

~~CONFIDENTIAL NATIONAL SECURITY INFORMATION~~

United States International Trade Commission

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

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

**DECLASSIFIED BY: Robert B. Zoellick, United States
Trade Representative, Letter Dated April 1, 2005**

Investigation No. 332-467
USITC Publication 3773
May 2005



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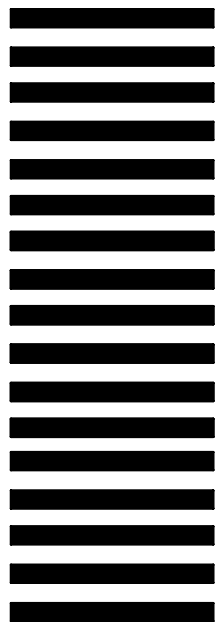
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INTRODUCTION¹

On April 1, 2005, the Commission received a request from the United States Trade Representative (USTR) for an investigation under section 332(g) of the Tariff Act of 1930 for the purpose of providing advice concerning possible modifications to the U.S. Generalized System of Preferences (GSP).² More specifically, the USTR requested that the Commission provide advice under section 332(g) of the Tariff Act of 1930 and in accordance with section 503(d)(1)(A) of the 1974 Act, on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits for Indonesia for HTS subheadings 4412.13.40 and 9001.30.00 and for Thailand for HTS subheadings 7113.11.50 and 9009.12.00. The Commission was requested to use the dollar value limit of \$115,000,000. The USTR request letter is included in appendix A. Following receipt of the request, the Commission instituted *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Special Review*, investigation No. 332-467³ to provide the requested advice.

The Commission instituted the investigation on April 6, 2005 and indicated that it would provide its advice no later than May 31, 2005, as requested by USTR. The Commission's notice of investigation is contained in appendix B. All interested parties were afforded an opportunity to provide the Commission with written comments and information.

DIGEST STRUCTURE

This report contains 4 digests covering 4 HTS subheadings with each digest containing the following sections:

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

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

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

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

² On May 9, 2005, the Commission submitted a confidential report to USTR, *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Review*, investigation No. 332-466. This current report is in response to a supplemental request related to USTR's self initiation of requests for competitive-need-limit waivers for certain products from Thailand and Indonesia following the devastation associated with the December 2004 tsunami.

³ The following *Federal Register* notice was issued by the Commission relating to investigation No. 332-467:

<u>Date</u>	<u>Notice</u>	<u>Subject</u>
April 12, 2005	70 F.R. 19096	Notice of USITC investigation

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

Competitiveness profiles, GSP suppliers: This section provides background information on GSP-eligible countries for the digest, their ranking as an import source, the price elasticities of supply and demand for imports from that country, and the price and quality of the imports versus U.S. and other foreign products.⁴

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

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

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

⁴ Price elasticity is a measure of the changes in quantities supplied or demanded that result from a percent change in price. Generally, price elasticities of supply are positive and price elasticities of demand are negative. For the purposes of this report, the elasticity is considered low when its absolute value is less than 1.0 because the change in quantity demanded or supplied is less than proportional to the change in price. The elasticity is moderate when its absolute value is between 1 and 2, with percentage changes in quantity being one to two times greater than the change in price. The elasticity is high when its absolute value exceeds 2.0, as percentage changes in quantities exceed percentage changes in price by more than two times. It should be noted that the elasticity levels (low, moderate, and high) are estimates based on staff analysis of industry.

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

Level of total U.S. imports:

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

U.S. industry and employment:

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

U.S. consumer:

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

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

DIGEST LOCATOR

HTS subheading	Digest title	Action	Petitioner ¹	Col. 1 rate of duty as of 1/1/05	U.S. production in 1995?	Probable effect advice	Analyst
4412.13.40	Tropical plywood	Waiver (Indonesia)	USTR	8.0%	Yes	***	Forstall
7113.11.50	Certain silver jewelry	Waiver (Thailand)	USTR	5.0%	Yes	***	Foreso
9001.30.00	Contact lenses	Waiver (Indonesia)	USTR	2.0%	Yes	***	C. Johnson
9009.12.00	Certain electrostatic photocopying apparatus	Waiver (Thailand)	USTR	3.7%	Yes	***	O'Connor

¹ USTR self-initiated the petitions for all of the HTS subheadings.

Tropical Plywood

I. IntroductionX Competitive-need-limit waiver: Indonesia

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		<i>Percent ad valorem</i>	
4412.13.40 ¹	Plywood with at least one outer ply of tropical wood	8	Yes

¹ Indonesia has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 4412.13.40, effective January 1, 1996.

Description and uses.—Plywood is a flat panel comprising a number of thin sheets of wood (veneer) that are glued together under high heat and pressure with the direction of grain of each ply perpendicular to that of adjacent plies. The wood species of the face ply, which is the highest quality, determines the classification of the particular panel. The subject plywood has at least one outer ply of certain tropical tree species and competes with hardwood plywood made with a variety of native and/or other foreign tree species. It may be prefinished with a clear coat that does not obscure the grain pattern of the face ply.

In contrast to softwood plywood, which is used principally for structural purposes in residential construction and remodeling, hardwood plywood is used for nonstructural and decorative purposes. Major end uses include kitchen cabinets, furniture, architectural woodworking, and fixtures.¹ Indonesian plywood is typically made with various relatively low value woods (e.g. lauan)² and is used in low value applications (e.g., underlayment). However, after importation, it may be used as a core (or platform) to be overlaid with a higher value wood face ply or with a layer of paper or vinyl that has been printed and/or embossed to simulate the wood grain of more desirable species.

¹ ***.

² No distinction is made between the different Indonesian tree species used in the manufacture of plywood. Many, including lauan and meranti, are members of the genus, *Shorea*.

II. U.S. market profile

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

Item	2000	2001	2002	2003	2004
Producers (<i>number</i>) ¹	49	49	49	49	49
Employment (<i>1,000 employees</i>)	8	7	6	7	7
Shipments (<i>1,000 dollars</i>) ²	1,178,996	1,179,168	1,179,341	1,179,514	1,179,686
Exports (<i>1,000 dollars</i>) ³	16,364	8,945	10,800	10,445	10,322
Imports (<i>1,000 dollars</i>) ⁴	295,932	246,810	299,868	300,367	492,055
Consumption (<i>1,000 dollars</i>)	1,458,564	1,417,033	1,468,409	1,469,436	1,661,419
Import-to-consumption ratio (<i>percent</i>)	20	17	20	20	30
Capacity utilization (<i>percent</i>)	***	***	***	***	***

¹ 2002 data are U.S. Census Bureau estimates of U.S. hardwood plywood manufacturers (Hardwood Veneer and Plywood Manufacturing: 2002, U.S. Census Bureau, EC02-311-321211). Other years are USITC estimates.

² Data are the value of shipments of all domestically produced hardwood plywood (excluding prefinished hardwood plywood made from purchased hardwood plywood) whether or not manufactured with veneers of domestic or tropical trees species. 2002 data are U.S. Census Bureau estimates (Hardwood Veneer and Plywood Manufacturing: 2002, U.S. Census Bureau, EC02-311-321211). Other years are USITC estimates.

³ Export data include all tropical plywood.

⁴ Import data include tropical plywood with at least one outer ply of the following tropical woods: Dark Red Meranti, Light Red Meranti, White Lauan, Sipo, Limba, Okoumé, Obeche, Acajou d'Afrique, Sapelli, Virola, Mahogany, Palissandre de Para, Palissandre de Rio, and Palissandre de Rose.

Comment.-***.³ There is not a distinct U.S. market for tropical plywood; it competes with plywood made of a variety of other hardwood species. The value of shipments shown in the table above represents all domestically produced hardwood plywood, whether or not manufactured with veneers of domestic or tropical tree species. During 2000-04, the value of U.S. shipments of hardwood plywood was flat, while shipment quantities ***.⁴ Capacity utilization during the last five years was uniformly ***.⁵

During 2000-04, the value of U.S. imports of the subject product reported in the table above accounted for 81 to 84 percent of total U.S. tropical plywood imports but only 40 to 45 percent of total U.S. hardwood plywood imports. Therefore, the import-to-consumption ratios reported in the table are understated. Based on the value of total U.S. hardwood plywood imports, the ratio of imports to consumption ranged from 35 to 40 percent during 2000-03 and increased to 51 percent in 2004. By quantity, well over half of all hardwood plywood used in the United States was imported;⁶ the ratio of imports to consumption ranged from *** percent during 2000-03 and increased to *** in 2004.⁷ The large increase in imports in 2004 was attributable to ***.⁸

³ Staff interview with ***, April 20, 2005.

⁴ ***

⁵ Staff interview with ***, April 20, 2005.

⁶ Forest Products Laboratory, 1999, *Wood handbook--Wood as an engineering material*, Gen. Tech. Rep. FPL-GTR-113, Madison, WI: U.S. Department of Agriculture, Forest Service, Forest Products Laboratory. p. 10-7, found at <http://www.fpl.fs.fed.us/documnts/fplgtr113/ch10.pdf> and retrieved April 14, 2005.

⁷ ***

⁸ Staff interview with ***, April 20, 2005.

III. GSP import situation, 2004

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

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Grand total	492,055	100	(¹)	30
Imports from GSP-eligible countries:				
Total	221,075	45	100	13
Indonesia	160,201	33	73	10

¹ Not applicable.

Comment.—During 2000-04, Indonesia remained the largest import source of hardwood plywood of all GSP-eligible countries and was the largest overall supplier of U.S. imports during 2000-03. U.S. imports from GSP-eligible countries increased moderately but declined as a percent of total imports from 66 to 45 percent primarily due to large increases in imports from Malaysia, the second largest supplier through 2003 and the top supplier in 2004, and China.

IV. Competitiveness profile, Indonesia

Ranking as a U.S. import supplier, 2004 2

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

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

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

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

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

Substitution elasticity:

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

Imports from other suppliers? High X Moderate ___ Low ___

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

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

Imports from other suppliers? High X Moderate ___ Low ___

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

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

Supply elasticity for affected imports:

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

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

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

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

Price level compared with--

U.S. products Above ___ Equivalent ___ Below X

Other foreign products Above ___ Equivalent X Below ___

Quality compared with--

U.S. products Above ___ Equivalent X Below ___

Other foreign products Above ___ Equivalent X Below ___

Comment.– Indonesia, ***. The Indonesian industry uses various indigenous tree species and the forests typically yield ***. Indonesian plywood is smooth and favored for applications requiring thin panels (e.g., underlayment); it generally competes in the U.S. markets for low-end applications.¹⁰ However, Indonesian imports generally do not meet U.S. industry voluntary standards; therefore, some companies will choose to use the more expensive U.S. product.

⁹ Approximately *** percent of manufacturers' U.S. sales of hardwood plywood are made to retailers. ***.

¹⁰ Staff interview with ***, Apr. 20, 2005.

There are approximately 130 plywood companies in Indonesia,¹¹ with approximately 79 percent of Indonesian plywood production on Kalimantan (Indonesian Borneo).¹² Plywood is one of Indonesia's main exports, which were estimated at 5.5 million cubic meters, or 86 percent of total production, in 2004.¹³

Output of wood products in Indonesia has been decreasing as a result of dwindling forest resources, stricter enforcement of logging regulations, and erosion of industry competitiveness.¹⁴ Indonesian plywood production reportedly decreased at a rate of about 7 percent per year during 2000-03. Indonesia's forest cover has reportedly declined by 39 percent since 2000;¹⁵ the current annual allowable cut is 5.7 million cubic meters,¹⁶ but the forest products industry reportedly consumes 70 million cubic meters annually.¹⁷ The gap between the supply and demand drives illegal logging;¹⁸ estimates are that between 42 and 68 million cubic meters are harvested illegally each year.¹⁹

V. Position of interested parties

Petitioner.—USTR self-initiated the petition for this HTS subheading.

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

¹¹ "Scapegoats For Indonesia's Timber Problem," found at <http://www.mtc.com.my/news/pr149.htm> and retrieved Apr. 14, 2005.

¹² Indonesia Solid Wood Products Annual 2004, Gain Report No. ID4020 found at <http://www.fas.usda.gov/gainfiles/200407/146106727.pdf> and retrieved Apr. 14, 2004.

¹³ Indonesia Solid Wood Products Annual 2004, Gain Report No. ID4020 found at <http://www.fas.usda.gov/gainfiles/200407/146106727.pdf> and retrieved Apr. 14, 2004.

¹⁴ Indonesia Solid Wood Products Annual 2004, Gain Report No. ID4020 found at <http://www.fas.usda.gov/gainfiles/200407/146106727.pdf> and retrieved Apr. 14, 2004.

¹⁵ "Scapegoats For Indonesia's Timber Problem," found at <http://www.mtc.com.my/news/pr149.htm> and retrieved Apr. 14, 2005.

¹⁶ Indonesia Solid Wood Products Annual 2004, Gain Report No. ID4020 found at <http://www.fas.usda.gov/gainfiles/200407/146106727.pdf> and retrieved Apr. 14, 2004.

¹⁷ "CIFOR-Indonesian MOU to Fight Illegal Logging," found at <http://www.futureharvest.org/news/ill-logging.shtml> and retrieved Apr. 14, 2004.

¹⁸ "Scapegoats For Indonesia's Timber Problem," found at <http://www.mtc.com.my/news/pr149.htm> and retrieved Apr. 14, 2005.

¹⁹ Indonesia Solid Wood Products Annual 2004, Gain Report No. ID4020 found at <http://www.fas.usda.gov/gainfiles/200407/146106727.pdf> and retrieved Apr. 14, 2004, and "CIFOR-Indonesian MOU to Fight Illegal Logging," found at <http://www.futureharvest.org/news/ill-logging.shtml> and retrieved Apr. 14, 2004.

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

* * * * *

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

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	----- Value (1,000 dollars) -----					
Import source:						
Malaysia.....	81,589	65,163	91,408	90,085	172,663	35.1%
Indonesia	162,367	133,223	151,329	136,728	160,201	32.6%
China	9,002	9,602	13,425	22,205	88,563	18.0%
Brazil.....	24,832	18,932	25,865	32,906	46,630	9.5%
Philippines	0	0	0	4	7,797	1.6%
Ecuador	4,409	5,077	3,180	5,228	5,164	1.0%
Canada	6,238	7,181	9,013	7,335	3,740	0.8%
Taiwan	1,212	1,142	1,625	1,618	2,985	0.6%
Italy	1,545	1,820	1,149	505	1,202	0.2%
Morocco.....	75	229	360	217	632	0.1%
All other	4,664	4,442	2,515	3,536	2,478	0.5%
Total	295,932	246,810	299,868	300,367	492,055	100.0%
Imports from GSP-eligible nations:						
Indonesia	162,367	133,223	151,329	136,728	160,201	72.5%
Brazil.....	24,832	18,932	25,865	32,906	46,630	21.1%
Philippines	0	0	0	4	7,797	3.5%
All other	6,816	7,890	4,229	7,322	6,446	2.9%
Total from GSP-eligible nations.....	194,014	160,045	181,423	176,960	221,075	100.0%
Export market:						
Mexico	10,235	5,503	6,403	4,702	4,338	42.0%
Canada	3,094	1,226	2,422	3,184	2,975	28.8%
Bahamas.....	152	94	36	244	1,028	10.0%
Japan.....	130	310	559	530	360	3.5%
Honduras	58	122	41	129	312	3.0%
Germany.....	352	111	0	0	249	2.4%
Grenada.....	0	0	0	24	204	2.0%
Turks & Caicos Islands	0	8	10	40	186	1.8%
Israel.....	565	514	325	181	85	0.8%
Dominican Republic.....	39	76	56	121	84	0.8%
All Other.....	1,740	981	947	1,290	502	4.9%
Total	16,364	8,945	10,800	10,445	10,322	100.0%

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

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

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Certain Silver Jewelry

I. IntroductionX Competitive-need-limit waiver: Thailand

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		<i>Percent ad valorem</i>	
7113.11.50 ¹	Jewelry of silver, except chain and similar articles produced in continuous lengths, valued over \$18 per dozen pieces or parts	5.0	Yes

¹ Thailand was proclaimed by the President as non-eligible for GSP treatment for articles under HTS subheading 7113.11.50, effective July 1, 1997.

Description and uses.—The articles included in this digest are jewelry made of silver, worn for personal adornment, and valued at over \$18 per dozen pieces or parts. These articles can be any type of finished silver jewelry, including earrings, rings, necklaces, bracelets, and toe rings. The jewelry can be set with imitation or real pearls or gemstones.

II. U.S. market profile

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

Item	2000	2001	2002	2003	2004
Producers (<i>number</i>)	(¹)	(¹)	(¹)	(¹)	(¹)
Employment (<i>1,000 employees</i>)	(¹)	(¹)	(¹)	(¹)	(¹)
Shipments (<i>1,000 dollars</i>) ²	*650,000	*720,000	*767,343	*800,000	*800,000
Exports (<i>1,000 dollars</i>) ³	54,312	52,514	69,689	83,732	116,321
Imports (<i>1,000 dollars</i>)	527,940	511,876	593,647	640,954	749,859
Consumption (<i>1,000 dollars</i>)	*1,123,628	*1,179,362	*1,291,301	*1,357,222	*1,433,538
Import-to-consumption ratio (<i>percent</i>)	*47	*43	*46	*47	*52
Capacity utilization (<i>percent</i>)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)

¹ Data for producers and employment are not separately available for the articles under this HTS subheading. There are over 2,000 companies manufacturing silver jewelry in the United States; however, there are also many more small operations producing the types of silver jewelry covered in this digest that are not accounted for by any official data sources.

² Shipments are estimated based on the U.S. Bureau of Census, 2002 Economic Census for Manufacturing - Industry Series and a staff telephone interview with *** Apr. 14, 2005.

³ U.S. export data cover products not included in this digest.

⁴ Not available.

Comment.—Available information on a more aggregated basis indicates that during 2000-04, the number of establishments producing all types of jewelry has remained relatively stable while employment declined. More manufacturers have outsourced certain stages of production to overseas firms in order to reduce costs, by taking advantage of the overseas workers' substantially lower wages.²⁰

U.S. shipments of all silver jewelry are estimated to have increased only slightly during 2000-04. Most of the increase in the value of shipments is accounted for by the increased costs of silver. Silver prices rose from \$4.95 per troy ounce in 2000 to \$6.65 per troy ounce in 2004, primarily as a result of increased demand.²¹ During 2000-04, U.S. consumption of jewelry grew at a steady pace, following the trend of consumer confidence in the economy.²²

²⁰ Manufacturing Jewelers & Suppliers of America, *Fair Trade and the U.S. Jewelry Industry, A Strategy for Manufacturers to Compete Globally in the 21st Century*, 2004, p. 14.

²¹ Data taken from www.silverinstitute.org, Apr. 26, 2005.

²² Manufacturing Jewelers & Suppliers of America, *Fair Trade and the U.S. Jewelry Industry, A Strategy for Manufacturers to Compete Globally in the 21st Century*, 2004, various pages.

III. GSP import situation, 2004

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

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Grand total	749,859	100	(¹)	*52
Imports from GSP-eligible countries:				
Total	271,641	36	100	*19
Thailand	174,132	23	64	*12

¹ Not applicable.

Comment.—U.S. imports of certain silver jewelry from Thailand increased during 2000-04, surpassing Italy as the primary U.S. import source in 2002. However, in 2003 and 2004, China became the leading supplier of U.S. imports under this HTS subheading, with Thailand ranking as the second leading source of U.S. imports and Italy slipping to third. Factories in China, like those in Thailand, are modern facilities based on new technologies employing a large, low-cost workforce.²³

During 2000-04, Thailand accounted for an average of 68 percent of the U.S. imports from GSP-eligible countries despite having lost GSP eligibility for this HTS subheading as of July 1, 1997. Although these imports have been subject to the full U.S. duty rate, Thai exports to the U.S. market have continued to increase.

²³ Manufacturing Jewelers & Suppliers of America, *Fair Trade and the U.S. Jewelry Industry, A Strategy for Manufacturers to Compete Globally in the 21st Century*, 2004, p. 24.

IV. Competitiveness profile, Thailand

 Ranking as a U.S. import supplier, 2004 2

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

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

Substitution elasticity:

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

Imports from other suppliers? High X Moderate ___ Low ___U.S. producers? High X Moderate ___ Low ___

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

Imports from other suppliers? High X Moderate ___ Low ___U.S. producers? High X Moderate ___ Low ___What is the substitution elasticity? High X Moderate ___ Low ___

Supply elasticity for affected imports:

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

Price level compared with--

U.S. products Above ___ Equivalent 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.– China, Thailand, and Italy are the most significant sources of U.S. imports of the silver jewelry covered in this digest. The jewelry industry in Thailand is known to be well established with technically advanced facilities that enable the country to export high quality pieces at competitive prices. While many consumers consider the jewelry manufactured in Italy to be of a higher quality and are willing to pay a premium for Italian pieces, China became the leading U.S. import source of these articles in 2003.

V. Position of interested parties

Petitioner.—USTR self-initiated the petition for this HTS subheading.

Opposition.—The Manufacturing Jewelers and Suppliers of America (MJSA), a trade association representing U.S. manufacturers and sellers of jewelry, is opposed to the waiver of the competitive need limit for HTS subheading 7113.11.50. MJSA stated that its members are opposed to any trade agreements that do not include harmonized trade tariffs, elimination of all non-tariff barriers, and protection against intellectual property right violations.²⁴

²⁴ E-mail from Mr. James F. Marquart, President, MJSA, Apr. 22, 2005.

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

* * * * *

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

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	----- Value (1,000 dollars) -----					
Import source:						
China	75,916	92,619	124,456	164,308	199,739	26.6%
Thailand.....	132,196	129,405	149,778	148,846	174,132	23.2%
Italy.....	152,542	130,767	129,629	119,086	122,770	16.4%
Mexico.....	42,592	41,303	45,783	50,606	67,582	9.0%
Indonesia.....	22,372	23,491	26,926	29,049	42,171	5.6%
India.....	14,728	16,259	27,217	32,102	36,585	4.9%
Spain.....	5,273	8,422	11,481	16,272	20,972	2.8%
Canada.....	16,804	7,666	8,049	9,162	12,338	1.6%
Hong Kong.....	12,610	14,065	12,967	11,865	9,234	1.2%
Israel.....	2,888	3,132	4,782	5,430	7,786	1.0%
All other.....	50,019	44,746	52,578	54,226	56,551	7.5%
Total.....	527,940	511,876	593,647	640,954	749,859	100.0%
Imports from GSP-eligible nations:						
Thailand.....	132,196	129,405	149,778	148,846	174,132	64.1%
Indonesia.....	22,372	23,491	26,926	29,049	42,171	15.5%
India.....	14,728	16,259	27,217	32,102	36,585	13.5%
All other.....	16,409	13,186	13,527	17,590	18,755	6.9%
Total from GSP-eligible nations.....	185,705	182,341	217,449	227,587	271,641	100.0%
Export market:						
Dominican Republic.....	2,857	702	10,376	13,817	27,945	24.0%
Japan.....	13,163	10,330	18,905	21,813	24,272	20.9%
Hong Kong.....	1,889	2,150	3,766	3,003	10,098	8.7%
Canada.....	5,799	5,861	6,462	7,736	9,831	8.5%
Netherlands Antilles.....	4,438	6,273	2,789	2,961	4,762	4.1%
United Kingdom.....	1,440	1,696	2,895	6,177	3,811	3.3%
United Arab Emirates...	2,384	2,873	2,355	2,916	3,293	2.8%
Bahamas.....	110	284	357	1,620	3,105	2.7%
Germany.....	1,454	812	1,596	3,220	2,781	2.4%
Cayman Islands.....	420	706	1,239	2,667	2,446	2.1%
All Other.....	20,358	20,827	18,950	17,801	23,978	20.6%
Total.....	54,312	52,514	69,689	83,732	116,321	100.0%

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

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

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Contact Lenses

I. IntroductionX Competitive-need-limit waiver: Indonesia

HTS subheading(s)	Short description ¹	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		<i>Percent ad valorem</i>	
9001.30.00 ¹	Contact lenses	2	Yes

¹ Indonesia has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 9001.30.00, effective July 1, 2003.

Description and uses.—Contact lenses are thin plastic disks worn over the cornea of the eye. They are used primarily to correct vision by correcting refractive error, but sometimes are used for cosmetic purposes, such as to change eye color. Contact lenses adhere to the tear film over the cornea by means of surface tension. Contact lenses for corrective purposes are optically worked to change the direction of light so that images come into focus on the retina. By varying the index of refraction of the lens material and the curvature of the lens, various eye conditions can be corrected. Contact lenses are principally used to correct nearsightedness, farsightedness, astigmatism (distorted vision), and presbyopia (diminished ability to focus, usually due to age). Contact lenses used for cosmetic purposes are not optically worked.

II. U.S. market profile

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

Item	2000	2001	2002	2003	2004
Producers (<i>number</i>)	8	8	8	8	8
Employment (<i>1,000 employees</i>)	8	8	8	7	7
Shipments (<i>1,000 dollars</i>)	1,800,000	1,820,000	1,815,000	1,810,000	1,790,000
Exports (<i>1,000 dollars</i>)	520,570	579,438	541,091	453,152	484,832
Imports (<i>1,000 dollars</i>)	181,311	187,396	252,436	316,845	392,773
Consumption (<i>1,000 dollars</i>)	1,460,741	1,427,958	1,526,345	1,673,693	1,697,941
Import-to-consumption ratio (<i>percent</i>)	12	13	17	19	23
Capacity utilization (<i>percent</i>)	68	68	67	67	67

Comment.—The United States is the largest producer and consumer of contact lenses in the world. However, U.S. production declined over the last 3 years of the period as increased imports from subsidiaries of U.S.-based producers in Indonesia, Ireland, and the United Kingdom displaced some U.S. production. Those three countries accounted for over 95 percent of U.S. imports in 2004.

III. GSP import situation, 2004

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

Item	Imports <i>1,000 dollars</i>	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	392,773	100	(¹)	23
Imports from GSP-eligible countries:				
Total	127,295	32	100	8
Indonesia	127,043	32	100	8

¹ Not applicable.

Comment.—Indonesia accounted for nearly all U.S. imports of contact lenses under GSP in 2004. The next largest suppliers under GSP, India, Thailand, and Colombia, together accounted for less than 0.2 percent of such imports.

IV. Competitiveness profile, Indonesia

 Ranking as a U.S. import supplier, 2004 2

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

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

Substitution elasticity:

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

Imports from other suppliers? High X Moderate ___ Low ___U.S. producers? High X Moderate ___ Low ___

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

Imports from other suppliers? High X Moderate ___ Low ___U.S. producers? High X Moderate ___ Low ___What is the substitution elasticity? High X Moderate ___ Low ___

Supply elasticity for affected imports:

Can production in the country be easily expanded or contracted in the short term? Yes X No ___Does the country have significant export markets besides the United States? .. Yes ___ No XCould exports from the country be readily redistributed among its foreign export markets? Yes ___ No XWhat 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 product characteristics, quality, and prices of U.S. imported contact lenses from Indonesia and other foreign sources are similar to those of U.S.-made contact lenses. The imported contact lenses have the same well-known brand names as those of the major U.S. producers, as such companies import them from their manufacturing facilities abroad.

V. Position of interested parties

Petitioner.—USTR self-initiated the petition for this HTS subheading.

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

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

* * * * *

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

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	----- Value (1,000 dollars) -----					
Import source:						
Ireland.....	37,074	49,344	54,815	89,897	154,685	39.4%
Indonesia	79,680	65,055	115,423	99,723	127,043	32.3%
United Kingdom	56,585	65,483	71,100	114,073	98,323	25.0%
Germany	2,012	2,054	4,279	4,519	5,806	1.5%
Taiwan	315	296	182	1,835	2,548	0.6%
Singapore	2,892	2,197	1,983	2,962	1,222	0.3%
Canada	787	1,340	1,489	688	978	0.2%
Italy	560	534	386	258	566	0.1%
Korea	13	17	1,106	319	496	0.1%
Mexico	32	135	17	16	364	0.1%
All other	1,360	941	1,656	2,555	742	0.2%
Total	181,311	187,396	252,436	316,845	392,773	100.0%
Imports from GSP-eligible nations:						
Indonesia	79,680	65,055	115,423	99,723	127,043	99.8%
India	219	44	33	1,067	188	0.1%
Thailand	3	4	45	22	41	0.0%
All other	12	226	96	401	24	0.0%
Total from GSP-eligible nations	79,914	65,329	115,597	101,214	127,295	100.0%
Export market:						
United Kingdom	77,655	84,107	137,650	160,412	161,434	33.3%
Singapore	85,808	77,676	77,334	72,738	89,534	18.5%
Japan	124,678	180,618	131,557	85,171	78,878	16.3%
Canada	53,546	48,537	50,031	51,340	46,320	9.6%
Germany	28,082	38,800	23,745	1,825	22,030	4.5%
Netherlands	14,612	10,044	10,029	7,870	14,733	3.0%
Taiwan	6,502	8,698	6,278	9,126	12,438	2.6%
Hong Kong.....	15,160	14,347	13,850	5,982	11,825	2.4%
Korea	8,306	9,504	9,307	7,677	9,809	2.0%
Mexico	8,555	7,907	6,969	6,109	5,038	1.0%
All Other.....	97,665	99,201	74,341	44,903	32,793	6.8%
Total	520,570	579,438	541,091	453,152	484,832	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 Electrostatic Photocopying Apparatus

I. IntroductionX Competitive-need-limit waiver: Thailand

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/05)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		<i>Percent ad valorem</i>	
9009.12.00 ¹	Electrostatic photocopying apparatus operating by reproducing the original image via an intermediate onto the copy (indirect process)	3.7	Yes

¹ Thailand was proclaimed by the President as non-eligible for GSP treatment for articles under HTS subheading 9009.12.00, effective July 1, 1995.

Description and uses.—The subject products are photocopying devices used to reproduce images using the indirect process. In the indirect process, the optical image is projected onto a drum (or plate) coated with selenium or other semiconducting substance charged with static electricity. After the latent image has been developed by means of a powdered dye, it is transferred onto ordinary paper by applying an electrostatic field and fixed to the paper by heat treatment. The copies of the original (microfilm, opaque document, etc.) may be actual size, enlarged or reduced. They may serve as duplicator masters (offset).

II. U.S. market profile

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

Item	2000	2001	2002	2003	2004
Producers (<i>number</i>)	(¹)	(¹)	(¹)	(¹)	(¹)
Employment (<i>1,000 employees</i>)	(¹)	(¹)	(¹)	(¹)	(¹)
Shipments (<i>1,000 dollars</i>)	(¹)	(¹)	(¹)	(¹)	(¹)
Exports (<i>1,000 dollars</i>)	125,452	74,303	44,706	26,171	30,813
Imports (<i>1,000 dollars</i>)	771,470	345,834	155,302	54,056	43,249
Consumption (<i>1,000 dollars</i>)	646,018	271,531	110,596	27,885	12,436
Import-to-consumption ratio (<i>percent</i>)	(²)	(²)	(²)	(²)	(²)
Capacity utilization (<i>percent</i>)	(³)	(³)	(³)	(³)	(³)

¹ There is no U.S. production of the products covered in this digest.

² Not applicable. U.S. imports account for 100 percent of U.S. consumption as there is no domestic production.

³ Not applicable.

Comment.—U.S. consumption of electrostatic photocopying apparatus (indirect process) declined by 94 percent during 2000-04. The United States does not produce the copy machines covered under HTS subheading 9009.12.00, which are generally produced in Asia to take advantage of lower labor costs. The types of copy machines produced domestically utilize a different technology that reproduces images digitally rather than by using light lenses. Digital technology is considered to be more versatile as it allows for copy machines to be bundled into products that can copy, print, fax, and so forth.²⁵

III. GSP import situation, 2004

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

Item	Imports <i>1,000 dollars</i>	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	43,249	100	(¹)	(²)
Imports from GSP-eligible countries:				
Total	22,121	51	100	(²)
Thailand	22,090	51	99	(²)

¹ Not applicable.

² Not applicable. U.S. imports account for 100 percent of U.S. consumption as there is no domestic production. In 2004, more than 70 percent of total imports of the products covered in this HTS subheading were exported.

Comment.—Thailand is the largest supplier of electrostatic photocopying apparatus (indirect process) to the United States. China is the second largest U.S. import source, accounting for 33 percent of total U.S. imports in 2004. The Philippines is the only other GSP-eligible import source but accounts for less than one percent of total U.S. imports.

²⁵ Staff telephone interview with ***, Apr. 20, 2005.

IV. Competitiveness profile, Thailand

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

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

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

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

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

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

Substitution elasticity:

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

Imports from other suppliers? High X Moderate ___ Low ___

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

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

Imports from other suppliers? High X Moderate ___ Low ___

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

What is the substitution elasticity? High ___ Moderate 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. products²⁶ Above ___ Equivalent ___ Below ___

Other foreign products Above ___ Equivalent X Below ___

Quality compared with--

U.S. products²⁷ Above ___ Equivalent ___ Below ___

Other foreign products Above ___ Equivalent X Below ___

Comment.—There is no U.S. production of copiers that utilize technology classified under HTS subheading 9009.12.00; therefore, any comparisons made are between the subject imports and U.S. production of digital copiers. Thailand is the primary U.S. import source for these copiers; however, demand for this type of copier is expected to continued to decline.²⁸

²⁶ Not applicable. See comment.

²⁷ Not applicable. See comment.

²⁸ Staff telephone interview with ***, Apr. 20, 2005.

V. Position of interested parties

Petitioner.—USTR self-initiated the petition for this HTS subheading.

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

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

* * * * *

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

Nation	2000	2001	2002	2003	2004	Share of total, 2004
	----- Value (1,000 dollars) -----					
Import source:						
Thailand.....	134,546	123,144	102,879	32,374	22,090	51.1%
China	145,185	67,548	20,775	11,688	14,131	32.7%
Japan.....	349,134	111,306	19,048	3,707	4,089	9.5%
Netherlands	36,948	5,672	4,294	2,301	1,824	4.2%
Taiwan	2,611	2,496	1,397	1,101	847	2.0%
Mexico	47,980	18,552	1,541	700	136	0.3%
United Kingdom	133	23	436	27	45	0.1%
Philippines	4,077	1,687	2,745	1,997	31	0.1%
Canada	442	653	55	24	25	0.1%
Hong Kong.....	24,156	5,625	771	114	13	0.0%
All other	26,258	9,129	1,361	24	19	0.0%
Total.....	771,470	345,834	155,302	54,056	43,249	100.0%
Imports from GSP-eligible nations:						
Thailand.....	134,546	123,144	102,879	32,374	22,090	92.8%
Philippines	4,077	1,687	2,745	1,997	31	0.1%
Brazil.....	954	114	5	12	0	0.0%
All other	14	10	5	0	0	0.0%
Total from GSP-eligible nations.....	139,590	124,954	105,634	34,383	22,121	100.0%
Export market:						
Mexico	37,818	42,005	21,582	10,214	18,591	60.3%
Canada	49,171	25,709	17,612	9,393	4,094	13.3%
Taiwan	243	361	0	329	2,060	6.7%
Venezuela.....	937	194	66	38	1,506	4.9%
Brazil.....	151	946	1,444	2,240	1,218	4.0%
Argentina	905	313	10	397	506	1.6%
Spain	200	0	0	1,348	366	1.2%
Korea	412	70	102	127	297	1.0%
United Kingdom	1,263	90	27	13	295	1.0%
Singapore	1,228	180	17	283	278	0.9%
All Other.....	33,124	4,434	3,845	1,789	1,602	5.2%
Total.....	125,452	74,303	44,706	26,171	30,813	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

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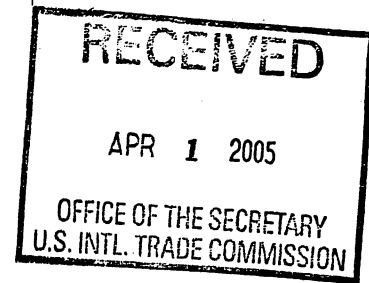
Office of the
Secretary
The Honorable
Chairman

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

APR -1 2005

The Honorable Stephen Koplan

United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436



Dear Chairman Koplan:

The Office of the United States Trade Representative (USTR) has recently decided and will announce in the *Federal Register* the self-initiation of a review of certain products for the modification of the Generalized System of Preferences (GSP) treatment for such products from Thailand and Indonesia. Modifications to the GSP which may result from this review will be announced and become effective in the summer of 2005. In this connection, I am making the requests listed below.

Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request in accordance with section 503(d)(1)(A) of the Trade Act of 1974, as amended ("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 the enclosed Annex.

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

In light of the extraordinary circumstances of the tsunami, it would be greatly appreciated if the requested advice could be expedited and provided not later than 60 days after receipt of this letter. In view of this compressed time, we do not expect the Commission to hold a public hearing in its investigation. To the maximum extent possible, it would be greatly appreciated if the probable economic effect advice and statistics (profile of the United States industry and market and United States import and export data) and any other relevant information or advice be provided separately and individually for each 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 United States industries producing like or directly competitive articles and on consumers. All other parts of the report are unclassified, but the overall classification marked on the front and back covers of the report should be "Confidential" to conform with the confidential sections contained therein. All business confidential information contained in the report should be clearly identified.

The Honorable Stephan Koplan
Page Two

To the maximum extent possible, it would be greatly appreciated if the Commission could issue a public version of its confidential report, containing only the unclassified sections and with business confidential information deleted, at the time that the Commission's confidential report is provided to my Office.

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

Sincerely,

A handwritten signature in cursive script that reads "Peter Allgeier".

Peter Allgeier
Acting

Annex

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

Case No.	HTS Subheading	Brief Description
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Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.

SR-2005-1	4412.13.40 (Indonesia)	Plywood sheets not over 6 mm thick, with specified tropical wood outer ply, with face of other ply, not surface-covered beyond a clear or transparent material
SR-2005-2	7113.11.50 (Thailand)	Other silver articles of jewelry and parts thereof, valued over \$18 per dozen pieces or parts
SR-2005-3	9001.30.00 (Indonesia)	Contact lenses
SR-2005-4	9009.12.00 (Thailand)	Electrostatic photocopying apparatus, operating by reproducing the original image via an intermediate onto the copy (indirect process)

APPENDIX B

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

ACTION: Institution of investigation and scheduling of public hearing.

SUMMARY: Following receipt on March 31, 2005 of notification from the United States Trade Representative (USTR) on behalf of the President under section 2103(c)(3)(B) of the Trade Act of 2002 (19 U.S.C. 3803(c)(3)(B)), the Commission instituted investigation No. TA-2103-1, The Impact of Trade Agreements Implemented Under Trade Promotion Authority.

Background: As required in section 2103(c)(3)(B) of the Trade Act of 2002 (19 U.S.C. 3803(c)(3)(B)), the Commission must submit a report to the Congress not later than June 1, 2005, that contains a review and analysis of the economic impact on the United States of all trade agreements implemented between the date of enactment of this Act and the date on which the President decides to seek an extension requested under paragraph (2) of section 2103(c).

The only agreements implemented within this time period are free trade agreements with Chile, Singapore, and Australia.

As required by the statute, the Commission will provide its report not later than June 1, 2005.

DATES: *Effective Date:* March 31, 2005.

FOR FURTHER INFORMATION CONTACT: Project Manager, Kyle Johnson ((202) 205-3229 or kyle.johnson@usitc.gov), or Deputy Project Manager, Alan Fox ((202) 205-3267 or alan.fox@usitc.gov). For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel ((202) 205-3091 or william.gearhart@usitc.gov). For media information, contact Peg O'Laughlin ((202) 205-1819). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on ((202) 205-1810).

Public Hearing: A public hearing in connection with the investigation will be held at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC, beginning at 9:30 a.m. on April 27, 2005. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., April 20, 2005 in accordance with the requirements in the "Submissions" section below. In the event that, as of the close of business on April 20, 2005, 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 April

20, 2005, to determine whether the hearing will be held.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning the investigation. All written submissions, including requests to appear at the hearing, statements, and briefs should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. Any prehearing briefs or statements should be filed not later than 5:15 p.m., April 20, 2005; the deadline for filing post-hearing briefs or statements is 5:15 p.m., May 2, 2005.

All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8); 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. 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).

Any submissions that contain CBI must also conform with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6). Section 201.6 of the rules requires 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 CBI be clearly identified by means of brackets. All written submissions, except for CBI, will be made available for inspection by interested parties.

The Commission plans to publish only a public report in this investigation. The Commission will not publish confidential business information in a manner that would reveal the operations of the firm supplying the information.

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

Issued: April 6, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-7289 Filed 4-11-05; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-467]

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

AGENCY: International Trade Commission.

ACTION: Institution of investigation and request for public comment

SUMMARY: Following receipt on April 1, 2005 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission instituted investigation No. 332-467, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2004 Special Review.

Background: As requested by the USTR, under section 332(g) of the Tariff Act of 1930 and in accordance with section 503(d)(1)(A) of the Trade Act of 1974 (19 U.S.C. 2463(d)(1)(A)), 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 Indonesia for HTS subheadings 4412.13.40, and 9001.30.00; and for Thailand for HTS subheadings 7113.11.50 and 9009.12.00.

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

As requested by the USTR, the Commission will seek to provide its advice not later than May 31, 2005.

DATES: *Effective Date:* April 6, 2005.

FOR FURTHER INFORMATION CONTACT: Project Leader, Cynthia B. Foreso (202-205-3348 or cynthia.foreso@usitc.gov).

The above person is in the Commission's Office of Industries. For information on legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel at 202-205-3091 or william.gearhart@usitc.gov.

Written Submissions: The Commission does not plan to hold a public hearing in this investigation.

However, interested parties are invited to submit written statements or briefs concerning this investigation. All written submissions, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436, and should be filed not later than 5:15 p.m., May 6, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf).

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

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

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

Issued: April 7, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-7299 Filed 4-11-05; 8:45 am]

BILLING CODE 7020-02-P

MORRIS K. UDALL SCHOLARSHIP AND EXCELLENCE IN NATIONAL ENVIRONMENTAL POLICY FOUNDATION

The United States Institute for Environmental Conflict Resolution; Agency Information Collection Activities: Submission for OMB Review; Comment Request: See List of Evaluation Related ICRs in Section A

AGENCY: Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation, U.S. Institute for Environmental Conflict Resolution

ACTION: Notice.

SUMMARY: In compliance with the Paperwork Reduction Act and supporting regulations, this document announces that the U.S. Institute for Environmental Conflict Resolution (the U.S. Institute), part of the Morris K. Udall Foundation, is submitting to the Office of Management and Budget (OMB) six Information Collection Requests (ICRs). Five of the six ICRs are for revisions to currently approved collections due to expire 06/30/2005 (OMB control numbers 3320-0003, 3320-0004, 3320-0005, 3320-0006, and 3320-0007). One ICR pertains to a new collection request. The six ICRs are being consolidated under a single filing to provide a more coherent picture of information collection activities designed primarily to measure performance. The proposed collections are necessary to support program evaluation activities. The collection is expected neither to have a significant economic impact on respondents, nor to affect a substantial number of small entities. The average cost (in time spent) per respondent is estimated to be 0.16 hours/\$6.18. Each ICR describes the authority and need for program evaluation, the nature and use of the information to be collected, the expected burden and cost to respondents and the U.S. Institute, and how the evaluation results will be made available. The ICRs also contain the specific questionnaires that will be used to collect the information for each program area. Approval is being sought for each ICR separately, and information collection will begin for each program area once OMB has approved the respective ICR. The U.S. Institute

published a **Federal Register** notice on February 2, 2005, 70 FR, pages 5489-5494, to solicit public comments for a 60-day period. The U.S. Institute received one comment. The comment and the U.S. Institute's response are included in the ICRs. The purpose of this notice is to allow an additional 30 days for public comments regarding these ICRs.

DATES: Comments must be submitted on or before May 12, 2005.

ADDRESSES: Direct comments to: Office of Information and Regulatory Affairs, Office of Management and Budget (OMB), Attention: Keith Belton, 725 17th Street, NW., Washington, DC 20503, Desk Officer for The Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation, U.S. Institute for Environmental Conflict Resolution kbelton@omb.eop.gov.

FOR FURTHER INFORMATION CONTACT: Technical details of the U.S. Institute's program evaluation system are contained in a January 2005 design document entitled "Program Evaluation System at the U.S. Institute for Environmental Conflict Resolution". Paper copies of this report can be obtained by contacting the U.S. Institute; an electronic copy can be downloaded from the U.S. Institute's website: http://www.ecr.gov/multiagency/program_eval.htm.

For further information or a copy of the ICRs, contact: Patricia Orr, Evaluation Coordinator, U.S. Institute for Environmental Conflict Resolution, 130 South Scott Avenue, Tucson, Arizona 85701, Fax: 520-670-5530, Phone: 520-670-5658, E-mail: orr@ecr.gov.

SUPPLEMENTARY INFORMATION:

Overview

To comply with the Government Performance and Results Act (GPRA) (Pub. L. 103-62), the U.S. Institute for Environmental Conflict Resolution, as part of the Morris K. Udall Foundation, is required to produce, each year, an Annual Performance Budget and an Annual Performance and Accountability Report, linked directly to the goals and objectives outlined in the U.S. Institute's five-year Strategic Plan. The U.S. Institute's evaluation system is key to evaluating progress towards achieving its performance commitments. The U.S. Institute is committed to evaluating all of its projects, programs and services not only to measure and report on performance but also to use this information to learn from and improve its services. The refined evaluation system has been

APPENDIX C

Model for Evaluating Probable Economic Effects of Changes in GSP Status

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

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

Introduction

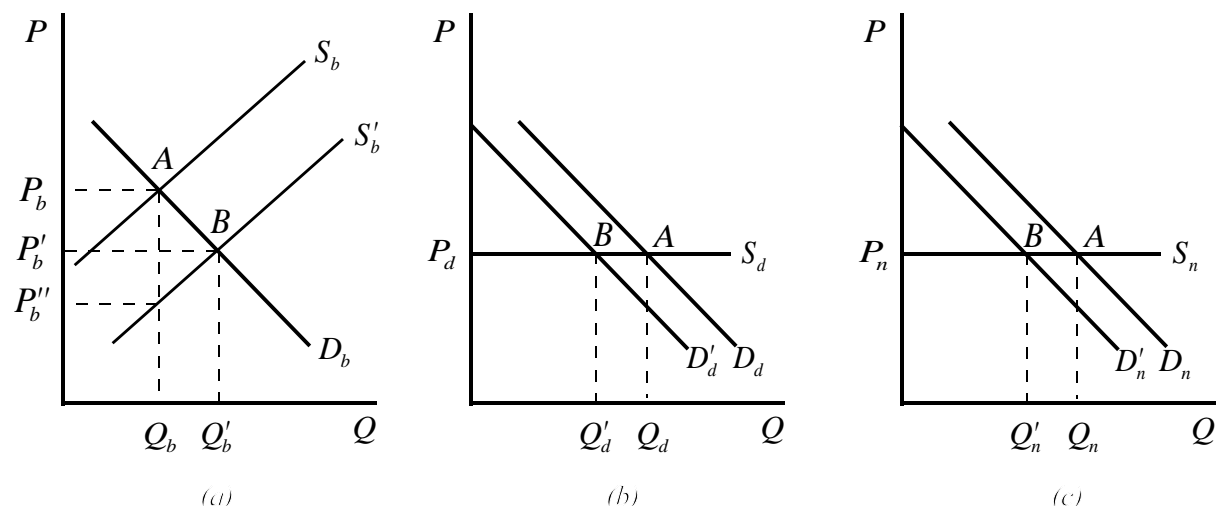
Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.¹ Trade data were taken from official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

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

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

Figure D-1

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



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

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

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

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

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

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

P_b and P'_b are equilibrium prices at A and B, and P''_b is the price received by Indian producers when

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

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

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

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

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

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

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

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

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

³ Armington (1969), p. 167.

⁴ Ibid., p. 168.

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

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:

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

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

equation (4) can be rendered as

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

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

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

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

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

Consumer effects

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

from source i , 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.