operations Manager, Wellman, Inc.

Hans Kinner, Business Director, Polyester Products North America, Voridian, a division of Eastman Chemical Co.

Christopher Peterson, Assistant Section Manager, Nan Ya Plastics Corp. America

Susan H. Manning, Economist, The CapAnalysis Group LLC

Michael A. Hertzberg)
) – OF COUNSEL
Juliana M. Cofrancesco)

ORGANIZATION AND WITNESS: **PRODUCT:**

PANEL 1 (continued) ***PET Film***

Wilmer Cutler & Pickering LLP
Washington, D.C.
on behalf of

Dupont Teijin Films
Mitsubishi Polyester Film of America
Toray Plastics (America), Inc.
SKC America, Inc.

Todd Eckles, Director of Sales, Toray Plastics

Ronald I. Meltzer) – OF COUNSEL

PANEL 2 ***Certain Stamped Aluminum Cookware***

Calphalon Company
Perrysburg, Ohio

Jay Toomey, Vice President, Supply Chain,
Calphalon Company

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

Meyer Corporation

Norman Schoenfeld, Executive Vice President,
Meyer Corporation

Dean L. Krause, General Counsel, Meyer Corporation

Thomas St. Maxens, II, Consultant, St. Maxens & Company

ORGANIZATION AND WITNESS: **PRODUCT:**

PANEL 3 ***Adipic Acid***

Williams Mullen
Washington, D.C.
on behalf of

Rhodia Poliamida Ltda
Rhodia, Inc.

Steven R. Powis, Business Director, Polyamide Intermediates – North America, Rhodia, Inc.

Jose Borges Matias, Vice President, Purchasing and Government Relations, Rhodia Latin America

William N. Farran III, Assistant General Counsel; *and* Director, Government Relations, Rhodia, Inc.

James R. Cannon, Jr.) – OF COUNSEL

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

Invista, Inc.

Kevin Kenaley, Global Marketing Manager, Invista, Inc.

Omari S. Simmons, Senior Counsel, Invista, Inc.

Warren H. Maruyama)
) – OF COUNSEL
Erika L. Moritsugu)

-END-

APPENDIX D

Model for Evaluating Probable Economic Effect 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 from GSP suppliers 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. These processes are discussed in chapter 1 of the text.

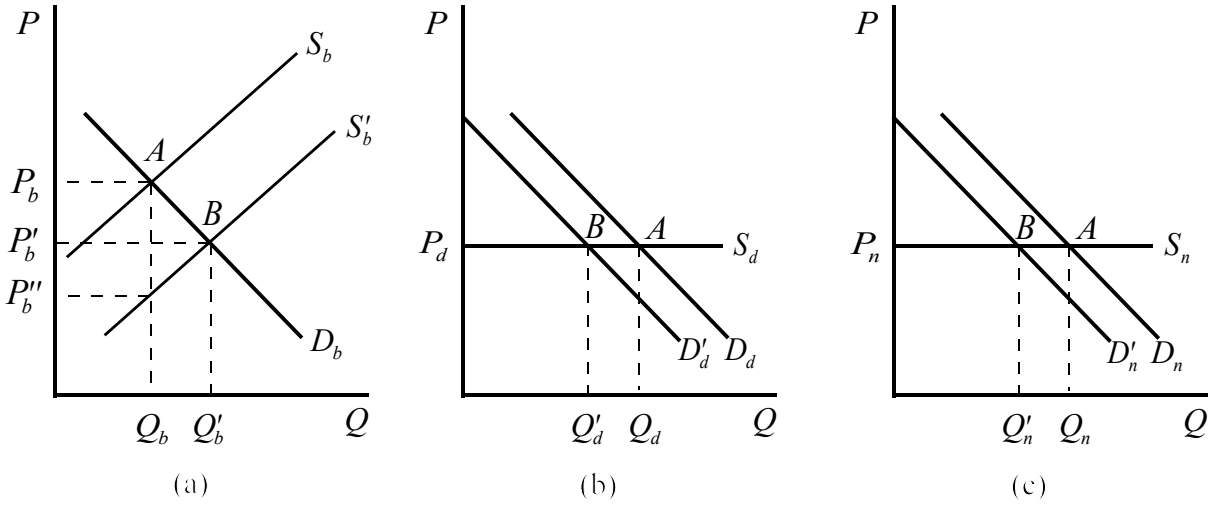
Introduction

Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.[1] Trade data were taken from official statistics of the U.S. Department of Commerce. U.S. production data were estimated by USITC industry analysts. Elasticities were estimated by industry analysts in consultation with the assigned economist based on relevant product and market characteristics. Trade and production data used were for 1999, and tariff rates used were for 2000.

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.

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

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



Consider the market for imports from GSP suppliers illustrated in fig. D-1, panel (a). The line labeled D_b is the U.S. demand for imports from GSP suppliers, the line labeled S_b is the supply of imports from GSP suppliers with the tariff in place, and the line labeled S'_b is the supply of imports from GSP suppliers 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 suppliers 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:

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

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

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

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

[4] Ibid., p. 168.

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

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 η_A is the aggregate demand elasticity for the product grouping (natural sign). Substituting equation (3) into equation (1) yields

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

Further manipulation and simplification yields

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consumer effects

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

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

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

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