

United States International Trade Commission

**Probable Effect of Certain
Modifications to the
North American Free Trade
Agreement Rules of Origin**

Investigation No. NAFTA-103-14
USITC Publication 3881
August 2006



U.S. International Trade Commission

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Abstract

The U.S. International Trade Commission's (Commission) advice on the probable effect of certain proposed modifications to the rules of origin contained in the North American Free Trade Agreement (NAFTA) is based on an assessment of whether a proposed rule modification would likely increase or decrease trade flows of U.S. products in the NAFTA markets as a result of preferential market access, and the resulting effect on total U.S. imports, exports, and production.

In preparing its advice, the Commission assessed each specific proposed modification to determine the probable effect on U.S. trade and on U.S. industries. The Commission reviewed 113 proposed rule modifications for 38 product groups and found that 35 modifications were "formatting only" changes that would not substantively change the application of the rules of origin. Accordingly, the Commission concluded that these proposed rule modifications would likely have no effect on U.S. trade and production. The Commission also found that 78 proposed modifications are substantive in nature; however, the Commission found that the probable economic effect for 77 of these proposed modifications would be negligible, while one, certain fish oils, would result in a significant effect on U.S. production and a substantial effect on U.S. imports.

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CHAPTER 1

Introduction

Scope

Following receipt of a request on March 20, 2006, from the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313),¹ the U.S. International Trade Commission (Commission) instituted investigation no. NAFTA-103-014, *Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin*. As noted in the USTR's request letter, one of the requirements that must be met before the President may modify a rule of origin is that he obtain advice from the Commission regarding the proposed rules of origin (ROO) modification. The Commission provides such advice in this report.

Approach

As in the case of prior advice under section 103 of the NAFTA Implementation Act, the Commission finds it appropriate to provide its advice in the form of product digests. The Harmonized Tariff Schedule (HTS) numbers of the digests are the HTS headings and subheadings under which the applicable products are classified. The existing rules for these products were obtained from the *Harmonized Tariff Schedule of the United States, (2006)* General Note 12-North American Free Trade Agreement, pp. GNp. 27-GNp. 165.² The proposed rules are those provided by the USTR in its request letter dated March 20, 2006, and revision dated March 24, 2006. The probable effect advice is the result of the Commission's analysis of the proposed rule modification on U.S. trade and U.S. industries. The statement in the modification column describes changes in the application of the NAFTA rules of origin as a result of the proposed rule compared with the existing rule; the statement in the effect column describes the Commission's assessment of the probable effect of the proposed rule on U.S. trade and U.S. industries resulting from changes to the rules of origin. To assist in the preparation of its probable effect advice, the Commission sought information and views of interested parties both officially through its *Federal Register* notice announcing this investigation and informally by directly contacting known industry representatives. The normal trade relations (NTR) and the NAFTA tariff rates cited in the effect statements were obtained from *The Harmonized Tariff Schedule of the United States (2006)*; Canada's *Schedule to the Customs Tariff*, effective January 1, 2006; and Mexico's *Ley de los Impuestos Generales de Importacion y Exportacion (The Law of General Tariffs on Imports and Exports)*.

¹ Section 202(q) of the North American Free Trade Agreement Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules of origin as are necessary to implement an agreement with one or more of the NAFTA countries pursuant to paragraph 2 of section 7 of Annex 300-B of the Agreement. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission.

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

Organization

A detailed explanation of the approach followed by the Commission in determining and then providing the probable effect advice is presented in Chapter 2. Included in that chapter is a description of the partial equilibrium economic model and the kind of information needed to estimate the change in the NAFTA trade value for those cases where it is believed that the rule modification could result in greater than negligible effect on U.S. trade and U.S. industries. Chapter 2 also provides a definition of the coding scheme used in Chapter 3 to indicate the probable effect on the level of U.S. imports, exports, and production. The Commission's advice is presented in Chapter 3. Appendix A presents the USTR request letter, revision, and complete list of proposed NAFTA rules of origin modifications for which the Commission was to provide probable effect advice; appendix B presents the Commission's *Federal Register* notice announcing the Commission's institution of this investigation and request for written submissions; appendix C presents the list of organizations the Commission contacted directly; appendix D presents a summary of positions of interested parties written submissions; and appendix E presents a compilation of applicable NAFTA and NTR tariff rates for 2006 for each NAFTA member party.

CHAPTER 2

NAFTA Rules of Origin Probable Effect Analysis

The Commission's probable effect analysis involves an impact assessment of whether a proposed rule modification would likely increase or decrease preferential trade flows of U.S. exports and imports in the NAFTA markets as compared with the corresponding current NAFTA rules of origin and the effect of the change on total U.S. imports, exports, and production. The analysis consists of two steps—first, a comparison of the rule containing the proposed modification with the current rule to ascertain if any substantive change in the terms or application of the NAFTA rules of origin will occur for any of the products covered by the rule; and second, advice concerning the probable economic effect of the rule modification.

Each substantive rule modification is analyzed with respect to whether it would liberalize or restrict NAFTA eligibility as compared with the current rules.¹ If a proposed modification would liberalize NAFTA eligibility for the affected products (i.e., easier granting of NAFTA-origin status), the value of NAFTA trade may change depending on the response to the expanded sourcing options, which result from the modification.²

For those modifications believed to have no substantive change in the legal standard utilized in the application of the rules of origin, the effect on total U.S. trade and industry is listed as "None." For those modifications believed to result in substantive changes, to the extent possible further analysis was undertaken to identify and consider production and sourcing patterns of the affected products in the NAFTA countries, product input sourcing patterns, overall levels of production and trade, and NAFTA and NTR duty rates if it is believed that the rule modification would likely result in negligible trade and production value changes, the effect on total U.S. trade and production is listed as "Negligible,"³ which the Commission defines as expected trade or production value changes of less than 6 percent.

For those rule modifications for which it is believed that a substantive change in the terms or application of the rules of origin could produce a greater than negligible effect on U.S. trade and production, further analysis was conducted using a partial equilibrium model to estimate the change in the NAFTA trade value for the products covered by the modification. To estimate the change in trade value, this model used: (1) the difference in the NAFTA and non-NAFTA tariff rates; (2) an elasticity of substitution, an aggregate demand elasticity, and price elasticities of supply for domestic shipments and imports; and (3) the value of preferential or non-preferential trade in the NAFTA markets for the affected products.⁴ The

¹ Restrictions resulting from the proposed rule modifications are rare but in such cases, the Commission's analysis is essentially the same as analyzing a liberalizing effect.

² It is difficult to predict the extent of liberalization or restriction that would occur with a substantive modification. In the analysis for a liberalization situation, it is assumed that the proposed rule modification would result in all trade from the two partners qualifying to enter under NAFTA preferential tariff rates.

³ See coding scheme definition on the following page.

⁴ Preferential trade includes all U.S. imports from Canada and Mexico, as data distinguishing between NAFTA and non-NAFTA imports are not available for Canada and Mexico. Although U.S. production was estimated where appropriate, estimates were not available for Canadian and Mexican production.

values used for the elasticities were designed to estimate the extreme effects of the proposed modification in a base case analysis.⁵ If this analysis resulted in a negligible effect on U.S. production for the affected products (i.e., a change in trade or production of less than 6 percent), no further analysis was conducted. If significant or greater effects were identified, then the elasticities were further researched and modified, if appropriate, to more closely reflect industry conditions and estimated effect of ROO modification based on qualitative analysis.

Current tariff rates were used for Canada, the United States, and Mexico. Preferential imports are eligible for the NAFTA tariff rate in each NAFTA market, which is free in most cases.⁶ The non-NAFTA rate is assumed to be each country's external or NTR rate.⁷

The effect on a U.S. industry is assessed by relating the expected change in exports or imports to the amount of production. Increased exports would benefit such a U.S. industry by allowing it to increase sales (and, therefore, U.S. production). Increased imports would have a negative effect on the U.S. industry by lowering its sales (and, therefore, its U.S. production); the size of the effect depends not only on the expected increase in imports but also the degree of substitutability between domestic and imported products.

In summary, Commission staff used the following coding scheme and definitions in Chapter 3 to indicate the probable effect on the level of total U.S. trade and production:

NA:	Not applicable.
None:	No effect.
Negligible:	Trade or production value changes of less than 6 percent based on qualitative assessment or economic modeling of production, sourcing, trade patterns, and tariff rates.
Significant:	Trade or production value changes of 6 percent to 15 percent based on economic modeling (partial equilibrium analysis).
Substantial:	Trade or production value changes of more than 15 percent based on economic modeling.

In addition, modifier codes were placed after the code "significant" and "substantial" as follows:

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

⁵ Supply from all sources is assumed to be very responsive with a supply elasticity of 100. Starting values used for the elasticity of substitution and aggregate demand elasticity were 4 and -0.5 respectively. These values were adjusted to reflect substitutability and demand for specific industries when appropriate.

⁶ Certain NAFTA tariff rates imposed by Mexico and the United States are in the process of elimination by staged reductions.

⁷ Although the non-NAFTA rate could conceivably be, in the U.S. case, the column 2 rate (which is usually much higher than the NTR rate), virtually all U.S. imports qualify for the NTR rate based on WTO membership or presidential proclamation.

CHAPTER 3

Advice on the Probable Effect of Certain Proposed Modifications to the Rules of Origin Contained in the North American Free Trade Agreement

This chapter provides an assessment of the Commission’s advice for each specific proposed rule modification in digest form, which includes a determination of the probable effect on U.S. trade and on U.S. industries. The Commission reviewed 113 proposed rule modifications for 38 product groups and found that 35 of these proposed modifications were “formatting only” changes that would not substantively change the application of the rules of origin. Accordingly, the Commission concluded that these proposed rule modifications would likely have no probable effect on U.S. trade and production. The Commission also found that 78 proposed modifications are substantive in nature; however, the probable economic effect for 77 of these proposed modifications would be negligible. One modification, affecting fish oils (see page 3-13) would show a substantial effect on U.S. imports and a significant effect on U.S. production.

FISH AND CRUSTACEANS

PETITIONER: Government of Canada

HTS No.	Existing rule	Proposed rule	Probable effect advice
0301-0304	A change to headings 0301 through 0307 from any other chapter.	A change to heading 0301 through 0304 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.10-0305.30	A change to headings 0301 through 0307 from any other chapter.	A change to salted or dried goods of subheading 0305.10 through 0305.30 from any other subheading, including another subheading within that group, provided that goods of subheading 0305.20 through 0305.30 which have undergone only salting have a minimum salt content of 18 percent; or A change to any other good of subheading 0305.10 through 0305.30 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> This proposed rule would allow the salting or drying of fish, fish roe, and other fish products within HTS subheadings 0305.10 through 0305.30 to confer origin. The second portion of the proposed rule is the same as the existing rule.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. U.S. imports of dried/salted fish and fish products are small because the U.S. market for dried/salted fish is small. Almost all U.S. imports from Canada (the principal country affected) in the affected subheadings are NTR free of duty. Canada's NTR rate for this product group is free; Mexico has a 20 percent ad valorem duty rate. Of total U.S. imports of this product group of \$67 million in 2005, the United States imported about 38 percent by value (\$25 million) from Canada and only trace amounts from Mexico. Exports may be affected slightly if producers use imported whole fish, for example, to process into cured roe for export.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.41-0305.49	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0305.41 through 0305.49 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p><i>Modification:</i> The change to this rule of origin is limited to formatting.</p> <p><i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.51	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0305.51 from any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

<i>Modification:</i>	This proposed rule would allow the drying of cod of HTS subheading 0305.51 to confer origin.
<i>Effect:</i>	The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. There is a very small U.S. industry producing this product, mainly for export. U.S. imports of dried cod are small (\$10 million in 2005) because the U.S. market for dried cod is small. Two-thirds of such imports (\$6.6 million) come from Canada, and almost none from Mexico. U.S. exports of this product reached \$1.6 million in 2005, almost all of which went to Portugal and Mexico (50.0 and 49.6 percent, respectively). U.S. exports to Mexico may rise slightly as the 20-percent Mexican duty on this product is lifted, but exports to Mexico from the much larger Canadian industry will rise also, moderating the impact on U.S. exports to Mexico. The United States and Canada have NTR rates of free of duty for this product group.

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.59	A change to headings 0301 through 0307 from any other chapter.	A change to haddock of subheading 0305.59 from any other subheading; or A change to any other good of subheading 0305.59 from any other chapter.	U.S. total trade: Imports: Negligible Exports: None U.S. production: None
<i>Modification:</i>	The first part of this proposed rule would allow the drying of haddock, whether or not also salted, to confer origin. The second part is limited to formatting.		
<i>Effect:</i>	The proposed rule is likely to have no impact on U.S. production and exports, because there is no known U.S. dried haddock industry. U.S. imports from Canada may rise slightly, but there is a very limited U.S. market for this product (unknown but likely less than \$10 million). There is no known Mexican dried haddock industry. U.S. and Canadian imports of this product are NTR free of duty; Mexico has a 20 percent ad valorem duty rate. Because the second part of this proposed rule is limited to formatting with no change in standard, no effect is expected on U.S. NAFTA and total U.S. trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.61	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0305.61 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i>	The change to this rule of origin is limited to formatting.		
<i>Effect:</i>	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.62	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0305.62 from any other subheading, provided that the good has a minimum salt content of 18 percent.	U.S. total trade: Imports: Negligible Exports: None U.S. production: None

Modification:	This proposed rule would allow the salting of cod of HTS subheading 0305.62 to confer origin.
Effect:	The proposed rule is likely to have a negligible effect on U.S. imports and no effect on U.S. production and exports. The United States and Canada (the country most affected by this rule) have NTR rates free of duty for this product group; Mexico has a NTR duty rate of 20 percent ad valorem. The proposed rule may allow for slightly increased exports from Canada to the U.S. market, but there is only a small U.S. industry that is aimed mainly at established export markets. U.S. imports of saltcod are small (\$8.3 million in 2005) because the U.S. market for saltcod is small. Almost all such imports (\$7.9 million) come from Canada, and none from Mexico. U.S. exports of this product reached \$5.5 million in 2005, mostly destined for Canada (51 percent) and Portugal (29 percent).

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.63	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0305.63 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
Modification:	The change to this rule of origin is limited to formatting.		
Effect:	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
0305.69	A change to headings 0301 through 0307 from any other chapter.	A change to coalfish (<i>Pollachius virens</i>) or haddock of subheading 0305.69 from any other sub-heading, provided that the good has a minimum salt content of 18 percent; or A change to any other good of subheading 0305.69 from any other chapter.	U.S. total trade: Imports: Negligible Exports: None U.S. production: None
Modification:	The first part of this proposed rule would allow the salting of coalfish (pollock) and haddock, subject to a minimum salt content of 18 percent, to confer origin. The second part is limited to formatting.		
Effect:	The proposed rule is likely to have no effect on U.S. production and exports, and negligible effect on U.S. imports because there is no known U.S. industry producing salted pollock or haddock. U.S. imports from Canada (the only known NAFTA producer) may increase slightly because the proposed rule would allow the use of dried pollock or haddock to make salted pollock or haddock. Because the second part of the proposed rule is limited to formatting with no change in standard, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.11-0306.14	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0306.11 through 0306.14 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.19	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0306.19 from any other subheading, except from subheading 0306.29.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> This proposed rule, similar to that addressing HTS 0306.29 (see below), would allow the drying of miscellaneous shellfish products, such as krill, within HTS subheading 0306.19 to confer origin. The difference between HTS 0306.19 and HTS 0306.29 is that the former is frozen product, the latter not frozen.			
<i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. There is no significant U.S. industry producing the products in this group. U.S. imports of this product group reached \$22.4 million in 2005. Miscellaneous frozen boiled shellfish (other than shrimp, crabs, lobster, and crawfish) accounted for most such imports in the group. Such imports came from a variety of countries, including China, Australia, Thailand, Taiwan, and Chile. U.S. exports of this product reached \$0.9 million in 2005, and were destined for a variety of countries, including Mexico, Cayman Islands, Taiwan, and Canada. The United States and Canada's NTR rates for this product group are free of duty; Mexico has a NTR duty rate of 20 percent ad valorem.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.21-0306.22	A change to headings 0301 through 0307 from any other chapter.	A change to dried crustaceans of subheading 0306.21 through 0306.22, whether in shell or not, from crustaceans of the same subheading or any other chapter; or A change to any other good of subheading 0306.21 through 0306.22 from any other chapter.	U.S. total trade: Imports: Negligible Exports: None U.S. production: None

<i>Modification:</i>	This proposed rule would allow the drying of lobster products of HTS subheadings 0306.21-0306.22 to confer origin. The second portion of the proposed rule change is the same as the existing rule.
<i>Effect:</i>	The proposed rule is likely to have no effect on U.S. production and exports and a negligible effect on imports. It is unlikely that any product in these subheadings would be made from products in other chapters. There is no known U.S. industry producing dried lobster products. U.S. imports of the general product group reached \$299 million in 2005; within this group, the value of U.S. imports of dried lobster products is unknown but is believed to be a small portion of the total. Such general imports came almost entirely from Canada. U.S. exports of products in this general group reached \$320 million in 2005; exports specifically of dried lobster are believed to be zero. The United States and Canada's NTR rates for this product group are free of duty; Mexico has a NTR duty rate of 20 percent ad valorem.

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.23	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0306.23 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.24	A change to headings 0301 through 0307 from any other chapter.	A change to dried crabs of subheading 0306.24, whether in shell or not, from crabs of the same subheading or any other chapter; or A change to any other good of subheading 0306.24 from any other chapter.	U.S. total trade: Imports: Negligible. Exports: Negligible. U.S. production: Negligible.

<i>Modification:</i>	The first part of this proposed rule would allow the drying of crabs in any other form to confer origin. The second part is limited to formatting.
<i>Effect:</i>	<p>The first part of the proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. U.S. production, the value of which is unknown, is primarily as a by-product of the processing of frozen or other crab products. The subheading includes, in addition to dried crabs: live, fresh, chilled, or salted crabs, and crab flour, meal, and pellets. Dried crabs are not specifically broken out. Imports under this subheading reached \$57.6 million in 2005. The value of U.S. imports of dried crabs specifically is unknown. U.S. imports under this subheading came mainly from Canada (38 percent), Venezuela (also 38 percent), and several other smaller suppliers. Mexico accounts for less than 2 percent of U.S. imports. U.S. exports of this product reached \$17.0 million in 2005, and were destined mainly for Canada (99 percent of total value in 2005). The U.S. NTR rates for this product group are 7.5 percent ad valorem for crabmeat and free of duty for "Other." Canada's NTR rate for this product is free of duty; Mexico has a NTR duty rate of 20 percent ad valorem.</p> <p>The second part of this proposed rule is limited to formatting. As a result, no effect is expected on U.S. NAFTA and total trade or U.S. production because of this specific proposed modification.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice
0306.29	A change to headings 0301 through 0307 from any other chapter.	A change to subheading 0306.29 from any other subheading, except from subheading 0306.19.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: None
<i>Modification:</i>	This proposed rule, similar to that addressing HTS 0306.19, would allow the drying of miscellaneous shellfish products, such as krill, within HTS subheading 0306.29 to confer origin. The difference between HTS 0306.19 and HTS 0306.29 is that the former is frozen product, the latter not frozen.		
<i>Effect:</i>	The proposed rule is likely to have a negligible effect on U.S. imports and exports and no effect on U.S. production. There is no known U.S. industry of any significant size producing products in this group. U.S. imports of this product group reached \$0.5 million in 2005. Such imports came mainly from Norway (53 percent of total value in 2005) and Japan (28 percent). U.S. exports of this product reached \$0.2 million in 2005, and were destined mainly for Canada (78 percent of total value in 2005). The United States and Canada's NTR rates for this product group are free of duty; Mexico has a NTR duty rate of 20 percent ad valorem.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
0307.10-0307.99	A change to headings 0301 through 0307 from any other chapter.	A change to dried goods of subheading 0307.10 through 0307.99 from any other good of subheading 0307.10 through 0307.99 or any other chapter; A change to flours, meals or pellets of subheading 0307.99 from any other subheading; or A change to any other good of subheading 0307.10 through 0307.99 from any other chapter.	U.S. total trade: Imports: Negligible Exports: None U.S. production: None
<p><i>Modification:</i> This proposed rule would allow the production of dried mollusc products or of flours, meals, and pellets of molluscs, of HTS subheadings 0307.10 through 0307.99 to confer origin. The second portion of the proposed rule change is the same as the existing rule.</p> <p><i>Effect:</i> The proposed rule is likely to have no effect on U.S. production and exports, and a negligible effect on imports. There is a small U.S. industry producing dried mollusc products, but because NTR duty rates in NAFTA countries are low on finished products as well as raw materials in this group, no effects on production or trade are likely. U.S. imports of dried mollusc products are not separately provided for in the HTSUS. U.S. imports of mollusc products in heading 0307 reached \$599 million in 2005, and consisted mainly of scallop and squid products (60 percent of total value in 2005). Such imports came mainly from China (28 percent of total value in 2005) and Canada (22 percent); a large number of countries accounted for the remainder. U.S. exports of this product reached \$272 million in 2005, and were destined mainly for Canada (26 percent of total value in 2005), Japan (16 percent), China (14 percent), and a variety of other countries. The United States has NTR duty rates for these subheadings ranging from free to 5 percent ad valorem; Canada has NTR duty rates ranging from free to 4 percent ad valorem; and Mexico has an NTR duty rate of 20 percent ad valorem.</p>			

HERBS AND SPICES:

MARJORAM, SAVORY AND CILANTRO PETITIONER: McCormick & Company, Inc.

HTS No.	Existing rule	Proposed rule	Probable effect advice
0701-0713	A change to headings 0701 through 0714 from any other chapter.	A change to heading 0701 through 0713 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p><i>Modification:</i> The change to this rule of origin is limited to formatting.</p> <p><i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0712.10-0712.20 ¹	A change to headings 0701 through 0714 from any other chapter.	A change to subheading 0712.10 through 0712.20 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
0712.90	A change to headings 0701 through 0714 from any other chapter.	A change to marjoram, savory or cilantro, crushed or ground, of subheading 0712.90 from marjoram, savory or cilantro, neither crushed nor ground, of subheading 0712.90 or any other chapter; or A change to any other good of subheading 0712.90 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The first portion of the proposed rule would allow the crushing or grinding of marjoram, savory or cilantro of HTS subheading 0712.90 to confer origin. The existing rule requires a chapter change; thus the proposed rule change for marjoram, savory or cilantro is a liberalization. The second portion of the rule change does not change the existing rule.			
<i>Effect:</i> The proposed change would likely have a negligible effect on U.S. production, imports, and exports of marjoram, savory, or cilantro. U.S. production of these products is limited, exports are negligible, and imports are small. The NAFTA tariff rate for each of the three partner countries is free. The U.S. NTR rate is free or 1.9 percent <i>ad valorem</i> , Canada's NTR rate is free, and Mexico's is 15 percent or 20 percent.			

ALLSPICE

PETITIONER: McCormick & Company, Inc.

HTS No.	Existing rule	Proposed rule	Probable effect advice
0904.20	A change to subheading 0904.20 from any other chapter.	A change to allspice, crushed or ground, of subheading 0904.20 from allspice, neither crushed nor ground, of subheading 0904.20 or any other chapter; or A change to any other good of subheading 0904.20 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

¹ The proposed rule omitted certain existing subheadings. The proposed rule should cover HTS subheadings 0712.20-0712.39.

Modification:	The first portion of the proposed rule would allow the crushing or grinding of allspice within HTS subheading 0904.20 to confer origin. The existing rule requires a chapter change; thus, the proposed rule change for allspice is a liberalization. The second portion of the rule change is the same as the existing rule.
Effect:	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports of allspice. Unprocessed allspice is not produced commercially in the United States. U.S. imports totaled less than \$4 million in 2005. Although Mexico produces some allspice, the highest quality allspice comes from Jamaica. The NAFTA tariff rate of each of the three partner countries is free. Allspice (HTS 0904.20.80) (unprocessed and crushed or ground) enters the United States at an NTR duty rate of free, Canada's NTR tariff rate is 3 percent <i>ad valorem</i> , and Mexico's is 20 percent <i>ad valorem</i> .

THYME; BAY LEAVES

PETITIONER: McCormick & Company, Inc.

HTS No.	Existing rule	Proposed rule	Probable effect advice
0910.40	A change to subheading 0910.40 from any other chapter.	A change to a good, crushed or ground, of subheading 0910.40 from a good, neither crushed nor ground, of subheading 0910.40 or any other chapter; or A change to any other good of subheading 0910.40 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
Modification:	The first portion of the proposed rule would allow the crushing or grinding of thyme and bay leaves within HTS subheading 0910.40 to confer origin. The existing rule requires a chapter change; thus, the proposed rule change for thyme and bay leaves is a liberalization. The second portion of the rule change is the same as the existing rule.		
Effect:	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports of thyme and bay leaves. The United States is not a commercial producer of unprocessed thyme or bay leaves. U.S. imports of unprocessed thyme and bay leaves totaled less than \$7 million in 2005. The NAFTA tariff rate of each of the three partner countries is free. Unprocessed thyme and bay leaves enter the United States at an NTR duty rate of free. Processed thyme and bay leaves are subject to U.S. NTR <i>ad valorem</i> duties of 4.8 percent and 3.2 percent, respectively. Canada's NTR tariff rate is 3 percent on all thyme and bay leaves, and Mexico's is 20 percent.		

CELERY SEEDS; BASIL, ROSEMARY AND SAGE

PETITIONER: McCormick & Company, Inc.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1208	A change to headings 1208 through 1214 from any other chapter.	A change to heading 1208 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
Modification:	The change to this rule of origin is limited to formatting.		
Effect:	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
1209.10-1209.30	A change to headings 1208 through 1214 from any other chapter.	A change to subheading 1209.10 through 1209.30 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
1209.91	A change to headings 1208 through 1214 from any other chapter.	A change to celery seeds, crushed or ground, of subheading 1209.91 from celery seeds, neither crushed nor ground, of subheading 1209.91 or any other chapter; or A change to any other good of subheading 1209.91 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The first portion of the proposed rule would allow the crushing or grinding of celery seeds within HTS subheading 1209.91 to confer origin. The existing rule requires a chapter change; thus, the proposed rule change for celery seeds is a liberalization. The second portion of the rule change is the same as the existing rule.			
<i>Effect:</i> The proposed change is likely to have a negligible effect on U.S. production, imports, and exports of celery seeds. The rule change is based on the request of a domestic processor/importer of spice products to allow crushing or grinding to confer origin. U.S. imports of celery seeds totaled \$1.6 million in 2005. The NAFTA tariff rate for each of the three partner countries is free. All celery seed products (unprocessed and crushed or ground) enter the United States, Canada, and Mexico at the NTR duty rate of free.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
1209.99	A change to headings 1208 through 1214 from any other chapter.	A change to subheading 1209.99 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
1210	A change to headings 1208 through 1214 from any other chapter.	A change to heading 1210 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification:	The change to this rule of origin is limited to formatting.
Effect:	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1211.10-1211.40	A change to headings 1208 through 1214 from any other chapter.	A change to subheading 1211.10 through 1211.40 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification:	The change to this rule of origin is limited to formatting.
Effect:	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1211.90	A change to headings 1208 through 1214 from any other chapter.	A change to basil, rosemary or sage, crushed or ground, of subheading 1211.90 from basil, rosemary or sage, neither crushed nor ground, of subheading 1211.90 or any other chapter; or A change to any other good of subheading 1211.90 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification:	The first portion of the proposed rule would allow the crushing or grinding of basil, rosemary or sage within HTS subheading 1211.90 to confer origin. The existing rule requires a chapter change; thus, the proposed rule change for basil, rosemary or sage is a liberalization. The second portion of the rule change is the same as the existing rule.
Effect:	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports of basil, rosemary or sage. The rule change is based on the request of a domestic processor/importer of spice products to allow crushing or grinding to confer origin. Mexico supplies over one-half of U.S. imports of these products. The NAFTA tariff rate of each of the three partner countries is free. All of these products (unprocessed and crushed or ground) enter the United States and Canada at the NTR duty rate of free. Mexico's NTR rate is 10 percent <i>ad valorem</i> .

HTS No.	Existing rule	Proposed rule	Probable effect advice
1212-1214 ²	A change to heading 1208 through 1214 from any other chapter.	A change to heading 1212 through 1214 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None

² The proposed rule omitted certain existing headings. The proposed rule should cover HTS headings 1212-1214.

Modification: The change to this rule of origin is limited to formatting.

Effect: Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.

FISH OILS

PETITIONER: Banner Pharmaceuticals

HTS No.	Existing rule	Proposed rule	Probable effect advice
1501-1516	A change to headings 1501 through 1518 from any other chapter, except from heading 3823.	A change to heading 1501 through 1516 from any other chapter, except from heading 3823.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The change to this rule of origin is limited to formatting.

Effect: Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or on U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1517.10	A change to headings 1501 through 1518 from any other chapter, except from heading 3823.	A change to subheading 1507.10 from any other chapter, except from heading 3823.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The change to this rule of origin is limited to formatting.

Effect: Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or on U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1517.90	A change to headings 1501 through 1518 from any other chapter, except from heading 3823.	A change to capsules of fish oil of subheading 1517.90 from non-encapsulated fish oil of subheading 1517.90 or any other chapter; or A change to any other good of subheading 1517.90 from any other chapter, except from heading 3823.	U.S. total trade: Imports: Substantial (-) Exports: None U.S. production: Significant (-)

Modification: The proposed rule liberalizes the rules of origin by allowing the use of non-encapsulated, unmixed fish oil from HTS subheading 1517.90 or from any other chapter. At the present time, some of the fish oils used to make encapsulated fish oil sold as a dietary supplement are supplied by countries other than the United States, Canada or Mexico.

The proposed rules of origin would allow mixed fish oils imported from third countries to be encapsulated and then treated as a NAFTA eligible product. Encapsulated fish oil products are classified under three HS subheadings, depending on the type of fish oil used and the chemical modification of the oils. The proposed rule of origin would add only the use of the mixed fish oils of subheading 1517.90 to produce encapsulated fish oil products classified under the same HS subheading.

The CBP has classified encapsulated fish oil products in three separate HS subheadings in seven different customs rulings, thereby complicating consideration of the effects of this rule change:³

1. Unmixed or single species fish oil that is encapsulated (but not chemically modified): HS subheading 1504;
2. Mixtures of fish oils that are encapsulated (but not chemically modified): HS subheading 1517; and
3. Chemically modified fish oil, mixed or unmixed (in capsules): HS subheading 2106.⁴

The proposed rule change affects fish oil capsules classified under HS 1517.90, and, according to its drafting, allows the use of mixed fish oils (also classified under HS 1517.90) as a third country ingredient. The new rule would not allow the use of unmixed third-country fish oil. Most fish oil traded internationally is unmixed single species fish oil; unmixed fish oil is classified under heading HS 1504. The NTR rate of duty for encapsulated fish oil under HTS subheading 1517.90.20 is 8 percent *ad valorem*, and under HTS subheading 1517.90.90.90 is 8.8 cents per kilogram.

Fish oil originates from a variety of fish species, including sardines, pilchard, anchovies, mackerel, herring or menhaden; the fish oil can be a single species oil or a mixture of several different fish oils.⁵ The oil is processed through deodorization, ethylation, distillation, mixing, addition of natural vitamin E or tocopherols, encapsulated into soft gel caps, and then packaged.⁶ In some cases, the fish oil is extensively chemically modified through reesterification into mostly triglycerides and monoglycerides, and then processed in the same manner.⁷ There are a variety of fish oil capsules produced in liquid and powder forms sold to retail consumers or to food companies.⁸

U.S. retail sales of fish oil supplements amounted to \$310 million in 2005, according to a published trade estimate.⁹ Demand rose sharply over the past five years since the recognition of fish oil's positive effect on health, and the U.S. Food and Drug

³ The seven relevant Customs Rulings are: No. NY 898225 (June 3, 1994); No. HQ 964015 (Jan. 31, 2002); No. HQ 964014 (Feb. 8, 2002); No. HQ964804 (Feb. 19, 2002); No. NY H87794 (June 4, 2002); No. HQ 965396 (July 23, 2002); and No. NY 188871 (Dec. 9, 2002).

⁴ Under current Rules of Origin for HS 2106, fish oil capsules made from third-country fish oil classified in chapter 15 (either mixed or unmixed fish oil) are already eligible for NAFTA preference because this involves a change from another chapter to HS subheading 2106.

⁵ The petitioner indicated that it uses a mixture of anchovy, sardine, and mackerel oils derived from these mixed species of fish caught together, and then processed into fish oil. It also uses a single species fish oil classified in other provisions of chapter 15. E-mail to Commission staff from Teresa Gleason, counsel, on behalf of Banner Pharmaceuticals, May 18, 2006.

⁶ U.S. Customs and Border Protection, *Customs Ruling No. HQ 965396, Re: Protest 3801-01-100303, Fish Oil Capsules*, July 23, 2002, p. 1; and *Customs Ruling No. HQ 964015, Re: Protest 3004-001-100048, Fish Oil Capsules*, Jan. 31, 2002, p. 1.

⁷ U.S. Customs and Border Protection, *Customs Ruling No. HQ 965396, Re: Protest 3801-01-100303, Fish Oil Capsules*, p. 3.

⁸ "Fish Oil Tales," *Prepared Foods*, October 2005, p. 77; "Fish Oil Powder Fortifies Dry Mixes," *Prepared Foods*, October 2000, p. 79; and "Another Fish Oil in the Ocean," *Prepared Foods*, July 2004.

⁹ Retail sales estimated by the *Nutrition Business Journal*; cited in "Your Health Today," *The Philadelphia Inquirer (Tri State Observer)*, Sept. 16, 2005. Sales to food companies are not included in this total.

Administration approved a qualified health claim that food companies can use for foods containing two primary ingredients of fish oil fatty acids, "Omega-3 EPA," and "DHA."¹⁰

Reported U.S. production of crude fish oil amounted to 179 million pounds, valued at \$35 million in 2004.¹¹ The value of U.S. production of encapsulated fish oil products is not officially reported, but believed to be at least \$100 million in 2005, based on trade sources. There are four reported U.S. companies that produce and/or market fish oil capsule products.¹²

U.S. imports of encapsulated fish oil are not separately reported, but are included among products covered in three separate HS subheadings. In 2005, U.S. imports of prepared fats and oils, including certain encapsulated fish oils, under HS subheading 1517.90 amounted to \$40 million, of which \$26 million came from Canada, and \$0.2 million from Mexico.

In 2005, U.S. exports of prepared fats and oils, including certain encapsulated fish oils, under HTS subheading 1517.90.4085 amounted to \$32 million, with \$25 million to Canada and \$4 million to Mexico. There are believed to be only negligible U.S. exports of encapsulated fish oil to Mexico and Canada.

*Effect*¹³:

There are likely to be increased U.S. imports of encapsulated fish oil from Canada, but no change in U.S. imports from Mexico nor any change in U.S. exports to Canada or Mexico. With respect to total U.S. trade, there are likely to be increased U.S. imports of encapsulated fish oil, but no change in U.S. exports. There may be a significant negative effect on the U.S. production of encapsulated fish oil, as well as a negative indirect effect on U.S. production of crude fish oil.

In 2005, the U.S. NTR duty on fish oil imports under HS 1517.90 was 8 percent on an ad valorem equivalent basis. Elimination of this duty on products entering from Canada using third-country fish oil would likely reduce the domestic wholesale price by around 7 percent. The lower price would then likely lead to about a 6 percent (\$6 million) decline in domestic production. Imports are likely to rise substantially (more than 15 percent). U.S. exports of encapsulated fish oil are unlikely to change since neither Canada nor Mexico are significant markets for these U.S. products.

¹⁰ Omega-3 eicosapentaenoic Acid (EPA)/Decosahexaenoic Acid (DHA). "Food Containing Fish Oil Gain Popularity," *Dairy Foods*, April 2005, p. 58; and "Fish Oil Tales," *Prepared Foods*, October 2005, p. 77.

¹¹ National Marine Fisheries Service, Office of Science and Technology, U.S. Dept. Of Commerce, *Fisheries of the United States 2004*, p. 52, www.st.nmfs.gov.

¹² The four companies are believed to be the petitioner Banner Pharmaceuticals (with plants in North Carolina, California, and Alberta, Canada); Ocean Nutrition Canada (with plants in Wisconsin and Nova Scotia); Omega Protein in Virginia; and DSM Nutritional Products in New Jersey. DSM is a multinational chemical company with plants in Europe, China, and North and South America. "Fish Oil Powder Fortifies Dry Mixes," *Prepared Foods*, October 2000, p. 79; "Omega-3 Output Expanding as Consumer Demand Rises," *Chemical Marketing Reporter*, Feb. 26, 2005, p. 11; and www.dsm.com/en_US/html/dnp/contacts.htm. E-mail to Commission staff from Teresa Gleason, counsel, on behalf of Banner Pharmaceuticals, June 7, 2006.

¹³ Effects were estimated using the Commission's partial equilibrium model and the default model coefficients: a price elasticity of demand coefficient of -0.2; a price elasticity of supply of +0.8; and an import substitution elasticity of 4.0. U.S. imports of fish oil capsules (all believed to be entering from Canada) were estimated at \$20 million in 2005, and U.S. exports to all countries were estimated at \$10 million in 2005. U.S. production of fish oil capsules was estimated at \$100 million in 2005.

HTS No.	Existing rule	Proposed rule	Probable effect advice
1518	A change to headings 1501 through 1518 from any other chapter, except from heading 3823.	A change to heading 1518 from any other chapter, except from heading 3823.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or on U.S. production.			

FOOD PREPARATIONS, e.g. FLAVORING MIXES, SOUPS, SAUCES, AND FINISHED MEALS

PETITIONER: Unilever Canada

HTS No.	Existing rule	Proposed rule	Probable effect advice
2103.90	A change to any other good of subheading 2103.90 from any other chapter. ¹⁴	A change to any other good of subheading 2103.90 from yeasts of subheading 2106.90 or any other heading, except from any other good of heading 2106. ¹⁵	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The proposed rule would allow a change to any other good of HTS subheading 2103.90 ¹⁶ from yeasts of subheading 2106.90 or any other heading, with the exception of other goods of heading 2106. The existing rule requires a chapter change; thus the proposed rule change for these goods is a liberalization.			
<i>Effect:</i> The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. The proposed change is based on the desire of certain manufacturers to use non-originating yeasts of chapter 21 as inputs for these food preparations. According to one producer, the majority of yeast used in the manufacture of these food preparations is already sourced from European countries because of cost advantages and desired taste characteristics. U.S. NTR <i>ad valorem</i> duties for food preparations range from free to 7.5 percent, Canadian NTR <i>ad valorem</i> duties are 8-11 percent, and Mexican NTR <i>ad valorem</i> duties are 20 percent. U.S. trade in these food preparations with its NAFTA partners accounts for approximately 50 percent of its total trade.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
2104	A change to heading 2104 from any other chapter.	A change to heading 2104 from yeasts of subheading 2106.90 or any other heading, except from any other good of heading 2106.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

¹⁴ The existing rule quoted here is part (B) of the rule set forth in the HTS; part (A) would not be changed.

¹⁵ This is a follow-up to an earlier request in 2004 involving these products. See U.S. International Trade Commission, *The Probable Effect of Certain Proposed Modifications to the Rules of Origin Contained in the North American Free Trade Agreement*, technical assistance provided to the USTR, Sept. 24, 2004, page 5.

¹⁶ Goods other than mixed condiments and mixed seasonings of subheading 2103.90. The existing rule quoted here is part (B) of the rule set forth in the HTS; part (A) would not be changed.

<i>Modification:</i>	The proposed rule would allow a change to HTS heading 2104 from yeasts of HTS subheading 2106.90 or any other heading, with the exception of other goods of heading 2106. The existing rule requires a chapter change; thus the proposed rule change for these food preparations is a liberalization.
<i>Effect:</i>	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. The proposed change is based on the desire of certain manufacturers to use non-originating yeasts of chapter 21 as inputs for these food preparations such as soups and broths. According to one producer, the majority of yeast used in the manufacture of these food preparations is already sourced from European countries because of cost advantages and desired taste characteristics. U.S. NTR <i>ad valorem</i> duties for food preparations are 2.5 percent or 3.2 percent, Canadian <i>ad valorem</i> duties are 6 percent or 11 percent and Mexican NTR <i>ad valorem</i> duties are 10 percent. U.S. trade in these goods with its NAFTA partners accounts for approximately 70 percent of its total trade.

HTS No.	Existing rule	Proposed rule	Probable effect advice
2106	A change to heading 2106 from any other chapter.	A change to any other good of heading 2106 from yeasts of subheading 2102.10, 2102.20 or 2106.90 or any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i>	The proposed rule would allow a change to various non-enumerated food preparations of HTS heading 2106 from yeasts of subheading 2102.10, 2102.20, or 2106.90 or any other chapter. The existing rule requires a chapter change; thus the proposed rule change for these goods is a liberalization.		
<i>Effect:</i>	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. The proposed change is based on the desire of certain manufacturers to use non-originating yeasts of subheadings 2102.10, 2102.20, or 2106.90 as inputs for “food preparations not elsewhere specified or included.” According to one producer, the majority of yeast used in the manufacture of these food preparations is already sourced from European countries because of cost advantages and desired taste characteristics. NTR rates for Canada, the United States, and Mexico consist of various <i>ad valorem</i> , specific, and compound tariffs. NAFTA rates for the three countries are primarily free. U.S. imports of these food preparations from its NAFTA partners are approximately 60 percent of U.S. exports to these same partners. U.S. trade in these products with its NAFTA partners accounts for approximately 42 percent of its total trade.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
2106.90.dd	A change to tariff items 2106.90.dd (2106.90.03, 2106.90.06, 2106.90.09, 2106.90.22, 2106.90.24, 2106.90.26, 2106.90.28, 2106.90.62, 2106.90.64, 2106.90.66, 2106.90.68, 2106.90.72, 2106.90.74, 2106.90.76, 2106.90.78, 2106.90.80 or 2106.90.82) from any other chapter, except from chapter 4 or tariff items 1901.90.aa (1901.90.32, 1901.90.33, 1901.90.34, 1901.90.36, 1901.90.38, 1901.90.42 or 1901.90.43).	A change to tariff item 2106.90.dd from yeasts of subheading 2102.10, 2102.20 or 2106.90 or any other chapter, except from Chapter 4 or tariff item 1901.90.aa.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i>	The proposed rule would allow a change to food preparations of HTS tariff items 2106.90.dd ¹⁷ from yeasts of HTS subheadings 2102.10, 2102.20, or 2106.90 or any other chapter except from goods of Chapter 4 or tariff item 1901.90.aa. ¹⁸ The existing rule requires a chapter change; thus the proposed rule change for these goods is a liberalization.		
<i>Effect:</i>	The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. The proposed change is based on the desire of certain manufacturers to use non-originating yeasts of subheadings 2102.10, 2102.20, or 2106.90 as inputs for these food preparations. According to one producer, the majority of yeast used in the manufacture of these food preparations is already sourced from European countries because of cost advantages and desired taste characteristics. NTR rates for Canada and the United States consist of various <i>ad valorem</i> , specific, and compound tariffs; Mexico's NTR rate is 15 percent <i>ad valorem</i> . NAFTA rates are free of duty for all three countries. U.S. imports of these food preparations from its NAFTA trading partners account for approximately 12 percent of total imports.		

¹⁷ Food preparations containing over 10 percent by weight of milk solids.

¹⁸ Food preparations containing over 10 percent by weight of milk solids.

OILS, PETROLEUM PRODUCTS AND BITUMEN

PETITIONER: Irving Oil Corp.

HTS No.	Existing rule	Proposed rule	Probable effect advice
NA	Note 1 to become Note 2	<p>Add the following Notes:</p> <p>Note 1: For purposes of heading 2707, a “chemical reaction” is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.</p> <p>The following are not considered to be chemical reactions for the purposes of this definition:</p> <ul style="list-style-type: none"> (a) dissolving in water or other solvents; (b) the elimination of solvents, including solvent water; or (c) the addition or elimination of water of crystallization. <p>Note 3: For the purposes of heading 2710, “direct blending” is defined as a refinery process whereby various petroleum streams from processing units and petroleum components from holding/storage tanks combine to create a finished product, with pre-determined parameters, classified under heading 2710, provided that the non-originating material constitutes no more than 25 percent by volume of the good.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	<p>The addition of the new Note 1 would liberalize the origin restrictions and further define the processes that constitute a chemical reaction while specifically eliminating certain processes from consideration as a chemical reaction.</p> <p>The current Note 1 would become Note 2, with no changes.</p> <p>The addition of Note 3 would liberalize the origin restrictions to confer NAFTA originating status using direct blending and include direct blending as a refinery process, even though blending can be an operation performed separately from typical refinery processes. Note 3 would also restrict the amount of non-originating materials in a blend under heading 2710 to no more than 25 percent by volume of the good.</p>
<i>Effect:</i>	<p>The addition of these notes would likely have only a negligible effect on U.S. trade and production. This proposed rule change would reflect current developments in the petroleum refining industry, such as direct blending.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice
2705-2709	A change to headings 2705 through 2709 from any other chapter.	A change to heading 2705 through 2706 from any other heading, including another heading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
		A change to subheading 2707.10 through 2707.99 from any other heading; or A change to subheading 2707.10 through 2707.99 from any other subheading within heading 2707, whether or not there is also a change from any other heading, provided that the good resulting from such change is the product of a chemical reaction.	
		A change to heading 2708 through 2709 from any other heading, including another heading within that group.	

<i>Modification:</i>	<p>The new rules would liberalize the rules of origin for products covered in headings 2705 through 2709. In addition, the new rules would provide a secondary origin standard to specify that any oils and other products produced from coal tars (heading 2707) must be a product of a chemical reaction.</p>
<i>Effect:</i>	<p>Nearly all of the products covered in headings 2705 through 2708 (chemical products derived from processing coal) are already free of duty on an NTR basis for all NAFTA partners. On an NTR basis, the few dutiable products under headings 2707-2708 and 2709 (crude petroleum) have very low tariffs. Therefore, a negligible effect on U.S. NAFTA trade, U.S. total trade, and U.S. production is expected.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice
2710	A change to heading 2710 from any other heading, except from headings 2711 through 2715; or Production of any good of heading 2710 as the result of atmospheric distillation, vacuum distillation, catalytic hydroprocessing, catalytic reforming, alkylation, catalytic cracking, thermal cracking, coking or isomerization.	<p>A change to heading 2710 from any other heading, except from heading 2711 through 2715;</p> <p>Production of any good of heading 2710 as the result of atmospheric distillation, vacuum distillation, catalytic hydroprocessing, catalytic reforming, alkylation, catalytic cracking, thermal cracking, coking or isomerization; or</p> <p>Production of any good of heading 2710 as the result of direct blending, provided that (1) the non-originating material is classified in Chapter 27, (2) no component of that non-originating material is classified under heading 2207, and (3) the non-originating material constitutes no more than 25 percent by volume of the good.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The modification would liberalize the rules of origin for products covered in heading 2710 by conferring NAFTA origin status on refined petroleum products derived from other products of heading 2710 (refined petroleum products) as well as from crude petroleum (heading 2709). The original rules for heading 2710 required a “tariff shift” (a change from one tariff heading to another) as one basis to confer NAFTA origin for these products. Gasoline produced from crude petroleum qualified for NAFTA duty free treatment because the feedstock (crude petroleum) is classified in heading 2709 and gasoline is classified in heading 2710; thus, there was a tariff shift. The current rule provides refiners with two processing methods to qualify gasoline and other refined petroleum products under heading 2710 as NAFTA-originating goods: (1) the non-NAFTA originating feedstocks must undergo a tariff shift, or (2) the non-NAFTA originating feedstocks must be run through one or more of the specified refinery processes (but not including direct blending). The modification will allow refiners to purchase non-NAFTA originating blendstocks to manufacture gasoline. At least 75 percent of the gasoline content of the blendstocks must be NAFTA-originating, thus requiring that most of the refining occur in the NAFTA regions. In addition, no more than 25 percent of the volume of the good can be made up of non-originating material, and no non-originating ethanol can be used.</p>			

Effect: The modification would likely have a negligible effect on U.S. trade and production. The products classified in heading 2710 are refined petroleum products, including motor fuels (gasolines, blendstocks, and jet fuels), distillate and residual fuel oils, lubricants, greases, and other hydrocarbons. U.S. imports generally account for less than 10 percent of domestic consumption, with Canada being the primary source of U.S. imports under heading 2710; however, the proposed modification has the potential for allowing large quantities of unfinished gasoline to be imported free of duty (compared with the current rate of 52.5 cents per barrel for motor fuel blending stock). The United States is not a major exporter of refined products; exports generally account for less than 5 percent of total U.S. production. U.S. production of refined petroleum products supplies most (92-95 percent) of the domestic demand. Gasoline is the primary refined product, with many different specifications and requirements for octane enhancement.

HTS No.	Existing rule	Proposed rule	Probable effect advice
2711	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to a good of subheading 2711.11 from within that subheading or any other subheading, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
		A change to a good of subheading 2711.12 through 2711.14 from within that subheading or any other subheading, including another subheading within that group, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.	
		A change to subheading 2711.19 from any other subheading, except from subheading 2711.29.	
		A change to subheading 2711.21 from any other subheading, except from subheading 2711.11	
		A change to subheading 2711.29 from any other subheading, except from subheading 2711.12 through 2711.21	

<i>Modification:</i>	The modification to the rules of origin would reflect current developments in the industry while restricting the non-originating feedstock to no more than 49 percent by volume of the good for subheadings 2711.11 and 2711.12 through 2711.14. For subheadings 2711.19, 2711.21, and 2711.29, the modifications would restrict the rules of origin by prohibiting the conversion of natural gas from a liquid to a gaseous state and vice versa in order to confer NAFTA originating status.
<i>Effect:</i>	The modification would likely have a negligible effect, if any, on total U.S. trade and U.S. production. The products covered under this heading, liquefied natural gas and its components and natural gas and its components in a gaseous state, are already free of duty for all NAFTA partners on an NTR basis.

HTS No.	Existing rule	Proposed rule	Probable effect advice
2712	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to heading 2712 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i>	The change to this rule of origin is limited to formatting.		
<i>Effect:</i>	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
2713	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to a good of subheading 2713.20 from within that subheading or any other subheading, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i>	The modification would liberalize the rule of origin for petroleum coke, petroleum bitumen, and other residues of petroleum oils or of oils obtained from bituminous materials provided that the non-originating feedstock constitutes no more than 49 percent by volume. This proposed rule change would reflect current developments in the petroleum refining industry, such as direct blending.		
<i>Effect:</i>	The modification would likely have a negligible effect, if any, on total U.S. trade and U.S. production. The refined petroleum products covered under this heading are duty free on an NTR basis for all NAFTA partners.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
2713.11-2713.12	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to subheading 2713.11 through 2713.12 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i>	The change to this rule of origin would allow inputs covered under headings 2711, 2712, 2714, and 2715 to be used.		
<i>Effect:</i>	The modification would likely have no effect on total U.S. trade and U.S. production. The refined petroleum products covered under this heading are duty free on an NTR basis for all NAFTA partners.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
2713.90	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to subheading 2713.90 from any other heading, except for heading 2710 through 2712, subheading 2713.11 through 2713.20 or heading 2714 through 2715.	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i> The change to this rule of origin is limited to formatting.			
<i>Effect:</i> Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
2714	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to heading 2714 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The change to this rule of origin would allow inputs covered under heading 2710 to be used.			
<i>Effect:</i> The modification would likely have a negligible effect on total U.S. trade and U.S. production. The refined petroleum products covered under this heading are duty free on an NTR basis for all NAFTA partners.			

HTS No.	Existing rule	Proposed rule	Probable effect advice
2715	A change to headings 2711 through 2715 from any heading outside that group, except from heading 2710.	A change to heading 2715 from any other heading, except from subheading 2713.20 or heading 2714.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The modification would not allow origin status to be conferred in instances where the heading shift is derived from products covered under subheading 2713.20 or heading 2714, but would allow inputs covered under heading 2710 to be used.			
<i>Effect:</i> The modification would likely have a negligible effect on total U.S. trade and U.S. production. The refined petroleum products covered under this heading are duty free on an NTR basis for all NAFTA partners.			

LEATHER

PETITIONER: Governments of Canada and Mexico

HTS No.	Existing rule	Proposed rule	Probable effect advice
4114	A change to headings 4114 through 4115 from headings 4101 through 4103 or from any other chapter, except from hides or skins of headings 4101 through 4103 which have undergone a tanning process (including pre-tanning) which is reversible.	A change to heading 4114 from heading 4101 through 4103, subheading 4105.10, 4106.21, 4106.31, or 4106.91 or any other chapter. ¹⁹	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The existing rule covers finished goods classified under HTS headings 4114 through 4115. Finished goods produced from non-originating hides and skins classified under headings 4101 through 4103 that have undergone a tanning process (including pre-tanning) that is reversible are excluded by the current rule.</p> <p>The proposed rule applies to finished goods classified under heading 4114, which includes Chamois leather, patent leather, patent laminated leather, and metallized leather. The parallel change to rules of origin for finished goods classified under heading 4115 was made under Track II.²⁰ The rule of origin is liberalized by eliminating the exclusion for inputs classified under heading 4101 through 4103 that have undergone a reversible tanning process (including pre-tanning). Furthermore, the proposed rule allows finished goods classified under heading 4114 produced from non-originating inputs classified under subheadings 4105.10 (wet blues of sheep or lamb), 4106.21 (wet blues of goat or kid), 4106.31 (wet blues of swine), or 4106.91 (other wet blues) to be classified as originating goods.</p> <p>The Canadian Government proposed this rule change because, according to the Canadian domestic industry, “reversible” tanning is not commercially feasible. The Canadian Government also indicated that the rule change simplifies application and administration by simply referring to the relevant headings and subheadings.²¹</p>			

¹⁹ The parallel change to rules of origin for finished goods classified under heading 4115 was made under Track II (“Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin,” USITC Publication No. 3802, Sep. 2005).

²⁰ “Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin,” USITC Publication No. 3802, Sep. 2005.

²¹ Gloria Sola, Trade Policy Officer, Tariffs and Market Access Division, International Trade Canada, e-mail message received Apr. 20, 2006.

Effect:

The proposed changes are unlikely to have more than a negligible effect on U.S. trade or production.

The total value of shipments by the U.S. leather and hide tanning and finishing industry averaged \$1.87 billion during 2002-2004, of which about \$1.2 billion was attributed to the cost of materials.²² Annual shipments were stable, though the number of production workers fell from 7,096 to 5,428 during this period. The data are not sufficient to determine what percentage of total industry shipments, if exported, would be classified under HTS 4114.

Current NTR rates for goods classified under heading 4114 are 10 percent *ad valorem* in Mexico, range from 1.6 percent to 3.6 percent in the United States, and range from free to 3 percent in Canada. NAFTA rates in all the countries are free.

U.S. exports of the finished product classified under heading 4114 are dominated by exports of patent leather to Mexico. Total U.S. exports to Mexico under heading 4114 ranged from \$65.6 million in 2002 to \$210.9 million in 2004, and averaged \$129.4 million during 2002-2005, accounting for more than 99 percent of total U.S. exports. U.S. imports of the finished product classified under heading 4114 totaled \$13.5 million during 2002-2005, of which about 25 percent was NAFTA trade.²³ Consequently, the United States is a net exporter of the finished product.

Total U.S. imports of goods under those HTS headings and subheadings affected by the change in rules averaged nearly \$9.7 million during 2002-2005, of which \$2.6 million were from Mexico and Canada. However, exports of these products averaged \$44.8 million, with 36 percent going to Mexico and Canada during 2002-2005.²⁴ Therefore, the United States is also a net exporter of these intermediate goods.

These trade patterns suggest that the current rules of origin do not appear to be a limiting factor in either U.S. production or U.S. exports of finished goods under heading 4114 to Mexico. Therefore, it is unlikely that the changes will have more than a negligible effect on U.S. production or trade.

ALUMINIUM

PETITIONER: Government of Canada

HTS No.	Existing rule	Proposed rule	Probable effect advice
7601	A change to headings 7601 through 7603 from any other chapter.	A change to heading 7601 from any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None

²² United States Census Bureau. American FactFinder, 2004 Annual Survey of Manufacturers.

²³ United States International Trade Commission. Interactive Tariff and Trade Dataweb. Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

²⁴ United States International Trade Commission. Interactive Tariff and Trade Dataweb. Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

<i>Modification:</i>	The proposed rule for heading 7601 is a restatement of the original rule; the only change being that the proposal breaks out three formerly grouped headings into separate rules to allow for changes to the rule for heading 7602.
<i>Effect:</i>	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
7602	A change to headings 7601 through 7603 from any other chapter.	A change to heading 7602 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i>	The proposed rule is liberalizing because it eliminates the requirement of a chapter change to confer origin. Under this proposed rule, NAFTA origin could be conferred on aluminum waste and scrap that is produced from any aluminum containing product.		
<i>Effect:</i>	The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. The U.S. NTR rate on these aluminum products is free. Canadian NTR tariffs are also free. Mexican NTR tariffs are either zero or 10 percent. The United States is one of Mexico's leading sources of waste and scrap, but Mexico's imports at the 10 percent rate are only a small portion of its overall imports of waste and scrap. Thus the overall effect on U.S. exports of aluminum waste and scrap would be negligible.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
7603	A change to headings 7601 through 7603 from any other chapter.	A change to heading 7603 from any other chapter	U.S. total trade: Imports: None Exports: None U.S. production: None
<i>Modification:</i>	The proposed rule for heading 7603 is a restatement of the original rule; the only change being that the proposal breaks out three formerly grouped headings into separate rules to allow for changes to the rule for heading 7602.		
<i>Effect:</i>	Because the change to this rule is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
7604	A change to headings 7604 through 7606 from any heading outside that group.	A change to heading 7604 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i>	The proposed rule is liberalizing because it allows for NAFTA origin to be conferred on aluminum bars, rods, and profiles (7604) as long as there has been a heading shift, including from headings 7605 and 7606. Under this proposed rule, NAFTA origin could be conferred on aluminum bars, rods, and profiles manufactured from aluminum wire or aluminum plate, sheet, and strip.		
<i>Effect:</i>	The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production, because under standard industry production methods aluminum bars, rods, and profiles are typically not manufactured from plate, sheet, strip, or wire and it would not be cost-effective to change production methods.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
7605	A change to headings 7604 through 7606 from any heading outside that group.	A change to heading 7605 from any other heading, except from heading 7604; or A change to heading 7605 from heading 7604, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would liberalize the rule of origin for aluminum wire by allowing for the drawing of wire from aluminum plate, sheet, and strip, and allow for the drawing of wire from aluminum bars, rods, and profiles, as long as there is a reduction of the cross-sectional area by at least 50 percent.</p> <p><i>Effect:</i> The proposed rule would likely have a negligible effect on U.S. imports, exports, and production of aluminum wire. The majority of U.S. consumption of aluminum wire is already accounted for by duty-free imports from Canada. Further, U.S. NTR tariffs on aluminum wire are already low (2.6 and 4.2 percent <i>ad valorem</i>), so this rule change would not significantly affect U.S. imports. In 2005, U.S. exports of aluminum wire to NAFTA countries amounted to \$85 million, or 75 percent of total aluminum wire exports. The United States could potentially increase its shipments of wire products to these countries, particularly Mexico, as a result of this rule change. However, the potential increase is likely offset because Canada, which is a large global producer of aluminum wire, also benefits from the liberalization of the rules of origin for aluminum wire into Mexico.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
7606	A change to headings 7604 through 7606 from any heading outside that group.	A change to heading 7606 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule is liberalizing because it allows for NAFTA origin to be conferred on aluminum plates, sheets, and strip as long as there has been a heading shift, including from headings 7604 and 7605. Under this proposed rule, NAFTA origin could be conferred on aluminum plates, sheets, and strip manufactured from aluminum wire or aluminum bars, rods, and profiles.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. Under standard industry production methods, aluminum plates, sheets, and strip are typically not manufactured from bars, rods, profiles, or wire, and it would not be cost-effective to change production methods.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
7614	A change to heading 7614 from any other heading, except from headings 7604 through 7605.	A change to heading 7614 from any other heading, except from heading 7605; or a change to heading 7614 from heading 7605, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would liberalize the origin determination for stranded wire, cables, plaited bands and the like, including slings and similar articles, of aluminum, not electrically insulated (7614.10.1000 - 7614.90.50.00) by allowing inputs from any other heading, except from heading 7605; or from heading 7605, whether or not there are also inputs from any other heading, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used, unlike the existing rule which allows inputs from any other heading, except from headings 7604 through 7605.</p> <p><i>Effect:</i> The proposed rule change would likely have a negligible effect on U.S. production, imports, and exports of this merchandise. The U.S. NTR rates are already relatively low for these products at 4.9 or 5.7 percent ad valorem. The Canadian NTR rate is 4.5 percent and the Mexican NTR rate is 15 percent <i>ad valorem</i> - Mexico currently accounts for only about 2 percent of U.S. exports. Further, the U.S. industry is a large producer of these items and imports are believed to account for a relatively small share of U.S. consumption.</p>			

DIESEL ENGINES

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8407	A change to headings 8407 through 8408 from any other heading, including another heading within that group, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	A change to heading 8407 from any other heading provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p><i>Modification:</i> The changes to this rule of origin are limited to formatting.</p> <p><i>Effect:</i> Because the changes to this rule are limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8408.10-8408.20	A change to headings 8407 through 8408 from any other heading, including another heading within that group, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	A change to subheading 8408.10 through 8408.20 from any other heading, including another heading within that group, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p><i>Modification:</i> The changes to this rule of origin are limited to formatting.</p> <p><i>Effect:</i> Because the changes to this rule are limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8408.90	A change to headings 8407 through 8408 from any other heading, including another heading within that group, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	A change to subheading 8408.90 from any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for certain diesel engines used for non-marine and non-motor vehicle propulsion by eliminating the regional value content (RVC) requirement necessary to confer NAFTA origin status, requiring only a heading-level classification change. This change would harmonize the NAFTA rule with its CAFTA counterpart.</p> <p><i>Effect:</i> The proposed rule change is likely to have a negligible effect on U.S. imports, exports, and production of certain diesel engines. The petitioner has indicated that the main purpose of the RVC elimination is to ease the administrative (paperwork) burden. Because all products in this subheading are already free of duty on an NTR basis for the United States, no change is expected in U.S. imports. The Canadian NTR duty rate for all products in the subheading is also free, and consequently would not be expected to affect U.S. exports. The NTR rate for Mexico, however, is either 10 or 15 percent ad valorem. But unlike Canada, which accounts for one-third of U.S. exports of these engines, Mexico is a relatively small market, representing 5 percent (\$34 million) of such exports in 2005. However, the United States is Mexico's leading source of these engines, accounting for over 75 percent of such imports annually during 2001-05. Although greater export opportunities may be created as a result of the elimination of the RVC, the current high import share likely limits significant U.S. export and production gains.</p>			

OTHER GAS TURBINES AND PARTS

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8411.11-8411.82	(A) A change to subheadings 8411.11 through 8411.82 from any other heading; or (B) A change to subheadings 8411.11 through 8411.82 from subheadings 8411.91 through 8411.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: <ul style="list-style-type: none"> (1) 60 percent where the transaction value method is used; or (2) 50 percent where the net cost method is used. 	A change to subheading 8411.11 through 8411.82 from any subheading outside that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would liberalize the origin restriction for turbojets, turbo-propeller and other gas turbine engines by eliminating the regional value content (RVC) requirement and by requiring only a subheading-level tariff shift.</p> <p><i>Effect:</i> The proposed rule would likely have a negligible effect on U.S. imports, exports, and production. The U.S. NTR rate is free or 2.5 percent ad valorem. Canada's NTR rate ranges from free (on the majority of goods) to 9.5 percent, while Mexico's NTR rate is free or 10 percent ad valorem (on the majority of goods). In 2005, U.S. imports of these goods from Canada under NAFTA amounted to 14.6 percent of total U.S. imports of these goods, while such imports from Mexico were zero. Although elimination of the RVC liberalizes import restrictions from NAFTA partners, any increase in such imports would likely be offset by a corresponding decline of non-NAFTA imports as there are a limited number of suppliers worldwide.</p> <p>U.S. exports and production are not likely to be significantly affected by the proposed rule change. The cost of moving production for a limited market and existing long-term contracts with major engine companies would temper any expanded export and production opportunities.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8411.91	A change to subheadings 8411.91 through 8411.99 from any other heading.	A change to subheading 8411.91 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p><i>Modification:</i> The new rule restates that part of the existing rule pertaining to HTS 8411.91 as a separate rule; the existing rule covers a broader range of HTS subheadings.</p> <p><i>Effect:</i> Because the changes to this rule are limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8411.99	A change to subheadings 8411.91 through 8411.99 from any other heading.	<p>A change to subheading 8411.99 from any other heading; or</p> <p>No required change in tariff classification to subheading 8411.99, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for goods of subheading 8411.99 (parts of non turbine or turbo-propeller engines) by providing the optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transactional value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production for subheading 8411.99 as there are few producers of such parts in the world, and changing of sourcing would involve a great deal of regulatory oversight to ensure the airworthiness of alternate parts. U.S. imports of products classified in subheading 8411.99 enter the United States free of duty. The proposed rule would therefore have no effect on U.S. imports. In 2005, Canada and Mexico supplied 27.1 percent of total U.S. imports of these goods.</p> <p>U.S. exports of parts for non turbine or turbo-propeller engines are not likely to increase as a result of this proposed rule change, as the market for these goods is limited, and driven by turbine engine market needs rather than NAFTA rules of origin.</p> <p>No shifts in U.S. production or sourcing are expected because of the proposed rule change. The NTR rate of both Canada and Mexico is free of duty.</p>			

VALVES

PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
8481.10-8481.30	<p>(A) A change to subheadings 8481.10 through 8481.80 from any other heading; or</p> <p>(B) A change to subheadings 8481.10 through 8481.80 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8481.10 through 8481.30 from any other heading; or</p> <p>A change to subheading 8481.10 through 8481.30 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>
<p><i>Modification:</i> The changes to this rule of origin are limited to formatting.</p> <p><i>Effect:</i> Because the changes to this rule are limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8481.40-8481.80	<p>(A) A change to subheadings 8481.10 through 8481.80 from any other heading; or</p> <p>(B) A change to subheadings 8481.10 through 8481.80 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8481.40 through 8481.80 from any other heading; or</p> <p>A change to subheading 8481.40 through 8481.80 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed rule would liberalize the origin standards for valves by lowering the regional value content (RVC) requirement.
<i>Effect:</i>	The proposed rule modification is likely to have a negligible effect on U.S. imports, exports, and production because numerous large and medium producers of these valves have already shifted production, assembly, and procurement of valve or valve components to lower cost countries such as Mexico where they have access to relatively low labor and input costs. Mexico is a leading or the dominant supplier of these goods depending on the type of valve or valve component produced. In 2005, nearly 26 percent of all valves and valve components entered into the United States free of duty under NAFTA. The NTR rates for the United States range from 2 to 5.6 percent ad valorem. Any increase in U.S. imports of valves and valve components under the less restrictive RVC requirement is likely to have a negligible impact on U.S. imports, as well as a negligible effect on U.S. exports and production.

PARTS FOR ELECTRIC MOTORS AND GENERATORS
PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8503	A change to heading 8503 from any other heading.	A change to heading 8503 from any other heading; or No required change in tariff classification to heading 8503, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for certain parts for electric generators by requiring either a heading change or specified regional content value. This product includes parts used in the production of electric generators and/or as replacement parts for electric generators. The majority of these parts are used as replacement parts for large generators assembled and used in the NAFTA countries in the production of electricity.			

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. U.S. imports under this subheading have an NTR duty ranging from free to 6.5 percent ad valorem. Most imports under this heading from Canada and Mexico already are free under NAFTA. Furthermore, the value of imports for this product from Canada and Mexico represents a small portion (5 percent) of the value of total U.S. imports under this heading. Most major producers, including U.S. producers, already rely on Mexico as a steady supplier for these parts through duty preference under the NAFTA. By allowing either a heading change or a rule based on regional value content, the proposed rule would allow companies greater flexibility in choosing suppliers for these parts for production, or when seeking replacement parts, for goods where substantial value is added in the United States. An industry submission supporting the proposed rule highlighted benefits such as enhancing producers' competitive positions.

The proposed rule is likely to have a negligible effect on U.S. exports and production. Originating U.S. exports of these products to Mexico and Canada are free of duty under NAFTA. The NTR rates for these products are already free or low (Canada is free while Mexico is 10 percent). Most large producers of this product have already shifted production and assembly abroad. For the remainder of U.S.-produced products within the NAFTA region, the proposed rule would likely improve the competitive position against foreign suppliers, but is not expected to result in significant export or production opportunities.

ELECTRIC TRANSFORMERS

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8504.10	<p>(A) A change to subheadings 8504.10 through 8504.34 from any other heading; or</p> <p>(B) A change to subheadings 8504.10 through 8504.34 from subheading 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8504.10 from any other subheading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for electrical transformers, specifically ballasts, by (1) requiring only a subheading-level tariff shift, and (2) eliminating the regional value content requirement. This product is used to provide the proper starting and operating electrical condition to power one or more discharge lamps.</p>			

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. A low NTR duty rate of 3 percent *ad valorem* applies to this subheading. Most imports under this subheading from Canada and Mexico already are free under NAFTA. The value of imports for this product from Canada and Mexico represents a relatively small portion (16 percent) of the value of total U.S. imports under this subheading. Furthermore, most major producers, including U.S. producers, already rely on Mexico as a major supplier for these parts through duty preference under the NAFTA. By allowing a subheading change and eliminating the current regional value content requirement, the proposed rule would allow these companies greater flexibility in choosing suppliers. This flexibility allows major U.S. producers to remain competitive with foreign suppliers. An industry submission indicates that this rule change enables significant production operations to continue in the NAFTA territory, removes the administrative burden associated with the regional value content requirements, and provides greater flexibility when choosing suppliers.

The proposed modification is likely to have a negligible effect on U.S. exports and production. U.S. exports of these products to Mexico and Canada are free of duty under NAFTA. The NTR rates for these products are already low for Canada and Mexico (7 percent and 15 percent, respectively). In 2005, U.S. exports to NAFTA partner countries accounted for 71 percent of total U.S. exports for these goods. The proposed rule would likely improve the competitive positions of U.S.-produced products within the NAFTA region against foreign suppliers but is not expected to result in significant export or production opportunities because such exports already are free of duty.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8504.21-8504.23	<p>(A) A change to subheadings 8504.10 through 8504.34 from any other heading; or</p> <p>(B) A change to subheadings 8504.10 through 8504.34 from subheading 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8504.21 through 8504.23 from subheading 8504.90 or any other heading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rule would liberalize NAFTA rules of origin for liquid dielectric electrical transformers by (1) requiring only a subheading-level tariff shift, and (2) eliminating the regional value content requirement from parts to goods. This product is an electrical device that transfers energy from one circuit to another by magnetic coupling with no moving parts.

Effect: The proposed rule modification is likely to have a negligible effect on U.S. imports, exports, and production. A low NTR duty rate of 1.6 percent *ad valorem* applies to this subheading. Most imports under this subheading from Canada and Mexico already are free under NAFTA. Furthermore, most major producers, including U.S. producers, already rely on Mexico as a major supplier for electric transformers having a power handling capacity exceeding 10,000 kVA (Mexico supplied 56 percent from NAFTA trading partners in 2005). By allowing a subheading change and eliminating the current regional value content requirement, the proposed rule would allow these companies greater flexibility in choosing suppliers. This flexibility would allow major U.S. producers to remain competitive with foreign suppliers. An industry submission indicates that this rule change would enable significant production operations to continue in the NAFTA territory, remove the administrative burden associated with the regional value content requirements, and provide greater flexibility when choosing suppliers.

The proposed rule modification is likely to have a negligible effect on U.S. exports and production. U.S. exports of these products to Mexico and Canada are free of duty under NAFTA. The NTR rates for Canada and Mexico are moderately low (9.5 percent and 15 percent, respectively). In 2005, U.S. exports to NAFTA partner countries accounted for 46 percent of total U.S. exports for these goods. The proposed rule would likely improve the competitive positions of U.S.-produced products within the NAFTA region against foreign suppliers but it is not expected to result in significant export or production opportunities because such exports already are free of duty.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8504.31	<p>(A) A change to subheadings 8504.10 through 8504.34 from any other heading; or</p> <p>(B) A change to subheadings 8504.10 through 8504.34 from subheading 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8504.31 from any other heading; or</p> <p>A change to subheading 8504.31 from subheading 8504.90, whether or not there is also a change from any other heading provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>
<i>Modification:</i>	The proposed rule restates part of the existing rule pertaining to HTS 8504.10-8504.34 as a separate rule; the existing rule covers a broader range of HTS subheadings.		
<i>Effect:</i>	Because the change to the existing rule for subheading 8504.31 is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.		

HTS No.	Existing rule	Proposed rule	Probable effect advice
8504.32-8504.34	<p>(A) A change to subheadings 8504.10 through 8504.34 from any other heading; or</p> <p>(B) A change to subheadings 8504.10 through 8504.34 from subheadings 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8504.32 through 8504.34 from subheading 8504.90 or any other heading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for electrical transformers by (1) requiring only a subheading-level tariff shift, and (2) eliminating the regional value content requirement from parts to goods. This product is an electrical device that transfers energy from one circuit to another by magnetic coupling with no moving parts.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. A low NTR duty rate of 1.6 percent <i>ad valorem</i> or 2.4 percent <i>ad valorem</i> applies to this subheading. Most imports under this subheading from Canada and Mexico already are free under NAFTA. The value of imports from this category of electric transformers from Canada and Mexico represents a relatively small portion (19 percent) of the value of total U.S. imports under this subheading. Furthermore, most major producers, including U.S. producers, already rely on Mexico as a major supplier for these products through duty preference under the NAFTA. By allowing a subheading change and eliminating the current regional value content requirement, the proposed rule would allow these companies greater flexibility in choosing suppliers. This flexibility would allow major U.S. producers to remain competitive with foreign suppliers. An industry submission indicates that this rule change would enable significant production operations to continue in the NAFTA territory, removes the administrative burden associated with the regional value content requirements, and provide greater flexibility when choosing suppliers.</p> <p>The proposed modification is likely to have a negligible effect on U.S. exports and production. U.S. exports of these products to Mexico and Canada are free of duty under NAFTA. In 2005, U.S. exports to NAFTA partner countries accounted for 47 percent of total U.S. exports for these goods. The proposed rule would likely improve the competitive positions of U.S. -produced products within the NAFTA region against foreign suppliers but is not expected to result in significant export or production opportunities because such exports already are free of duty.</p>			

PRIMARY CELLS AND BATTERIES

PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
8506.10-8506.40	(A) A change to subheadings 8506.10 through 8506.80 from any other heading, except from tariff items 8548.10.05 or 8548.10.15; or (B) A change to subheadings 8506.10 through 8506.80 from subheading 8506.90, whether or not there is also a change from any other heading, except from tariff items 8548.10.05 or 8548.10.15, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to subheading 8506.10 through 8506.40 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would eliminate the regional value content requirement when incorporating goods from HTS heading 8506.90 and the exception for non-originating spent primary and electronic storage batteries in the assembly of manganese dioxide, mercuric oxide, and silver oxide primary batteries. The proposed changes bring this NAFTA rule closer to conformity with that developed for CAFTA.</p> <p><i>Effect:</i> The proposed rule change is likely to have a negligible effect on U.S. imports, exports, and production of certain primary batteries.²⁵ The proposed rule would allow the use of spent batteries or cells (HTS items 8548.10.05 or 8548.10.15) from non-NAFTA countries in the manufacture of certain primary batteries, permit the use of group subheading products as inputs in the manufacture of primary batteries, and eliminate the RVC requirement in certain circumstances. Two of the proposed changes are more theoretical rather than practical. Spent batteries are not commonly an input in primary battery production, and parts of such batteries are classified elsewhere (HTS number 8506.90.00).²⁶ Additionally, the group subheadings subject to this rule are</p>			

²⁵ The term “battery” is usually applied to a group of two or more electric cells connected together electrically. In common usage, however, the term battery is also applied to a single cell, such as a flashlight battery. Customs Ruling HQ 963870, July 14, 2000.

²⁶ The material recovered from these spent batteries would be classified in the relevant material categories, such as lead recovered from lead-acid storage batteries (HTS number 7802.00.0030).

classifications for finished primary batteries, cells, or packs²⁷ of different chemistries (i.e., cathodes of manganese dioxide or mercuric oxide). Although the proposed rule change would allow battery products of one subheading to be used as inputs of battery products classified in another subheading of this group (e.g., a battery with manganese dioxide cathode to be used as an input for a mercuric oxide battery), this is not a common industry practice.²⁸

The RVC requirement currently applies only to the assembly of goods from parts classified in HTS 8506.90 (parts of primary batteries). Therefore, the elimination of the RVC requirement would effectively permit the use of non-originating inputs of HTS subheading 8506.90 to be used in the production of the subject primary cells, batteries, and packs. This change would most likely affect the industry segment producing primary cells and single cell batteries, such as the typical AA and AAA alkaline battery, rather than batteries and battery packs because the latter are manufactured from cells that are classified in the same category as the final battery or pack (which does not meet the rule change).

There will likely be a negligible effect not only on U.S. imports and exports of these specific products, but on overall trade in certain primary batteries as well. U.S. imports are unlikely to change because the NTR duty rate is relatively low (2.7 percent *ad valorem*). No change is expected in U.S. exports to Mexico because Mexico's NTR duty rate is free. Although Canada imposes NTR rates of free or 7 percent *ad valorem* on these batteries, most Canadian imports from the United States are classified in categories subject to the 7 percent tariff. Although the amount of U.S. goods subject to this higher rate is unknown, the United States accounted for 83 percent (\$112.1 million) of Canadian imports of certain primary batteries to Canada in 2005. Although greater export opportunities may be created as a result of the elimination of the RVC, the current high U.S. import share likely limits significant U.S. export and production gains.

²⁷ At its most basic, a battery pack includes cells, battery leads, terminals, and battery contacts.

²⁸ The assembly of non-originating cells into batteries or battery packs classified in the same subheading would not be affected by this rule change. Primary cells subject to this rule would need to be originating goods to receive NAFTA status if assembled into a battery pack, for example.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8506.50-8506.80	(A) A change to subheadings 8506.10 through 8506.80 from any other heading, except from tariff items 8548.10.05 or 8548.10.15; or (B) A change to subheadings 8506.10 through 8506.80 from subheading 8506.90, whether or not there is also a change from any other heading, except from tariff items 8548.10.05 or 8548.10.15, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to subheading 8506.50 through 8506.80 from any subheading outside that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would eliminate the regional value content requirement when incorporating goods from HTS heading 8506.90 and the exception for non-originating spent primary and electronic storage batteries in the assembly of lithium, air-zinc, and other miscellaneous primary batteries. The proposed changes bring this NAFTA rule closer to conformity with that developed for CAFTA.</p> <p><i>Effect:</i> The proposed rule change is likely to have a negligible effect on U.S. imports, exports, and production of certain primary batteries.²⁹ The proposed rule would allow the use of spent batteries or cells (HTS items 8548.10.05 or 8548.10.15) from non-NAFTA countries in the manufacture of certain primary batteries, permit the use of subheading 8506 products from outside the group as inputs in the manufacture of primary batteries, and eliminate the RVC requirement. Two of the proposed changes are more theoretical than practical. Spent batteries are not a common input in primary battery production, and parts of such batteries are classified elsewhere (HTS number 8506.90.00).³⁰ Additionally, the group subheadings subject to this rule are classifications for finished primary batteries, cells, or packs³¹ of different chemistries</p>			

²⁹ The term “battery” is usually applied to a group of two or more electric cells connected together electrically. In common usage, however, the term battery is also applied to a single cell, such as a flashlight battery. Customs Ruling HQ 963870, July 14, 2000.

³⁰ The material recovered from these spent batteries would be classified in the relevant material categories, such as lead recovered from lead-acid storage batteries (HTS number 7802.00.0030).

³¹ At its most basic, a battery pack includes cells, battery leads, terminals, and battery contacts.

(i.e., cathodes of lithium or air-zinc). Although the proposed rule change would allow subheading 8506 battery products from outside the group as inputs in the manufacture of the subject primary batteries (e.g., a battery with manganese dioxide cathode to be used as an input for a lithium battery), this is not a common industry practice.³²

The RVC requirement currently applies only to the assembly of goods from parts classified in HTS 8506.90 (parts of primary batteries). Therefore, the proposed rule would effectively permit the use of non-originating inputs of HTS subheading 8506.90 to be used in the production of the subject primary cells, batteries, and packs without the RVC requirement. This change would most likely affect the industry segment producing primary cells and single cell batteries, such as the typical lithium battery, rather than batteries and battery packs because the latter are manufactured from cells that are classified in the same category as the final battery or pack (which does not meet the rule change).

There will likely be a negligible effect on U.S. imports and exports of these specific products as well as on overall trade in certain primary batteries as well. U.S. import levels are unlikely to change because the NTR duty rate is relatively low (2.7 percent *ad valorem*), and the rate for GSP-eligible sources is free. No change is expected in U.S. exports to Mexico because the NTR duty rate is free. Although Canada imposes NTR rates of free or 7 percent *ad valorem* on these batteries, most Canadian imports from the United States are classified in categories subject to the 7 percent tariff. Although the amount of U.S. goods subject to this higher rate is unknown, the United States accounted for 43 percent (\$27.6 million) of Canadian imports of subject batteries in 2005; these exports to Canada accounted for about 10 percent of total U.S. exports in 2005. The United States is the leading Canadian import source of primary lithium and air-zinc batteries, and the second leading source of miscellaneous primary batteries.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8506.90	A change to subheading 8506.90 from any other heading, except from tariff items 8548.10.05 or 8548.10.15; or (B) No required change in tariff classification to subheading 8506.90, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to a good of subheading 8506.90 from within that subheading or any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

³² The assembly of non-originating cells into batteries or battery packs classified in the same subheading would not be affected by this rule change. Primary cells subject to this rule would still need to be originating goods to receive NAFTA status if assembled into a battery pack, for example.

Modification: The proposed rule would eliminate the regional value content requirement and the exception for non-originating spent primary and electronic storage batteries in the assembly of parts for primary batteries. Under the revised rule, no change in classification would be required, but processes of manufacture would need to modify the inputs concerned.

Effect: The proposed rule change is likely to have a negligible effect on U.S. imports, exports, and production of certain primary battery parts.³³ The proposed rule would allow the use of spent batteries or cells (HTS items 8548.10.05 or 8548.10.15) from non-NAFTA countries in the manufacture of primary battery parts, permit the use of group heading products as inputs in these components, and eliminate the RVC requirement. Two of these proposed changes are more theoretical than practical. Although the proposed rule change would allow the use of spent batteries or cells from non-NAFTA countries in the manufacture of primary battery parts, spent batteries in and of themselves are not commonly an input in the production of these components.³⁴

In addition, the proposed rule change for HTS subheading 8506.90 (parts of primary batteries and cells) would allow the use of inputs from within the subheading or a classification change from any other subheading, including other subheadings of HTS heading 8506. Although the proposed rule change would allow finished batteries or cells classified in any 8506 subheading to be used as inputs of battery parts, this is not considered to be a common or practical manufacturing process. Parts classified in HTS subheading 8506.90 are also not believed to be widely used in the manufacture of other components of that subheading.

The proposed elimination of the RVC requirement would permit the use of non-originating inputs without limitation (apart from the tariff shift) in the production of primary battery components. Despite this liberalization, there will likely be a negligible effect on U.S. imports of these specific products because the U.S. NTR duty rate is relatively low (2.7 percent *ad valorem*). Canada maintains similarly low NTR duty rates (either free or 2.5 percent *ad valorem*) and Mexico's NTR rate of duty is free. Consequently, a negligible effect is also expected on U.S. exports and production.

³³ For tariff purpose, the term "battery" is usually applied to a group of two or more electric cells connected together electrically. In common usage, however, the term battery is also applied to a single cell, such as a flashlight battery. Customs Ruling HQ 963870, July 14, 2000.

³⁴ The material recovered from these spent batteries would be classified in the relevant material categories, such as lead recovered from lead-acid storage batteries (HTS number 7802.00.0030).

ELECTRICAL APPARATUS FOR LINE TELEPHONY
PETITIONER: Unknown

HTS No.	Existing rule	Proposed rule	Probable effect advice
8517.11-8517.80	<p>A change to subheading 8517.11 from any other subheading, except from tariff items 8517.90.12, 8517.90.36, 8517.90.38 or 8517.90.44.</p> <p>A change to tariff item 8517.19.40 from any other subheading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8473.30.10, 8517.90.12, 8517.90.16, 8517.90.24, 8517.90.26, 8517.90.32, 8517.90.36, 8517.90.38 or 8517.90.44:</p> <p>(A) except as provided in subdivision (B) of this rule, for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p> <p>A change to subheading 8517.19 from any other subheading, except from tariff items 8517.90.12, 8517.90.36, 8517.90.38 or 8517.90.44.</p> <p>A change to subheadings 8517.22 through 8517.30 from any other subheading, including another subheading within that group, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8473.30.10, 8517.90.16, 8517.90.24, 8517.90.26, 8517.90.32, 8517.90.36, 8517.90.38 or 8517.90.44:</p>	<p>A change to subheading 8517.11 through 8517.80 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

	<p>(A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p> <p>A change to subheading 8517.21 from any other subheading, except from tariff item 8517.90.04.</p> <p>A change to tariff item 8517.50.10 from any other subheading.</p> <p>A change to tariff item 8517.50.50 from any other subheading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8473.30.10, 8517.90.16, 8517.90.24, 8517.90.26, 8517.90.32, 8517.90.36, 8517.90.38 or 8517.90.44:</p> <p>(A) except as provided in subparagraph (B) of this rule, for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p> <p>A change to subheading 8517.50 from any other subheading.</p>		
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	<p>A change to tariff item 8517.80.10 from any other subheading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8473.30.10, 8517.90.16, 8517.90.24, 8517.90.26, 8517.90.32, 8517.90.36, 8517.90.38 or 8517.90.44:</p> <p>(A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p> <p>A change to subheading 8517.80 from any other subheading.</p>		
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for electrical apparatus used in line telephony and line telegraphy by eliminating a number of rules that exclude products from NAFTA eligibility that incorporate non-originating printed circuit assemblies and certain other components.</p> <p><i>Effect:</i> The proposed change would likely have a negligible effect on U.S. production, imports, and exports because all products classified in HS heading 8517 already enter the United States and Canada free of duty as a result of the Information Technology Agreement and most of these products already enter Mexico free of duty. Although cordless handset telephones (8517.11) face import duties of 20 percent in Mexico, the United States is not globally competitive in these products and relies on imports (mostly from China) for the vast majority of those consumed in the United States. U.S. exports of cordless handset telephones accounted for only 2.2 percent of U.S. global exports of the products classified under HS subheadings 8517.11 to 8517.80. Hence, with the likely negligible effect on U.S. imports and exports, the effect on U.S. production would likely be negligible.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8517.90	<p>A change to tariff item 8517.90.12 from any other tariff item, except from tariff items 8517.90.36, 8517.90.38 or 8517.90.44.</p> <p>A change to tariff items 8517.90.24, 8517.90.26 or 8517.90.32 from any other tariff item, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8473.30.10, 8517.90.34, 8517.90.36, 8517.90.38 or 8517.90.44:</p> <p>(A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p> <p>A change to tariff item 8517.90.04 from any other tariff item.</p> <p>A change to tariff item 8517.90.34 from any other tariff item.</p> <p>A change to tariff items 8517.90.36, 8517.90.38 or 8517.90.44 from any other tariff item.</p> <p>A change to tariff items 8517.90.48, 8517.90.52 or 8517.90.56 from any other heading.</p> <p>A change to tariff items 8517.90.58, 8517.90.64 or 8517.90.66 from tariff items 8517.90.48, 8517.90.52 or 8517.90.56, or any other heading.</p>	<p>A change to subheading 8517.90 from any other subheading, or</p> <p>No required change in tariff classification to subheading 8517.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>

	<p>(A) A change to subheading 8517.90 from any other heading; or</p> <p>(B) No required change in tariff classification to subheading 8517.90, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>		
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for parts of electrical apparatus used in line telephony and line telegraphy by allowing a subheading-level tariff change and eliminating a number of rules that exclude products from NAFTA eligibility that incorporate certain non-originating printed circuit assemblies and other components. The section of the rule covering regional content value is unchanged.</p> <p><i>Effect:</i> The proposed change would likely have no effect on U.S. imports and exports because the NTR duty rates for all products classified in HS subheading 8517.90 are already free for the United States, Canada, and Mexico. Because the proposed change will not affect trade between NAFTA countries or between NAFTA countries and the rest of the world, it is unlikely to affect U.S. production</p>			

TURNTABLES, RECORD PLAYERS, CASSETTE PLAYERS
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
8519.10-8519.99	A change to subheadings 8519.10 through 8519.99 from any other subheading, including another subheading within that group, except from tariff items 8522.90.25, 8522.90.45, or 8522.90.65.	A change to subheading 8519.10 through 8519.99 from any other subheading, including another subheading within that group	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed rule liberalizes the origin standard on turntables, record players, cassette players, and other sound reproducing apparatus not incorporating a sound recording device, by eliminating the exclusion of certain subheadings to allow origin to be conferred. The rule would liberalize the standard to the point that the final product could be assembled with no NAFTA content and be considered of NAFTA origin.
<i>Effect:</i>	<p>The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports.</p> <p>NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are free of duty to 3.9 percent; Canadian NTR rates are free to 5 percent; Mexican NTR rates are free to 20 percent.</p> <p>U.S. imports of these products were almost entirely (97 percent) from non-NAFTA partners in 2005. Imports from NAFTA partners were all free.</p> <p>This rule could lead to increased U.S. imports from Mexico, but that would likely be offset by decreased imports from non-NAFTA partners. There likely would be no change to total U.S. trade. There is minimal U.S. production of the goods within subheadings 8519.10 through 8519.99 and it is unlikely that this would change significantly as a result of the new rule.</p>

TRANSMISSION APPARATUS FOR RADIO TELEPHONY

PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
8525.30.aa	A change to tariff item 8525.30.aa from any other tariff item, except from tariff item 8525.30.bb	A change to tariff item 8525.30.aa from any other tariff item, except from tariff item 8525.30.bb	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The changes to this rule of origin are limited to formatting.

Effect: Because the changes to this rule are limited to formatting, no effect is expected on U.S. imports, exports, and production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8525.30	A change to subheading 8525.30 from any other subheading, except from tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19 or 8529.90.23.	A change to subheading 8525.30 from any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The proposed rule liberalizes the origin standard on television cameras (including closed circuit cameras) by eliminating the need to incorporate NAFTA tuners, printed circuit boards, or other parts to obtain regional origin.

Effect: The proposed change is likely to have a negligible effect on U.S. imports, exports, and production.

NAFTA tariff rates on television cameras are free. The U.S. NTR rate is 2.1 percent; the Canadian rate is free; the Mexican rate is free to 10 percent.

Imports from NAFTA partners accounted for 17 percent of total U.S. imports of these goods, and Canada accounted for virtually all imports from NAFTA partners.

This rule could lead to increased U.S. imports from Mexico, but that would likely be offset by decreased imports from non-NAFTA partners. U.S. production is mostly for scientific, industrial, or military applications. It is unlikely that U.S. consumers would change to a foreign source solely because of this rule change.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8525.40	A change to subheading 8525.40 from any other subheading, except from tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19 or 8529.90.23.	A change to subheading 8525.40 from any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The proposed rule liberalizes the origin standard for still image video cameras and video camera recorders by allowing the inclusion of more imported subassemblies to the point that the final product could be assembled with no NAFTA content and be considered of NAFTA origin.

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production.

NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are free of duty or 2.1 percent; Canadian NTR rates are free; Mexican NTR rates are free.

Virtually all U.S. imports of these goods are from non-NAFTA partners.

There is limited U.S. production of these goods, mostly for scientific, industrial, or military applications. It is unlikely that U.S. consumers would change to a foreign source solely because of this rule change.

RADAR APPARATUS
PETITIONER: Unknown

HTS No.	Existing rule	Proposed rule	Probable effect advice
8526.10-8526.92	<p>A change to subheading 8526.10 from any other subheading, except from subheading 8525.20, tariff item 8529.90.26 or more than two of the following:</p> <p>(A) display unit provided for in subheading 8471.60 or 8529.90, incorporating a cathode-ray tube, flat panel screen or similar display,</p> <p>(B) subheading 8529.10,</p> <p>(C) tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19 or 8529.90.23.</p> <p>(A) A change to subheadings 8526.91 through 8526.92 from any other heading, except from heading 8529; or</p> <p>(B) A change to subheadings 8526.91 through 8526.92 from heading 8529, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8526.10 through 8526.92 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed modification will liberalize the origin rule for radar apparatus, radio navigational equipment, and radio remote control apparatus by removing the language that excludes NAFTA eligibility for these products if they contain certain non-originating components such as cathode-ray tubes, flat-panel displays, and printed circuit assemblies (PCAs).
<i>Effect:</i>	The proposed modification would have a negligible effect on U.S. imports because the U.S. NTR duty rates are already free for subheadings 8526.10 and 8526.91. Subheading 8526.92 is subject to a rate of 4.9 percent <i>ad valorem</i> . The effect on U.S. exports and production would also likely be negligible because Canadian imports are already free of duty for all subheadings affected by these rules. Although the Mexican NTR duty rates for these products are 10-15 percent <i>ad valorem</i> , the Mexican market accounts for only a very small share of U.S. total exports of the products classified under these subheadings--3.2 percent in 2005. In addition, the United States is already the largest foreign source of these products to Mexico, accounting for two-thirds of Mexico's imports of these products in 2005. Therefore, even if the rule change allowed the United States to become the sole source of Mexico's radar apparatus imports, the effect on U.S. production and exports would be negligible.

RECEPTION APPARATUS FOR RADIO TELEPHONY

PETITIONER: Unknown

HTS No.	Existing rule	Proposed rule	Probable effect advice
8527.90	<p>A change to subheading 8527.90 from any other subheading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19 or 8529.90.23:</p> <p>(A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p>	A change to subheading 8527.90 from any other subheading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed rule would liberalize the origin standard for certain reception apparatus used for radiotelephony, radiotelegraphy, and radio broadcasting by eliminating rules that exclude products from NAFTA eligibility if they incorporate more than the specified number of non-originating printed circuit assemblies. The subheading includes pagers, citizens band radios, infant nursery monitors, and articles designed for connection to telephonic and telegraphic networks.
<i>Effect:</i>	<p>The effect of the proposed modification on U.S. imports is likely to be negligible for U.S. imports, exports, and production because all three NAFTA countries manufacture and trade products classified under this subheading and none of the three is likely to be disproportionately advantaged or disadvantaged by the proposed rule change. The change will allow each NAFTA country to incorporate low-cost PCAs sourced from Asia into products covered by this subheading and still obtain NAFTA eligibility.</p> <p>Further, NTR tariff rates in Canada and the United States for products classified under this subheading are either free of duty or face an <i>ad valorem</i> tariff of 6 percent, and Mexican NTR tariff rates for this subheading range between free and 20 percent <i>ad valorem</i>. However, Mexico accounts for a relatively small share of the U.S. exports classified under these subheadings--an average of 8.4 percent during 2003-05. In addition, the United States already supplies most of Mexico's imports of these products, 76 percent in 2005. Therefore, it is likely that the rule change would have only a negligible effect on U.S. exports, and with negligible U.S. import and export effects, the effect on U.S. production would be negligible.</p>

TELEVISIONS

PETITIONER: Government of Mexico

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.12dd	(A) A change to tariff item 8528.12.dd from tariff item 8528.12.gg or any other heading, except from tariff item 8540.11.cc, 8540.11.dd, or 8540.91.aa. In addition, no more than half the number of semiconductors of tariff item 8542.21.40, used in the television receiver component, may be non-originating; or (B) A change to tariff item 8528.12.dd from tariff item 8528.12.gg or any other heading, except from tariff items 8540.11.cc, 8540.11.dd, or 8540.91.aa. In addition, the regional value content must be not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to tariff item 8528.12.dd from tariff item 8528.12.gg or any other heading, except from tariff item 8540.11.cc, 8540.11.dd, or 8540.91.aa.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: This proposed rule liberalizes the origin standard for high definition direct-view color television receivers by eliminating the need to incorporate NAFTA-origin semiconductors and also by eliminating regional value content requirements to confer NAFTA origin.

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production.

In this rule, 8528.12.dd refers to HTS subheading 8528.12.44 or 8528.12.48; 8528.12.gg refers to 8528.12.04 or 8528.12.08; 8540.11.cc refers to 8540.11.30; 8540.11.dd refers to 8540.11.44 or 8540.11.48; and 8540.91.aa refers to 8540.91.15.

NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are 3.9 or 5.0 percent; Canadian NTR rates are 5 percent; and Mexican NTR rates are 20 percent.

Most U.S. imports of these products in 2005 - 79 percent - were from NAFTA partners, with Mexico accounting for all NAFTA imports.

The requirements of the existing rule to incorporate NAFTA semiconductors or meet a regional value requirement are superfluous, as a picture tube accounts for most of the value of a tube-based direct-view television receiver and both the existing and proposed rule require the use of a NAFTA-origin picture tube. There will be little or no effect on U.S. production, as U.S. producers have all but abandoned the production of tube-based direct-view television receivers. The rule change would likely encourage continued production in Mexico, but would be unlikely to lead to increased production. General industry consensus is that flat-panels such as LCD or plasma will become the dominant display technology in the next few years.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.12ee	(A) A change to tariff item 8528.12.ee from tariff item 8528.12.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa. In addition, no more than half the number of semiconductors of tariff item 8542.21.40, used in the television receiver component, may be non-originating; or	A change to tariff item 8528.12.ee from tariff item 8528.12.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

	<p>(B) A change to tariff item 8528.12.ee from tariff item 8528.12.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa. In addition, the regional value content must be not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>		
<p><i>Modification:</i> This proposed rule liberalizes the origin standard for high definition projection type color television receivers³⁵ by eliminating the need to incorporate NAFTA semiconductors and also eliminating regional value content requirements to confer NAFTA origin.</p> <p><i>Effect:</i> The proposed rule change is likely to have a negligible effect on U.S. imports, exports, and production.</p> <p>In this rule, 8528.12.ee refers to HTS subheading 8528.12.52 or 8528.12.56; 8528.12.gg refers to 8528.12.04 or 8528.12.08; 8540.12.bb refers to 8540.12.20 or 8540.11.70, and 8540.91.aa refers to 8540.91.15.</p> <p>NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are 3.9 or 5.0 percent; Canadian NTR rates are 5 percent; and Mexican NTR rates are 20 percent.</p> <p>Almost all U.S. imports of these products in 2005 - 97 percent - were from NAFTA partners, with Mexico accounting for virtually all NAFTA imports.</p> <p>The proposed rule would still require the use of NAFTA-origin tubes. There will be a negligible effect on U.S. production, as most U.S. producers are in the process of abandoning production of cathode-ray tube-based projection television receivers. The rule change would likely encourage continued production in Mexico, but would be unlikely to lead to increased production. General industry consensus is that flat-panels such as LCD or plasma will become the dominant display technology in the next few years.</p>			

³⁵ A tube-based projection television receiver normally contains three monochrome cathode-ray tubes (“CRTs”), which correspond to a single color picture tube in a direct-view color television receiver.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.21dd	<p>(A) A change to tariff item 8528.21.dd from tariff item 8528.21.gg or any other heading, except from tariff items 8540.11.cc, 8540.11.dd, or 8540.91.aa. In addition, no more than half the number of semiconductors of tariff item 8542.21.40, used in the video monitor component, may be non-originating; or</p> <p>(B) A change to tariff item 8528.21.dd from tariff item 8528.21.gg or any other heading, except from tariff items 8540.11.cc, 8540.11.dd, or 8540.91.aa. In addition, the regional value content must be not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p>	A change to tariff item 8528.21.dd from tariff item 8528.21.gg or any other heading, except from tariff item 8540.11.cc, 8540.11.dd, or 8540.91.aa.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> The proposed rule would liberalize the origin standard for high definition non-projection video monitors with cathode-ray tubes by eliminating the need to incorporate NAFTA semiconductors and also eliminating regional value content requirements.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production.</p> <p>In this rule, 8528.21.dd refers to HTS subheading 8528.12.41 or 8528.12.42; 8528.21.gg refers to 8528.21.05 or 8528.21.10; 8540.11.cc refers to 8540.11.30; 8540.11.dd refers to 8540.11.44 or 8540.11.48; and 8540.91.aa refers to 8540.91.15.</p> <p>Almost all U.S. imports of these products in 2005 - 93 percent - were from NAFTA partners, with Mexico accounting for virtually all NAFTA imports.</p>			

The requirements of the existing rule to incorporate NAFTA semiconductors or meet a regional value requirement are superfluous, as a picture tube accounts for most of the value of a tube-based direct-view video monitor and both the existing and proposed rule require the use of a NAFTA-origin picture tube. As a result, there will be only a negligible effect on U.S. production, as U.S. producers have all but abandoned the production of tube-based direct-view video monitors. The rule change would likely encourage continued production in Mexico, but would be unlikely to lead to increased production. General industry consensus is that flat panels such as LCD or plasma will become the dominant display technology in the next few years.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.21ee	<p>(A) A change to tariff item 8528.21. ee from tariff item 8528.21. gg or any other heading, except from tariff item 8540.12. bb or 8540.91. aa. In addition, no more than half the number of semiconductors of tariff item 8542.21.40, used in the video monitor component, may be non-originating; or</p> <p>(B) A change to tariff item 8528.21. ee from tariff item 8528.21. gg or any other heading, except from tariff item 8540.12. bb or 8540.91. aa. In addition, the regional value content must be not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to tariff item 8528.21. ee from tariff item 8528.21. gg or any other heading, except from tariff item 8540.12. bb or 8540.91. aa.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed rule would liberalize the origin standard for high definition projection type video monitors with cathode-ray tubes by eliminating the need to incorporate NAFTA semiconductors and also eliminating regional value content requirements.
<i>Effect:</i>	<p>The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production.</p> <p>NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are 3.9 or 5.0 percent; Canadian NTR rates are 6 percent; and Mexican NTR rates are 20 percent.</p> <p>NAFTA partners accounted for 14 percent of U.S. imports of these goods in 2005, with Mexico accounting for virtually all NAFTA imports.</p> <p>The requirements of the existing rule to incorporate NAFTA semiconductors or meet a regional value requirement are superfluous, since the picture tube accounts for most of the value of a tube-based direct-view video monitor and both the existing and proposed rule require the use of a NAFTA-origin picture tube. As a result, there will be only a negligible effect on U.S. production, since U.S. producers have all but abandoned the production of tube-based direct-view video monitors. The rule change would likely encourage continued production in Mexico, but would be unlikely to lead to increased production. General industry consensus is that flat-panels such as LCD or plasma will become the dominant display technology in the next few years.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.30.ee	(A) A change to tariff item 8528.30.ee from tariff item 8528.30.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa. In addition, no more than half the number of semiconductors of tariff item 8542.21.40, used in the video projector component, may be non-originating; or (B) A change to tariff item 8528.30.ee from tariff item 8528.30.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa. In addition, the regional value content must be not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to tariff item 8528.30.ee from tariff item 8528.30.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

<i>Modification:</i>	The proposed rule would liberalize the origin standard for high definition video projectors with cathode-ray tubes by eliminating the need to incorporate NAFTA-origin semiconductors and also by eliminating regional value content requirements.
<i>Effect:</i>	<p>The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production.</p> <p>In this rule, tariff item 8528.30.ee refers to HTS subheading 8528.30.50 or 8528.30.60; 8528.30.gg refers to 8528.30.10 or 8528.30.20; 8540.12.bb refers to 8540.12.20 or 8540.12.70; and 8540.91.aa refers to 8540.91.15.</p> <p>NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are 3.9 or 5.0 percent; Canadian NTR rates are 6 percent; and Mexican NTR rates are 20 percent.</p> <p>NAFTA partners accounted for only 3 percent of U.S. imports of these goods in 2005, with Mexico accounting for 56 percent of NAFTA imports.</p> <p>This rule could lead to increased U.S. imports from Mexico, but that would likely be offset by decreased imports from non-NAFTA partners. U.S. producers are moving from cathode-ray tube based projectors to flat panel-based monitors, so this rule change will likely have a negligible effect on U.S. exports or production.</p>

ELECTRIC SOUND OR VISUAL SIGNALING APPARATUS
PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
8531.10-8531.20	<p>A change to subheading 8531.10 from any other subheading, except from tariff items 8531.90.15 or 8531.90.30.</p> <hr/> <p>(A) A change to subheading 8531.20 from any other heading; or</p> <p>(B) A change to subheading 8531.20 from subheading 8531.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8531.10 through 8531.20 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rule would liberalize NAFTA rules of origin for electric sound or visual signaling apparatus by (1) requiring only a subheading-level tariff shift, (2) eliminating the exception under subheading 8531.10 for shifts from tariff items 8531.90.15 or 8531.90.30, and (3) eliminating the regional value content requirement under subheading 8531.20 relating to assembly of parts or assemblies of subheading 8531.90.

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, production, and exports. All U.S. imports under these subheadings are free of duty or have a minimal NTR duty rate of 1.3 percent *ad valorem*. Most imports from Mexico and Canada under subheading 8531.10 already obtain NAFTA duty-free treatment. Under subheading 8531.20, the value of imports from Mexico and Canada represents only a small portion (approximately 10 percent) of the value of total U.S. imports. With regard to production, many of the large global producers of this product group already have shifted operations to lower-cost producing countries such as Mexico, where they have access to relatively low labor input costs. By eliminating the exception under subheading 8531.10 and the regional value content requirement under subheading 8531.20, the proposed rule would allow global producers with operations in Mexico greater flexibility in choosing component suppliers in order to maintain their competitiveness. To the extent that NAFTA producers are able to lower their costs relative to non-NAFTA producers, production and employment levels are sustained and the incentive to move entire operations outside the region is diminished. An industry submission from a global producer with production sites throughout the United States, Canada and Mexico states that the proposed modifications will simplify qualification of products, provide more flexibility in sourcing, and may allow additional opportunities to expand operations in the NAFTA region.

The proposed modification is likely to have a negligible effect on U.S. exports. The NAFTA rate in both partner countries for U.S. exports is free. Canada's NTR rate is free, with the exception of alarms other than smoke detectors which have a rate of 6.5 percent *ad valorem*. The proposed modifications would likely improve the competitive positions of U.S.-produced products within the NAFTA region, particularly in Mexico where NTR rates are relatively high at 10-20 percent *ad valorem*. However, production and assembly operations in Mexico will likely be the greater beneficiary because many global producers already have shifted operations there. It is not anticipated that U.S. exports would increase more than negligibly beyond what is already supplied to Mexico.

ALARMS

PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
8531.80	<p>(A) A change to subheading 8531.80 from any other heading; or</p> <p>(B) A change to subheading 8531.80 from subheading 8531.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8531.80 from any other subheading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for electric sound or visual signaling apparatus by requiring only a subheading tariff shift and by eliminating the regional value content requirement.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, production, and exports. U.S. imports under this subheading are free of duty or have a minimal NTR duty rate of 1.3 percent <i>ad valorem</i>. Most imports under this subheading from Canada and Mexico already are free under NAFTA. Moreover, many of the large global producers of this product group already have shifted operations to lower cost producing countries such as Mexico, where they have access to relatively low labor input costs. By eliminating the regional value content requirement, the proposed rule would allow global producers with operations in Mexico greater flexibility in choosing component suppliers to maintain their competitiveness. To the extent that NAFTA producers are able to lower their costs relative to non-NAFTA producers, production and employment levels could be sustained and the incentive to move entire operations outside the region is diminished. An industry submission from a global producer with production sites throughout the United States, Canada, and Mexico states that the proposed modifications will simplify qualification of products, provide more flexibility in sourcing, and may allow additional opportunities to expand operations in the NAFTA region.</p> <p>The proposed rule is likely to have a negligible effect on U.S. exports. The NAFTA rate in both partner countries for U.S. exports is free of duty. Canada's NTR rate is free of duty. The proposed modifications would likely improve the competitive positions of U.S.-produced products within the NAFTA region, particularly in Mexico where NTR rates are relatively high at 15-20 percent <i>ad valorem</i>. However, production and assembly operations in Mexico will likely be the greater beneficiary because many global producers already have shifted operations there. It is not anticipated that U.S. exports would increase more than negligible amount beyond what is already supplied to Mexico.</p>			

THERMIONIC, COLD CATHODE OR PHOTOCATHODE TUBES
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
8540.40-8540.60	A change to subheadings 8540.40 through 8540.60 from any subheading outside that group, except from tariff item 8540.91.15.	A change to subheadings 8540.40 through 8540.60 from any subheading outside that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> This proposed rule liberalizes the origin standard for data/graphic display tubes by eliminating the need to incorporate a NAFTA front panel assembly.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, production, and exports.</p> <p>NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are free or 3 percent; Canadian NTR rates are free or 3 percent; and Mexican NTR rates are 10 percent.</p> <p>NAFTA partners accounted for only 1 percent of U.S. imports of these goods in 2005, with Mexico accounting for all NAFTA imports.</p> <p>The rule could lead to an increase in U.S. imports from NAFTA partners that would offset a decrease in imports from other countries. However, NAFTA partners accounted for only 1 percent of U.S. imports in 2005. All industries utilizing tube displays are moving to flat panels where practical. The rule is likely to have a negligible effect on U.S. production because a large share of the limited U.S. production of these tubes is for industrial or military use. These products may also be subject to “Buy American” provisions.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8540.71-8540.89	A change to subheadings 8540.71 through 8540.79 from any subheading outside that group, except from tariff item 8540.99.40. A change to subheadings 8540.81 through 8540.89 from any other subheading, including another subheading within that group.	A change to subheadings 8540.71 through 8540.89 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p><i>Modification:</i> This proposed rule liberalizes the origin standard for microwave tubes by allowing the inclusion of more imported parts in the final product, to the point that the final product could be assembled with no NAFTA content and be considered of NAFTA origin. The change would also make consistent the rule for all thermionic, cold cathode, and photocathode tubes.</p>			

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, production, and exports.

NAFTA tariff rates on these products are free for the United States, Canada, and Mexico. U.S. NTR rates are free or 4.2 percent; Canadian NTR rates are free or 4 percent; and Mexican NTR rates are 10 or 15 percent.

NAFTA partners accounted for only 3 percent of U.S. imports in 2005, with Canada accounting for 71 percent of all NAFTA imports.

The rule could lead to an increase in U.S. imports from NAFTA partners, but that would likely be offset by a decrease in imports from other countries. The rule is likely to have a negligible effect on U.S. production because a large share of the limited U.S. production of these tubes is for industrial or military use. These products may also be subject to “Buy American” provisions.

ELECTRICAL MACHINES AND APPARATUS
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
8543.11-8543.19	<p>(A) A change to subheadings 8543.11 through 8543.81 from any other heading; or</p> <p>(B) A change to subheadings 8543.11 through 8543.81 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8543.11 through 8543.19 from any subheading outside that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for goods of subheadings 8543.11 through 8543.19 by eliminating the regional value content requirement when a change of heading does not occur, and by requiring only a subheading-level tariff shift from outside the group.</p>			

Effect: The proposed change is likely to have a negligible effect on U.S. imports, exports, and production. All U.S. imports under subheading 8543.11 (ion implanters designed for doping semiconductor materials) are free of duty on an NTR basis, thus the new rule should have no effect on U.S. imports for this subheading. The NTR tariff rate of 1.9 percent for subheading 8543.19 (other types of particle accelerators besides ion implanters designed for doping semiconductor materials), is not a significant impediment to U.S. imports. Most U.S. imports from Canada and Mexico already enter free of duty under NAFTA. Current non-NAFTA U.S. imports from Canada and Mexico (i.e., those imports that would actually be affected by the rule change) are an extremely small percentage of total U.S. imports under subheading 8543.19 (0.6 percent in 2005). Thus, the overall likely effect of this proposed rule change on U.S. imports is negligible.

The proposed change is likely to have a negligible effect on U.S. exports. Mexico maintains an NTR rate of free for subheadings 8543.11 and 8543.19. Canada maintains an NTR rate of free for subheading 8543.11 and for one of the two tariff items under subheading 8543.19 (the other tariff item has an NTR rate of 5 percent). Canada and Mexico also represent relatively small markets for U.S. exports under subheadings 8543.11 and 8543.19 (Mexico and Canada represented 0.2 and 0.4 percent of total U.S. exports respectively for these subheadings in 2005). Therefore, liberalizing the origin rules should not result in a significant displacement of U.S. exports to NAFTA partners.

No shifts in production or sourcing are expected because of the proposed rule modification. The effect on U.S. production would likely be negligible because of the negligible effect on U.S. imports and exports.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8543.20-8543.30	<p>(A) A change to subheadings 8543.11 through 8543.81 from any other heading; or</p> <p>(B) A change to subheadings 8543.11 through 8543.81 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8543.20 through 8543.30 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rule would liberalize the origin rule for signal generators and machines and apparatus for electroplating, electrolysis, or electrophoresis (8543.20 - 8543.30) by eliminating the regional value content requirement when a change of heading does not occur, and by requiring only a subheading-level tariff shift.

Effect: The proposed change is likely to have a negligible effect on U.S. imports, exports, and production. Because the U.S. NTR tariff for these subheadings is not an impediment at 2.6 percent and the majority of U.S. imports from Canada and Mexico affected by this rule change already enter the U.S. free of duty under NAFTA, the proposed rule change is likely to have a negligible effect on U.S. imports. In 2005, 84 percent of all U.S. imports from Canada and Mexico under subheadings 8543.20 and 8543.30 entered free of duty under NAFTA. Therefore, the actual value of goods that may benefit from this rule change is likely to be a minimal share of total U.S. imports from Canada and Mexico (and an even smaller share of total U.S. imports from all sources).

The proposed change is likely to have a negligible effect on U.S. exports. Currently, U.S. exports to countries other than Canada and Mexico (mainly to Asia) represent the majority of U.S. exports (84 percent in 2005) of these items. Mexico maintains an NTR duty rate of free on 6 of the 7 tariff items under this proposed rule, and Canada's NTR duty rate ranges from free to 4.5 percent. U.S. exports to Canada and Mexico are likely to increase only if the market for the products in Canada and Mexico increases, not as a result of the proposed rule change. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8543.40-8543.89	<p>(A) A change to subheadings 8543.11 through 8543.81 from any other heading; or</p> <p>(B) A change to subheadings 8543.11 through 8543.81 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p> <p>(A) A change to tariff item 8543.89.80 from any other subheading, except from subheading 8504.40 or tariff items 8543.90.15, 8543.90.64 or 8543.90.68; or</p> <p>(B) A change to tariff item 8543.89.80 from subheading 8504.40 or tariff items 8543.90.15, 8543.90.64 or 8543.90.68, whether or not there is also a change from any other subheading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to subheading 8543.40 through 8543.89 from any subheading outside that group.	<p>U.S. total trade:</p> <p>Imports: Negligible</p> <p>Exports: Negligible</p> <p>U.S. production: Negligible</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice
	<p>(A) A change to subheading 8543.89 from any other heading; or</p> <p>(B) A change to subheading 8543.89 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>		
<p><i>Modification:</i> The proposed rule would liberalize the origin rule for goods of subheadings 8543.40 through 8543.89 by allowing changes from any subheading outside the named group and by eliminating the regional value content requirement.</p> <p><i>Effect:</i> The proposed change is likely to have a negligible effect on U.S. imports, exports, and production. Because of the relatively low NTR rate and large volume of U.S. imports entering duty free under NAFTA, the effect on U.S. imports likely will be negligible. The U.S. NTR tariff on the products covered under the proposed rule change ranges from free to 2.6 percent. The majority of U.S. imports from Canada and Mexico affected by this rule change already enter the U.S. duty free under NAFTA (approximately 87 percent in 2005). Thus, the actual value of goods that may benefit from this rule change is likely to be a minimal share of total U.S. imports from Canada and Mexico (and an even small share of total U.S. imports from all sources).</p> <p>The proposed change is likely to have a negligible effect on U.S. exports. Canada and Mexico represent relatively small markets for U.S. exports under 8543.40 to 8543.89. In addition, even though the Mexican NTR rate for products under this proposed rule ranges from free to 15 percent depending on the tariff item, the majority of U.S. exports have historically entered Mexico under the tariff item with an NTR rate of free. Canada's NTR tariff rate is relatively low, ranging from free to 6.5 percent depending on the tariff item. As such, liberalizing the origin rules should not result in a significant increase in U.S. exports to NAFTA partners.</p> <p>No shifts in production or sourcing are expected because of the proposed rules of origin liberalization. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>			

INSULATOR CONDUCTORS

PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
8544.11-8544.60	<p>(A) A change to subheadings 8544.11 through 8544.60 from any subheading outside that group, except from headings 7408, 7413, 7605 or 7614; or</p> <p>(B) A change to subheadings 8544.11 through 8544.60 from headings 7408, 7413, 7605 or 7614, whether or not there is also a change from any other subheading, including another subheading within subheadings 8544.11 through 8544.60, provided there is also a regional content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8544.11 through 8544.60 from any subheading outside that group; or</p> <p>A change to subheading 8544.11 through 8544.60 from any other subheading within that group, whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p>Modification: The proposed rule would liberalize NAFTA rules of origin for insulator conductors by eliminating heading exclusions and lowering the regional value content (RVC) requirement. This product is primarily used in domestic air conditioning units and temperature control sensing devices, such as those found in auto applications.</p> <p>Effect: The proposed rule is likely to have a negligible effect on U.S. imports. Under this subheading, U.S. imports are free of duty or have a NTR duty rate of 5.3 percent <i>ad valorem</i>. Most imports under this heading from Canada and Mexico already obtain NAFTA duty-free treatment. The value of imports of this product from Canada and Mexico represents a small portion (4 percent) of the value of total U.S. imports under subheading 8544.11 through 8544.60. Although the proposed rule would allow companies greater flexibility in choosing suppliers and lower the RVC requirement, the primary effect is to allow major U.S. producers to remain competitive with foreign suppliers, especially China.</p> <p>The proposed rule is likely to have a negligible effect on U.S. exports and production. The NAFTA rate for both partner countries for U.S. exports is free of duty. The NTR rates for these products are moderately low (6.5 percent for Canada and 15 percent for Mexico). In 2005, U.S. exports to NAFTA partners accounted for 66 percent of the total U.S. exports for these goods. The proposed rule would likely improve the competitive positions of U.S.-produced products within the NAFTA region against foreign suppliers, but is not expected to result in significant export or production opportunities, because such exports already are free of duty.</p>			

RAIL LOCOMOTIVES

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8601-8602	<p>(A) A change to headings 8601 through 8606 from any other heading, including another heading within that group, except from heading 8607; or</p> <p>(B) A change to headings 8601 through 8606 from heading 8607, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	A change to heading 8601 through 8602 from any other heading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for rail locomotives powered from an external source of electricity or by electric accumulators (batteries) and other rail locomotives and locomotive tenders by eliminating the regional value content requirement and allowing a tariff shift from any other heading including 8607. The proposed rule also excludes railway or tramway maintenance and passenger coaches, and freight or other cars from this rule (heading 8603-8606) and would harmonize the rule of origin with CAFTA.</p> <p><i>Effect:</i> The proposed rule will likely have a negligible effect on U.S. imports, exports, and production. The U.S. NTR rate for headings 8601 and 8602 is free of duty. In 2005, total U.S. imports of goods in headings 8601 and 8602 amounted to \$8.5 million while U.S. imports of these goods from Canada and Mexico amounted to \$3.3 million; there were no NAFTA imports in 2005.</p> <p>By liberalizing the rule of origin, all U.S. locomotives exported to Canada and Mexico would enter free of duty regardless of their regional value content. Canada's NTR rate is 9.5 percent while Mexico's NTR rate is 10 percent on most imports of HTS heading 8601 (free on HTS heading 8602.10.01). There are two principal sources of locomotives used in North America: General Electric (Erie, PA) and Electro-Motive Diesel (LaGrange, IL and London, Ontario Canada).</p> <p>During 2001-2005, U.S. exports to Canada fluctuated with no apparent trend. In contrast, U.S. exports to Mexico fluctuated upward for the period. Eliminating the import duty would have a negligible effect on U.S. exports and production, as both demand for the product and domestic capacity is limited. Locomotives have a long service life, which limits the need for frequent replacement units; as a result, there are only two North American manufacturers of locomotives. The proposed change to the rule of origin may produce a negligible increase in U.S. exports and production, but any such increase is tempered by the durability of the existing units in service and the limited growth prospects in the industries using locomotives.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8603-8606	<p>(A) A change to headings 8601 through 8606 from any other heading, including another heading within that group, except from heading 8607; or</p> <p>(B) A change to headings 8601 through 8606 from heading 8607, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used; or</p> <p>(2) 50 percent where the net cost method is used</p>	<p>A change to heading 8603 through 8606 from any other heading, including another heading within that group, except from heading 8607; or</p> <p>A change to heading 8603 through 8606 from heading 8607, whether or not there is also a change from any other heading, including another heading within that group, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>
<p><i>Modification:</i> The new rule restates that part of the existing rule pertaining to HTS headings 8603-8606 as a separate rule; this is a formatting change only. The existing rule covers a broader range of HTS subheadings.</p>			
<p><i>Effect:</i> Because the change to the existing rule for HTS headings 8603-8606 is limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.</p>			

TRUCK ASSEMBLIES

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8607.11 - 8607.12	A change to subheadings 8607.11 through 8607.12 from any other heading.	A change to subheading 8607.11 through 8607.12 from any subheading outside that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

<i>Modification:</i>	The proposed rule would liberalize the NAFTA rule of origin for certain parts of railway, tramway, or rolling stock (specifically, completed truck assemblies) by requiring only a subheading-level tariff shift outside of the indicated subheading group.
<i>Effect:</i>	<p>The proposed rule will likely have a negligible effect on U.S. imports, exports, and production. The proposed rule will allow inclusion of truck assemblies formerly excluded under the existing NAFTA origin rule. These assemblies are currently produced in the United States and incorporated for both U.S.- and Canadian-produced equipment.</p> <p>U.S. import levels are unlikely to change significantly because the NTR rate is relatively low (free to 3.6 percent <i>ad valorem</i>) and NAFTA partners account for a small share of total imports for these goods. In 2005, 83 percent (by value) of U.S. imports were from outside the NAFTA region; NAFTA imports were virtually all from Canada. Therefore, any increased imports from Canada under the proposed rule change are not likely to significantly alter U.S. total import levels in this category.</p> <p>In 2005, U.S. exports to Canada and Mexico represented 6.8 percent and 1.8 percent of total U.S. exports of these goods, respectively. No change is expected in U.S. exports to Canada because the NTR duty rate is free of duty. Mexico imposes an NTR duty rate of 15 percent <i>ad valorem</i> on these goods. Any increased export opportunities would likely have a negligible effect on total U.S. export and production levels since U.S. exports of these goods to NAFTA partners accounted for a small share of total U.S. exports.</p>

LOCOMOTIVE PARTS

PETITIONER: General Electric Company

HTS No.	Existing rule	Proposed rule	Probable effect advice
8607.21-8607.99	A change to subheadings 8607.21 through 8607.99 from any other heading	<p>A change to subheading 8607.21 through 8607.99 from any other heading; or</p> <p>No required change in tariff classification to any of subheading 8607.21 through 8607.99 provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<i>Modification:</i> The proposed rule would liberalize NAFTA rules of origin for brakes, hooks, coupling devices and other locomotive parts (subheadings 8607.21-8607.99) by including a regional value content exception.			

Effect: The proposed rule will likely have a negligible effect on U.S. imports, exports, and production. In 2005, 93.5 percent of U.S. imports from Canada of these goods entered free of duty under NAFTA rules of origin, while 52.7 of these imports from Mexico entered free under NAFTA rules of origin. Further liberalization of the rule of origin is therefore unlikely to significantly influence U.S. imports of these goods, as contracts with manufacturers typically stipulate a multi-year relationship and are not easily changed.

In 2005, U.S. exports of these goods went predominantly to Canada and Mexico (53.9 percent). The proposed rule may mitigate the duties imposed by Canada and Mexico on these goods, which range from free to 11 percent and free to 10 percent, respectively. However, the market for these parts in Mexico and Canada is limited; therefore, any minor shift in price is unlikely to generate increased U.S. exports.

ELECTROCARDIOGRAPHS, AND PARTS AND ACCESSORIES, THEREOF
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
9018.11-9018.90	<p>A change to tariff item 9018.11.30 from any other tariff item, except from tariff item 9018.11.60.</p> <p>A change to subheading 9018.11 from any other heading.</p> <p>A change to subheadings 9018.12 through 9018.14 from any other heading.</p> <p>A change to tariff item 9018.19.55 from any other tariff item, except from tariff item 9018.19.75.</p> <p>A change to subheading 9018.19 from any other heading.</p> <p>A change to subheadings 9018.20 through 9018.50 from any other heading.</p> <p>A change to tariff item 9018.90.64 from any other tariff item, except from tariff item 9018.90.68.</p> <p>A change to subheading 9018.90 from any other heading.</p>	<p>A change to a good of any of subheading 9018.11 through 9018.90 from any other good within that subheading or any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rule would liberalize the origin rule by allowing third-country inputs to be used in medical and surgical instruments of any subheadings within the group 9018.11-9018.90, including subheadings from within the group. The proposed rule would replace a number of existing rules applicable to certain subheadings and tariff items within the group that either require chapter changes or contain certain tariff item exceptions; thus the proposed rule of origin represents a liberalization.

Effect: The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. Because U.S. and Canadian NTR duties for all of the subheadings within this group are already free, the effect of the rule change principally will be to increase the flexibility and reduce the costs of sourcing certain inputs by foreign assembly partners of U.S.-based companies in Mexico, where NTR tariffs range from 10-15 percent *ad valorem*. Most of the goods assembled by the foreign assembly partners are imported from Mexico into the United States. Because these production sharing activities account for a relatively small portion of the substantial amount of U.S.-NAFTA and total U.S. trade under the 9018.11-9018.90 grouping, the effects of the proposed rule on U.S. production, imports, and exports will likely be limited.

MEDICAL APPLIANCES AND APPARATUS

PETITIONER: Government of the United States

9019.10-9021.90	A change to headings 9019 through 9021 from any heading outside that group.	A change to subheading 9022.12 through 9022.30 from any other subheading including another subheading within that group; or	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
9022.12-9022.30	<p>A change to subheadings 9022.12 through 9022.14 from any subheading outside that group, except from tariff item 9022.90.05.</p> <p>A change to subheading 9022.19 from any other subheading, except from subheading 9022.30 or tariff item 9022.90.05.</p> <p>A change to subheading 9022.21 from any other subheading, except from tariff item 9022.90.15.</p> <p>(A) A change to subheadings 9022.29 through 9022.30 from any other heading; or (B) A change to subheadings 9022.29 through 9022.30 from subheading 9022.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p>	<p>No required change in tariff classification to any of subheading 9019.10 through 9021.90, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.</p>	
<p><i>Modification:</i> The proposed rule would make the origin standard more liberal by (1) allowing non-originating radiation generator units to qualify as inputs for medical and non-medical x-ray apparatus; (2) increasing flexibility in determinations of origin for certain parts used as inputs in the manufacture of medical irradiation equipment, such as x-ray tubes, which can potentially be used as inputs in the manufacture of either medical or industrial x-ray apparatus; and (3) providing flexibility in determinations of origin for a host of medical devices for use as inputs in the manufacture of medical x-ray and other irradiation equipment that are currently classified under HTS subheadings and items from HTS headings other than the heading under which irradiation equipment is classified, including orthopedic, dental, respiratory, and other equipment.</p>			

Effect: The proposed change is likely to have a negligible effect on U.S. production, imports, and exports. U.S. and Canadian NTR duties for all of the subheadings within the tariff headings, subheadings, and items affected by the proposed rule range from free to 2 percent *ad valorem*. Therefore, the effect of the rule change principally will be to increase the flexibility, and reduce the costs, of sourcing certain inputs by foreign assembly partners of U.S.-based companies in Mexico, where NTR tariffs range on average from 10 to 20 percent. Most of the goods assembled by the foreign assembly partners are imported from Mexico into the United States. Because these production sharing activities account for a relatively small portion of the substantial amount of U.S.-NAFTA and total U.S. trade under the grouping, the effect of the proposed rule on U.S. production, imports, and exports will likely be negligible.

HYDROMETERS AND SIMILAR FLOATING INSTRUMENTS

PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
9025.11-9025.80	<p>(A) A change to subheadings 9025.11 through 9025.80 from any other heading; or</p> <p>(B) A change to subheadings 9025.11 through 9025.80 from subheading 9025.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 9025.11 through 9025.80 from any other heading; or</p> <p>A change to subheading 9025.11 through 9025.80 from subheading 9025.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> Products covered under HTS subheadings 9025.11-9025.80 are classified by type of instrument, i.e. liquid filled thermometers and pyrometers not combined with other instruments (9025.11); non-liquid filled thermometers and pyrometers not combined with other instruments (9025.19); and other instruments including barometers, hydrometers, hygrometers, and psychrometers (9025.80).</p> <p>The first part of the proposed rule would result in no modifications to the rules of origin because the language of the first part of the proposed rule is the same as that of the existing rule. The second part of the proposed rule would liberalize origin standards by reducing the regional value content requirements.</p>			

Effect.

The proposed rule will likely have a negligible effect on U.S. imports of HTS subheadings 9025.19 and 9025.80, which have NTR rates ranging from 1.4 to 1.8 percent *ad valorem* (the proposed rule will likely have no effect on 9025.11 because the U.S. NTR duty rate is free). Although the U.S. NAFTA duty rate for subheadings 9025.19 and 9025.80 are free for both partner countries, Mexico and Canada combined represented only 16 percent of the value of U.S. imports from all countries in 2005, and have lost U.S. import share during the past 5 years. In addition, many of the larger global producers in this product category, including U.S. producers, have already shifted production and assembly of parts to lower-cost producing countries such as Mexico, where they have access to relatively low labor input costs. By reducing the value content requirement, the proposed rule would allow U.S. companies with establishments within the NAFTA region, particularly Mexico, greater flexibility in selecting lower-priced component suppliers in an effort to compete in an increasingly price-competitive market, particularly with U.S. imports from China. Given the relatively low U.S. NTR duty rates of 1-2.9 percent *ad valorem* for subheadings 9025.19-9025.80, it is unlikely that there would be more than a negligible increase in U.S. NAFTA imports as a result of the proposed rule, which could be offset by reduced imports from other countries if these products are diverted to Mexico for assembly.

The proposed rule would likely have a negligible effect on U.S. exports and production of products covered under 9025.11-9025.80. The NAFTA rate in both partner countries is free; Mexico's NTR rates are free to 20 percent *ad valorem* and Canada's are free or 3.5 percent *ad valorem*, depending on the 8-digit tariff item. Mexico and Canada report that the United States is their dominant import supplier of these product categories, accounting for import value shares in 2005 of 98 percent and 49 percent, respectively. Although the United States has reportedly maintained a fairly constant market share in Mexico during the past 5 years, it has been losing market share in Canada to other country suppliers despite NAFTA duty-free eligibility. In comparison, Mexico has been able to maintain its market share in Canada irrespective of increased imports into Canada from all countries. The reduction of NAFTA origin content under the proposed rule would likely help to improve the U.S. competitive position in the NAFTA region. However, production and assembly operations in Mexico would likely be the greater beneficiary of the proposed rule change because of the relatively low labor costs, thereby helping to improve Mexico's competitive position in Canada.

OTHER INSTRUMENTS AND APPARATUS FOR PHYSICAL OR CHEMICAL ANALYSIS
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
9027.80	<p>A change to tariff item 9027.80.aa (U.S. 9027.80.25) from any other subheading, except from subheading 8505.19 or tariff item 9027.90.45.</p> <hr/> <p>(A) A change to subheading 9027.80 from any other heading; or</p> <p>(B) A change to subheading 9027.80 from subheading 9027.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 9027.80 from any other subheading.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rule would result in two modifications. First, the proposed rule eliminates the existing rule for nuclear magnetic resonance instruments (tariff item 9027.80.aa; U.S. HTS tariff item 9027.80.25) and establishes the origin determination for this product under the broader classification of other instruments and apparatus used for physical or chemical analysis, under HTS subheading 9027.80.

Second, the proposed rule would liberalize the origin standards for other instruments and apparatus used for physical or chemical analysis by eliminating the requirement that certain components must have NAFTA origin. These components are permanent magnets and articles intended to become permanent magnets after magnetization (classified under subheading 8505.19) used in the production of nuclear magnetic resonance instruments (tariff item 9027.80.aa); printed circuit assemblies (classified under tariff item 9027.90.45) used in the production of other instruments and apparatus for physical or chemical analysis; and other components (classified under tariff items 9027.90.54, 9027.90.64, and 9027.90.84) that are used in the production of other instruments and apparatus for physical or chemical analysis. The proposed rule modification would allow non-NAFTA originating instruments and apparatus used for physical or chemical analysis (classified under subheading 9027.80) to be imported into Canada and Mexico and have NAFTA origin conferred with an unknown amount of further processing because the extent of transformation of the article required to confer origin is not defined.

Effect: The proposed rule would likely have no effect on U.S. imports and result in no more than a negligible effect on U.S. exports and production of other instruments and apparatus used for physical or chemical analysis (classified under subheading 9027.80). Although the NAFTA rates for this product category in both partner countries are free and the NTR rates in Canada and the United States are free, Mexico does impose a duty of 10 percent *ad valorem* on nuclear magnetic resonance instruments classified under tariff item 9027.80.aa (9027.80.02 in Mexico). Because of the proposed rule, U.S. producers of this instrument could reduce their costs by using lower cost parts from other countries, such as China, which could result in a negligible increase in U.S. exports and production. To provide perspective, the value of U.S. exports of goods of 9027.80.aa to all countries has increased nearly 300 percent during the past 5 years, to almost \$82 million in 2005. During the same time frame, U.S. exports to Mexico increased by 73 percent to \$1.2 million in 2005, accounting for approximately 1 percent of U.S. exports to all countries. Therefore, despite Mexico's relatively high NTR rate, the proposed rule would likely result in no more than a negligible increase in U.S. exports and production.

In terms of parts and accessories used in the production of nuclear magnetic resonance instruments, the proposed rule would likely result in a negligible increase in U.S. imports of permanent magnets and related articles (classified under subheading 8505.19), and a negligible decrease in U.S. exports and production of these parts. The NAFTA rates for these parts are free in both partner countries. The U.S. NTR rate for subheading 8505.19 is 4.9 percent *ad valorem*, those of Canada are free to 4.5 percent, and that of Mexico is 10 percent. U.S. imports under subheading 8505.19 totaled \$90.8 million in 2005, of which Canada and Mexico accounted for 11 percent. About one fourth of imports under this heading entered free of duty, of which Canada and Mexico accounted for 42 percent. Virtually all U.S. imports of goods under 8505.19 from Canada and Mexico enter free of duty under NAFTA, however, Canada and Mexico have lost U.S. import market share, particularly to China. China has been the dominant supplier during the past five years and has improved its market share.

With respect to U.S. exports under subheading 8505.19, the United States recorded a 17 percent decrease in the last five years, to \$43 million in 2005; U.S. exports to Canada and Mexico decreased by almost 25 percent combined, to \$25 million in 2005. Eliminating the NAFTA origin requirement for 8505.19 may result in a negligible increase in U.S. imports of these parts and possibly contribute to a further decline in U.S. exports, which could result in a negligible decrease in U.S. production should U.S. imports displace higher-priced U.S. production. The proposed rule would not affect U.S. imports of parts and accessories classified under subheading 9027.90 because the U.S. NTR rates are free of duty.

AUTOMATIC REGULATING OR CONTROLLING INSTRUMENTS
PETITIONER: Government of the United States

HTS No.	Existing rule	Proposed rule	Probable effect advice
9032.10	<p>(A) A change to subheading 9032.10 from any other heading; or</p> <p>(B) A change to subheading 9032.10 from within that subheading or subheadings 9032.89 through 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 9032.10 from any other heading; or</p> <p>A change to a good of subheading 9032.10 from within that subheading or subheading 9032.89 through 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<i>Modification:</i>	<p>The first part of the proposed rule would result in no modification to the rules of origin for thermostats covered under subheading 9032.10 because the language is the same as the language of the first part of the existing rule. The second part of the proposed rule would liberalize origin standards by reducing the regional value content requirements.</p>		
<i>Effect:</i>	<p>The subject products are generally of two basic types: thermostats used for home and industrial applications and thermostats used for automotive applications. Under Article 403 of the NAFTA provisions, the alternative method of computing regional value content may apply to products of subheading 9032.10 if these products are used in a motor vehicle classified under HTS chapter 87. A connotation of this article is that importers must be able to trace back the origin and value level of components and materials used in an automotive product. Beyond this statement, the Commission cannot provide advice on the proposed lower value content requirement for products used for automotive applications due to insufficient availability of industry value data.</p> <p>The proposed rule will likely have a negligible effect on U.S. imports, exports, and production of thermostats classified under subheading 9032.10. Nearly half of all U.S. imports entered free of duty, of which U.S. imports from Mexico and Canada accounted</p>		

for 90 percent. The U.S. NTR rate is 1.7 percent *ad valorem*. In addition, many large global producers of this product category, including U.S. producers, have already shifted production and assembly of parts to lower-cost producing countries such as Mexico, where they have access to relatively lower labor costs. By reducing the NAFTA value content requirement, the proposed rule would allow U.S. companies with establishments in the NAFTA region, particularly Mexico for this product category, greater flexibility in choosing lower-priced component suppliers in an effort to better compete in an increasingly price-competitive market. Although the dominant supplier of these products, Mexico has lost import share to other suppliers despite the NAFTA duty-free treatment. Dutiable imports from China have nearly tripled in the past five years, increasing their import share by 13 percentage points to 27 percent in 2005. Given the relatively low U.S. NTR duty rate for this product category, it is unlikely that there would be more than a negligible increase in U.S. NAFTA imports as a result of the proposed rule, which could be offset by reduced U.S. imports from other countries if these products are diverted to Mexico for assembly.

The proposed rule would likely have a negligible effect on U.S. exports and production. The NAFTA rate in both partner countries for U.S. exports is free of duty; Mexico's NTR rates are 10 to 20 percent *ad valorem*, and Canada's are free to 5 percent. Mexico and Canada report that the United States is their dominant import source of this product category, accounting for import shares of 42 percent and 55 percent, respectively. However, the United States has reportedly lost import share to other countries in both Mexico and Canada during the past five years despite the NAFTA duty-free eligibility. The reduction of NAFTA origin content in the proposed rule would likely improve U.S. produced products' competitive position. However, production and assembly operations in Mexico will likely be the greater beneficiary of the proposed modification because of their relatively low labor costs. Mexico is the second-largest import source in Canada after the United States, accounting for 23 percent of Canada's imports in 2005. While the U.S. share of Canadian imports has steadily decreased during the past 5 years, that of Mexico has increased. Although it is anticipated that U.S. exports and production could show some benefit as a result of the proposed rule change, Mexico would likely see the greater benefit in terms of improved market strength in Canada.

**TIME SWITCHES WITH CLOCK OR WATCH MOVEMENT OR WITH SYNCHRONOUS MOTOR
PETITIONER: Invensys Controls, Ltd. (Tyco)**

HTS No.	Existing rule	Proposed rule	Probable effect advice
9101-9106	(A) A change to headings 9101 through 9107 from any other chapter; or (B) A change to headings 9101 through 9107 from heading 9114, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to heading 9101 through 9106 from any other chapter; or A change to heading 9101 through 9106 from heading 9114, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification:	The existing rule would remain equivalent to the proposed rule and is only limited to formatting the rules of origin for time switches with clock or watch movement or with synchronous motor.
Effect:	Because the changes to this rule are limited to formatting, no effect is expected on U.S. NAFTA and total trade or U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
9107	<p>(A) A change to headings 9101 through 9107 from any other chapter; or</p> <p>(B) A change to headings 9101 through 9107 from heading 9114, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to heading 9107 from any other chapter; or</p> <p>A change to heading 9107 from heading 9114, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification:	The proposed rule would liberalize the origin standards for time watches with clock or watch movements, as well as with synchronous motors, by lowering the regional value content requirement.
Effect:	<p>The proposed rule modification is likely to have a negligible effect on U.S. imports, exports, and production because U.S. producers of time switches with clock or watch movements have shifted production, assembly, and procurement of these products to lower cost developing countries such as Mexico and China. Mexico is the dominant supplier of these products with approximately 70 percent share of U.S. total imports. By reducing the RVC requirement, the proposed rule would permit U.S. firms with subsidiary firms in Mexico greater flexibility in choosing component suppliers.</p> <p>The proposed rule would likely have a negligible effect on U.S. exports and production. The NAFTA rate in both partner countries for U.S. exports is free of duty; Mexico's NTR rate is 20 percent <i>ad valorem</i>, while Canada's rates range from free to 6.5 percent <i>ad valorem</i>. The primary markets for U.S. exports were Mexico and Canada, accounting for 43 percent and 41 percent in 2005, respectively. The reduction of NAFTA origin requirement content in the proposed rule would likely improve the competitive position of U.S.-produced products within the NAFTA region, particularly in Mexico where NTR rates are relatively high.</p>

LIGHTERS

PETITIONER: Invensys Controls, Ltd. (Tyco)

HTS No.	Existing rule	Proposed rule	Probable effect advice
9613.10-9613.80	<p>(A) A change to subheadings 9613.10 through 9613.80 from any other chapter; or</p> <p>(B) A change to subheadings 9613.10 through 9613.80 from subheading 9613.90, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 9613.10 through 9613.80 from any other chapter; or</p> <p>A change to subheading 9613.10 through 9613.80 from subheading 9613.90, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(a) 45 percent where the transaction value method is used, or</p> <p>(b) 35 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>
<p><i>Modification:</i> The proposed rule would liberalize the origin standards for lighters by lowering the regional value content requirement.</p> <p><i>Effect:</i> The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. U.S. producers have shifted production and assembly of lighters to lower cost countries such as Mexico, where they have access to relatively low labor costs. By reducing the value content requirement, the proposed rule would permit these companies greater flexibility in choosing component suppliers because some components are no longer available from the U.S. market. The U.S. NTR rate for lighters ranges from 3.6 percent to 9 percent <i>ad valorem</i>.</p> <p>The proposed rule would likely have a negligible effect on U.S. exports and production. The NAFTA rate in both partner countries for U.S. exports is free; Canada NTR rates range from 6.5 percent to 9.5 percent <i>ad valorem</i>, whereas Mexico's rate is 20 percent <i>ad valorem</i>. The United States is the leading supplier of lighters to Canada. The reduction of NAFTA origin content in the proposed rule would likely improve the competitive position of any U.S. produced products within the NAFTA region, particularly in Canada where NTR rates are relatively high. Although U.S. exports to Canada represent a significant share of the lighter market for these products, the Canadian market is a relatively small market with limited demand. Because of its likely negligible effects on U.S. trade, the proposed rule is also likely to have a negligible effect on U.S. production.</p>			

DE MINIMIS FOR GOODS OF SECTION VI, PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES (CHAPTER 28-38)

PETITIONER: Government of Canada

HTS No.	Existing rule	Proposed rule	Probable effect advice
GN 12 (f) (i)	<p>Except as provided in subdivisions (f)(iii) through (vi), inclusive, a good shall be considered to be an originating good if the value of all non-originating materials used in the production of the good that do not undergo an applicable change in tariff classification set out in subdivision (t) of this note is not more than 7 percent of the transaction value of the good, adjusted to an F.O.B. basis, or, if the transaction value is unacceptable under section 402(b) of the Tariff Act of 1930, as amended, the value of all such non-originating materials is not more than 7 percent of the total cost of the good, provided that—</p> <p>(A) if the good is subject to a regional value-content requirement, the value of such non-originating materials shall be taken into account in calculating the regional value content of the good; and</p> <p>(B) the good satisfies all other applicable requirements of this note.</p>	<p>Except as provided in subdivisions (f)(iii) through (vi), inclusive, a good shall be considered to be an originating good if the value of all non-originating materials used in the production of the good that do not undergo an applicable change in tariff classification set out in subdivision (t) of this note is not more than 7 percent of the transaction value of the good, adjusted to an F.O.B. basis, or, if the transaction value is unacceptable under section 402(b) of the Tariff Act of 1930, as amended, the value of all such non-originating materials is not more than 7 percent of the total cost of the good, provided that—</p> <p>(A) if the good is subject to a regional value-content requirement, the value of such non-originating materials shall be taken into account in calculating the regional value content of the good; and</p> <p>(B) the good satisfies all other applicable requirements of this note.</p> <p>[Insert at an appropriate point in Annex 401, Ch. 28-38:</p> <p>In applying the provisions of Article 405 to goods of Section VI, the reference to “seven percent” shall be replaced with “ten percent”.]</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

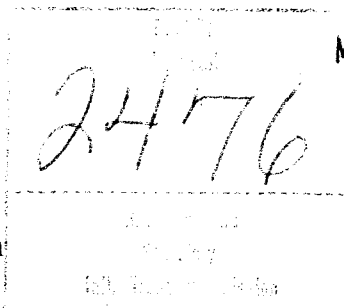
Modification: The proposed rule would increase the *de minimis* provision for goods of Section VI, products of the chemical or allied industries (Chapters 28-38, inclusive) from 7 percent to 10 percent. Thus, the level of non-originating inputs that do not change tariff classification would be raised.

Effect: The proposed change is likely to have a negligible effect on U.S. imports, exports, and production. The Commission does not have information on the volume of trade for which the current *de minimis* rule is invoked, the products that make up that trade, or the portion of trilateral trade not currently receiving NAFTA treatment that might be eligible under a 10 percent rule. It is believed that this trade is relatively small and may change in composition over time as sourcing and costs change.

The goods of Chapters 28 and 29 are relatively pure single chemical substances generally used as intermediate raw materials in making other chemical products, though they may have had adjuvants added, such as anti-caking agents, to facilitate storage, shipping, and handling in further processing. The goods of the remaining chapters of Section VI, i.e., Chapters 30 through 38, are mostly natural or artificial mixtures, formulated to serve a particular function. The change increases the threshold level of *de minimis* amounts of added ingredients or adjuvants to 10 percent from 7 percent, reducing record keeping and audit costs and harmonizing NAFTA chemical *de minimis* provisions with those of other free trade agreements. The *de minimis* amounts are in terms of percentage of value, while the formulations are normally in terms of weight or volume proportions (physical measures), hence each lot formulated to the same physical content specifications may have different ingredient value-content depending upon when the ingredient was made or purchased. No information is available on how much trade would be affected by this change, nor on the composition of formulated chemical products by the value of their ingredients.

APPENDIX A
REQUEST LETTER

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

RECEIVED
OFFICE OF THE SECRETARY
U.S. INTERNATIONAL TRADE COMMISSION
2006 MAR 20 AM 11:34

Dear Chairman Koplan:

Chapter Four and Annexes 401 and 403 of the North American Free Trade Agreement set out rules of origin for applying the tariff provisions of the NAFTA. Our negotiators have recently reached agreement in principle with representatives of the governments of Canada and Mexico on the third in a series of proposed modifications to Annexes 401 and 403, which are reflected in the attached document.

Section 202(q) of the North American Free Trade Agreement Implementation Act ("the Act") authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules of origin as may from time to time be agreed to by the NAFTA countries. One of the requirements set out in section 103 is that the President obtain advice from the United States International Trade Commission regarding the proposed action.

Under authority delegated by the President, and pursuant to section 103 of the Act, I request that the Commission provide advice on the probable effect of the modifications reflected in the enclosed proposals on U.S. trade under the NAFTA and on domestic industries. I request that the Commission provide this advice at the earliest possible date, but not later than August 14, 2006. 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,


Rob Portman

Enclosure

NAFTA RULES OF ORIGIN LIBERALIZATION

Annex 401 Proposals for Track III Consideration

Fish and Crustaceans

Chapter 3: Delete heading 03.01-03.07 and the rule of origin applicable thereto and replace with the following:

- | | |
|-----------------|--|
| 03.01- 03.04 | A change to heading 03.01 through 03.04 from any other chapter.
<i>(Formatting only - no change in intent)</i> |
| 0305.10-0305.30 | A change to salted or dried goods of subheading 0305.10 through 0305.30 from any other subheading, including another subheading within that group, provided that goods of subheading 0305.20 through 0305.30 which have undergone only salting have a minimum salt content of 18 percent; or

A change to any other good of subheading 0305.10 through 0305.30 from any other chapter. |
| 0305.41-0305.49 | A change to subheading 0305.41 through 0305.49 from any other chapter.
<i>(Formatting only - no change in intent)</i> |
| 0305.51 | A change to subheading 0305.51 from any other subheading. |
| 0305.59 | A change to haddock of subheading 0305.59 from any other subheading; or

A change to any other good of subheading 0305.59 from any other chapter.
<i>(Formatting only - no change in intent)</i> |
| 0305.61 | A change to subheading 0305.61 from any other chapter.
<i>(Formatting only - no change in intent)</i> |
| 0305.62 | A change to subheading 0305.62 from any other subheading, provided that the good has a minimum salt content of 18 percent. |
| 0305.63 | A change to subheading 0305.63 from any other chapter.
<i>(Formatting only - no change in intent)</i> |

- 0305.69 A change to coalfish (*Pollachius virens*) or haddock of subheading 0305.69 from any other subheading, provided that the good has a minimum salt content of 18 percent; or
- A change to any other good of subheading 0305.69 from any other chapter.
(Formatting only - no change in intent)
- 0306.11-0306.14 A change to subheading 0306.11 through 0306.14 from any other chapter.
(Formatting only – no change in intent)
- 0306.19 A change to subheading 0306.19 from any other subheading, except from subheading 0306.29.
- 0306.21-0306.22 A change to dried crustaceans of subheading 0306.21 through 0306.22, whether in shell or not, from crustaceans of the same subheading or any other chapter; or
- A change to any other good of subheading 0306.21 through 0306.22 from any other chapter.
- 0306.23 A change to subheading 0306.23 from any other chapter.
(Formatting only – no change in intent)
- 0306.24 A change to dried crabs of subheading 0306.24, whether in shell or not, from crabs of the same subheading or any other chapter; or
- A change to any other good of subheading 0306.24 from any other chapter.
(Formatting only – no change in intent).
- 0306.29 A change to subheading 0306.29 from any other subheading, except from subheading 0306.19.
- 0307.10-0307.99 A change to dried goods of subheading 0307.10 through 0307.99 from any other good of subheading 0307.10 through 0307.99 or any other chapter;
- A change to flours, meals or pellets of subheading 0307.99 from any other subheading; or
- A change to any other good of subheading 0307.10 through 0307.99 from any other chapter.

(Formatting only – no change in intent).

Herbs and Spices:

Marjoram, Savory and Cilantro

Chapter 7, 0712.90: Delete heading 07.01-07.14 and the rule of origin applicable thereto and replace with the following:

- | | |
|-----------------|--|
| 07.01-07.13 | A change to heading 07.01 through 07.13 from any other chapter.
<i>(Formatting only – no change in intent)</i> |
| 0712.10-0712.20 | A change to subheading 0712.10 through 0712.20 from any other chapter.
<i>(Formatting only – no change in intent)</i> |
| 0712.90 | A change to marjoram, savory or cilantro, crushed or ground, of subheading 0712.90 from marjoram, savory or cilantro, neither crushed nor ground, of subheading 0712.90 or any other chapter; or

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

Allspice

Chapter 9, 0904.20: Delete the rule of origin applicable to subheading 0904.20 and replace with the following:

- | | |
|---------|--|
| 0904.20 | A change to allspice, crushed or ground, of subheading 0904.20 from allspice, neither crushed nor ground, of subheading 0904.20 or any other chapter; or

A change to any other good of subheading 0904.20 from any other chapter. |
|---------|--|

Thyme; Bay Leaves

Chapter 9, 0910.40: Delete the rule of origin applicable to subheading 0910.40 and replace with the following:

- | | |
|---------|--|
| 0910.40 | A change to a good, crushed or ground, of subheading 0910.40 from a good, neither crushed nor ground, of subheading 0910.40 or any other chapter; or |
|---------|--|

A change to any other good of subheading 0910.40 from any other chapter.

Celery Seeds; Basil, Rosemary and Sage

Chapter 12, 1209.91: Delete heading 12.08-12.14 and the rule of origin applicable thereto and replace with the following:

- 12.08 A change to heading 12.08 from any other chapter.
(Formatting only – no change in intent)

- 1209.10-1209.30 A change to subheading 1209.10 through 1209.30 from any other chapter.
(Formatting only – no change in intent)

- 1209.91 A change to celery seeds, crushed or ground, of subheading 1209.91 from celery seeds, neither crushed nor ground, of subheading 1209.91 or any other chapter; or

 A change to any other good of subheading 1209.91 from any other chapter.

- 1209.99 A change to subheading 1209.99 from any other chapter.
(Formatting only – no change in intent)

- 12.10 A change to heading 12.10 from any other chapter.
(Formatting only – no change in intent)

- 1211.10-1211.40 A change to subheading 1211.10 through 1211.40 from any other chapter.
(Formatting only – no change in intent)

- 1211.90 A change to basil, rosemary or sage, crushed or ground, of subheading 1211.90 from basil, rosemary or sage, neither crushed nor ground, of subheading 1211.90 or any other chapter; or

 A change to any other good of subheading 1211.90 from any other chapter.

Fish Oils

Chapter 15, 1517.90 – Delete heading 15.01-15.18 and the rule of origin applicable thereto and replace with the following:

- 15.01-15.16 A change to heading 15.01 through 15.16 from any other chapter, except from heading 38.23.
(Formatting only - no change in intent)
- 1517.10 A change to subheading 1517.10 from any other chapter, except from heading 38.23.
(Formatting only - no change in intent)
- 1517.90 A change to capsules of fish oil of subheading 1517.90 from non-encapsulated fish oil of subheading 1517.90 or any other chapter; or

A change to any other good of subheading 1517.90 from any other chapter, except from heading 38.23.
(Formatting only - no change in intent)
- 15.18 A change to heading 15.18 from any other chapter, except from heading 38.23.
(Formatting only - no change in intent)

Food Preparations, e.g., Flavouring Mixes, Soups, Sauces and Finished Meals

Chapter 21, 2103.90, 21.04, 2106.90: Delete the second rule of origin applicable to subheading 2103.90 and the rules applicable to heading 21.04, tariff item 2106.90.dd and heading 21.06 and replace with the following:

- 2103.90 A change to any other good of subheading 2103.90 from yeasts of subheading 2106.90 or any other heading, except from any other good of heading 21.06.
- 21.04 A change to heading 21.04 from yeasts of subheading 2106.90 or any other heading, except from any other good of heading 21.06.
- 21.06
- 2106.90.dd A change to tariff item 2106.90.dd from yeasts of subheading 2102.10, 2102.20 or 2106.90 or any other chapter, except from Chapter 4 or tariff item 1901.90.aa.
- 21.06 A change to any other good of heading 21.06 from yeasts of subheading 2102.10, 2102.20 or 2106.90 or any other chapter.

Oils, Petroleum Products and Bitumen

Chapter 27:

1. Add the following Note:

Note 1: *For purposes of heading 27.07, a “chemical reaction” is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule.*

The following are not considered to be chemical reactions for the purposes of this definition:

- (a) dissolving in water or other solvents;*
- (b) the elimination of solvents, including solvent water;
or*
- (c) the addition or elimination of water of crystallization.*

2. Renumber the existing ‘Note’ to ‘Note 2’.

3. Add the following Note:

Note 3: *For the purposes of heading 27.10, “direct blending” is defined as a refinery process whereby various petroleum streams from processing units and petroleum components from holding/storage tanks combine to create a finished product, with pre-determined parameters, classified under heading 27.10, provided that the non-originating material constitutes no more than 25 percent by volume of the good.*

4. Amend the following rules of origin:

27.05-27.09: Delete heading 27.05-27.09 and the rule of origin applicable thereto and replace with the following:

27.05-27.06 A change to heading 27.05 through 27.06 from any other heading, including another heading within that group.

2707.10-2707.99 A change to subheading 2707.10 through 2707.99 from any other heading; or

A change to subheading 2707.10 through 2707.99 from any other subheading within heading 27.07, whether or not there is also a change from any other heading, provided that

the good resulting from such change is the product of a chemical reaction.

27.08-27.09 A change to heading 27.08 through 27.09 from any other heading, including another heading within that group.

27.10: Delete the rules of origin applicable to heading 27.10 and replace with the following:

27.10 A change to heading 27.10 from any other heading, except from heading 27.11 through 27.15;

Production of any good of heading 27.10 as the result of atmospheric distillation, vacuum distillation, catalytic hydroprocessing, catalytic reforming, alkylation, catalytic cracking, thermal cracking, coking or isomerization; or

Production of any good of heading 27.10 as the result of direct blending, provided that (1) the non-originating material is classified in Chapter 27, (2) no component of that non-originating material is classified under heading 22.07, and (3) the non-originating material constitutes no more than 25 percent by volume of the good.

27.11-27.15: Delete heading 27.11-27.15 and the rule of origin applicable thereto and replace with the following:

2711.11 A change to a good of subheading 2711.11 from within that subheading or any other subheading, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.

2711.12-2711.14 A change to a good of subheading 2711.12 through 2711.14 from within that subheading or any other subheading, including another subheading within that group, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.

2711.19 A change to subheading 2711.19 from any other subheading, except from subheading 2711.29.

2711.21 A change to subheading 2711.21 from any other subheading, except from subheading 2711.11.

- 2711.29 A change to subheading 2711.29 from any other subheading, except from subheading 2711.12 through 2711.21.
- 27.12 A change to heading 27.12 from any other heading.
(Formatting only – no change in intent)
- 2713.11-2713.12 A change to subheading 2713.11 through 2713.12 from any other heading.
(Formatting only – no change in intent)
- 2713.20 A change to a good of subheading 2713.20 from within that subheading or any other subheading, provided that the non-originating feedstock constitutes no more than 49 percent by volume of the good.
- 2713.90 A change to subheading 2713.90 from any other heading, except from heading 27.10 through 27.12, subheading 2713.11 through 2713.20 or heading 27.14 through 27.15.
(Formatting only – no change in intent)
- 27.14 A change to heading 27.14 from any other heading.
(Formatting only – no change in intent)
- 27.15 A change to heading 27.15 from any other heading, except from subheading 2713.20 or heading 27.14.

Leather

Chapter 41, 41.14: Delete the rule of origin applicable to heading 41.14 and replace with the following:

- 41.14 A change to heading 41.14 from heading 41.01 through 41.03, subheading 4105.10, 4106.21, 4106.31 or 4106.91 or any other chapter.

Woven Cotton Boxer Shorts

6207.11: Delete heading 62.06-62.10 and the rule of origin applicable thereto and replace with the following:

- 62.06 A change to heading 62.06 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, Chapter 54 or heading 55.08 through 55.16, 58.01 through 58.02 or 60.01 through 60.06, provided that the good is both cut and sewn

or otherwise assembled in the territory of one or more of the Parties.

(Formatting only - no change in intent)

6207.11 **Note:** *Men's or boys' boxer shorts of cotton shall be considered to originate if they are both cut and sewn or otherwise assembled in the territory of one or more of the Parties and if the plain weave fabric of the outer shell, exclusive of waistbands, is wholly of one or more of the following:*

- (a) *Fabrics of subheading 5208.41, yarn-dyed, with a fiber content of 100 percent cotton, 95 to 100 grams per square meter, of average yarn number¹ 37 to 42 metric;*
- (b) *Fabrics of subheading 5208.42, yarn-dyed, with a fiber content of 100 percent cotton, 100 to 105 grams per square meter, of average yarn number 47 to 53 metric;*
- (c) *Fabrics of subheading 5208.51, printed, with a fiber content of 100 percent cotton, 93 to 97 grams per square meter, of average yarn number 38 to 42 metric;*
- (d) *Fabrics of subheading 5208.52, printed, with a fiber content of 100 percent cotton, 112 to 118 grams per square meter, of average yarn number 38 to 42 metric;*
- (e) *Fabrics of subheading 5210.11, greige, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 100 to 112 grams per square meter, of average yarn number 55 to 65 metric;*
- (f) *Fabrics of subheading 5210.41, yarn-dyed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 77 to 82 grams per square meter, of average yarn number 43 to 48 metric;*
- (g) *Fabrics of subheading 5210.41, yarn-dyed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 85 to 90 grams per square meter, of average yarn number 69 to 75 metric;*

¹For definition of "average yarn number" see Annex 300-B, Section 10.

- (h) *Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 107 to 113 grams per square meter, of average yarn number 33 to 37 metric;*
- (i) *Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 92 to 98 grams per square meter, of average yarn number 43 to 48 metric; or*
- (j) *Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 105 to 112 grams per square meter, of average yarn number 50 to 60 metric.*

A change to subheading 6207.11 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, Chapter 54 or heading 55.08 through 55.16, 58.01 through 58.02 or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or more of the Parties.

(Formatting only - no change in intent)

6207.19-6207.99

A change to subheading 6207.19 through 6207.99 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, Chapter 54 or heading 55.08 through 55.16, 58.01 through 58.02 or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or more of the Parties.

(Formatting only - no change in intent)

62.08-62.10

A change to heading 62.08 through 62.10 from any other chapter,

except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, Chapter 54 or heading 55.08 through 55.16, 58.01 through 58.02 or 60.01 through 60.06, provided that the good is both cut and sewn or otherwise assembled in the territory of one or more of the Parties.

(Formatting only - no change in intent)

Aluminium

Chapter 76, 76.01-76.03, 76.04-76.06: Delete headings 76.01-76.03 and 76.04-76.06 and the rules of origin applicable thereto and replace with the following:

- 76.01 A change to heading 76.01 from any other chapter.
(Formatting only – no change in intent)
- 76.02 A change to heading 76.02 from any other heading.
- 76.03 A change to heading 76.03 from any other chapter.
(Formatting only – no change in intent)
- 76.04 A change to heading 76.04 from any other heading.
- 76.05 A change to heading 76.05 from any other heading, except
from heading 76.04; or
- A change to heading 76.05 from heading 76.04, whether or
not there is also a change from any other heading, provided
that, if bar or rod is used, the cross-sectional area of the bar
or rod is reduced by at least 50 percent.
- 76.06 A change to heading 76.06 from any other heading.

Chapter 76, 76.14: Delete the rule of origin applicable to heading 76.14 and replace with the following:

- 76.14 A change to heading 76.14 from any other heading, except
from heading 76.05; or
- A change to heading 76.14 from heading 76.05, whether or
not there is also a change from any other heading, provided
there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is
 used, or
- (b) 50 percent where the net cost method is used.

Diesel Engines

Chapter 84, 84.07-84.08: Delete headings 84.07-84.08 and the rule of origin applicable thereto and replace with the following:

- 84.07 A change to heading 84.07 from any other heading
provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.
(Formatting only - no change in intent)

8408.10-8408.20 A change to subheading 8408.10 through 8408.20 from any other heading, including another heading within that group, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.
(Formatting only - no change in intent)

8408.90 A change to subheading 8408.90 from any other heading.

Other Gas Turbines and Parts

Chapter 84, 8411.11-8411.82, 8411.99: Delete the rules of origin applicable to subheading 8411.11-8411.82 and 8411.99 and replace with the following:

8411.11-8411.82 A change to subheading 8411.11 through 8411.82 from any subheading outside that group.

8411.91 A change to subheading 8411.91 from any other heading.
(Formatting only - no change in intent)

8411.99 A change to subheading 8411.99 from any other heading;
or

No required change in tariff classification to subheading 8411.99, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.

Valves

Chapter 84, 8481.40-8481.80: Delete subheading 8481.10-8481.80 and the rules of origin applicable thereto and replace with the following:

8481.10-8481.30 A change to subheading 8481.10 through 8481.30 from any other heading; or

A change to subheading 8481.10 through 8481.30 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- (Formatting only - no change in intent)*

8481.40–8481.80 A change to subheading 8481.40 through 8481.80 from any other heading; or

A change to subheading 8481.40 through 8481.80 from subheading 8481.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

Parts for Electric Motors and Generators

Chapter 85, 85.03: Delete heading 85.03 and the rules of origin applicable thereto and replace with the following:

- 85.03 A change to heading 85.03 from any other heading; or
- No required change in tariff classification to heading 85.03, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.

Electric Transformers

Chapter 85, 8504.10-8504.23, 8504.32-8504.34: Delete subheadings 8504.10-8504.34 and the rules of origin applicable thereto and replace with the following:

- 8504.10 A change to subheading 8504.10 from any other subheading.
- 8504.21–8504.23 A change to subheading 8504.21 through 8504.23 from subheading 8504.90 or any other heading.

- 8504.31 A change to subheading 8504.31 from any other heading;
or
- A change to subheading 8504.31 from subheading 8504.90, whether or not there is also a change from any other heading provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- (Formatting only - no change in intent)*
- 8504.32–8504.34 A change to subheading 8504.32 through 8504.34 from subheading 8504.90 or any other heading.

Primary Cells and Batteries

Chapter 85, 8506.10-8506.40, 8506.50-8506.80, 8506.90: Delete subheadings 8506.10-8506.80, 8506.90 and the rules of origin applicable thereto and replace with the following:

- 8506.10–8506.40 A change to subheading 8506.10 through 8506.40 from any other subheading, including another subheading within that group.
- 8506.50–8506.80 A change to subheading 8506.50 through 8506.80 from any subheading outside that group.
- 8506.90 A change to a good of subheading 8506.90 from within that subheading or any other subheading.

Electrical Apparatus for Line Telephony

Chapter 85, 8517.11-8517.90: Delete subheading 8517.11, tariff item 8517.19.aa, subheading 8517.19, 8517.21, 8517.22-8517.30, tariff item 8517.50.aa, 8517.50.bb, subheading 8517.50, tariff item 8517.80.aa, subheading 8517.80, tariff items 8517.90.aa through 8517.90.gg, subheading 8517.90 and the rules of origin applicable thereto and replace with the following:

- 8517.11–8517.80 A change to subheading 8517.11 through 8517.80 from any other subheading, including another subheading within that group.
- 8517.90 A change to subheading 8517.90 from any other

subheading, or

No required change in tariff classification to subheading 8517.90, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.

Turntables, Record Players, Cassette Players

Chapter 85, 8519.10-8519.99: Delete subheadings 8519.10-8519.99 and the rule of origin applicable thereto and replace with the following:

8519.10-8519.99 A change to subheading 8519.10 through 8519.99 from any other subheading, including another subheading within that group.

Transmission Apparatus for Radio Telephony

Chapter 85, 8525.30, 8525.40: Delete the rules of origin applicable to 8525.30 and 8525.40 and replace with the following:

8525.30

8525.30.aa A change to tariff item 8525.30.aa from any other tariff item, except from tariff item 8525.30.bb.
(Existing rule - no change in intent)

8525.30 A change to subheading 8525.30 from any other subheading.

8525.40 A change to subheading 8525.40 from any other subheading.

Radar Apparatus

Chapter 85, 8526.10, 8526.91-8526.92: Delete subheadings 8526.10, 8526.91-8526.92 and the rules of origin applicable thereto and replace with the following:

8526.10-8526.92 A change to subheading 8526.10 through 8526.92 from any other subheading, including another subheading within that group.

Reception Apparatus for Radio Telephony

Chapter 85, 8527.90: Delete subheading 8527.90 and the rule of origin applicable thereto and replace with the following:

8527.90 A change to subheading 8527.90 from any other subheading.

Televisions

Chapter 85, 8528.12.dd, 8528.12.ee: Replace the rules of origin applicable to tariff items 8528.12.dd and 8528.12.ee with the following:

8528.12.dd A change to tariff item 8528.12.dd from tariff item 8528.12.gg or any other heading, except from tariff item 8540.11.cc, 8540.11.dd or 8540.91.aa.

8528.12.ee A change to tariff item 8528.12.ee from tariff item 8528.12.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa.

Chapter 85, 8528.21.dd, 8528.21.ee: Replace the rules of origin applicable to tariff items 8528.21.dd and 8528.21.ee with the following:

8528.21.dd A change to tariff item 8528.21.dd from tariff item 8528.21.gg or any other heading, except from tariff item 8540.11.cc, 8540.11.dd or 8540.91.aa.

8528.21.ee A change to tariff item 8528.21.ee from tariff item 8528.21.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa.

Chapter 85, 8528.30.ee: Replace the rules of origin applicable to tariff item 8528.30.ee with the following:

8528.30.ee A change to tariff item 8528.30.ee from tariff item 8528.30.gg or any other heading, except from tariff item 8540.12.bb or 8540.91.aa.

Electric Sound or Visual Signaling Apparatus

Chapter 85, 8531.10, 8531.20: Delete subheadings 8531.10 and 8531.20 and the rules of origin applicable thereto and replace with the following:

8531.10 – 8531.20 A change to subheading 8531.10 through 8531.20 from any other subheading, including another subheading within that group.

Alarms

Chapter 85, Chapter 85, 8531.80: Delete the rules of origin applicable to subheading 8531.80 and replace with the following:

8531.80 A change to subheading 8531.80 from any other subheading.

Thermionic, Cold Cathode or Photocathode Tubes

Chapter 85, 8540.40-8540.60, 8540.71-8540.79, 8540.81-8540.89: Delete subheadings 8540.40-8540.60, 8540.71-8540.79 and 8540.81-8540.89 and the rules of origin applicable thereto and replace with the following:

8540.40-8540.60 A change to subheading 8540.40 through 8540.60 from any subheading outside that group.

8540.71-8540.89 A change to subheading 8540.71 through 8540.89 from any other subheading, including another subheading within that group.

Electrical Machines and Apparatus

Chapter 85, 8543.11-8543.19, 8543.20-8543.30 and 8543.40-8543.89: Delete subheadings 8543.11-8543.81, tariff item 8543.89.aa and subheading 8543.89 and the rules of origin applicable thereto and replace with the following:

8543.11-8543.19 A change to subheading 8543.11 through 8543.19 from any subheading outside that group.

8543.20-8543.30 A change to subheading 8543.20 through 8543.30 from any other subheading, including another subheading within that group.

8543.40-8543.89 A change to subheading 8543.40 through 8543.89 from any subheading outside that group.

Insulator Conductors

Chapter 85, 8544.51: Delete the rules of origin applicable to subheading 8544.11-8544.60 and replace with the following:

8544.11-8544.60 A change to subheading 8544.11 through 8544.60 from any subheading outside that group; or

A change to subheading 8544.11 through 8544.60 from any other subheading within that group, whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

Rail Locomotives

Chapter 86, 86.01, 86.02: Delete heading 86.01-86.06 and the rules of origin applicable thereto and replace with the following:

86.01-86.02 A change to heading 86.01 through 86.02 from any other heading.

86.03-86.06 A change to heading 86.03 through 86.06 from any other heading, including another heading within that group, except from heading 86.07; or

A change to heading 86.03 through 86.06 from heading 86.07, whether or not there is also a change from any other heading, including another heading within that group, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.

(Formatting only - no change in intent)

Truck Assemblies

Chapter 86, 8607.11-8607.12: Delete the rule of origin applicable to subheading 8607.11-8607.12 and replace with the following:

8607.11-8607.12 A change to subheading 8607.11 through 8607.12 from any subheading outside that group.

Locomotive Parts

Chapter 86, 8607.21-8607.99: Delete the rule of origin applicable to subheading 8607.21-8607.99 and replace with the following:

8607.21-8607.99 A change to subheading 8607.21 through 8607.99 from any other heading; or

No required change in tariff classification to any of subheading 8607.21 through 8607.99 provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.

Electrocardiographs, and Parts and Accessories Thereof

Chapter 90, 9018.11-9018.90: Delete tariff item 9018.11.aa, subheadings 9018.11, 9018.12-9018.14, tariff item 9018.19.aa, subheadings 9018.19, 9018.20-9018.50, tariff item 9018.90.aa and subheading 9018.90 and the rules of origin applicable thereto and replace with the following:

9018.11-9018.90 A change to a good of any of subheading 9018.11 through 9018.90 from any other good within that subheading or any other subheading, including another subheading within that group.

Medical Appliances and Apparatus

Chapter 90, 9022.12-9022.30: Delete subheading 9022.12-9022.14, 9022.19, 9022.21, 9022.29-9022.30 and the rules of origin applicable thereto and replace with the following:

9022.12-9022.30 A change to subheading 9022.12 through 9022.30 from any other subheading including another subheading within that group; or

No required change in tariff classification to any of subheading 9019.10 through 9021.90, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used.

Hydrometers and Similar Floating Instruments

Chapter 90, 9025.11 – 9025.80: Delete the rules of origin applicable to subheading 9025.11-9025.80 and replace with the following:

9025.11–9025.80 A change to subheading 9025.11 through 9025.80 from any other heading; or

A change to subheading 9025.11 through 9025.80 from subheading 9025.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

Other Instruments and Apparatus for Physical or Chemical Analysis

Chapter 90, 9027.80: Delete tariff item 9027.80.aa and subheading 9027.80 and the rules of origin applicable thereto and replace with the following:

9027.80 A change to subheading 9027.80 from any other subheading.

Automatic Regulating or Controlling Instruments

Chapter 90, 9032.10: Delete subheading 9032.10 and the rules of origin applicable thereto and replace with the following:

9032.10 A change to subheading 9032.10 from any other heading; or

A change to a good of subheading 9032.10 from within that subheading or subheading 9032.89 through 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

Time Switches with Clock or Watch Movement or with Synchronous Motor

Chapter 91, 91.01-91.06, 91.07: Delete heading 91.01-91.07 and the rules of origin applicable thereto and replace with the following:

91.01-91.06 A change to heading 91.01 through 91.06 from any other chapter; or

A change to heading 91.01 through 91.06 from heading 91.14, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- (Formatting only, no change in intent)*

91.07

A change to heading 91.07 from any other chapter; or

A change to heading 91.07 from heading 91.14, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

Lighters

Chapter 96, 9613.80: Delete the rules of origin applicable to subheading 9613.10 - 9613.80 and replace with the following:

9613.10-9613.80

A change to subheading 9613.10 through 9613.80 from any other chapter; or

A change to subheading 9613.10 through 9613.80 from subheading 9613.90, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

De Minimis for Goods of Section VI, Products of the Chemical or Allied Industries (Chapter 28-38)

Section VI: Add the following footnote:

In applying the provisions of Article 405 to goods of Section VI, the reference to “seven percent” shall be replaced with “ten percent”.

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

March 24, 2006

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

Dear Chairman Koplan,

Please see the corrected Annex for the letter of March 17 sent by Ambassador Portman. It removes Woven Cotton Boxer Shorts (HS 6207.11), which are the subject of a prior USTR request to the Commission.

As always we appreciate the time and dedication with which you address these matters.

Sincerely,



Carmen Suro-Bredie
Assistant U.S. Trade Representative
for Policy Coordination

APPENDIX B
***FEDERAL REGISTER* NOTICE**

INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-503 (Consolidated Enforcement and Advisory Opinion Proceedings)]

In the Matter of Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks and Components Thereof; Notice of Commission Decision Not to Review an Enforcement Initial Determination and an Initial Advisory Opinion; Denial of Motion for Clarification of Remedial Order and Posting of Bond

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined not to review the Enforcement Initial Determination ("EID") and Initial Advisory Opinion ("IAO") issued by the presiding administrative law judge ("ALJ") in the above-captioned proceedings. The Commission has also determined to deny the complainant's motion to clarify the Commission's existing cease and desist order and to require retroactive posting of bond.

FOR FURTHER INFORMATION CONTACT: Rodney Maze, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone (202) 205-3065. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: This section 337 investigation was instituted by the Commission on January 7, 2004, based on a complaint filed by Eaton Corporation ("Eaton") of Cleveland, Ohio. 69 FR 937 (January 7, 2004). The complaint, as supplemented, alleged violations of section 337 of the Tariff Act of 1930, 19 U.S.C. 1337, in the importation into the United States, the

sale for importation, and the sale within the United States after importation of certain automated mechanical transmission systems ("AMTS") for medium-duty and heavy-duty trucks, and components thereof, by reason of infringement of claim 15 of U.S. Patent No. 4,899,279 ("the '279 patent"); claims 1-20 of U.S. Patent No. 5,335,566 ("the '566 patent"); claims 2-4 and 6-16 of U.S. Patent No. 5,272,939; claims 1-13 of U.S. Patent No. 5,624,350; claims 1, 3, 4, 6-9, 11, 13, 14, 16 and 17 of U.S. Patent No. 6,149,545 ("the '545 patent"); and claims 1-16 of U.S. Patent No. 6,066,071.

The complaint and notice of investigation named three respondents ZF Meritor, LLC of Maxton, North Carolina, ZF Freidrichshafen AG ("ZFAG") of Freidrichshafen, Germany, and ArvinMeritor, Inc. ("ArvinMeritor") of Troy, Michigan. Claim 15 of the '279 patent, claim 4 of the '566 patent, and claims 1, 3, 6, 7, 11, 13, 16, and 17 of the '545 patent remained at issue when the ALJ issued his final ID.

On January 7, 2005, the ALJ issued his final ID on violation and his recommended determination on remedy. The ALJ found a violation of section 337 by reason of infringement of claim 15 of the '279 patent by respondents. He did not find a violation based on infringement of the asserted claims of the remaining '545 and '566 patents. Petitions for review were filed by Eaton, the respondents, and the Commission investigative attorney ("IA") on January 21, 2005. All the parties filed responses to the petitions on January 28, 2005.

On February 24, 2005, the Commission determined not to review the ALJ's final ID on violation, thereby finding a violation of section 337. 70 FR 10112 (March 2, 2005). On April 7, 2005, the Commission issued a limited exclusion order and a cease and desist order covering AMTS for medium-duty and heavy-duty trucks, and components thereof that infringe claim 15 of the '279 patent. 70 FR 19094 (April 13, 2005).

On April 21, 2005, the respondents filed a request for advisory opinion proceedings concerning a redesigned AMTS which respondents assert does not fall within the scope of the Commission's remedial orders. Eaton filed a complaint for enforcement proceedings on May 11, 2005, naming ZFAG and ArvinMeritor as respondents. On June 6, 2005, the Commission issued a notice that it had determined to institute consolidated formal enforcement and advisory opinion proceedings.

On August 19, 2005, Eaton filed a motion requesting that the Commission

issue an order clarifying that the existing cease and desist order bars the respondents from importing their redesigned AMTS during the pendency of the above-captioned proceedings. The same motion requested that the Commission require the respondents to post a bond for the redesigned AMTS that it imported during the period of Presidential review, see 19 U.S.C. § 1337(j).

On August 31, 2005, the respondents and the IA filed oppositions to Eaton's motion.

On January 10, 2006, the presiding ALJ issued an EID and IAO finding that the respondents' redesigned AMTS do not infringe claim 15 of the '279 patent and therefore do not fall within the Commission's remedial orders. No petitions for review of the EID or IAO were filed. The Commission has determined not to review the EID or IAO. The Commission has also determined to deny Eaton's motion regarding the existing cease and desist order and posting of bond because it has found that the redesigned AMTS are not covered by the remedial orders issued in this investigation.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in §§ 210.75 and 210.79 of the Commission's Rules of Practice and Procedure (19 CFR 210.75 and 210.79).

By order of the Commission.

Issued: March 27, 2006.

Marilyn R. Abbott,
Secretary to the Commission.

[FR Doc. E6-4733 Filed 3-30-06; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. NAFTA-103-014]

Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and opportunity to file written submissions.

DATES: Effective Date: March 24, 2006.
SUMMARY: Following receipt of a request on March 20, 2006, from United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313), the Commission instituted investigation No. NAFTA-103-014,

Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin.

Background: According to the USTR's letter, U.S. negotiators have recently reached agreement in principle with representatives of the governments of Canada and Mexico on proposed modifications to Annexes 401 and 403 of the NAFTA. Chapter 4 and Annexes 401 and 403 of the NAFTA set forth in the rules of origin for applying the tariff provisions of the NAFTA to trade in goods. Section 202(q) of the NAFTA Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules as may from time to time be agreed to by the NAFTA countries. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission.

The USTR has requested that the Commission provide advice on the probable effect on U.S. trade under the NAFTA and on domestic industries as a result of proposed modifications to the rules of origin in NAFTA Annexes 401 and 403 for a number of products. A complete listing of the products and the proposed modifications is available from the Office of the Secretary to the Commission or by accessing the electronic version of this notice at the Commission's Internet site (<http://www.usitc.gov>). The current U.S. rules of origin can be found in General Note 12 of the 2005 Harmonized Tariff Schedule of the United States (see "General Notes" link at http://hotdocs.usitc.gov/tariff_chapters_current/toc.html). As requested, the Commission will forward its advice to the USTR by August 14, 2006.

FOR FURTHER INFORMATION CONTACT: Project Leader, Edmund Cappuccilli (202-205-3368 or edmund.cappuccilli@usitc.gov) or Deputy Project Leader, Vincent Honnold (202-205-3314 or vincent.honnold@usitc.gov). The above persons are in the Commission's Office of Industries. For more information on the legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel (202-205-3091 or william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations at 202-205-1819 or margaret.olaughlin@usitc.gov.

Written Submissions: In lieu of a public hearing, interested parties are invited to submit written statements

concerning any economic effect of the modifications. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. To be assured of consideration by the Commission, written statements should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on June 2, 2006. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, from which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or edis@usitc.gov).

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

The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR and the President. 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.

The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. 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.

By order of the Commission

Issued: March 27, 2006.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E6-4737 Filed 3-30-06; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

Notice of Update to the Electronic Document Information System (EDIS)

AGENCY: United States International Trade Commission.

ACTION: Notice of Update to the Electronic Document Information System (EDIS).

SUMMARY: The United States International Trade Commission hereby provides notice of an update to the Commission's Electronic Document Information System (EDIS). The update to EDIS includes an enhanced interface for the filing of electronic documents and a revised Handbook on Electronic Filing Procedures.

FOR FURTHER INFORMATION CONTACT: Marilyn R. Abbott (202-205-2000), Secretary to the Commission, or Brian V. Moran (202-205-2784), Director, Office of Information Technology Services, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal at 202-205-1810. Persons with mobility impairments who require special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. For additional information concerning electronic filing and the Commission in general, please visit the Commission's Web site at <http://www.usitc.gov>.

SUPPLEMENTARY INFORMATION: A copy of the revised Handbook on Electronic Filing Procedures is accessible at <http://www.usitc.gov>. Persons with questions regarding the use, procedures, and requirements regarding electronic filing may also contact the EDIS Help

APPENDIX C
ORGANIZATIONS CONTACTED

ORGANIZATIONS CONTACTED

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

ACH Food Companies, Inc. (ACH)
Aluminium Association
American Spice Trade Association
American Dehydrated Onion & Garlic Association
Applied Materials
Banner Pharmacaps, Inc.
Battery Council International/Independent Battery Manufacturers Association
Bill Williams Jr. Co.
Boeing Company
Brink's Company
Bumble Bee Foods, LLC
Campbell Soup Company
Carville National Leather Corp.
Cromwell Leather Co.
Electrical Generating Systems Association
Electronic Industries Association (EIA)
Engine Manufacturers Association
Fanwood Chemicals
Federation of the Swiss Watch Industry
General Electric Company
Honeywell Life Safety
Information Technology Institute
Institute of Edible Oils and Shortening
Instrumentation, Systems, and Automation Society
Intel Corporation
Invensys Controls, Ltd. (Tyco)
Irving Oil Corp.
KPMG Ltd.
Leather Industries of America
Lesaffre Yeast Corporation
McCormick & Company, Inc.
Measurement, Control and Automation Association
Micron Technology
Motorola, Inc.
National Association of Watch & Clock Collectors, Inc.
National Burglar and Fire Alarm Association
National Electrical Manufacturers Association (NEMA)
National Fisheries Institute
National Petrochemicals and Refiners Association (NPRA)
Nestlé USA, Inc.
Newman Leather Corp.
Omega Protein Corporation
Plumbing Manufacturers Institute (PMI)

Renewable Fuels Association (RFA)
S.B. Foot Tanning Co.
Seidel Tanning Corp.
Semiconductor Industry Association
Semiconductor Equipment and Materials Institute
Security Industry Association
Telecommunications Industry Association
Thiele Tanning Co.
Tyco Fire & Security and its related entity, ADT
U.S. Lighter Association
Unilever Canada
United Technologies, Pratt & Whitney
United Tuna Cooperative
Valve Manufacturers Association (VMA)
Wausau Paper
Wolverton Leather

APPENDIX D
POSITIONS OF INTERESTED PARTIES

POSITIONS OF INTERESTED PARTIES

Omega Protein Corporation (HTS subheading 1517.90)

Omega Protein Corporation, the largest domestic crude fish oil producer, and a leading producer of encapsulated fish oil products, indicated that it opposes the proposed NAFTA ROO change because it will grant duty-free benefits to non-NAFTA products and harm domestic production. Omega Protein indicated that three of its four domestic processing facilities were damaged by Hurricane Katrina. It further wrote that, “such a rule would allow non-NAFTA fish oil capsules to flood the U.S. market duty free and injure Omega’s U.S. fish oil production, investments and employment.”

McCormick & Company, Inc. (HTS headings 2103, 2104, and 2106)

McCormick & Company, Inc. (McCormick) is the largest spice company in the world and the leader in the manufacture, marketing, and distribution of spices, seasonings, and flavors to the entire food industry. McCormick has expressed its support for the proposed NAFTA rule changes to HTS headings 2103, 2104, 2106, and subheading 2103.90, which permit the use of non-NAFTA yeast inputs.

Irving Oil Corporation (HTS heading 2710)

Irving Oil Terminals Inc., Irving Oil Transportation Company, and Irving Oil Corporation (Irving Oil Co.) of Portsmouth, NH support the modification to the NAFTA ROO for refined petroleum products. Irving Oil Co. stated that the modification will modestly increase the supply of gasoline for U.S. consumers with no perceptible effect on the viability of U.S. refiners. According to Irving Oil Co., the United States is becoming increasingly tied to a global market for gasoline with imports accounting for a larger share of domestic consumption. The elimination of methyl tert-butyl ether (MTBE) from the U.S. gasoline supply has resulted in a loss of about 128,000 barrels per day of available gasoline. While the substitution of ethanol is expected to make up for about half of this shortfall, imports will account for the remainder. Irving Oil Co. stated that the volume of imported blended gasoline that would be covered under the proposed modification, less than 10,000 barrels per day, will help to satisfy U.S. demand and will be too small to have any significant or lasting effect on U.S. gasoline prices or on U.S. refiners.

The General Electric Company

The General Electric Company (GE) is a publicly traded company that produces a wide variety of goods for consumers and industry. The following is a synopsis of its comments on several proposed NAFTA ROO affecting products it manufactures.

(HTS subheading 8408.90)

GE is a manufacturer of certain diesel engines and supports the change in the NAFTA ROO for HTS subheading 8408.90. GE claims that the current ROO for this subheading imposes an unnecessary administrative burden to NAFTA qualification of these engines. Although these engines meet the regional value content requirement for NAFTA status, the documentation required to qualify for such benefits is considered to be a burden. Additionally, GE asserts that the proposed language would provide a more efficient methodology for qualifying these engines and would allow NAFTA benefits to be claimed for certain engines for which it is currently inefficient to do so.

(HTS subheadings 8411.11-8411.82, 8411.92, and 8411.99)

GE supports the proposed modifications to the NAFTA ROO with respect to HTS subheading 8411.99, parts of nonturbine or turbopropeller engines. GE states the proposed rule change will allow qualification of parts where substantial value is added in the United States.

(HTS heading 8503)

GE supports the proposed modifications for HTS heading 8503, parts for electric motors and generators. GE produces large generators in the United States and states that parts of these large generators are classified under HTS item 8503.00.95. GE notes that HTS item 8503.00.95 includes various parts fabricated from smaller components that are classified in the same category. GE believes that implementing the regional value-content requirement in the proposed modification will allow GE and its customers to qualify replacement parts for these generators where substantial value is added in the United States.

(HTS headings 8601-8606)

GE supports the proposed modifications to the NAFTA ROO with respect to HTS headings 8602, rail locomotives. GE indicates the proposed rule, which is also the CAFTA rule, will also allow qualification of the locomotives without satisfying a regional value content. GE states that this will eliminate an unnecessary administrative burden in qualifying the locomotives, which have very substantial United States content.

(HTS subheadings 8607.11-8607.12)

GE supports the proposed modifications to the NAFTA ROO with respect to HTS subheadings 8607.11-8607.12, truck assemblies. GE states the proposed change will allow qualification of truck assemblies manufactured in General Electric's U.S. plants that include axles, wheels, and other parts not classified in those subheadings.

Solar Turbines, Inc. (HTS subheadings 8411.81-8411.82 and 8411.99)

Solar Turbines, Inc. (Solar) is a wholly owned division of Caterpillar, Inc. Solar produces industrial gas turbines and exports over 50 percent of its products. Sales are primarily to customers in the oil and gas industries, and are principally used in electric generators, pumps, and gas compressors. The proposed rule would allow Solar to qualify its products more easily and at a lower cost.

Merkle-Korff Industries, Inc. (HTS heading 8503)

Merkle-Korff Industries, Inc. (M-K) is a producer of electric motors and assemblies that are used in a variety of industries and equipment. M-K has operations and employees in both the United States and Mexico. M-K describes the electric motor industry as highly competitive, requiring lean manufacturing and cost containment. Although M-K has been able to maintain assembly operations in the NAFTA region, largely because of cost reductions enjoyed through NAFTA treatment, there are other products in this heading that M-K manufactures that do not currently qualify under the existing NAFTA rule. M-K describes the current NAFTA ROO for HTS subheading 8503 as restrictive, ignoring considerable cost, labor, and additional processing that make parts of electric motors marketable. Therefore, M-K supports the proposed rule that would implement a regional value content requirement, claiming it would provide an incentive to retain manufacturing and assembly operations in North America instead of shifting operations to low labor cost markets.

Lutron Electronics Co., Inc. (HTS subheading 8504.10)

Lutron Electronics states that they are a worldwide leader and innovator in the design, manufacture, marketing, and sale of lighting control products, selling their products in over 100 countries worldwide. They currently manufacture and has research and development facilities within the United States, and they are in the process of opening operations in Mexico. Lutron Electronics considers its ballasts (HTS subheading 8504.10) an integral component to its commercial lighting systems. Furthermore, it supports the proposed modification, identifying benefits such as continued operations within the NAFTA region, elimination of the administrative burden associated with qualifying for the regional value-content requirement, cost reduction for customers, and more flexibility in sourcing materials for this product.

Tyco Fire & Security (HTS subheadings 8481.40, 8531.10, 8531.20, 8531.80, and 8544.51)

Tyco Fire & Security (Tyco), and its related entity ADT, are global producers and distributors of security and fire protection systems. Tyco has global production sites, with major operations located throughout the United States, Canada, and Mexico. Tyco's method of analysis for its submission consisted of three steps: (1) comparison of the HS categories affected by all proposed modifications to its own import and export classifications; (2) for matching classifications, a determination of whether the dollar volume of imports or exports was substantial enough to merit further analysis; and (3) for those meriting further analysis, a determination of whether the proposed modification would have a positive, negative, or minimal-to-no impact on Tyco's business operations. Based on this methodology, Tyco supports the proposed rule modifications for HTS subheadings 8481.40, 8531.10, 8531.20, 8531.80, and 8544.51. Tyco produces and assembles these products in various locations, including the United States, Canada, and Mexico. Tyco believes the modifications will simplify qualification of products and provide more flexibility in sourcing, and that they may also provide Tyco with additional opportunities to expand operations in the United States, Canada, and Mexico.

Delphi Corporation (HTS subheading 8544.11-8544.60)

Delphi Corporation (Delphi) supports the proposed modifications for HTS subheading 8544.11-8544.60. Delphi claims to manufacture automotive parts and accessories with significant operations in NAFTA territories. Further, Delphi claims to produce, export, import, and sell ignition wiring sets (HTS subheading 8544.30) to automobile manufacturers in all three NAFTA countries. Delphi has relied on applications used by U.S. Customs and Border Protection (CBP) to qualify their ignition wiring sets for duty-free NAFTA treatment. However, CBP recently announced intent to modify previous rulings and according to Delphi these modifications would severely restrict Delphi to qualify their ignition wiring sets for duty-free NAFTA treatment. Therefore, Delphi supports the proposed rule that would implement a lower regional value content requirement, claiming this proposed rule would be critical in order to retain significant operations in North America, instead of shifting operations to low cost and low labor markets.

APPENDIX E
COMPILATION OF APPLICABLE NAFTA
TARIFF RATES AND NTR TARIFF
RATES FOR THE UNITED STATES,
CANADA, AND MEXICO, 2006

APPENDIX E
COMPILATION OF APPLICABLE NAFTA TARIFF
RATES AND NTR TARIFF RATES FOR THE
UNITED STATES, CANADA, AND MEXICO

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Fish and Crustaceans - Chapter 3						
0301 - 0304	Free	Free	Free	Free - 15% (0302.23.00, 0303.33.00, 0303.39.00, 0303.71.00, and 0303.75.00, 1.1 c/kg)	Free or 3%	Free - 20%
0305.10 - 0305.30	Free	Free	Free	Free - 7.5%	Free or 3%	20%
0305.41 - 0305.49	Free	Free	Free	Free or 5%	Free	20%
0305.51	Free	Free	Free	Free	Free	20%
0305.59	Free	Free	Free	Free	Free	20%
0305.61	Free	Free	Free	Free or 4%	Free	20%
0305.62	Free	Free	Free	Free	Free	20%
0305.63	Free	Free	Free	Free or 5%	Free	20%
0305.69	Free	Free	Free	Free - 5%	Free	20%
0306.11 - 0306.14	Free	Free	Free	Free or 7.5%	Free or 5%	20%
0306.19	Free	Free	Free	Free	5%	20%
0306.21 - 0306.22	Free	Free	Free	Free	Free or 5%	20%
0306.23	Free	Free	Free	Free	Free	Free or 20%
0306.24	Free	Free	Free	Free or 7.5%	5%	20%
0306.29	Free	Free	Free	Free	5%	20%
0307.10 - 0307.99	Free	Free	Free	Free or 5%	Free - 4%	20%
Marjoram, Savory and Cilantro - Chapter 7						
0701 - 0713	Free (except 0704.90.40, MX - See 9906.07.19-9906.07.22; 0707.00.40, MX - 0.8c/kg; 0707.00.50, MX - See 9906.07.27-9906.07.28; 0709.20.90, MX - See 9906.07.31-9906.07.34; 0712.20.20, MX - 4.6%; 0712.20.40, MX - 3.3%; and 0712.90.40, MX - 4.6%)	Free	Free (except 0713.33.02, 0713.33.03, and 0713.33.99, 35.2%)	0701.10.00, 0.5 c/kg 0701.90.10, 0.5 c/kg 0701.90.50, 0.5 c/kg 0702.00.20, 3.9 c/kg 0702.00.40, 2.8 c/kg 0702.00.60, 2.8 c/kg 0703.10.20, 0.83 c/kg 0703.10.30, 0.96 c/kg 0703.10.40, 3.1 c/kg 0703.20.00, 0.43 c/kg 0703.90.00, 20% 0704.10.20, 2.5% 0704.10.40, 10%	Free - 19% (0701.10.00 and 0701.90.00, \$4.94/tonne; 0702.00.11 and 0702.00.19, 1.41c/kg but not less than 9.5%; 0702.00.21, 0702.00.91, and 0704.90.21, 4.68c/kg but not less than 12.5%; 0703.10.10,	Free - 245%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Marjoram, Savory and Cilantro - Chapter 7—Continued						
0701 - 0713—cont.				0704.10.60, 14% 0704.20.00, 12.5% 0704.90.20, 0.54 c/kg 0704.90.40, 20% 0705.11.20, 0.4 c/kg 0705.11.40, 3.7 c/kg 0705.19.20, 0.4 c/kg 0705.19.40, 3.7 c/kg 0705.21.00, 0.15 c/kg 0705.29.00, 0.15 c/kg 0706.10.05, 14.9% 0706.10.10, 1.4 c/kg 0706.10.20, 0.7 c/kg 0706.10.40, Free 0706.90.20, 2.7% 0706.90.30, 1.9% 0706.90.40, 10% 0707.00.20, 4.2 c/kg 0707.00.40, 5.6 c/kg 0707.00.50, 5.6 c/kg 0707.00.60, 1.5 c/kg 0708.10.20, 0.5 c/kg 0708.10.40, 2.8 c/kg 0708.20.10, 2.3 c/kg 0708.20.20, Free 0708.20.90, 4.9 c/kg 0708.90.05, 1 c/kg 0708.90.15, 0.1 c/kg 0708.90.25, Free 0708.90.30, 0.8 c/kg 0708.90.40, 4.9 c/kg 0709.10.00, 11.3% 0709.20.10, 5% 0709.20.90, 21.3% 0709.30.20, 2.6 c/kg 0709.30.40, 1.9 c/kg 0709.40.20, 14.9% 0709.40.40, 0.25 c/kg 0709.40.60, 1.9 c/kg 0709.51.01, 8.8 c/kg + 20% 0709.52.00, Free 0709.59.00, 8.8 c/kg + 20% 0709.60.20, 4.4 c/kg 0709.60.40, 4.7 c/kg 0709.70.00, 20%	4.23c/kg but not less than 9.5%; 0703.10.21, 2.12c/kg but not less than 9.5%; 0703.10.31, 4.68c/kg but not less than 10.5%; 0703.10.41, 0703.10.91, and 0709.90.32, 2.81c/kg but not less than 12.5%; 0704.10.11 and 0706.10.11, 1.88c/kg but not less than 4% plus 4%; 0704.10.12 and 0706.10.12, 1.88c/kg but not less than 4%; 0704.20.11, 5.62c/kg but not less than 10.5% plus 4%; 0704.20.12, 5.62c/kg but not less than 10.5%; 0704.90.10, 2.12c/kg but not less than 6%; 0704.90.31, 0704.90.41, 0705.11.12, and 0705.19.12, 2.35c/kg but not less than 12.5%; 0705.11.11 and 0705.19.11, 2.35c/kg but not less than 12.5% plus 4%; 0706.10.31, 0.94c/kg plus 4%; 0706.10.32, 0.94c/kg; 0706.90.10, 1.41c/kg but not less than 12.5%; 0706.90.21, 1.88c/kg but not less than 8.5% plus 4%; 0706.90.22, 1.88c/kg but not less than 8.5%; 0706.90.51, 0707.00.10,	

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Marjoram, Savory and Cilantro - Chapter 7—Continued						
0701 - 0713—Cont.				0709.90.05, 11.3% 0709.90.10, 5.6% 0709.90.14, 20% 0709.90.20, 1.5 c/kg 0709.90.30, 8% 0709.90.35, 8.8 c/kg 0709.90.45, 21.3% 0709.90.91: 20% 0710.10.00, 14% 0710.21.20, 1c/kg 0710.21.40, 2 c/kg 0710.22.10, 2.3 c/kg 0710.22.15, 4.9 c/kg 0710.22.20, Free 0710.22.25, 4.9 c/kg 0710.22.37, 4.9 c/kg 0710.22.40, 11.2% 0710.29.05, 1c/kg 0710.29.15, 0.1 c/kg 0710.29.25, Free 0710.29.30, 0.8 c/kg 0710.29.40, 3.5 c/kg 0710.30.00, 14% 0710.40.00, 14% 0710.80.15, Free 0710.80.20, 5.7c/kg + 8% 0710.80.40, 2.9 c/kg 0710.80.45, 2.1 c/kg 0710.80.50, 2.1 c/kg 0710.80.60, 8% 0710.80.65, 12.5% 0710.80.70, 11.3% 0710.80.85, 14% 0710.80.93, 14.9% 0710.80.97, 14.9% 0710.90.11, 7.9% 0710.90.91, 14% 0711.20.18, 3.7 c/kg on drained weight 0711.0.28, 5.9 c/kg on drained weight 0711.20.38, 5.9 c/kg on drained weight 0711.20.40, 8.6 c/kg on drained weight 0711.30.00, 8% 0711.40.00, 7.7%	0708.10.10, and 0708.20.10, 1.41c/kg but not less than 6%; 0707.00.91, 4.22c/kg but not less than 12.5%; 0708.10.91, 0708.20.22, and 0709.60.10, 3.75c/kg but not less than 8.5%; 0708.20.21, 3.75c/kg but not less than 8.5% plus 4%; 0709.20.10, 5.51c/kg but not less than 7.5%; 0709.20.91, 10.31c/kg but not less than 12.5%; 0709.40.11, 3.75c/kg but not less than 12.5% plus 4%; 0709.40.12, 3.75c/kg but not less than 12.5%; 0709.51.10, 0709.51.90, 0709.59.10, and 0709.59.90, 8.43c/kg but not less than 8.5%; 0709.90.11, 3.28c/kg but not less than 8.5%; 0709.90.31, 2.81c/kg but not less than 12.5% plus 4%)	

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Marjoram, Savory and Cilantro - Chapter 7—Continued						
0701 - 0713—Cont.				0711.51.00, 5.7 c/kg on drained weight + 8% 0711.59.10, 5.7 c/kg on drained weight + 8% 0711.59.90, 7.7% 0711.90.20, Free 0711.90.50, 5.1% 0711.90.65, 7.7% 0712.20.20, 29.8% 0712.20.40, 21.3% 0712.31.10, 1.3 c/kg + 1.8% 0712.31.20, 1.9 c/kg + 2.6% 0712.32.00, 8.3% 0712.33.00, 8.3% 0712.39.10, 1.3 c/kg + 1.8% 0712.39.20, 1.9 c/kg + 2.6% 0712.39.40, Free 0713.10.10, 1.5 c/kg 0713.10.20, Free 0713.10.40, 0.4 c/kg 0713.20.10, 1.5 c/kg 0713.20.20, 1.4 c/kg 0713.31.10, 0.8 c/kg 0713.31.20, Free 0713.31.40, 0.3 c/kg 0713.32.10, 1.5 c/kg 0713.32.20, 1.2 c/kg 0713.33.10, 1.5 c/kg 0713.33.20, 1 c/kg 0713.33.40, 1.5 c/kg 0713.39.10, 1.5 c/kg 0713.39.15, Free 0713.39.20, 0.8 c/kg 0713.39.40, 0.8 c/kg 0713.40.10, 1.5 c/kg 0713.40.20, 0.15 c/kg 0713.50.10, 1.5 c/kg 0713.50.20, 1.2 c/kg 0713.90.10, 1.5 c/kg		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Marjoram, Savory and Cilantro - Chapter 7—Continued						
0701 - 0713 Cont.				0713.90.50, Free 0713.90.60, 0.8 c/kg 0713.90.80, 1.5 c/kg		
0712.10 - 0712.20	0712.20.20, CA - Free, MX - 4.6% 0712.20.40, CA - Free, MX - 3.3%	Free	Free	21.3% or 29.8%	6%	20%
0712.90	Free (except 0712.90.40, MX - 4.6%)	Free	Free	0712.90.10, 1.3% 0712.90.15, 5.5 c/kg 0712.90.20, 2.5 c/kg 0712.90.30, 2.3 c/kg 0712.90.40, 29.8% 0712.90.60, Free 0712.90.65, 3.8% 0712.90.70, 1.9% 0712.90.74, 8.7% 0712.90.78, 8.7% 0712.90.85, 8.3%	Free or 6%	15% or 20%
Allspice - Chapter 9						
0904.20	Free	Free	Free	Free or 2.5 c/kg - 5 c/kg	Free or 3%	20%
Thyme; Bay Leaves - Chapter 9						
0910.40	Free	Free	Free	Free - 4.8%	Free or 3%	20%
Celery Seeds; Basil, Rosemary and Sage - Chapter 12						
1208	Free	Free	Free	1.4% or 1.9%	Free or 6%	15% (except 1208.90.03, no data provided)
1209.10 - 1209.30	Free	Free	Free	Free - 1.6 c/kg	Free or 5.5%	Free or 9%
1209.91	Free	Free	Free	Free - 5.9 c/kg	Free or 5.5%	Free
1209.99	Free	Free	Free	Free or 0.83 c/kg	Free or 5.5%	Free (except 1209.99.07, no data provided)
1210	Free	Free	Free	13.2 c/kg	Free	Free
1211.10 - 1211.40	Free	Free	Free	Free	Free	5% or 10%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Celery Seeds; Basil, Rosemary and Sage - Chapter 12 –Continued						
1211.90	Free	Free	Free	Free or 4.8% or 6.6 c/kg	Free	10% (except 1211.90.02, no data provided)
Fish Oils - Chapter 15						
1501 - 1516	Free	Free	Free	1501.00.00, 3c/kg 1502.00.00, 0.43c/kg 1503.00.00, 2c/kg 1504.10.20, Free 1504.10.40, 2.5% 1504.20.20, Free 1504.20.40, 1c/kg 1504.20.60, 1.5c/kg + 5% 1504.30.00, 1.7c/kg + 5% 1505.00.10, 1.3c/kg 1505.00.90, 2.4% (See subheading 9903.02.44) 1506.00.00, 2.3% 1507.10.00, 19.1% 1507.90.20, Free 1507.90.40, 19.1% 1508.10.00, 7.5c/kg 1508.90.00, 7.5c/kg 1509.10.20, 5c/kg on contents and container 1509.10.40, 3.4c/kg 1509.90.20, 5c/kg on contents and container 1509.90.40, 3.4c/kg 1510.00.20, Free 1510.00.40, 5c/kg on contents and container 1510.00.60, 3.4c/kg 1511.10.00, Free 1511.90.00, Free 1512.11.00, 1.7c/kg + 3.4% 1512.19.00, 1.7c/kg + 3.4%	Free - 11%	Free - 254%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Fish Oils - Chapter 15—Continued						
1501 - 1516 Cont.				1512.21.00, 5.6c/kg 1512.29.00, 5.6c/kg 1513.11-1513.29, Free 1514.11.00, 6.4% 1514.19.00, 6.4% 1514.91.10, Free 1514.91.90, 6.4% 1514.99.10, Free 1514.99.50, 1.3c/kg 1514.99.90, 6.4% 1515.11.00, 6.3c/kg 1515.19.00, 6.3c/kg 1515.21.00, 3.4% 1515.29.00, 3.4% 1515.30.00, Free 1515.40.00, Free 1515.50.00, 0.68c/kg 1515.90.20, Free 1515.90.60, 2.3% 1515.90.80, 3.2% 1516.10.00, 7c/kg 1516.20.10, 7.7% 1516.20.90, 8.8c/kg		
1517.10	Free	1517.10.10, Free 1517.10.20, US - NTR rate, MX - Free	Free	12.3c/kg	7.5% or 82.28c/kg	20%
1517.90	1517.90.10, Free 1517.90.20, Free 1517.90.45, Free 1517.90.50, CA - Free, MX - NTR rate 1517.90.60, MX - Free, CA - NTR rate 1517.90.90, Free	1517.90.10, Free 1517.90.21, Free 1517.90.22, US - NTR rate, MX - Free 1517.90.91, Free 1517.90.99, Free	Free	1517.90.10, 18% 1517.90.20, 8% 1517.90.45, 11c/kg 1517.90.50, 11c/kg 1517.90.60, 34.2c/kg (See subheadings 9904.04.50-9904.05.01) 1517.90.90, 8.8c/kg	Free - 11% (1517.90.22, 218% but not less than \$2.47/kg)	20%
1518	Free	Free	Free	6.3c/kg or 8%	4.5% or 8%	10% or 15%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Food Preparations, e.g., Flavouring Mixes, Soups, Sauces and Finished Meals - Chapter 21						
2103.90	Free (except 2103.90.74, CA - Free, MX - NTR rate and 2103.90.78, MX - Free, CA - NTR rate)	Free	Free	Free - 7.5% (2103.90.78, 30.5c/kg + 6.4% (See subheadings 9904.21.01-9904.21.09))	8% - 11%	20%
2104	Free	Free	Free	2.5% or 3.2%	6% or 11%	10%
2106	<p>2106.10.00, Free</p> <p>2106.90.12, Free (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.15, Free (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.18, Free (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.32, Free</p> <p>2106.90.34, CA - Free, MX - NTR rate</p> <p>2106.90.36, MX - Free, CA - NTR rate</p> <p>2106.90.38, Free</p> <p>2106.90.39, Free</p> <p>2106.90.42, Free</p> <p>2106.90.44, Free</p> <p>2106.90.46, MX - 7.062c/kg on total sugars, CA - NTR rate</p> <p>2106.90.48, CA - Free, MX - See 9906.21.35-</p>	<p>Free (except 2106.90.21, MX - NTR rate;</p> <p>2106.90.31, MX - NTR rate; 2106.90.32, US, MX - NTR rate; 2106.90.34, US, MX - NTR rate; 2106.90.51, MX - NTR rate; 2106.90.52, US, MX - NTR rate; 2106.90.93, MX - NTR rate;</p> <p>2106.90.94, US, MX - NTR rate)</p>	<p>Free (except 2106.90.05 and 2106.90.09, CA - NTR rate; for 2106.90.02, 2106.90.05, 2106.90.06, and 2106.90.99 the importer must have a letter specifying that the imported product did not receive benefits from the U.S. Sugar Reexport program)</p>	<p>2106.10.00, 6.4%</p> <p>2106.90.12, 4.2c/kg + 1.9% (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.15, 8.4c/kg + 1.9% (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.18, 17c/kg + 1.9% (Imports under this subheading may be subject to Federal Excise Tax (26 U.S.C. 5001 or 26 U.S.C. 5041))</p> <p>2106.90.32, 15.4c/kg</p> <p>2106.90.34, 15.4c/kg</p> <p>2106.90.36, \$1.996/kg (See subheadings 9904.05.37-9904.05.47)</p> <p>2106.90.38, 13.1c/kg</p> <p>2106.90.39, Free</p> <p>2106.90.42, 3.6606c/kg of total sugars</p> <p>2106.90.44, 3.6606c/kg of total sugars</p> <p>2106.90.46, 35.74c/kg</p> <p>2106.90.48, 7.85c/liter</p>	<p>Free - 11% (2106.90.32 and 2106.90.34, 212% but not less than \$2.11/kg;</p> <p>2106.90.51, 6.68c/kg;</p> <p>2106.90.52, \$1.45/kg;</p> <p>2106.90.94, 274.5% but not less than \$2.88/kg;</p> <p>2106.90.96, \$0.70/litre plus 19%)</p>	<p>Free - 20% (2106.90.02, 2106.90.06, and 2106.90.99, 10% plus \$0.36/kg of sugar content; 2106.90.05, \$0.36/kg)</p>

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Food Preparations, e.g., Flavouring Mixes, Soups, Sauces and Finished Meals - Chapter 21—Continued						
2106—Cont.	9906.21.36 2106.90.52, MX - Free, CA - The rate applicable to the natural juice in heading 2009 2106.90.54, MX - Free, CA - The rate applicable to the natural juice in heading 2009 2106.90.58, Free 2106.90.83, Free 2106.90.85, CA - Free, MX - NTR rate 2106.90.87, MX - Free, CA - NTR rate 2106.90.89, MX, CA - NTR rate 2106.90.91, MX - Free, CA - NTR rate 2106.90.92, MX, CA - NTR rate 2106.90.94, MX - Free, CA - NTR rate 2106.90.95, CA - Free, MX - NTR rate 2106.90.97, MX - Free, CA - NTR rate 2106.90.99, Free			2106.90.52, 2106.90.54, The rate applicable to the natural juice in heading 2009 2106.90.58, 4.8% 2106.90.83, 10% 2106.90.85, 10% 2106.90.87, 28.8c/kg plus 8.5% 2106.90.89, 10% 2106.90.91, 28.8c/kg plus 8.5% 2106.90.92, 10% 2106.90.94, 28.8c/kg plus 8.5% 2106.90.95, 10% 2106.90.97, 28.8c/kg plus 8.5% 2106.90.99, 6.4%		
2106.90.dd	2106.90.03, Free 2106.90.06, CA - Free, MX - NTR rate 2106.90.09, MX - Free, CA - NTR rate 2106.90.22, Free 2106.90.24, CA - Free, MX NTR rate 2106.90.26, MX - Free, CA - NTR rate 2106.90.28, Free 2106.90.62, Free 2106.90.64, CA - Free, MX - NTR rate 2106.90.66, MX - Free, CA - NTR rate	2106.90.31, US - Free, MX - NTR rate 2106.90.32, US, MX - NTR rate 2106.90.33, Free 2106.90.;34, US, MX - NTR rate 2106.90.35, Free 2106.90.93, US - Free, MX - NTR rate 2106.90.94, US, MX - NTR rate 2106.90.95, Free	Free	2106.90.03, 2.9c/kg 2106.90.06, 2.9c/kg 2106.90.09, 86.2c/kg (See subheadings 9904.04.50- 9904.05.01) 2106.90.22, 15.4c/kg 2106.90.24, 15.4c/kg 2106.90.26, \$1.996/kg (See subheadings 9904.05.37- 9904.05.47) 2106.90.28, 13.1c/kg 2106.90.62, 10% 2106.90.64, 10% 2106.90.66, 70.4 c/kg + 8.5% (See subheadings 9904.04.50 -	5% - 8% (2106.90.32 and 2106.90.34, 212% but not less than \$2.11/kg; 2106.90.94, 274.5% but not less than \$2.88/kg)	15%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Food Preparations, e.g., Flavouring Mixes, Soups, Sauces and Finished Meals - Chapter 21—Continued						
2106.90.dd--cont.	2106.90.68, CA, MX - NTR rate 2106.90.72, MX - Free, CA - NTR rate 2106.90.74, CA, MX - NTR rate 2106.90.76, MX - Free, CA - NTR rate 2106.90.78, CA - Free, MX - NTR rate 2106.90.80, MX - Free, CA - NTR rate 2106.90.82, Free			9904.05.01) 2106.90.68, 10% 2106.90.72, 70.4 c/kg + 8.5% (See subheadings 9904.17.66 - 9904.17.84) 2106.90.74, 10% 2106.90.76, 70.4 c/kg + 8.5% (See subheadings 9904.17.17 - 9904.17.48) 2106.90.78, 10% 2106.90.80, 70.4 c/kg + 8.5% (See subheadings 9904.17.49 - 9904.17.65) 2106.90.82, 6.4%		
Oils, Petroleum Products and Bitumen - Chapter 27						
2705 - 2706	Free	Free	Free	Free	Free or 6.5%	10%
2707.10 - 2707.99	Free	Free	Free	Free (except 2707.60.05, 2.9c/kg plus 12.5%; 2707.60.10 and 2707.99.40, 0.9c/kg plus 3%)	Free or 8%	10%
2708 - 2709	Free	Free	Free	Free - 10.5c/bbl	Free	10%
2710	Free (For 2710.11.15, 2710.11.18, 2710.19.15, 2710.19.21, and 2710.19.22, see headings 9901.00.50 and 9901.01.0052; for 2710.9916, see subheading 9903.27.01)	Free	Free	5.25c/bbl - 84c/bbl (2710.11.90, 2710.19.90, and 2710.99.90, 7%; 2710.19.35 and 2710.99.32, 5.8%; 2710.19.40 and 2710.99.39, 1.3c/kg plus 5.7%) (For some HTS items, see headings 9901.00.50 and 9901.00.52; for some other HTS items, see subheading 9903.27.01)	Free - 8%	Free - 15%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Oils, Petroleum Products and Bitumen - Chapter 27—Continued						
2711.11	Free	Free	Free	Free	12.5%	Free
2711.12 - 2711.14	Free	Free	Free	Free	Free or 12.5%	Free or 10%
2711.19	Free	Free	Free	Free	Free or 12.5%	Free or 10%
2711.21	Free	Free	Free	Free	Free	Free
2711.29	Free	Free	Free	Free	Free	10%
2712	Free	Free	Free	Free	Free - 7%	Free or 10%
2713.11 - 2713.12	Free	Free	Free	Free	Free	Free or 10%
2713.20	Free	Free	Free	Free	Free or 4.5%	10%
2713.90	Free	Free	Free	Free	Free	10%
2714	Free	Free	Free	Free	Free or 6.5%	10%
2715	Free	Free	Free	Free	Free or 6%	10%
Leather - Chapter 41						
4114	Free	Free	Free	1.6% - 3.6%	Free - 3%	10%
Aluminum - Chapter 76						
7601	Free	Free	Free	Free - 2.6% (For 7601.20.90, see subheading 9903.27.14)	Free	Free or 10%
7602	Free	Free	Free	Free	Free	Free or 10%
7603	Free	Free	Free	3.9% or 5%	3.5% or 5%	10%
7604	Free	Free	Free	1.5% - 5%	Free - 5%	10% or 15%
7605	Free	Free	Free	2.6% or 4.2%	Free or 4%	10% or 15%
7606	Free	Free	Free	2.7% - 6.5%	Free - 6.5%	Free - 15%
7614	Free	Free	Free	4.9% or 5.7%	4.5%	15%
Diesel Engines - Chapter 84						
8407	Free	Free	Free	Free or 2.5%	Free - 6%	10% or 15%
8408.10 - 8408.20	Free	Free	Free	Free or 2.5%	Free	10% or 15%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Diesel Engines - Chapter 84—Continued						
8408.90	Free	Free	Free	Free	Free	10% or 15%
Other Gas Turbines and Parts - Chapter 84						
8411.11 - 8411.82	Free	Free	Free	Free or 2.5%	Free - 9.5%	Free or 10%
8411.91	Free	Free	Free	Free	Free	10%
8411.99	Free	Free	Free	2.4%	Free or 2%	Free
Valves - Chapter 84						
8481.10 - 8481.30	Free	Free	Free	2% - 5%	Free	10% or 15%
8481.40 - 8481.80	Free	Free	Free	2% - 5.6%	Free	Free - 15%
Parts for Electric Motors and Generators - Chapter 85						
8503	Free	Free	Free	Free - 6.5%	Free	Free or 10%
Electric Transformers - Chapter 85						
8504.10	Free	Free	Free	3%	7%	10% or 15%
8504.21 - 8504.23	Free	Free	Free	Free or 1.6%	Free - 9.5%	15%
8504.31	Free	Free	Free	Free - 6.6% (For 8504.31.40, see subheading 9902.85.04)	3.5% or 6%	Free - 15%
8504.32 - 8504.34	Free	Free	Free	1.6% or 2.4%	Free - 9.5%	15%
Primary Cells and Batteries - Chapter 85						
8506.10 - 8506.40	Free	Free	Free	2.7%	Free or 7%	Free
8506.50 - 8506.80	Free	Free	Free	2.7%	Free or 7%	Free
8506.90	Free	Free	Free	2.7%	Free or 2.5%	Free
Electrical Apparatus for Line Telephony - Chapter 85						
8517.11 - 8517.80	Free	Free	Free	Free	Free	Free or 20%
8517.90	Free	Free	Free	Free	Free	Free
Turntables, Record Players, Cassette Players - Chapter 85						
8519.10 - 8519.99	Free	Free	Free	Free - 3.9%	Free - 5%	Free - 20%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Transmission Apparatus for Radio Telephony - Chapter 85						
8525.30	Free	Free	Free	2.1%	Free	Free or 10%
8525.30.aa	Free	Free	Free	2.1%	Free	10%
8525.40	Free	Free	Free	Free or 2.1%	Free	Free
Radar Apparatus - Chapter 85						
8526.10 - 8526.92	Free	Free	Free	Free or 4.9%	Free	10% or 15%
Reception Apparatus for Radio Telephony - Chapter 85						
8527.90	Free	Free	Free	Free or 6% (For 8527.90.95, see subheading 9902.04.35)	Free or 6%	Free - 20%
Televisions - Chapter 85						
8528.12.dd	Free	Free	Free	3.9% or 5%	5%	20%
8528.12.ee	Free	Free	Free	3.9% or 5%	5%	20%
8528.21.dd	Free	Free	Free	3.9% or 5%	6%	20%
8528.21.ee	Free	Free	Free	3.9% or 5%	6%	20%
8528.30.ee	Free	Free	Free	3.9% or 5%	6%	20%
Electric Sound or Visual Signaling Apparatus - Chapter 85						
8531.10 - 8531.20	Free	Free	Free	Free or 1.3%	Free or 6.5%	10% - 20%
Alarms - Chapter 85						
8531.80	Free	Free	Free	1.3%	Free	15% or 20%
Thermionic, Cold Cathode or Photocathode Tubes - Chapter 85						
8540.40 - 8540.60	Free	Free	Free	3% (For 8540.40.00, see subheading 9902.85.41 and for 8540.60.00, see subheading 9902.85.42)	Free or 3%	10%
8540.71 - 8540.89	Free	Free	Free	Free - 4.2%	Free - 4%	10% or 15%
Electrical Machines and Apparatus - Chapter 85						
8543.11 - 8543.19	Free	Free	Free	Free or 1.9%	Free or 5%	Free

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Electrical Machines and Apparatus - Chapter 85—Continued						
8543.20 - 8543.30	Free	Free	Free	2.6%	Free - 4.5%	Free or 10%
8543.40 - 8543.89	Free	Free	Free	Free - 2.6% (For 8543.89.96, see subheading 9902.85.43)	Free - 6.5%	Free - 15%
Insulator Conductors - Chapter 85						
8544.11 - 8544.60	Free	Free	Free	Free - 5.3%	Free - 6.5%	10% or 15%
Rail Locomotives - Chapter 86						
8601 - 8602	Free	Free	Free	Free	9.5%	Free or 10%
8603 - 8606	Free	Free	Free	2.9% - 14% (For 8603.10.00, see heading 9902.86.11)	Free - 11%	10% or 15%
Truck Assemblies - Chapter 86						
8607.11 - 8607.12	Free	Free	Free	Free or 3.6%	Free	15%
Locomotive Parts - Chapter 86						
8607.21 - 8607.99	Free	Free	Free	Free - 3.9% (For 8607.99.10, see headings 9902.86.07 and 9902.86.08 and for 8607.99.50, see heading 9902.86.09)	Free - 11%	10%
Electrocardiographs, and Parts and Accessories Thereof - Chapter 90						
9018.11 - 9018.90	Free	Free	Free	Free	Free	Free - 20%
Medical Appliances and Apparatus - Chapter 90						
9022.12 - 9022.30	Free	Free	Free	Free - 1.4%	Free	Free or 10%
Hydrometers and Similar Floating Instruments - Chapter 90						
9025.11 - 9025.80	Free	Free	Free	Free - 2.9%	Free or 3.5%	Free - 20%
Other Instruments and Apparatus for Physical or Chemical Analysis - Chapter 90						
9027.80	Free	Free	Free	Free	Free	Free or 10%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Automatic Regulating or Controlling Instruments - Chapter 90						
9032.10	Free	Free	Free	1.7%	Free or 5%	10% - 20%
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91						
9101 - 9106	Free	Free	Free	9101.11.40, 51 cents each + 6.25% on the case and strap, band or bracelet + 5.3% on the battery 9101.11.80, 87 cents each + 6.25% on the case and strap, band or bracelet + 5.3% on the battery 9101.12.20, Free 9101.12.40, Free 9101.12.80, Free 9101.19.40, 41 cents each + 5% on case and strap, band or bracelet + 4.2% on the battery 9101.19.80, 61 cents each + 4.4% on case and strap, band or bracelet + 3.7% on the battery 9101.21.10, 3.1% 9101.21.30, 3.1% 9101.21.50, Free 9101.21.80, \$1.61 each + 4.4% on the case and strap, band or bracelet 9101.29.10, 40 cents each + 5% on the case and strap, band or bracelet 9101.29.20, 61 cents each + 4.4% on the case and strap, band or bracelet	Free - 14%	10% - 20%

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9101.29.30, \$2.28 each + 5% on the case and strap, band or bracelet 9101.29.40, \$1.92 each + 5% on the case and strap, band or bracelet 9101.29.50, 90 cents each + 4.4% on the case and strap, band or bracelet 9101.29.70, 3.1% 9101.29.80, 3.1% 9101.29.90, Free 9101.91.20, Free 9101.91.40, Free 9101.91.80, Free 9101.99.20, Free 9101.99.40, 98 cents each + 3% on the case 9101.99.60, Free 9101.99.80, Free 9102.11.10, 44 cents each + 6% on the case + 14% on the strap, band or bracelet + 5.3% on the battery 9102.11.25, 40 cents each + 8.5% on the case + 14% on the strap, band or bracelet + 5.3% on the battery 9102.11.30, 44 cents each + 6% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9102.11.45, 40 cents each + 8.5% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery 9102.11.50, 80 cents each + 6% on the case + 14% on the strap, band or bracelet + 5.3% on the battery 9102.11.65, 76 cents each + 8.5% on the case + 14% on the strap, band or bracelet + 5.3% on the battery 9102.11.70, 80 cents each + 6% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery 9102.11.95, 76 cents each + 8.5% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery 9102.12.20, Free 9102.12.40, Free 9102.12.80, Free 9102.19.20, 32 cents each + 4.8% on the case + 11% on the strap, band or bracelet + 4.2% on the battery 9102.19.40, 32 cents each + 4.8% on the case + 2.2% on the strap, band or bracelet + 4.2% on the battery		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9102.19.60, 57 cents each + 4.5% on the case + 10.6% on the strap, band or bracelet + 4% on the battery 9102.19.80, 57 cents each + 4.5% on the case + 2.1% on the strap, band or bracelet + 4% on the battery 9102.21.10, 75 cents each + 6% on the case + 14% on the strap, band or bracelet 9102.21.25, 75 cents each + 6% on the case + 2.8% on the strap, band or bracelet 9102.21.30, \$1.75 each + 4.8% on the case + 11.2% on the strap, band or bracelet 9102.21.50, \$1.75 each + 4.8% on the case + 2.2% on the strap, band or bracelet 9102.21.70, \$1.53 each + 4.2% on the case + 9.8% on the strap, band or bracelet 9102.21.90, \$1.53 each + 4.2% on the case + 2% on the strap, band or bracelet 9102.29.02, 14% 9102.29.04, 40 cents each + 6% on the case 9102.29.10, 40 cents each + 6% on the case + 2.8% on the strap, band or bracelet		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9102.29.15, 58 cents each + 4.6% on the case + 10.6% on the strap, band or bracelet 9102.29.20, 56 cents each + 4.4% on the case + 2% on the strap, band or bracelet 9102.29.25, \$2.19 each + 4.8% on the case + 11.2% on the strap, band or bracelet 9102.29.30, \$2.19 each + 4.8% on the case + 2.2% on the strap, band or bracelet 9102.29.35, \$1.61 each + 4.2% on the case + 9.8% on the strap, band or bracelet 9102.29.40, \$1.83 each + 4.8% on the case + 2.2% on the strap, band or bracelet 9102.29.45, 93 cents each + 4.8% on the case + 11.2% on the strap, band or bracelet 9102.29.50, 93 cents each + 4.8% on the case + 2.2% on the strap, band or bracelet 9102.29.55, \$1.55 each + 4.2% on the case + 9.9% on the strap, band or bracelet 9102.29.60, \$1.75 each + 4.8% on the case + 2.2% on the strap, band or bracelet 9102.91.20, 3.9% on the movement and case + 5.3% on the battery		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9102.91.40, 40 cents each + 6% on the case + 5.3% on the battery 9102.91.80, 76 cents each + 6% on the case + 5.3% on the battery 9102.99.20, 20 cents each + 3% on the case 9102.99.40, 92 cents each + 3% on the case 9102.99.60, \$1.16 each + 6% on the case 9102.99.80, \$2.19 each + 6% on the case 9103.10.20, 2.6% on the movement and case + 3.6% on the battery 9103.10.40, 24 cents each + 4.5% on the case + 3.5% on the battery 9103.10.80, 48 cents each + 4.6% on the case + 3.5% on the battery 9103.90.00, 24 cents each + 4.6% on the case 9104.00.05, 2.6% on the movement and case + 3.5% on the battery 9104.00.10, 20 cents each + 4.3% on the movement and case + 3.5% on the battery 9104.00.20, 30 cents each + 6.4% 9104.00.25, 3.9% on the movement and case + 5.3% on the battery		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9104.00.30, 30 cents each + 4.3% on the movement and case + 3.5% on the battery 9104.00.40, 30 cents each + 4.3% 9104.00.45, 2.6% on the movement and case + 3.5% on the battery 9104.00.50, 20 cents each + 4.6% on the case + 3.5% on the battery 9104.00.60, 19 cents each + 4.5% on the case 9105.11.40, 3.9% on the movement and case + 5.3% on the battery 9105.11.80, 30 cents each + 6.9% on the case + 5.3% on the battery 9105.19.10, 30 cents each + 6.9% on the case 9105.19.20, 60 cents each + 6.9% on the case 9105.19.30, 43 cents each + 2.8 cents/jewel over 7 + 3.7% on the case 9105.19.40, 15 cents each + 6.4% 9105.19.50, 23 cents each + 3.2% 9105.21.40, 3.9% on the movement and case + 5.3% on the battery 9105.21.80, 30 cents each + 6.9% on the case + 5.3% on the battery		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9105.29.10, 20 cents each + 4.6% on the case 9105.29.20, 40 cents each + 4.6% on the case 9105.29.30, 57 cents each + 3.7 cents/jewel over 7 + 4.9% on the case 9105.29.40, 15 cents each + 6.4% 9105.29.50, 30 cents each + 4.3% 9105.91.40, 3.9% on the movement and case + 5.3% on the battery 9105.91.80, 30 cents each + 6.9% on the case + 5.3% on the battery 9105.99.10, 17 cents each + 2.5% + 1 cent/jewel 9105.99.20, Free 9105.99.30, Free 9105.99.40, Free 9105.99.50, 7.5 cents each + 3.2% 9105.99.60, 23 cents each + 3.2% 9106.10.00, 36 cents each + 5.6% + 2 cents/jewel 9106.20.00, 36 cents each + 5.6% + 2 cents/jewel 9106.90.40, 36 cents each + 5.6% + 2 cents/jewel 9106.90.55, 3.9% on the apparatus + 5.3% on the battery 9106.90.65, 15 cents each + 2.3% + 0.8 cents/jewel 9106.90.75, 3.9%		

HTS No.	U.S. NAFTA RATE (Percent <i>ad valorem</i>)	CANADA NAFTA RATE (Percent <i>ad valorem</i>)	MEXICO NAFTA RATE (Percent <i>ad valorem</i>)	U.S. NTR RATE (Percent <i>ad valorem</i>)	CANADA NTR RATE (Percent <i>ad valorem</i>)	MEXICO NTR RATE (Percent <i>ad valorem</i>)
Time Switches with Clock or Watch Movement or with Synchronous Motor - Chapter 91—Continued						
9101 - 9106—Cont.				9106.90.85, 15 cents each + 2.3% + 0.8 cent/jewel		
9107	Free	Free	Free	9107.00.40, 15c each + 4% + 2.5c/jewel 9107.00.80, 45c each + 6.4% + 2.5c/jewel	Free or 6.5%	15%
Lighters - Chapter 96						
9613.10 - 9613.80	Free	Free	Free	3.6% - 9%	6.5% - 9.5%	20%

Source: *The Harmonized Tariff Schedule of the United States (2006)*, USITC Publication 3833; *Schedule to the Customs Tariff for Canada* found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2006/01-99/tblmod-1-e.html#toc>, retrieved April 27, 2006; and *Ley de los Impuestos Generales de Importacion y Exportacion (The Law of General Tariffs on Imports and Exports)* for Mexico, found at <http://www.economia-snci.gob.mx/>, retrieved April 26, 2006.