United States International Trade Commission

NAFTA:
Probable Economic Effect of Accelerated Tariff Elimination

Investigation No. 332-433
USITC Publication 3460
October 2001

U.S. International Trade Commission

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Notice

This report is a public version of the report submitted to the United States Trade Representative on October 12, 2001. All confidential business information has been removed and replaced with asterisks (***).

U.S. International Trade Commission

Washington, DC 20436
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NAFTA: Probable Economic Effect of Accelerated Tariff Elimination

Investigation No. 332-433

Publication 3460 **October 2001**

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EXECUTIVE SUMMARY

Following receipt of a request from the United States Trade Representative (USTR) on August 30, 2001, the U.S. International Trade Commission (Commission) instituted investigation No. 332-433, *NAFTA: Probable Economic Effect of Accelerated Tariff Elimination*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on September 7, 2001.[1] As requested by the USTR, the Commission is providing advice to the President and the USTR as to the probable economic effect (PE) on domestic industries producing like or directly competitive articles, workers in these industries, and on consumers of the affected goods, of the elimination of U.S. tariffs under the North American Free Trade Agreement (NAFTA) for selected articles from Mexico. The request covers only certain footwear articles (listed in an attachment to the USTR letter), which are classifiable under 21 rate lines, or 8-digit subheadings, in the Harmonized Tariff Schedule of the United States (HTS).

As shown in the following table, the Commission estimates that elimination of U.S. tariffs under NAFTA on imports of the subject footwear articles from Mexico will likely have little or no adverse effect on affected domestic industries, workers in these industries, or on consumers of the affected goods. For 18 of the 21 rate lines, the NAFTA tariffs for Mexico are already low and are scheduled to be phased out on January 1, 2003. Moreover, total imports from Mexico under these 18 rate lines are negligible. The NAFTA tariffs for Mexico under the remaining three rate lines (HTS subheadings 6404.19.35, -19.50, and -19.70), which accounted for nearly all of the imports of the subject articles from Mexico in 2000, are scheduled to be completely phased out in 2008. However, most U.S. imports from Mexico under these provisions already enter at reduced duties under HTS heading 9802.00.80.[2]

The expected duty savings resulting from the proposed tariff elimination will likely enhance the competitiveness of U.S. firms that assemble the footwear in Mexico from U.S. components. In the longer term, elimination of U.S. tariffs under NAFTA for subheadings 6404.19.35, -19.50, and -19.70 might spur U.S. firms to move more domestic operations to Mexico and also to the Caribbean Basin as a result of provisions in the newly enacted United States-Caribbean Basin Trade Partnership Act that authorized NAFTA-equivalent tariff treatment for footwear made in eligible Caribbean Basin countries, thereby displacing part of their domestic workforce.

Imports already supply at least 90 percent of the U.S. footwear market by quantity. Most product substitution that could occur as a result of any tariff elimination is likely to occur between footwear articles made in Mexico and those made in China and other low-cost countries, which account for the majority of all the footwear sold in the U.S. market by quantity. In general, domestically-produced footwear articles compete mostly on nonprice factors such as brand names, product quality and differentiation, and support services. It is likely that a significant portion of the expected duty savings will be passed on to U.S. consumers.

[1] A copy of the USTR request letter is in appendix A of this report, and a copy of the Commission's notice of institution, published in the *Federal Register* (66 F.R. 47636) on September 13, 2001, is in appendix B.

[2] Under heading 9802.00.80, U.S. importers receive a partial duty exemption for articles assembled abroad in whole or in part of U.S. components. In general, duty is assessed only on the value added abroad (mainly the cost of assembling the components together), not on the value of the U.S. components contained in the articles.

Table 1
Footwear articles: Information and probable economic effect (PE) advice for articles under consideration for accelerated elimination of U.S. tariffs under NAFTA applicable to Mexico, by HTS subheadings

Item and HTS No.	2002 tariffs[1] NTR	2002 tariffs[1] Mexico	PE codes[2]	Brief product description (truncated)	2000 U.S. imports Total	2000 U.S. imports Mexico	2000 U.S. imports Dutiable Mexico	2000 U.S. exports Total	2000 U.S. exports Mexico	Estimated 2000 U.S. production	I/C ratio[3]
	---- % ----				---- $1,000 ----						%
Footwear with rubber or plastics outer soles and uppers:											
6402.30.90	20.0	2.0	AAB	Protective metal toe cap, over $12/pair . . .	434	5	5	64	4	200	76
6402.91.60	48.0	4.8	AAN	Other, covering ankle, not over $3/pair . . .	127	0	0	52	8	[4]415	[4]73
6402.91.70	55.9	6.0	AAN	Other, covering ankle, $3.01-$6.50/pair . .	719	0	0	52	8	(4)	(4)
6402.99.60	48.0	4.8	AAB	Other, not cover ankle, not over $3/pair . .	6,610	2	2	950	523	[5]7,400	[5]74
6402.99.70	56.4	6.0	AAB	Other, not cover ankle, $3.01-$6.50/pair . .	9,382	2	2	950	173	(5)	(5)
Footwear with rubber or plastics outer soles and textile uppers:											
6404.11.20	10.5	1.0	AAB	Athletic,50% + leather upper	15,044	3	3	1,400	56	9,500	65
6404.19.15	10.5	1.0	AAB	Other, 50%+ leather upper	6,527	25	25	1,570	170	[6]***	[6]***
6404.19.25	7.5	0.7	AAB	Open toe/heel, slip-on, vegetable fiber . . .	11,349	6	6	345	17	(6)	(6)
6404.19.30	12.5	1.2	AAB	Open toe/heel, slip-on, other fiber	11,704	66	66	1,564	65	(6)	(6)
6404.19.35	37.5	*15.0	AAB	Open toe/heel, slip-on, 10% or more rub .	518,197	37,649	13,095	6,691	294	(6)	(6)
6404.19.50	48.0	*19.2	AAB	Other, not over $3/pr, adhesive-affixed . .	91,900	9,767	2,453	8,010	353	(6)	(6)
6404.19.60	37.5	3.7	AAB	$3.01-$6.50/pr, adhesive-affixed sole	19,331	222	39	142	9	(6)	(6)
6404.19.70	57.9	*26.0	AAB	Other, $3.01-$6.50/pair, other	17,576	2,385	620	607	37	(6)	(6)
6404.19.80	31.2	3.0	AAB	Other, $6.51-$12/pair, other	47,139	164	164	787	96	(6)	(6)
Footwear with leather outer soles and textile uppers:											
6404.20.20	15.0	1.5	AAN	Not over 50% rubber or tex, n/o $2.50/pr .	6,016	0	0	482	41	[7]55,600	[7]84
6404.20.40	10.0	1.0	AAB	Not over 50% rubber or tex, over $2.50/pr	243,905	114	45	1,930	166	(7)	(7)
6404.20.60	37.5	3.7	AAB	Other	17,506	5	5	2,412	207	(7)	(7)
Formed footwear uppers:											
6406.10.05	8.5	0.8	AAB	Leather, for men and boys	5,984	1	1	690	613	(8)	(8)
6406.10.10	10.0	1.0	AAB	Leather, for women, girls, and infants	1,301	40	37	690	613	(8)	(8)
6406.10.20	10.5	1.0	AAN	Of textiles, over 50% of surface leather . .	100	0	0	1,379	1,226	(8)	(8)
6405.10.45	6.0	0.6	AAN	90% of surface rubber, without foxing	30	0	0	690	613	(8)	(8)
				Grand total	1,030,882	50,458	16,571	31,457	6,178	(8)	(8)

[1] Specific and compound tariff rates are converted to ad valorem equivalents. The "NTR" rate is the "normal trade relations" tariff rate. The NAFTA footwear rates for Mexico are being phased out over a 10-year period or over a 15-year period and go to "free" in 2003 or 2008 (2008 is marked with an asterisk (*)).
[2] See section I of this report for a discussion of the coding system.
[3] The I/C ratio is the estimated imports-to-consumption ratio.
[4] The estimated production and I/C ratio shown for subheading 6402.91.60 also cover subheading 6402.91.70.
[5] The estimated production and I/C ratio shown for subheading 6402.99.60 also cover subheading 6402.99.70.
[6] The estimated production and I/C ratio shown for subheading 6404.19.15 also cover the remaining subheadings in the group. Production for this group includes footwear that is sent outside the country to be stitched and then returned to the United States under HTS heading 9802.00.80.
[7] The estimated production and I/C ratio shown for subheading 6404.20.20 also cover the remaining subheadings in the group.
[8] Not available.

Source: Production and export data were estimated by the Commission. Import data were compiled from official statistics of the U.S. Department of Commerce.

SECTION I: BACKGROUND

The August 30, 2001 request letter from the USTR stated that the United States and Mexico have agreed to enter into consultations to consider acceleration of the elimination of tariffs on certain articles. Section 201(b)(1) of the North American Free Trade Agreement Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103(a) of the Act, to proclaim such modifications as the United States may agree to with Mexico or Canada regarding the staging of any duty treatment set forth in Annex 302.2 of the NAFTA.[3] One of the requirements set out in section 103(a) of the Act is that the President obtain advice regarding the proposed action from the Commission.

Product Coverage and Organization of Report

The 21 rate lines under consideration provide for footwear articles that can be divided into four groups, as follows:

(1) footwear with rubber or plastic outer soles and uppers,
(2) footwear with rubber or plastic outer soles and textile (fabric) uppers,
(3) footwear with leather outer soles and textile (fabric) uppers, and
(4) formed footwear uppers.

Of these four groups of articles, the second group (hereafter referred to as rubber/fabric footwear) accounted for nearly all (99 percent, by value) of U.S. imports from Mexico in 2000 and consisted mostly of house slippers with rubber or plastic soles and fabric uppers.

The rest of this section reviews the methodology used by the Commission to develop its PE advice. Section II of this report provides a brief overview of the U.S. footwear sector, section III contains the PE advice (see table on page 2 for a summary of the advice by rate line), and section IV summarizes the views of interested parties. The Commission received one written submission from the Footwear Distributors and Retailers of America (FDRA), whose member firms account for most U.S. imports and retail sales of footwear, which stated its support for the elimination of U.S. tariffs under NAFTA for the subject footwear articles from Mexico.

Methodology and Probable Effects Coding

The Commission used a partial equilibrium model and qualitative analysis to develop its PE advice in this investigation. Partial equilibrium analysis was conducted for each rate line for which there were dutiable imports from Mexico in 2000. The analysis draws on behavioral parameters and other market information developed during the course of the investigation. Qualitative assessment was used to supplement the partial equilibrium analysis, or in lieu of it, for rate lines for which dutiable imports from Mexico were nil or negligible. The PE advice is based on information drawn from public and private sources, including official U.S. Government statistics and views of industry representatives.

[3] Two-way trade between the United States and Canada in qualifying goods is already free of duty.

As noted above, the table on page 2 summarizes the Commission's PE advice on U.S. imports, industries, and consumers for each rate line. The coding system is shown below:[4]

1. Level of U.S. imports from the world:

   A: Little or no increase (less than 6.0 percent).
   B: Significant increase (6.0-15.0 percent).
   C: Substantial increase (more than 15.0 percent).

2. Impact on U.S. industry:

   A: Little or no adverse effect -- little or no decrease in production or producers' shipments (less than 6.0 percent).
   B: Significant adverse effect -- significant proportion of workers unemployed; decline in profit levels; firms depart, but adverse impact is not industry-wide; significant decrease in production or producers' shipments (6.0-15.0 percent).
   C: Substantial adverse effect -- substantial unemployment; widespread idling of productive facilities; substantial declines in profit levels; adverse impact on the industry as a whole; substantial decrease in production or producers' shipments (more than 15.0 percent).

3. Benefit derived by U.S. consumers:[5]

   A: The bulk of duty savings (greater than 75 percent) is expected to be absorbed by suppliers in Mexico. The price that U.S. consumers pay per unit is expected to fall by less than 25 percent of the duty reduction.
   B: Duty savings are expected to benefit both suppliers in Mexico and U.S. consumers (neither receiving more than 75 percent of the savings).
   C: The bulk of duty savings (greater than 75 percent) is expected to benefit U.S. consumers.
   N: No effect (there were no dutiable U.S. imports from Mexico in 2000 and no special factors or industry conditions exist concerning potential future increases in imports).

[4] The Commission developed the PE coding system to ensure consistency in its advice and has used the coding system in a wide range of investigations. Each letter code in the system represents a range (e.g., an import code of "A" represents an increase in U.S. imports of less than 6.0 percent) and provides a general indicator of the impact of the proposed policy change on U.S. imports, industry, and consumers.

[5] The "U.S. consumer" may be a firm or person receiving an intermediate good for further processing (e.g., formed footwear uppers) or an end user receiving a final good.

SECTION II: OVERVIEW OF U.S. FOOTWEAR SECTOR

The overall U.S. footwear market is dominated by imports, which rose by 17 percent during 1996-2000 to $14.9 billion and now supply at least 90 percent of footwear sales by quantity. According to FDRA, the import share of the U.S. market segment for rubber/fabric footwear may reach 97 percent in 2001.[6] The majority of all footwear sold domestically comes from China, whose low wage rates, coupled with its large and developed footwear manufacturing infrastructure, contribute to its market dominance.[7] The manufacture of footwear is highly labor-intensive, with labor costs representing 40 percent of total production costs in the U.S. industry.[8] Although data on wage rates for footwear production workers in China are not readily available, wage rates for production workers in the related apparel industry in China are equivalent to 4 percent of those in the United States and 28 percent of those in Mexico.[9]

The U.S. footwear industry continued to decrease in size during 1996-2000, a period of strong economic growth, with declines of 38 percent in shipments, to $3.0 billion, and 37 percent in employment, to 27,000 employees. In general, U.S. footwear producers compete on nonprice factors such as brand names, product quality and differentiation (e.g., shoes in special sizes), retail channels of distribution, and support services.[10] Some firms also produce or outsource production in China and other low-cost countries, including assembling footwear from U.S. components in Mexico and Caribbean Basin countries (mainly the Dominican Republic). U.S. firms active in the Caribbean region may benefit from provisions in the newly enacted United States-Caribbean Basin Trade Partnership Act that authorized NAFTA-equivalent tariff treatment for imports of footwear made in eligible Caribbean Basin countries.

Mexico is a small supplier of footwear to the United States, both overall and for the subject footwear articles. From 1996 to 2000, imports of all footwear from Mexico grew by 28 percent to $283 million, but their share of total U.S. footwear imports remained unchanged at 2 percent in 2000. For the subject footwear articles, which accounted for 18 percent of total footwear imports from Mexico in 2000, Mexico's shipments rose from $48.3 million in 1996 to $58.9 million in 1999, and then fell to $50.5 million in 2000. U.S. imports of such articles from the world increased without interruption during 1996-2000, rising by 54 percent, to slightly more than $1.0 billion. As a result, Mexico's share of total imports of the subject footwear articles decreased from 7 percent in 1996 to 5 percent in 2000. In 2000, Mexico was the third-largest source after China, whose shipments rose by 87 percent during 1996-2000 to $756 million (73 percent of the 2000 total) and Italy, whose shipments fluctuated, totaling $74.5 million in 2000

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[6] Michael P. Daniels, et al., Counsel, Powell, Goldstein, Frazer & Murphy LLP, on behalf of FDRA, Washington, DC, written submission to the Commission, Sept. 25, 2001, p. 3.

[7] According to FDRA, China supplies nearly 75 percent of all footwear (by quantity) sold domestically. FDRA, written submission to the Commission, p. 1.

[8] Telephone interviews by Commission staff with Mitchell J. Cooper, Counsel, Rubber and Plastic Footwear Manufacturers Association, Sept. 13, 2001, and Bernard Leifer, President, S. Goldberg & Co., Inc. (a U.S. producer of house slippers), Sept. 17, 2001.

[9] Data on China's apparel labor costs are for 1998 and are from Werner International, Inc., "Hourly Labor Cost in the Apparel Industry." These labor costs, which include social benefits and fringes, do not take into account differences in productivity in the apparel industries of each country.

[10] FDRA, written submission to the Commission, p. 2.

(7 percent). Imports of the subject footwear articles from Caribbean Basin countries in 2000 were $20.9 million (2 percent of the total).[11]

Most of the imports of the subject footwear articles from Mexico during 1996-2000 were assembled with U.S. components and entered at reduced duties under HTS heading 9802.00.80. In 2000, these "9802" imports accounted for 85 percent ($42.9 million) of Mexico's total shipments of the subject footwear articles; they are believed to have consisted mostly, if not almost entirely, of house slippers.[12] The duty-free value (the value of the U.S. components contained in the articles) accounted for 79 percent ($33.9 million) of the 2000 total.

R.G. Barry Corp., Pickerington, OH, claims to be the world's largest producer and marketer of "at-and-around-the-home" comfort footwear (slippers).[13] The firm ***. According to FDRA,[14] the sole U.S. slipper producer is S. Goldberg & Co., Inc., Hackensack, NJ.[15] S. Goldberg ***.[16] ***

Mexico reportedly has about 6,000 footwear factories, with a total workforce of 120,000 employees in 2000.[17] According to FDRA, Mexico "has, with few exceptions, a relatively high cost (wages are about four times those in China) leather (not rubber/synthetic) shoemaking industry" that "is burdened by a sharply overvalued currency, by the lack of access to operating and expansion capital . . . as well as an aging shoe production plant and equipment base that, with rare exceptions, is in need of modernization and updating."[18] FDRA also stated that the Mexican industry "is struggling to maintain its competitiveness in its own market where it is protected by 35 percent MFN [most-favored-nation] duties and by anti-dumping margins" on imports of footwear from China. According to an Embassy of Mexico official, Mexico has imposed dumping duties on footwear from China since 1993; the dumping duties are 232 percent ad valorem for most footwear articles of HTS heading 6402, 313 percent for those of heading 6404, and 1,105 percent for those of heading 6405.[19]

[11] Imports of footwear from Caribbean Basin countries benefit from reduced duties under HTS heading 9802.00.80 and duty-free entry under section 222 of the Caribbean Basin Economic Recovery Expansion Act, which permitted for the first time the duty-free entry of finished footwear assembled in Caribbean Basin countries entirely from U.S. components (section 222 was codified in note 2(b) to subchapter II of chapter 98 of the HTS).

[12] Most U.S. imports of the subject footwear articles from Caribbean Basin countries were entered free of duty pursuant to note 2 (b) to subchapter II of chapter 98 of the HTS (section 222 provision) in 2000.

[13] See website of R.G. Barry at *http://www.rgbarry.com*. The remainder of the information on R.G. Barry is from the firm's vice president of finance, Dan Viren, telephone interview by Commission staff, Sept. 19 and Oct. 2, 2001.

[14] FDRA, written submission to the Commission, p. 2.

[15] ***

[16] Information on S. Goldberg & Co. is from the firm's president, Bernard Leifer, telephone interview by Commission staff, Oct. 2, 2001.

[17] "Illegal Chinese Shoes Hurting Local Producers," *AFP*, July 13, 2001, found at Internet address *http://www.thenewsmexico.com*, retrieved July 13, 2001.

[18] FDRA, written submission to the Commission, p. 3.

[19] Arturo Jessel, First Secretary, Embassy of Mexico, telephone interview by Commission staff, Sept. 24, 2001.

SECTION III: PROBABLE ECONOMIC EFFECTS

The Commission estimates that elimination of U.S. tariffs under NAFTA on imports of the subject footwear articles from Mexico will likely have little or no adverse effect on domestic industries producing like or directly competitive articles, workers in these industries, or on consumers of the affected goods. The NAFTA tariffs applicable to Mexico for 18 of the 21 rate lines under consideration are already low (ranging from 0.6 to 6.0 percent), and they will be completely phased out on January 1, 2003. Moreover, total imports from Mexico under these 18 rate lines are negligible.

Although the 2002 trade-weighted nominal NAFTA tariffs applicable to Mexico for the rubber/fabric footwear classifiable under the remaining three rate lines (HTS subheadings 6404.19.35, -19.50, and -19.70) average 19.6 percent ad valorem (based on 2000 trade), the trade-weighted effective NAFTA tariffs average only about 6.4 percent, because most of these articles from Mexico already enter at reduced duties under HTS heading 9802.00.80.[20] Moreover, because imports are believed to account for almost all of the U.S. market for rubber/fabric footwear, most product substitution that could occur as a result of the proposed tariff elimination would likely occur between footwear made in Mexico and footwear made in China and other low-cost countries. In general, most domestic footwear articles are minimally substitutable for imports because they are niche items that compete on the basis of nonprice factors such as brand names, product quality and differentiation, and support services.

The expected duty savings resulting from elimination of U.S. tariffs for Mexico will likely enhance the competitiveness of U.S. firms that assemble the subject footwear articles in Mexico from U.S. components. In the longer term, the expected duty savings might encourage U.S. firms to move more domestic operations to Mexico, such as the cutting and molding functions involved in slipper production, thereby displacing part of their domestic workforce. Similarly, the expected duty savings might spur U.S. firms to move more domestic operations to Caribbean Basin countries as a result of provisions in the newly enacted United States-Caribbean Basin Trade Partnership Act that authorized NAFTA-equivalent tariff treatment for footwear made in eligible Caribbean Basin countries. Although it is likely that U.S. firms would retain some footwear production in the United States to meet “quick response” requirements of their domestic customers, such a shift in operations to Mexico and Caribbean Basin countries will enable U.S. firms to maintain production within the Western Hemisphere while keeping their footwear distribution and support network in the United States. As discussed in greater detail in Section II, without the tariff elimination for Mexico, it is likely that U.S. firms would close their domestic operations altogether and shift all of their footwear sourcing to China and other low-cost countries in Asia.

[20] As noted earlier, the value of the U.S. components contained in the articles is exempt from duty. The duty-free portion accounted for 67 percent ($33.9 million) of total U.S. imports of all the subject footwear articles from Mexico in 2000.

SECTION IV: POSITION OF INTERESTED PARTIES

As noted above, the Commission received a written submission only from FDRA, which stated its support for the elimination of U.S. tariffs under NAFTA on imports of the subject footwear articles from Mexico. According to FDRA, the tariff elimination will not harm the U.S. footwear industry or its workers because, with only a few exceptions, there is no U.S. production of like or directly competitive footwear corresponding to the rate lines under consideration. FDRA stated that even in the few instances where there is corresponding U.S. production, the type and character of the products are sufficiently different from those imported from Mexico.

FDRA stated that imports dominate the U.S. footwear market because footwear production is highly labor-intensive and U.S. producers burdened by high U.S. labor rates cannot compete with imported footwear on price. It asserted that successful U.S. shoe producers compete by differentiating their goods from imports in terms of such nonprice factors as product specialization (e.g., hand sewn or special sizes), licenses and brand names, product quality, and rapid responsiveness.

FDRA stated that it is unclear if the proposed tariff elimination would lead to an increase in U.S. imports of the subject footwear articles from Mexico because, even without duties, Mexican shoe production, especially in the synthetic and rubber products under consideration, is still not competitive with that from Asia in the U.S. market. It contended that virtually all of the rubber footwear imported from Mexico comes as a result of HTS heading 9802.00.80 and that the level of these imports before and after NAFTA has varied little, although U.S. duties have been reduced by half under NAFTA.

Appendix A
Request letter from the United States Trade Representative

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

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Koplan:

Pursuant to the provisions of the North American Free Trade Agreement (NAFTA), the United States and Mexico have agreed to enter into consultations to consider acceleration of the elimination of tariffs on certain articles. Enclosed is a list of articles for which the United States may accelerate the elimination of duties for NAFTA qualifying goods of Mexico.

Section 201(b)(1) of the North American Free Trade Agreement Implementation Act (the "Act") authorizes the President, subject to the consultation and layover requirements of section 103(a) of the Act, to proclaim such modifications as the United States may agree to with Mexico or Canada regarding the staging of any duty treatment set forth in Annex 302.2 of the NAFTA. One of the requirements set out in section 103(a) of the Act is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

Under authority delegated by the President, I request, pursuant to section 332(g) of the Tariff Act of 1930, that the Commission provide advice, with respect to each article on the enclosed list, as to the probable economic effect of eliminating the U.S. tariff under the NAFTA on domestic industries producing like or directly competitive articles, workers in these industries, and on consumers of the affected goods.

The Commission is requested to provide this advice at the earliest possible date, but not later than October 12, 2001. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,

Peter Allgeier

Peter Allgeier
Acting United States Trade Representative

Enclosure

List of Proposed Subheadings for Which the United States May Accelerate the Elimination of Duties for NAFTA Qualifying Goods of Mexico

6402.30.90	6404.19.15	6404.19.35	6406.10.10
6402.91.60	6404.19.25	6404.19.50	6406.10.20
6402.91.70	6404.19.30	6404.19.70	6406.10.45
6402.99.60	6404.19.60	6404.20.20	
6402.99.70	6404.19.80	6404.20.40	
6404.11.20	6404.20.60	6406.10.05	

Appendix B
Federal Register Notice

Based on our analysis of the respondent's reported selling functions and sales channels, we conclude that the respondent's home-market sales to various classes of customers which purchase both bulk and bagged cement constitute one level of trade. We found that, with some minor exceptions, CEMEX and GCCC performed the same selling functions to varying degrees in similar channels of distribution. We also concluded that the variations in selling functions were not substantial when all selling expenses were considered as a whole. See the memorandum entitled Gray Portland Cement and Clinker from Mexico: Level-of-Trade Analysis for the Tenth Administrative Review, dated August 30, 2001.

Furthermore, the respondent's home-market sales occur at a different and more advanced stage of distribution than its sales to the United States. For example, the CEMEX U.S. level of trade does not include activities such as market research, after-sales service/warranties, advertising, and packing whereas the home-market level of trade includes these activities. Similarly, the GCCC U.S. level of trade does not include activities such as market research, technical advice, advertising, customer approval, solicitation of orders, computer/legal/accounting/business systems, sales promotion, sales forecasting, strategic and economic planning, personnel training/exchange, and procurement and sourcing services whereas the home-market level of trade includes these activities.

As a result of our level-of-trade analysis, we could not match U.S. sales at either of the two U.S. levels of trade to sales at the same level of trade in the home market because there are no home-market sales at the same level of trade. Moreover, we determined that the level of trade of the home-market sales is more advanced than the levels of the U.S. sales. In addition, because we found only one home-market level of trade, we could not determine a level-of-trade adjustment based on the collapsed entity's home-market sales of merchandise under review. Therefore, we have determined that the data available do not provide an appropriate basis on which to calculate a level-of-trade adjustment. Thus, we made a CEP-offset adjustment in accordance with section 773(a)(7)(B) of the Act for the respondent's CEP sales. In accordance with section 773(a)(7) of the Act, we calculated the CEP offset as the lesser of the following: (1) The indirect selling expenses on the home-market sale, or (2) the indirect selling expenses deducted from the starting price in calculating CEP. See the Level-of-Trade Analysis memorandum.

Currency Conversion

Pursuant to section 773A(a) of the Act, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of U.S. sales as certified by the Federal Reserve Bank.

Preliminary Results of Review

As a result of our review, we preliminarily determine the dumping margin for the collapsed parties, CEMEX and GCCC, for the period August 1, 1999, through July 31, 2000, to be 48.53 percent.

We will disclose calculations performed in connection with these preliminary results to parties within five days of the date of publication of this notice. See 19 CFR 351.224(b). Interested parties may request a hearing within 30 days of publication of this notice. A hearing, if requested, will be held at the main Commerce Department building three days after submission of rebuttal briefs.

Issues raised in hearings will be limited to those raised in the respective case and rebuttal briefs. Case briefs from interested parties may be filed no later than 30 days after publication of this notice. Rebuttal briefs, limited to the issues raised in case briefs, may be submitted no later than five days after the deadline for filing case briefs.

Parties who submit case or rebuttal briefs in this proceeding are requested to submit with each argument (1) a statement of the issue, and (2) a brief summary of the argument with an electronic version included.

Upon completion of this review, the Department will determine, and the Customs Service shall assess, antidumping duties on all appropriate entries. We have calculated importer-specific assessment rates based on the entered value for subject merchandise sold during the period of review. The Department will issue appropriate appraisement instructions directly to the Customs Service upon completion of this review.

Furthermore, the following deposit requirements will be effective for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results of review, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for the respondent will be the rate determined in the final results of review; (2) for previously reviewed or investigated companies not mentioned above, the cash-deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or in the original less-than-fair-value (LTFV) investigation, but the manufacturer is, the cash-deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) the cash-deposit rate for all other manufacturers or exporters will be 61.35 percent, the all-others rate from the LTFV investigation. These deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double dumping duties. We are issuing and publishing this notice in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: August 31, 2001.

Bernard T. Carreau,

Acting Assistant Secretary for Import Administration.

[FR Doc. 01–23031 Filed 9–12–01; 8:45 am]

BILLING CODE 3510–DS–P

INTERNATIONAL TRADE COMMISSION

[Investigation 332–433]

NAFTA: Probable Economic Effect of Accelerated Tariff Elimination

AGENCY: International Trade Commission.

ACTION: Institution of investigation.

EFFECTIVE DATE: September 10, 2001.

SUMMARY: Following receipt of a request from the United States Trade Representative (USTR) on August 30, 2001, the Commission instituted Investigation No. 332–433, NAFTA: Probable Economic Effect of Accelerated Tariff Elimination, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice to the President and the USTR with respect to each article listed in an attachment to the USTR letter as to the probable economic effect of the elimination of the U.S. tariff under the North American Free Trade Agreement (NAFTA) on domestic industries producing like or

directly competitive articles, workers in these industries, and on consumers of the affected goods. All of the listed articles are footwear products. The USTR asked that the Commission provide its advice no later than October 12, 2001.

FOR FURTHER INFORMATION CONTACT: For general information, contact Laura Rodriguez (202–205–3499; *lrodriguez@usitc.gov*), of the Office of Industries; for information on legal aspects, contact William Gearhart (202–205–3091; *wgearhart@usitc.gov*) of the Office of the General Counsel. The media should contact Margaret O'Laughlin, Public Affairs Officer (202–205–1819). Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202 205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information about the Commission may be obtained by accessing its Internet server (*http://www.usitc.gov*).

Background

The letter from the USTR stated that the United States and Mexico have agreed to enter into consultations to consider acceleration of the elimination of tariffs on certain articles. Section 201(b)(1) of the North American Free Trade Agreement Implementation Act (the "Act") authorizes the President, subject to the consultation and layover requirements of section 103(a) of the Act, to proclaim such modifications as the United States may agree to with Mexico or Canada regarding the staging of any duty treatment set forth in Annex 302.2 of the NAFTA. One of the requirements set out in section 103(a) of the Act is that the President obtain advice regarding the proposed action from the Commission. The USTR requested advice with respect to NAFTA-qualifying articles from Mexico entered under the following subheadings of the Harmonized Tariff Schedule of the United States: 6402.3090, 6404.1120, 6404.1950, 6404.2040, 6406.1045, 6402.9160, 6404.1915, 6404.1960, 6404.2060, 6402.9170, 6404.1925, 6404.1970, 6406.1005, 6402.9960, 6404.1930, 6404.1980, 6406.1010, 6402.9970, 6404.1935, 6404.2020, 6406.1020.

Written Submissions

The Commission will not hold a public hearing in connection with the advice provided under this investigation. However, interested parties are invited to submit written statements (original and 14 copies) concerning the matters to be addressed by the Commission in its report on this investigation. Commercial or financial information that a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). The Commission's rules do not authorize filing of submissions by facsimile or electronic means. All written submissions, except for confidential business information, will be made 2 available for inspection by interested persons in the Office of the Secretary to the Commission. Written statements relating to the Commission's report should be submitted at the earliest practical date and should be received no later than the close of business on September 28, 2001. All submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436.

Issued: September 10, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 01–23030 Filed 9–12–01; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF DEFENSE

Department of the Navy

Notice of Intent To Grant Exclusive Patent License; Codeon Corporation

AGENCY: Department of the Navy, DOD.

ACTION: Notice.

SUMMARY: The Department of the Navy hereby gives notice of its intent to grant to Codeon Corporation, a revocable, non-assignable, exclusive license to practice in the United States and certain foreign countries, the Government-owned inventions described in U.S. Patent No. 5,195,163 (Navy Case No. 73,281) issued March 16, 1993, entitled "Fabrication and Phase Tuning of an Optical Waveguide Device," and U.S. Patent No. 5,259,061 (Navy Case No. 75,085) issued November 2, 1993, entitled "Fabrication and Phase Tuning of an Optical Waveguide Device."

DATES: Anyone wishing to object to the granting of these licenses must file written objections along with supporting evidence, if any, not later than November 13, 2001.

ADDRESSES: Written objections are to be filed with the Naval Research Laboratory, Code 1004, 4555 Overlook Avenue, SW., Washington, DC 20375–5320.

FOR FURTHER INFORMATION CONTACT: Catherine M. Cotell, Ph.D., Head, Technology Transfer Office, NRL Code 1004, 4555 Overlook Avenue, SW., Washington, DC 20375–5320, telephone (202) 767–7230.

(Authority: 35 U.S.C. 207, 37 CFR part 404.)

Dated: August 30, 2001.

Robert E. Vincent II,

Lieutenant Commander, Judge Advocate General's Corps, U.S. Navy, Federal Register Liaison Officer.

[FR Doc. 01–23025 Filed 9–12–01; 8:45 am]

BILLING CODE 3810–FF–P

DEPARTMENT OF EDUCATION

Student Financial Assistance; Federal Family Education Loan Program

AGENCY: Department of Education.

ACTION: Notice of interest rates for the Federal Family Education Loan Program for the period July 1, 2001, through June 30, 2002.

SUMMARY: The Chief Operating Officer for the Office of Student Financial Assistance announces the interest rates for variable-rate loans made under the Federal Family Education Loan (FFEL) Program for the period July 1, 2001, through June 30, 2002.

FOR FURTHER INFORMATION CONTACT: Brian Smith, Program Specialist. Mailing address: Program Development Division, Student Financial Assistance, U.S. Department of Education, Room 3045, ROB–3, 400 Maryland Avenue, SW, Washington, DC 20202–5345. Telephone: (202) 708–8242. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1–800–877–8339.

Individuals with disabilities may obtain this document in an alternative format (e.g., Braille, large print, audiotape, or computer diskette) on request to the contact person listed in the preceding paragraph.

SUPPLEMENTARY INFORMATION:

General

Under title IV, part B of the Higher Education Act of 1965, as amended, (HEA), 20 U.S.C. Section 1071, *et seq.*, most loans made to student and parent borrowers under the FFEL Program have variable interest rates.