

United States International Trade Commission

**Advice Concerning
Possible Modifications to
the U.S. Generalized
System of Preferences,
2006 Review**

Investigation No. 332-483
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April 2007



U.S. International Trade Commission

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NOTICE

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ABSTRACT

This report contains the advice of the U.S. International Trade Commission (Commission) to the President on the probable economic effect of providing competitive need limit waivers for eight items under the U.S. Generalized System of Preferences (GSP) on domestic industries producing like or directly competitive articles and on U.S. consumers. The countries and Harmonized Tariff Schedule (HTS) subheadings for which advice is provided are: Argentina for HTS subheadings 2836.91.00 (lithium carbonates) and 7202.99.20 (calcium-silicon); Brazil for HTS subheadings 7403.11.00 (copper cathodes) and 7408.11.60 (certain unalloyed copper wire rod); India for HTS subheadings 2001.10.00 (prepared or preserved cucumbers (i.e., pickles)), 5703.10.20 (hand-hooked carpets and floor coverings), and 8528.12.80 (certain television reception apparatus); and Thailand for HTS subheading 4011.20.10 (radial tires).

* * * * *

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CHAPTER 1

Introduction and Summary of Findings

Introduction

This report provides advice requested by the United States Trade Representative (USTR)¹ on whether any industry in the United States producing like or directly competitive articles is likely to be adversely affected by a waiver of the competitive need limits as well as the effect of the granting of the waivers on U.S. consumers.² As requested, the advice is provided for each of the U.S. Harmonized Tariff Schedule (HTS) subheadings listed in the USTR letter.

Product and country coverage

As requested by the USTR, advice on waiving the competitive need limits is provided for the following: Argentina for HTS subheadings 2836.91.00 (lithium carbonates) and 7202.99.20 (calcium-silicon); Brazil for HTS subheadings 7403.11.00 (copper cathodes) and 7408.11.60 (certain unalloyed copper wire rod); India for HTS subheadings 2001.10.00 (prepared or preserved cucumbers (i.e., pickles)), 5703.10.20 (hand-hooked carpets and floor coverings), and 8528.12.80 (certain television reception apparatus); and Thailand for HTS subheading 4011.20.10 (radial tires).

¹ See app. A for the USTR request letters and app. B for the Commission's *Federal Register* notice instituting the investigation notice. The Commission held a public hearing on this matter on February 22, 2007, in Washington, DC. See app. C for the calendar of witnesses for the public hearing.

² Competitive need limits provide a ceiling on GSP benefits for each product and beneficiary developing country. Without a waiver, a country will automatically lose its GSP eligibility with respect to a product if the competitive need limitations are exceeded. The competitive need limitations require the termination of the country's GSP eligibility on a product if, during any calendar year, U.S. imports from that country meet one of the following criteria: (1) account for 50 percent or more of the value of total U.S. imports of that product; or (2) exceed a certain dollar value (in accordance with the GSP statute, the dollar-value limit is increased by \$5 million annually; the limit was \$125 million in 2006.). Products will be found "sufficiently competitive" when imported from a specified beneficiary country when they exceed one of these limits. By statute, GSP treatment for an article exceeding either competitive need limit terminates July 1 of the next calendar year. Per the USTR request, the Commission used the competitive need limit dollar value of \$125 million for this report.

A waiver may also be provided when total U.S. imports from all countries of a product are small, or *de minimis*. The *de minimis* competitive need limit waiver is also adjusted each year, in increments of \$0.5 million. The *de minimis* level in 2006 was \$18 million.

Analytical approach

The probable economic effect advice presented in this report is based on the short- to near-term (1 to 5 years) impact of the proposed GSP-eligibility modifications.³ Partial equilibrium modeling was used to estimate the probable effects of changes in the GSP program for the selected products on total U.S. imports, competing U.S. industries, and U.S. consumers.⁴ Although the products at issue in this report currently receive duty-free GSP treatment, for modeling purposes it is assumed that they are subject to the applicable Column 1 duty rate. The model then estimates the likely impact of removing that duty (due to the granting of a competitive need limit waiver). The model used in this study is a nonlinear, imperfect-substitutes model.

The Commission used testimony obtained during a public hearing, written submissions from interested parties, other information published in government and industry reports, and staff economic and industry expertise to provide qualitative analysis of actual market conditions for the subject products. Trade data presented in this report are from official statistics of the U.S. Department of Commerce.⁵ U.S. production data were estimated by the Commission industry analysts. Elasticities were also estimated by industry analysts based on relevant product and market characteristics. Data, to the extent possible, cover the period 2002 to 2006.

The Commission's probable economic effect advice as to the granting of the competitive need limit waivers on U.S. imports, industries, and consumers uses the coding system shown below:⁶

³ The probable economic effect advice, to a degree, integrates and summarizes the data provided in other sections of each product write-up with particular emphasis on the price sensitivity (elasticity) of import supply and demand. For example, if the price elasticity of demand for imports from the beneficiary in the United States and the price elasticity of supply in the exporting beneficiary country are both relatively high, then the elimination of even a moderate level tariff suggests the possibility of large increases in imports from the beneficiary country.

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

⁴ See app. D for a brief textual and graphic presentation of the model used to evaluate the probable economic effects of changes in the GSP program.

⁵ U.S. export data for certain subject products are not included as the products are part of a large basket category and are, therefore, overstated. Estimates of U.S. exports, if any, are provided in the "Profile of U.S. industry and market, 2002-06" section.

⁶ The Commission developed the probable economic effect coding system to ensure consistency on its advice and has used the coding system in a wide range of investigations.

Level of total U.S. imports:

- Code A: Little or no increase (less than 6 percent).
- Code B: Moderate increase (6 to 15 percent).
- Code C: Significant increase (more than 15 percent).
- Code N: No impact.

U.S. industry and employment:

- Code A: Little or no adverse impact - little or no decrease in production or producers' shipments (less than 6 percent).
- Code B: Significant adverse impact - significant proportion of workers unemployed, declines in output and profit levels, and departure of firms; effects on some segments of the industry may be substantial even though they are not industry wide (6-15 percent).
- Code C: Substantial adverse impact - substantial unemployment, widespread idling of productive facilities; substantial declines in profit levels; effects felt by the entire industry (more than 15 percent).
- Code N: None - there is no domestic industry producing the subject product.

U.S. consumer:⁷

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

Summary of Findings

* * * * *

⁷ The *U.S. consumer* may be a firm or a person receiving an intermediate good for further processing or an end user receiving a final good.

CHAPTER 2

Prepared or Preserved Cucumbers

Competitive need limit waiver: India

HTS subheading	Description	Col. 1 rate of duty as of 1/1/07 (percent <i>ad valorem</i>)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
2001.10.00 ^a	Cucumbers including gherkins, which have been prepared or preserved in vinegar or acetic acid	9.6	Yes

^a India has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 2001.10.00. However, India anticipates future export levels to the United States in excess of the competitive need limit.

The products covered in this subheading are cucumbers, including gherkins (small cucumbers), which have been prepared or preserved by vinegar or acetic acid and usually are stored in cans or jars.¹ The subject products are generally referred to as “pickles” and are often served as a garnish for other foods or as a vegetable item themselves. They are sold in both retail- and institutional-sized containers, through such outlets as chain restaurants, supermarkets, and club and convenience stores, and to larger-volume institutional purchasers such as hospitals and schools and generally have a shelf life of about 2 years.

Probable Economic Effect Advice

* * * * *

¹ HTS subheading 2001.10.00 includes pickles, other than the small gherkins, which are said to compete with gherkins and are produced in the United States in greater amounts than gherkins. Not included in this subheading are refrigerated pickles, which are not processed (blanched) before being placed in a jar or can, but which are also said to compete with processed pickles and are also produced in the United States.

Profile of U.S. industry and market, 2002-06

The United States is a leading producer of pickles,² and may account for as much as one-fourth of total global pickle production.³ There is little publicly available information about this industry, and none has been provided by officials of the industry's trade association.⁴ The number of U.S. producers is believed to be about ***, with employment varying significantly among firms and often in individual firms throughout the season (table 2-1).⁵ An estimated five firms are believed to account for the bulk of processing and sales, with smaller-volume firms accounting for the rest. A number of firms that process domestically-grown cucumbers also import and re-pack pickles entered in bulk containers, as well as import finished product in retail-sized containers. Data for actual shipments of pickles are not currently available. Data are available for the value of all raw pickling cucumbers going into processing, but these data are believed to greatly undervalue actual shipments of processed product.⁶

Table 2-1 Prepared or preserved cucumbers: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>) ^a	***	***	***	***	***
Employment (<i>1,000 employees</i>) ^a	***	***	***	***	***
Shipments (<i>1,000 dollars</i>) ^a	***	***	***	***	***
Exports (<i>1,000 dollars</i>)	6,881	5,759	6,877	8,476	10,376
Imports (<i>1,000 dollars</i>)	22,292	33,737	37,817	35,051	29,892
Consumption (<i>1,000 dollars</i>)	***	***	***	***	***
Import-to-consumption ratio (<i>percent</i>)	***	***	***	***	***
Capacity utilization (<i>percent</i>)	(^b)	(^b)	(^b)	(^b)	(^b)

Source: Compiled from official statistics of the U.S. Department of Commerce, except where noted.

^a Estimated by the Commission staff based on industry sources.

^b Not available.

GSP import situation, 2006

India is a small- to medium-sized pickle producer, with estimated production about one-tenth that of the United States and nearly all production intended for export market sales.⁷

² FAO data at <http://www.fao.org>.

³ Chengappa, "Karnataka is Cashing in on Gherkins."

⁴ Pickle Packers International, Inc. official, telephone interview by Commission staff, Jan. 23, 2007.

⁵ Pickle Packers International, Inc. official, telephone interview by Commission staff, Feb. 8 and 9, 2007.

⁶ Data are available on the quantity and farm-gate value of raw product sold for processing, but these data may significantly underestimate the value of actual shipments of finished product. Also, such data do not take into account the value of imported bulk product re-packed in the United States that competes with domestically produced product in the same marketing channels.

⁷ FAOSTAT Database.

Although global demand for pickles has been stable, competitive pricing for some pickles, especially gherkins, has been used recently to gain global market share.⁸ Growers in India benefit from lower labor rates and an ideal climate for raising certain pickling cucumbers. Processors in India have traditionally supplied global markets with product in bulk containers to be re-packed in the foreign market, but have recently shifted into producing greater volumes of pickles in retail-sized jars for export.

(U) India was the largest global supplier of the products covered under this HTS subheading to the U.S. market in 2006, accounting for 49 percent of total U.S. imports and 89 percent of GSP-eligible imports (tables 2-2 and 2-3). U.S. imports from India are allegedly taking U.S. market share from other traditional foreign suppliers, based principally on slightly lower prices for their product.⁹

Table 2-2 Prepared or preserved cucumbers: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	29,892	100	-	***
Total U.S. imports from GSP-eligible countries	16,582	55	100	***
India	14,788	49	89	***

Position of interested parties¹⁰

Petitioner.— In a written submission to the USTR, the Embassy of India stated that not granting a waiver would greatly harm the large number of small-volume Indian farmers currently growing gherkin cucumbers. An estimated 115,000 marginal farmers are said to depend on the raising of small pickling cucumbers principally for export.¹¹ Also, according to the petitioner, granting a waiver would assist Indian canners that are already operating well below global (efficient) scales of production to increase their productivity.¹²

No statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this HTS subheading.

⁸ Chengappa, “Karnataka is Cashing in on Gherkins.

⁹ Sharan, Embassy of India, “2006 Annual Review of Products and Country Practices under the GSP.”

¹⁰ Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

¹¹ Sharan, Embassy of India, “2006 Annual Review of Products and Country Practices under the GSP.”

¹² Prehearing Brief for the Public Hearing at the Office of the USTR on Feb. 16, 2007, on the 2006 Annual Review of Products and Country Practices under the GSP, submitted Feb. 2, 2007, by the Embassy of India for the Government of India.

Table 2-3 Prepared or preserved cucumbers: U.S. imports for consumption, by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
			<i>In Dollars</i>		
India	2,155,396	5,983,423	6,983,927	10,150,338	14,788,837
Canada	10,947,877	12,726,388	12,719,117	9,087,645	4,693,697
Poland	1,457,883	1,987,980	1,727,402	2,132,190	2,156,322
Israel	798,469	1,381,258	1,481,136	1,375,725	1,834,026
Mexico	3,006,334	6,561,260	9,593,024	7,580,239	1,543,861
Germany	1,320,268	1,342,582	1,296,721	1,292,661	1,366,840
France	624,011	878,546	1,069,004	894,560	932,612
Turkey	472,649	1,045,772	1,329,267	869,756	746,803
Bulgaria	331,314	573,257	414,456	402,820	611,179
Lebanon	195,072	215,302	205,694	225,035	217,484
All other	982,677	1,041,597	997,130	1,039,543	1,000,472
Total	22,291,950	33,737,365	37,816,878	35,050,512	29,892,133
Imports from GSP-eligible countries:					
India	2,155,396	5,983,423	6,983,927	10,150,338	14,788,837
Turkey	472,649	1,045,772	1,329,267	869,756	746,803
Bulgaria	331,314	573,257	414,456	402,820	611,179
Lebanon	195,072	215,302	205,694	225,035	217,484
Croatia	146,786	76,874	127,923	74,758	74,033
Egypt	69,195	49,672	65,560	56,012	31,994
Bosnia- Hercegov	2,686	13,948	9,788	26,257	19,535
Macedonia	95,516	55,109	22,298	60,095	12,811
Ukraine	4,291	8,868	5,029	9,352	7,259
Pakistan	13,084	11,325	2,900	12,956	0
All other	51,530	59,191	51,699	42,150	72,521
Total	3,537,519	8,092,741	9,218,541	11,929,529	16,582,456

Source: Official statistics of the U.S. Department of Commerce.

Table 2-4 Preserved or prepared cucumbers: U.S. exports of domestic merchandise, by market, 2002-06

Country	2002	2003	2004	2005	2006
			<i>In Dollars</i>		
Canada	4,079,801	3,707,765	4,702,699	6,554,104	8,722,065
Mexico	642,934	378,404	366,066	436,829	427,458
Saudi Arabia	116,557	206,560	146,720	129,989	172,533
Venezuela	156,970	58,965	88,753	140,041	168,683
Hong Kong	106,282	99,152	69,886	174,510	108,704
Taiwan	87,732	72,351	72,816	103,298	86,964
Kuwait	82,402	53,953	34,055	103,311	76,074
Japan	573,558	496,511	619,145	165,252	17,189
Panama	22,156	34,734	36,761	159,202	7,761
South Africa	0	0	24,831	155,618	2,586
All other	1,012,955	650,278	715,266	353,514	585,902
Total	6,881,347	5,758,673	6,876,998	8,475,668	10,375,919

Source: Official statistics of the U.S. Department of Commerce.

CHAPTER 3

Lithium Carbonates

Competitive need limit waiver: Argentina

HTS subheading	Description	Col. rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
2836.91.00 ^a	Lithium carbonates	3.7	Yes
^a Argentina has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 2836.91.00. However, Argentina anticipates future exports levels to the United States in excess of the competitive need limit.			

Lithium carbonate, the only product covered in HTS subheading 2836.91.00, is the basic raw material used for the production of most lithium chemicals and other lithium products.¹ Lithium carbonate is also used in the manufacture of ceramics and glass, batteries, lubricating greases, pharmaceuticals, polymers, and primary aluminum; in air conditioners; and for various other applications. Industry observers believe that the largest growth prospects are for lithium-ion and lithium-polymer rechargeable batteries, a market that was valued at about \$4 billion in 2005.² Although lithium batteries are not currently used widely in hybrid electric vehicles (HEVs), this remains an area of active interest within the automotive industry. Although once produced primarily from hard-rock ores, lithium carbonate is currently produced primarily from extracting the lithium contained in subsurface brines.

Probable Economic Effect Advice

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¹ The major lithium products not made from lithium carbonate are lithium minerals used directly as ore concentrates in ceramics and glass applications and lithium chloride used to make lithium metal which, in turn, is used to make non-rechargeable batteries.

² *Chemical & Engineering News*.

Profile of U.S. industry and market, 2002-06

Chemetall Foote, the only U.S. producer of lithium carbonate, manufactures its product from brine near Silver Peak, NV, while it also imports the product from its Chilean subsidiary, Sociedad Chilena de Litio Ltda. (SCL) (table 3-1).³ FMC, a major processor of lithium chemicals both domestically and globally, shut down its relatively high-cost spodumene mine and lithium carbonate facility in North Carolina in 1998 and now imports the material from Chile and from its facilities in Argentina. Although dependent on imports of lithium carbonate, the United States continues to be a leading producer of the value-added downstream products produced from lithium carbonates.⁴ According to an industry source, increased global demand has led to the reopening of some of the more expensive foreign production facilities that utilize hard-rock mineral mining, though none of these are located in the United States.

During the period, covered U.S. and global consumption of lithium products was buoyed by increased demand, particularly for battery-related applications. According to an estimate by the U.S. Geological Survey, U.S. consumption of lithium products grew steadily from 1,100 metric tons of lithium content in 2002 to a projected 2,600 metric tons in 2006. U.S. imports of lithium carbonate grew by 68 percent, from 9,827 metric tons in 2002 to 16,468 metric tons in 2006. In 2006, about 9,839 metric tons of these imports came from Chile and about 6,535 metric tons came from Argentina. Relying in part on research funded by the U.S. government, General Motors has awarded two U.S. companies contracts to design and test lithium-ion batteries for use in a plug-in hybrid SUV.⁵ The successful development of high-powered large lithium batteries for HEVs and military and stationary power applications could substantially increase demand for lithium given the higher quantities of lithium used in these large batteries compared with lithium batteries used in consumer products.⁶

³ Most of the information in this paragraph was obtained from Ober, *Minerals Yearbook*, various editions.

⁴ For example, FMC Corp.'s Lithium Division produces lithium metal and organic lithium compounds at its facilities in Bessemer City, NC, and Bayport, TX. In addition to producing lithium carbonate domestically, Chemetall Foote's other U.S. lithium operations include a lithium hydroxide plant in Silver Peak, NV; a butyllithium plant in New Johnsonville, TN; and facilities for producing downstream lithium compounds in Kings Mountain, NC. SQM, in addition to being a major Chilean producer and exporter of lithium carbonate to the United States, operates a plant near Houston for producing butyllithium. According to trade journals, butyllithium is used primarily in the production of synthetic rubber and pharmaceuticals.

⁵ General Motors website.

⁶ The-infoshop.com by Global Information, Inc., citing Roskill, *The Economics of Lithium 2006*.

Table 3-1 Lithium carbonates: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	1	1	1	1	1
Employment (<i>employees</i>)	***	(^a)	(^a)	(^a)	***
Production (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	***
Exports (<i>1,000 dollars</i>)	12,587	9,902	12,187	13,718	10,520
Imports (<i>1,000 dollars</i>)	15,558	18,015	26,539	27,475	38,161
Consumption (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	***
Import-to-consumption ratio (<i>percent</i>)	(^a)	(^a)	(^a)	(^a)	***
Capacity utilization (<i>percent</i>)	(^a)	(^a)	(^a)	(^a)	(^a)

Source: U.S. import and export data are based on official statistics of the U.S. Department of Commerce; all other data are based on industry sources.

^a Not available.

GSP import situation, 2006

FMC operates a facility in Argentina that produces lithium carbonate and lithium chloride from brines. This facility is designed to produce about *** metric tons per year of lithium carbonate.⁷ The quality of the lithium carbonate produced in Argentina is considered to be ***.⁸ ***⁹

In 2006, U.S. imports from Argentina, which are ***¹⁰ amounted to 6,535 metric tons, gross weight, valued at \$19.1 million, or about 40 percent of total U.S. lithium carbonate imports in terms of quantity and 50 percent in terms of value (tables 3-2 and 3-3). During 2002-05, in terms of value and quantity, Argentina was the second-largest foreign source of lithium carbonate imports behind Chile, which accounted for the majority of imports. However, in 2006, Argentina emerged as the largest foreign supplier to the United States by value, accounting for slightly more than one-half of lithium carbonate imports, although Argentina continued to trail Chile in terms of quantity of imports.

⁷ According to a staff conversation with an FMC representative, ***

⁸ Ibid.

⁹ FMC representatives, interview by Commission staff.

¹⁰ Ibid.

Table 3-2 Lithium carbonates: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	38,161	100	-	***
Total U.S. imports from GSP-eligible countries	19,149	50	100	***
Argentina	19,149	50	100	***

Position of interested parties¹¹

Petitioner.— FMC stated in its petition to the USTR for the waiver that the loss of GSP benefits for lithium carbonates imported from Argentina as a result of exceeding the competitive need limits would have a disproportionate adverse impact on the company, the *** importer of lithium carbonates from Argentina. The loss of GSP benefits would add about *** to FMC’s cost of value-added manufacturing in the United States and would cause the company to seriously evaluate moving its operations offshore. Moreover, the petition stated that loss of GSP benefits would harm U.S. value-added exports, particularly of lithium products manufactured by FMC in Bessemer City, NC (*** of production is exported), by imparting an advantage to non-U.S. producers of value-added lithium products in China, Germany, and Chile, and would significantly impair FMC’s Argentine investments.

FMC stated in its filing with the Commission that without the waiver of the competitive need limit, FMC may reduce its presence in the United States and move its North Carolina operations offshore and ***, which is ***.

¹¹ Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

Table 3-3 Lithium carbonates: U.S. imports for consumption, by principal sources 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Argentina	2,007,881	5,790,657	11,197,223	9,595,804	19,148,761
Chile	12,843,450	12,025,363	15,177,186	17,733,963	18,719,578
China	101,887	71,632	118,840	5,000	24,736
Canada	96,349	46,100	45,530	11,430	24,170
Japan	268,068	8,635	0	69,831	0
Spain	0	0	0	51,840	0
Australia	0	0	0	7,590	0
Italy	0	0	0	0	0
France	48,537	0	0	0	0
United Kingdom	0	5,834	0	0	0
All other	192,049	66,312	0	0	244,000
Total	15,558,221	18,014,533	26,538,779	27,475,458	38,161,245
Imports from GSP-eligible countries:					
Argentina	2,007,881	5,790,657	11,197,223	9,595,804	19,148,761
Russia	3,500	0	0	0	0
Total	2,011,381	5,790,657	11,197,223	9,595,804	19,148,761

Source: Official statistics of the U.S. Department of Commerce.

Table 3-4 Lithium carbonates: U.S. exports of domestic merchandise, by market, 2002-06

Country	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Japan	4,799,174	2,849,879	2,460,227	3,104,322	4,439,722
Germany	3,392,948	3,075,345	2,379,036	2,837,015	2,971,557
United Kingdom	628,771	531,190	846,120	686,868	1,091,239
Netherlands	333,204	231,571	378,005	429,702	542,717
China	432,264	1,561,527	3,958,785	3,244,989	271,423
Canada	1,192,962	443,205	450,626	219,124	211,986
India	172,424	134,219	168,869	182,136	113,035
Australia	733,342	93,147	61,383	217,964	98,957
Thailand	0	0	0	561,339	52,029
Brazil	6,854	10,000	0	1,477,590	22,389
All other	894,974	972,097	1,484,442	757,403	705,232
Total	12,586,917	9,902,180	12,187,493	13,718,452	10,520,286

Source: Official statistics of the U.S. Department of Commerce.

CHAPTER 4

Radial Tires

Competitive need limit waiver: Thailand

HTS subheading	Short description	General rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
4011.20.10 ^a	New radial bus and truck tires	4.0	Yes
^a Thailand has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 4011.20.10. However, Thailand anticipates future export levels to the United States in excess of the competitive need limit.			

The radial bus and truck tires covered under HTS subheading 4011.20.10 are generally interchangeable and are designed for use on paved or unpaved roads and terrain or for multiple use.¹ The tires in this HTS subheading are predominately of the tubeless steel-belted radial variety and encompass a wide range and grade of tires, including light truck (LT) and bus tires, medium-duty truck and bus tires, and heavy-duty truck tires. LT tires are used on pickup trucks and other lighter-duty trucks and buses, while medium- and heavy-duty truck tires are used on a wide range of vehicles, from general-purpose delivery trucks to large, 18-wheeler tractor-trailer rigs, dump trucks, and commercial passenger buses. The majority of the bus and truck tires sold in the United States are for use on paved roads or highways or a combination of on-road/off-road use.

Probable Economic Effect Advice

* * * * *

¹ Radial tires used on heavy construction and agricultural equipment, and those for passenger cars are not included in this HTS subheading.

Profile of U.S. industry and market, 2002-06

In 2006, there were 10 producers of truck tires (table 4-1) at 27 locations in the United States, with a total production capacity of about 169,000 tires per day. Goodyear, Cooper, Michelin, and Bridgestone Firestone together account for roughly 95 percent of total U.S. production. LT tires generally account for about 72 percent of total U.S. production capacity, and medium- and heavy-duty truck tires, 28 percent. The major U.S. truck tire manufacturers are multinational corporations with production facilities worldwide. In North America, Bridgestone Firestone also has truck tire plants in Canada and Mexico, and is building a new plant in Mexico; Michelin has plants in Canada. These companies also operate in China, Thailand, and Brazil.

U.S. radial truck tire production averaged 47 million to 48 million tires per year from 2002 through 2005, before declining to 42 million tires in 2006. Factors affecting U.S. truck tire production in 2006 included high gasoline and diesel costs (which affect miles driven), high raw materials (rubber) costs, and increased imports (table 4-3). In addition, in 2006, Bridgestone Firestone closed its 8,000 tire-per-day LT facility in Oklahoma City, OK,² and Goodyear employees went on strike during the fourth quarter.³ Capacity utilization rates fell to a 5-year low of 74 percent in 2006 primarily because of a decline in LT tire production. LT radial tire production fell from 33 million tires in 2002 to 27 million tires in 2006, while medium- and heavy-duty truck tire production cycled between 14 million and 16 million tires during the 5-year period.

In 2006, U.S. consumption increased by about 2 percent to \$6.5 billion, while the share of consumption accounted for by imports rose by 6 percentage points. The steady increase in U.S. imports of these products is attributable, at least in part, to the domestic industry's decision to build new state-of-the-art plants in countries with readily available natural rubber sources, such as Thailand, Brazil, and China, while shutting down older, less efficient domestic plants.

² *Modern Tire Dealer*, 34-35.

³ Gary Saska (principal engineer), Goodyear Tire & Rubber Co., e-mail message to Commission staff, January 26, 2007.

Table 4-1 Radial tires: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	9	9	9	10	10
Employment (<i>1,000 employees</i>)	15	*15	*15	*15	*15
Shipments (<i>1,000 dollars</i>)	4,322,261	4,633,830	4,358,690	4,720,930	*4,450,000
Exports (<i>1,000 dollars</i>)	623,790	576,518	696,534	837,191	887,240
Imports (<i>1,000 dollars</i>)	1,675,951	1,808,700	2,008,687	2,504,129	2,943,203
Consumption (<i>1,000 dollars</i>)	5,374,422	5,866,012	5,670,843	6,387,868	*6,505,963
Import-to-consumption ratio (<i>percent</i>) . .	31	31	35	39	*45
Capacity utilization (<i>percent</i>)	*93	*87	*91	*85	*74

Note.—“*” refers to data based on partial information/data adequate for estimation with a moderately high degree of confidence.

Sources: Producers (number) based on Modern Tire Dealer statistics. Employment (production workers) based on 2002 Economic Census data, U.S. Census Bureau, and Commission staff estimates. Shipments, f.o.b. plant (2002-05), based on data from 2002 Economic Census, and 2005 Annual Survey of Manufacturers, U.S. Census Bureau; 2006 data estimated from Rubber Manufacturers Association (RMA) production data and export trade prices. Capacity utilization estimated based on RMA production and Modern Tire Dealer capacity data.

GSP import situation, 2006

A total of 17 tire producers are known to be actively engaged in tire manufacturing in Thailand, including four producers that manufacture radial truck tires in the United States (Goodyear, Michelin, Bridgestone Firestone, and Yokohama). In 2006, Thailand was the primary GSP-eligible supplier of U.S. imports, accounting for 63 percent of the GSP total (table 4-2). Also, in 2006, Thailand ranked fifth in terms of total U.S. imports (table 4-3). Thailand is one of the largest global producers of natural rubber (along with Indonesia and Malaysia), which provides an added incentive to build radial bus and truck tires in that country.⁴

Bridgestone, which reportedly has three tire plants in Thailand (two of which produce passenger car, LT, and farm tires), ships about *** of its medium-duty truck and bus tire production to the United States. In late 2004, Bridgestone Tire Manufacturing (Thailand) Co. Ltd. (BTMT) started production at a radial truck and bus tire factory at Chonburi, which had a capacity of *** as of September 2006. The tires produced at the plant are steel-belted radial tires built for rims ranging from 22-25 inches in diameter, mostly for commercial vehicle over-the-road use.⁵ Bridgestone reportedly invested \$80 million to build the plant in 2004, to increase the manufacture of commodity-grade tires that were being phased out of its Japanese operations.

⁴ International Rubber Study Group.

⁵ Janzen, Brief submitted to USTR.

Table 4-2 Radial tires: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	2,943,203	100	-	*45
Total U.S. imports from GSP-eligible countries	270,523	9	100	*4
Thailand	170,856	6	63	*3

Position of interested parties⁶

Petitioner.— Bridgestone Firestone, in its petition to the USTR, requested the waiver of the competitive need limit for the products covered in this section. In its submission to the Commission, Bridgestone Firestone stated that it ships *** of its medium-duty truck and bus radial tire production from Thailand to the United States and plans to expand production and export shipments to the United States, assuming the competitive need limit is waived. Otherwise, Bridgestone claimed that the additional costs associated with the imposition of the 4 percent duty may force it to source additional product from China, where labor costs are somewhat lower.

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

Table 4-3 Radial tires: U.S. imports for consumption, by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Canada	519,644,249	531,973,929	578,724,386	673,748,188	776,669,745
China	105,795,099	146,058,500	255,744,590	496,687,521	650,186,296
Japan	492,608,458	564,220,887	505,334,773	462,257,013	493,796,862
Korea	157,124,630	164,295,319	216,756,531	229,830,420	247,951,503
Thailand	10,555,838	4,260,629	12,651,155	90,291,328	170,856,373
United Kingdom	80,033,352	85,656,300	90,502,872	129,772,351	108,598,347
Brazil	65,044,789	70,786,310	71,340,439	74,101,498	80,620,825
Spain	33,037,041	31,510,424	38,654,235	66,003,812	70,107,905
France	34,881,938	40,183,534	49,943,066	50,304,509	63,812,678
Germany	50,712,977	48,397,409	55,886,572	56,663,566	66,059,501
All other	126,512,586	121,356,393	133,148,015	174,469,076	214,543,059
Total	1,675,950,957	1,808,699,634	2,008,686,634	2,504,129,282	2,943,203,094

Imports from GSP-eligible countries:

Thailand	10,555,838	4,260,629	12,651,155	90,291,328	170,856,373
Brazil	65,044,789	70,786,310	71,340,439	74,101,498	80,620,825
India	7,996,268	13,403,650	14,896,396	12,740,927	8,878,192
Turkey	1,782,581	1,044,180	1,150,466	1,173,347	3,094,206
South Africa	3,611,219	2,696,390	1,085,251	1,391,676	2,837,398
Venezuela	3,253,632	2,495,872	3,096,332	1,241,878	2,227,104
Argentina	25,076	111,679	2,861	653,004	603,862
Philippines	0	0	0	0	440,472
Indonesia	2,698,602	1,917,333	110,167	435,786	186,984
Costa Rica	5,168,325	6,708,565	4,029,764	1,874,316	2,299
All other	880,826	205,978	324,258	327,331	775,602
Total	101,017,156	103,630,586	108,687,089	184,231,091	270,523,317

Source: Official statistics of the U.S. Department of Commerce.

Table 4-4 Radial tires: U.S. exports of domestic merchandise, by market, 2002-06

Country	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Canada	310,683,723	284,245,944	293,415,107	313,543,323	324,717,155
Mexico	193,135,838	173,965,170	230,306,540	297,399,935	281,875,045
Australia	18,023,034	17,883,987	24,803,914	37,779,974	82,268,610
France	15,363,192	21,301,677	30,220,635	30,268,195	33,006,227
Chile	3,799,041	2,999,472	11,855,733	26,877,808	28,790,338
South Africa	2,986,585	2,051,077	4,148,332	6,720,431	13,286,015
Japan	10,453,776	9,535,515	12,143,019	19,656,720	10,442,142
Singapore	122,117	273,509	3,703,316	10,526,073	9,689,533
Netherlands	5,375,681	8,429,156	8,063,289	6,531,321	6,477,543
Peru	1,411,180	1,187,245	3,807,629	6,341,312	5,207,266
All other	62,436,152	54,645,508	74,066,174	81,545,834	91,480,402
Total	623,790,319	576,518,260	696,533,688	837,190,926	887,240,276

Source: Official statistics of the U.S. Department of Commerce.

CHAPTER 5

Hand-hooked Carpets and Floor Coverings

Competitive need limit waiver: India

HTS subheading	Description	Col. 1 rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
5703.10.20 ^a	Hand-hooked, tufted carpets and rugs of wool or fine animal hair, where hand-hooked implies that the tufts were inserted by hand or by a handheld tool	6.0	No
^a India has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 5703.10.20. However, India anticipates future export levels to the United States in excess of the competitive need limit. This HTS subheading was added to the list of eligible articles for the GSP on July 1, 2005.			

The hand-hooked, tufted carpets (or rugs)¹ entered under this HTS subheading are moderately-priced area rugs (as opposed to wall-to-wall carpet) and typically range in size from 2 feet by 3 feet to 12 feet by 15 feet. These rugs are sold in retail outlets such as Pottery Barn, Target, Home Depot, and most department stores, and range in price from \$199 to \$999.² The lower-priced rugs are most likely to be produced in China. Hand-hooked, tufted rugs do not compete in the retail market with more expensive, hand-knotted or woven oriental rugs, or domestically-produced rugs. Competition in the U.S. hand-hooked market is solely among foreign producers. While there may be hand-hooked rugs produced in the United States of the craft or artisan variety, these rugs do not compete in the same retail market or at the same price points as the subject imports.

Hand-hooked, tufted carpets (or rugs) generally are produced using rudimentary tools whereby the wool is pushed by hand through the backing material to make a carpet in one continuous strand. It takes less than 3 weeks to produce a single tufted carpet, as opposed

¹ The terms “carpets” and “rugs” are used interchangeably in this chapter.

² Jacobs, hearing transcript, 14.

to upwards of 1 year for hand-knotted carpets, because each thread is knotted after insertion into the backing.³

Hand-hooked, tufted carpets are designed in the United States and contracted out to foreign companies to be manufactured. The U.S. company creates the design along with several color schemes. According to the Oriental Rug Importers Association (ORIA), “ORIA member companies have found that most consumers focus on the design and color of a carpet, and the designs and color schemes of hand-made carpets vary from those of machine-made rugs. The designs range from traditional to transitional to contemporary and virtually all are copyrighted. The same designs are not used for both a hand-made carpet and a machine-made carpet.”⁴

The U.S. company selects a foreign manufacturer through open bidding, perhaps following a rug trade show or by personal contact with a foreign company. The domestic company creates the design in outline form; the foreign company stencils the design onto a base fabric (e.g., a loomed cotton) and manually inserts the appropriately-colored tufts into the base fabric using various tools. The defining features are the U.S. design and the foreign hand-hooked tufting, which in most cases is conducted in developing countries such as India and China. There is no commercial U.S. manufacture of these carpets because of the high cost of U.S. labor. Both the Embassy of India and the ORIA emphasize the labor-intensive nature of the manufacturing process.

Probable Economic Effect Advice

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³ Jacobs, hearing transcript, 15 and 68.

⁴ Oriental Rug Importers Association, post-hearing brief, 7 and 8.

Profile of U.S. industry and market, 2002-06

Hand-hooked rugs account for only a small portion of the aggregate U.S. rug market. According to the Carpet and Rug Institute, 2005 sales of all rugs were \$13.9 billion at the mill level, and most carpet (about 90 percent) is tufted. There is no known commercial U.S. production or U.S. exports of hand-hooked, tufted rugs; domestic demand is entirely satisfied by imports (table 5-1).

Table 5-1 Hand-hooked carpets and floor coverings: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Employment (<i>1,000 employees</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Shipments (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Exports (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Imports (<i>1,000 dollars</i>)	160,864	160,716	167,004	186,685	210,235
Consumption (<i>1,000 dollars</i>)	160,864	160,716	167,004	186,685	210,235
Import-to-consumption ratio (<i>percent</i>) . . .	100	100	100	100	100
Capacity utilization (<i>percent</i>)	(^b)	(^b)	(^b)	(^b)	(^b)

Note.— No U.S. export table is provided in this chapter as it is a basket category covering a wide variety of products in addition to the subject products.

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

^a There is no known commercial U.S. production of the products covered under this HTS subheading.

^b Not applicable.

GSP import situation, 2006

In 2006, all hand-hooked, tufted rugs known to be sold in the U.S. market were imported, originating from some 54 countries, 15 of which were GSP eligible. India was the leading overall U.S. import source (and GSP source) for these carpets in 2006, accounting for 51 percent (\$108 million) of total U.S. imports under this HTS subheading (table 5-2). The second largest GSP-eligible country was Thailand, supplying \$7.7 million in 2006. The second largest source of total U.S. imports in 2006 was China, supplying \$81.4 million (table 5-3). China and India were the dominant suppliers to the U.S. market throughout 2002-06. Total imports, which have increased during the period, have been influenced principally by the growing U.S. housing market.

Table 5-2 Hand-hooked carpets and floor coverings: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	210,235	100	-	100
Total U.S. imports from GSP-eligible countries	119,642	57	100	57
India	107,709	51	90	51

Position of interested parties⁵

Petitioner.—In its petition to the USTR for the waiver of the competitive need limit, ORIA stated that “the prospect that one of their most significant classifications from their most important source of supply, India, might lose benefits altogether is especially worrisome, shrinking further the already slim profit margins on which they operate.” The petition stated that “moreover, the nature of hand-made rugs is that they are a fashion, and fashions change over time. A sudden jump in price, however, would likely mean a significant decline in sales, and compel ORIA members to seek less expensive sources for similar and more affordable merchandise. China, which competes with India, would likely be the primary beneficiary.”

Support.— In its submission to the Commission, the Embassy of India stated that the manufacture of hand-hooked, tufted rugs in India “is highly labor intensive and produced in rural areas in cottages by rural artisans, which is their main source of livelihood.” About 2.5 million artisans in India are engaged in the production of handmade rugs, the majority of which are hand-hooked, tufted rugs.

⁵ Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

Table 5-3 Hand-hooked carpets and floor coverings^a: U.S. imports for consumption, by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
India	61,520,919	58,798,376	72,571,566	83,219,307	107,708,876
China	84,080,921	87,660,407	80,307,029	83,857,538	81,362,290
Thailand	6,120,230	6,080,159	5,434,627	6,893,764	7,703,021
Australia	7,465	3,088	33,119	3,266,559	3,160,359
Philippines	3,087,289	2,109,203	2,038,283	1,626,686	2,166,944
Canada	2,834,172	2,210,970	2,257,964	2,801,837	1,206,011
Belgium	398,900	705,587	1,070,073	1,401,597	1,168,273
Netherlands	625,913	449,900	325,481	253,222	786,699
Greece	88,034	265,071	622,125	663,366	707,986
Indonesia	433,131	440,049	423,593	405,551	383,080
All other	1,667,196	1,992,696	1,920,557	2,295,401	3,881,694
Total	160,864,170	160,715,506	167,004,417	186,684,828	210,235,233
Imports from GSP-eligible countries:					
India	61,520,919	58,798,376	72,571,566	83,219,307	107,708,876
Thailand	6,120,230	6,080,159	5,434,627	6,893,764	7,703,021
Philippines	3,087,289	2,109,203	2,038,283	1,626,686	2,166,944
Pakistan	27,444	70,390	111,970	83,408	913,832
Indonesia	433,131	440,049	423,593	405,551	383,080
Turkey	1,858	14,632	52,344	103,116	134,129
Nepal	87,909	23,240	84,610	135,563	122,766
Egypt	740	50,816	0	8,637	15,527
Bosnia-Herzegov	0	0	0	9,880	9,815
Cambodia	0	0	0	6,000	0
All other	82,220	93,003	28,533	118,534	484,006
Total	71,361,740	67,679,868	80,745,526	92,610,446	119,641,996

Source: Official statistics of the U.S. Department of Commerce.

^a Beginning in 2005, the HTS subheading covering these products was modified as the result of legislation authorizing the President to add certain handmade carpets to the list of products eligible for the GSP. Prior to 2005, there were cases in which 10 digit breakouts that had been created for quota purposes were elevated to 8 digit legal lines so that the GSP could be potentially provided to those HTS subheadings. This action was taken with the intent of helping certain traditional rug making countries, such as Nepal, Pakistan, Afghanistan, and India, with cottage industry production rather than production in factories. As a result of this action, data for 2005 appears to be significantly underreported; however, the discrepancy was corrected for the 2006 data.

CHAPTER 6

Calcium-Silicon

Competitive need limit waiver: Argentina

HTS subheading	Short description	Col. 1 rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
7202.99.20 ^a	Calcium-silicon	5.0	Yes

^a Argentina has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 7202.99.20. However, Argentina anticipates future export levels to the United States in excess of the competitive need limit. Argentina was granted a de minimis waiver for this HTS subheading on July 1, 2005.

Calcium-silicon is a ferroalloy used in the production of certain high-grade steels. It is added to molten steel to control the shape, size, and distribution of oxide and sulfide inclusions, improving the fluidity, machinability, ductility, and/or impact properties of the steel products.

All forms of calcium-silicon (i.e., lump, powder, and cored wire) are included in HTS subheading 7202.99.20; however, calcium-silicon is classified in this tariff subheading only if it contains 4 percent or more, by weight, of iron. Calcium-silicon containing less than 4 percent of iron is imported under subheadings 2850.00.05 (calcium silicides) and 2850.00.50 (other silicides).¹ The iron content of the material is inconsequential in use, and the two forms of calcium-silicon are used interchangeably.

Calcium-silicon is produced in a manner common to other ferroalloys by smelting basic raw materials in an electric-arc furnace. The resulting product is then crushed and screened and is available in lump or powder form. The most widely used method of adding calcium-silicon to molten steel is by the feeding of a hollow steel wire (cored wire) containing powdered calcium-silicon. This allows for the accurate control of the amount of alloy added and ensures that the alloy goes into solution rather than floats on the surface as it might if added in bulk. Additions of other alloys are also made in this manner.

Cored wire is manufactured by forming a steel strip into a tube into which powdered alloy is fed before the tube is fully closed. The tube is then rolled to compact the product and seal the lock-seam. Cored wire is typically about one-half to three-quarter inch in diameter and is provided in coils weighing one ton or more.

¹ Subheading 2850.00.05 is free of duty. Subheading 2850.00.50 has a Column 1 duty rate of 3.7 percent and is eligible for GSP; however, imports from Argentina are precluded from duty-free treatment under this subheading because of issues concerning intellectual property rights in Argentina. See Presidential Proclamation 6988 of April 11, 1997, 62 FR 19017, April 17, 1997.

There is no production of calcium-silicon powder or lump in the United States. However, there is a domestic industry that produces calcium-silicon cored wire using imported calcium-silicon powder.

Probable Economic Effect Advice

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Profile of U.S. industry and market, 2002-06

There is no production of calcium-silicon powder or lump in the United States. There is, however, an industry comprising firms producing calcium-silicon cored wire using imported calcium-silicon powder. These firms also produce cored wire of other ferroalloys and chemical additives using the same equipment and labor force. Calcium-silicon cored wire is the highest-volume cored wire product. However, U.S. producers of cored wire state that the price spread between calcium-silicon powder and cored wire is too little for them to profitably produce cored wire. Of the five U.S. producers of cored wire, ***, ***,²

The U.S. cored wire industry has experienced a loss of market share since the granting of GSP status for calcium-silicon due to aggressive marketing of calcium-silicon cored wire from Argentina and Brazil (tables 6-1 and 6-2). U.S. imports of calcium-silicon from Brazil enter the United States duty-free under HTS subheadings 2850.00.05, 2850.00.50, and 7202.99.20. U.S. imports of calcium-silicon cored wire from China have also increased. Three factors contributed to the increase in the value of imports of calcium-silicon (table 6-3): an increase in the volume of product imported; an increase in the unit value of the product due to price increases, and a greater proportion of value-added cored wire as a share of all U.S. calcium-silicon imports. U.S. exports of calcium-silicon cored wire, mostly to Canada, are reported to be insignificant.

² Industry representatives telephone interview with Commission staff, various dates.

Table 6-1 Calcium-silicon: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	4	4	4	5	5
Employment (<i>number</i>)	*100	*100	*100	*100	*100
Shipments (<i>1,000 dollars</i>)	**11,000	**12,000	**10,500	**11,000	**12,000
Exports (<i>1,000 dollars</i>)	**500	**500	**500	**500	**500
Imports (<i>1,000 dollars</i>)	*9,000	*9,000	10,736	13,009	17,217
Consumption (<i>1,000 dollars</i>)	**19,500	**25,300	**20,736	**34,009	**28,717
Import-to-consumption ratio (<i>percent</i>) . .	**46	**36	**52	**38	**60
Capacity utilization (<i>percent</i>)	*85	*85	*85	*80	*80

Note.—“*” refers to data based on partial information/data adequate for estimation with a moderately high degree of confidence, and “**” refers to data based on limited information/data adequate for estimation with a moderate degree of confidence.

Note.— No U.S. export table is attached to this chapter as it is a basket category covering products in addition to the subject products.

Source: Data are derived from Commission estimates based on industry sources.

GSP import situation, 2006

U.S. imports from GSP-eligible countries dominated overall U.S. imports of calcium-silicon from 2002 through 2006, accounting for between 65 percent and 85 percent of total U.S. imports. During the period, Argentina remained the largest U.S. import source for these products (table 6-2). The industry producing calcium-silicon in Argentina comprises two firms: Stein, the petitioner, and Electrometalurgica Andina (Andina). Stein has two production facilities in Argentina: a plant with electric-arc furnaces producing calcium-silicon and other ferroalloys, and a second plant to produce cored wire. In 2002, Stein set up a marketing office in the United States. In 2004, Stein expanded its Argentinean production capability by investing in a new, state-of-the-art electric-arc furnace, adding 20,000 metric tons per year of capacity for special ferroalloys. In 2006, Stein set up a processing plant in Poland to produce cored wire for the European market using calcium-silicon produced in its Argentina plant. In December 2006, Stein was acquired by Globe Specialty Metals, a U.S. firm and the parent company of Globe Metallurgical, the largest U.S. producer of silicon alloys. Stein’s U.S. marketing office has been closed, and the marketing of Stein’s cored wire products in the United States will be through Globe.³

Andina produces calcium-silicon as well as calcium carbide and other ferroalloy products at its plant in Argentina. Andina exports calcium-silicon powder and lump but does not produce cored wire. There have been no quality issues raised with respect to the product of either Stein or Andina.

³ Post hearing brief on behalf of CAFAE, 2.

Table 6-2 Calcium-silicon: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	17,217	100	-	60
Total U.S. imports from GSP-eligible countries	14,507	84	100	52
Argentina	11,620	67	80	40

Position of interested parties⁴

Petitioner.— In its petition to the USTR and submission to the Commission, the Argentinean Chamber of Ferroalloys and Specialty Alloys (CAFAE), a trade association representing the two Argentinean producers of calcium-silicon, stated that Argentina produced 17,000 tons of calcium-silicon in 2006, of which 6,500 tons were exported to the United States,⁵ including 1,300 tons exported in the form of cored wire.⁶ CAFAE asserted that whereas it has increased its exports of powder ***, it has not increased its exports of cored wire due to “logistics reason***.”⁷ CAFAE stated that the premium quality of calcium-silicon from Argentina is one of the reasons for sustained purchases by U.S. iron and steel producers.⁸ According to CAFAE, there are no U.S. domestic producers of calcium-silicon; therefore, no domestic producers will be affected by granting of the waiver, and U.S. consumers and final users will benefit.⁹

According to CAFAE, Argentina’s main competition for the sale of calcium-silicon, not only in the United States but also globally, is Brazil. Different duty treatment between these two countries would affect the balance established in all markets and would not benefit either the U.S. cored wire industry or the ultimate U.S. consumers.¹⁰

Support.— In its submission to the Commission, Traxys North America, an international trading firm headquartered in New York, testified that it imports calcium-silicon from Argentina and resells it in the United States. Traxys’s customers include steel companies, cored wire producers, and iron foundries that manufacture large-diameter, cast iron pipe. Traxys testified that, worldwide, there are very few producers of calcium-silicon and none in the United States. As a result, U.S. customers must use imported material, and there will

⁴ Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

⁵ Maluff, hearing transcript, 20.

⁶ CAFAE, posthearing brief, 1.

⁷ Ibid., 2.

⁸ Maluff, hearing transcript, 20.

⁹ Ibid., 21.

¹⁰ CAFAE, posthearing brief, –3.

be no negative impact on U.S. employment if the waiver is granted.¹¹ Traxys stated that the U.S. industry producing calcium-silicon cored wire has gained U.S. market share since the granting of GSP status for calcium-silicon.¹² Traxys stated that it is the pricing of the calcium-silicon from Argentina that provides the edge over other countries and allows Traxys to market the product as aggressively as possible.¹³ If the waiver is not granted, Argentina will lose U.S. market share to producers in Europe and China, according to Traxys.¹⁴

Table 6-3 Calcium-silicon: U.S. imports for consumption, by principal sources. 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Argentina	4,000,000	3,000,000	3,174,294	7,972,714	11,620,460
Brazil	3,000,000	4,000,000	3,789,320	3,090,657	2,886,935
China	1,000,000	1,000,000	1,672,851	727,485	1,407,305
France	1,000,000	1,000,000	1,714,308	1,213,269	1,302,526
United Kingdom	0	0	0	4,384	0
Korea	0	0	0	0	0
Netherlands	0	0	199,200	0	0
Mexico	0	0	0	0	0
Germany	0	0	186,335	0	0
Total	9,000,000	9,000,000	10,736,308	13,008,509	17,217,226
Imports from GSP-eligible countries:					
Argentina	4,000,000	3,000,000	3,174,294	7,972,714	11,620,460
Brazil	3,000,000	4,000,000	3,789,320	3,090,657	2,886,935
Total	7,000,000	7,000,000	6,963,614	11,063,371	14,507,395

Source: Official statistics of the U.S. Department of Commerce.

Note: The HTS subheading for calcium-silicon was effective on July 1, 2003. Prior to that date imports of calcium-silicon were classified under a basket subheading.

¹¹ Golzman, hearing transcript, 22.

¹² Ibid., 77.

¹³ Golzman prehearing letter.

¹⁴ Ibid.

CHAPTER 7

Copper Cathodes and Sections Thereof

Competitive need limit waiver: Brazil

HTS subheading	Description	Col. 1 rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
7403.11.00 ^a	Refined copper cathodes and sections thereof	1.0	Yes

^a Brazil has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 7403.11.00. However, Brazil anticipates future export levels to the United States in excess of the competitive need limit. Peru was proclaimed by President as noneligible for GSP treatment for articles included under HTS 7403.11.00 as of July 1, 1997.

Refined copper cathodes are the unwrought form of high-purity (99.9 percent or more), unalloyed copper metal.¹ Refined cathodes and sections thereof are melted down, with or without addition of alloying metals, and cast into suitable forms for subsequent rolling, extruding, drawing, or forging into various semi-fabricated shapes.

Probable Economic Effect Advice

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Profile of U.S. industry and market, 2002-06

The United States is the world's second-largest producer of mined copper and the fourth-largest producer of refined copper.² The United States also has the world's third-largest annual production capacity for copper cathodes, estimated at nearly 2.0 million metric tons in 2006. Approximately one-half of the refined copper produced in the United States is by direct electrowinning of copper-bearing solutions from in-situ leaching of copper ores. Three major mining companies,³ with significant domestic mining operations, account for the bulk

¹ There are essentially no differences in either metal purity or other characteristics, regardless of the processes for producing copper cathodes. "Electrolytic" cathodes are produced by electrolysis from fire-refined copper (anodes), the end products of either primary smelting of copper concentrates or secondary recovery from copper-bearing scrap. "Electrowon" cathodes are produced by electrowinning of copper-rich aqueous solution from the solvent extraction of copper ores. ICSG, "Descriptions of Copper-Based Products."

² World Bureau of Metal Statistics, *World Metal Statistics*, various pages.

³ Asarco LLC, Kennecott Utah Copper Corp., and Phelps Dodge Corp. (acquired by Freeport McMoRan Copper & Gold Inc. on March 19, 2007).

of U.S. copper refining.⁴ U.S. output of copper cathodes has declined by 150,000 metric tons (10 percent) since 2002 to 1.3 million metric tons in 2006,⁵ attributable to announced mine production cutbacks from October 2001 that continued into early 2004, and the decline of anode output with the idling of two smelters in 2002-03 and their final closures in 2005.⁶ Domestic refining capacity for copper cathodes is projected to reach almost 2.2 million metric tons by 2009, due to expansions of existing facilities and new facilities currently under development in anticipation of continued robust prices and demand for copper.⁷

Rising values for domestic shipments of refined copper reflect the near-continuous rise of prices for copper cathodes that escalated from second-quarter 2005 through third-quarter 2006, quadrupling over the 5-year period (table 7-1).⁸ Prices for copper cathodes are set worldwide by trading on organized commodity exchanges. U.S. producers' prices for delivery of copper cathodes are set at a premium, generally ranging from 4 to 5 cents per pound, over the First-Position (current-month) price on the New York Commodity Mercantile Exchange (COMEX).⁹ Product quality is maintained by refiners whose copper cathodes are certified as meeting the physical and chemical specifications to be traded on the major commodity exchanges.¹⁰

⁴ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston VA, telephone interview by Commission staff, January 29, 2006.

⁵ Edelstein, "Copper," various years.

⁶ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston VA, telephone interview with Commission staff, January 29, 2006.

⁷ "World Copper Refineries Capacities 2004 to 2009," Table 1, 100-01.

⁸ Copper prices were driven up by rising global demand, especially from China and India, that mine and refinery production could not meet, as reflected by the sharp reductions of copper cathodes held in commodity exchange warehouse inventories during 2003-04. World Bureau of Metal Statistics, *World Metal Statistics*, various pages.

⁹ Edelstein, "Copper," various pages.

¹⁰ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston, VA, telephone interview with Commission staff, January 29, 2006. Copper cathodes refined by the three major U.S. mining companies are considered "acceptable brands" for trading on both the COMEX and the London Metal Exchange (LME). NYMEX, COMEX Division, "Brands," and LME, "LME-Approved Brands."

Table 7-1 Copper cathodes and sections thereof: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	16	16	16	17	17
Employment (<i>1,000 employees</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Shipments (<i>1,000 dollars</i>) ^b	2,406,551	2,342,733	3,720,563	4,628,088	8,951,398
Exports (<i>1,000 dollars</i>)	40,917	169,918	218,695	59,934	171,440
Imports (<i>1,000 dollars</i>)	1,373,883	1,464,438	1,991,120	3,238,489	6,164,848
Consumption (<i>1,000 dollars</i>)	3,739,518	3,637,253	5,492,987	7,806,643	14,944,806
Import-to-consumption ratio (<i>percent</i>)	37	40	36	41	41
Capacity utilization (<i>percent</i>)	68	56	64	66	(^a)

Source: Official statistics of the U.S. Geological Survey and the U.S. Department of Commerce, except where noted.

^a Not available.

^b Shipment values calculated from primary refinery production tonnages and the producers' delivered price for refined copper cathodes based on a premium to the annual average of the First-Position price of the New York Commodity Mercantile Exchange.

GSP import situation, 2006

From 2002 through 2006, U.S. imports from Brazil accounted for about 1 percent of U.S. consumption and Brazil was the second-largest GSP-eligible U.S. import source of copper cathodes after Peru (tables 7-2 and 7-3). U.S. imports of copper cathodes from Brazil doubled in value from 2002 through 2006, but fluctuated between 5 percent and 16 percent of imports from all GSP-eligible countries, and dropped from 5 percent to 2 percent of imports from all worldwide sources.

Brazil is a relatively small copper producer, with mine production accounting for less than 1 percent (125,000 metric tons) and refined copper (primary and secondary) production more than 1 percent (199,000 metric tons) of world production in January-November 2006.¹¹ Caraiba Metais S.A. (Caraiba), the petitioner, does not mine copper ores, but is rather a smelter and refiner that must purchase copper concentrates based on copper cathode prices determined on international commodity exchanges.¹² Currently, the petitioner operates the only copper cathode refinery in Brazil.¹³ The petitioner's electrolytic refinery is expected to increase capacity to 240,000 metric tons for full-year 2006, up from 220,000 metric tons in 2004, with further expansions under consideration to 320,000 metric tons per year for 2007. Two more cathode refineries are currently under development by another Brazilian copper mining firm. These refineries are anticipated to commence operations in 2008 with combined annual production capacities of 25,000 metric tons, with possible further

¹¹ World Bureau of Metal Statistics, *World Metal Statistics*, various pages.

¹² Caraiba Metais S.A., post hearing brief of Caraiba Metais S.A., 4.

¹³ Caraiba Metais S.A., "Petition of Caraiba Metais S.A. for a Competitive Need Limit Waiver for Copper Cathodes Under the Generalized System of Preferences," 3 and ICSG, "World Copper Refineries Capacities 2004 to 2009," *Directory of Copper Mines and Plants 2004 to 2009*, Table 1, 81.

expansion to 37,000 metric tons by 2009. A third new refinery is being considered by this same firm for some future date. Hence, total annual production capacity for copper cathodes in Brazil could reach an anticipated 305,000 metric tons by 2008 and 317,000 metric tons by 2009.¹⁴ The petitioner’s copper cathodes meet the necessary physical and chemical specifications and are an “approved brand” for trading on the London Metal Exchange.¹⁵

Table 7-2 Copper cathodes and sections thereof: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	6,164,848	100	-	41
Total U.S. imports from GSP-eligible countries	1,441,441	23	100	10
Brazil	123,522	2	9	1

Position of interested parties¹⁶

Petitioner.— In its petition to the USTR and submission to the Commission, Caraiba is currently the sole Brazilian producer and exporter of copper cathodes and sections thereof. Caraiba stated that unusual global market conditions, rather than enhanced competitiveness of Brazilian copper exporters, will result in Brazil exceeding the competitive need limit for this product. Specifically, the recent escalation of global copper prices increased import values disproportionately over import volumes. Also, according Caraiba, granting a waiver is anticipated to enhance Brazil’s competitiveness with more developed foreign suppliers (e.g., Canada) in the U.S. market and help meet growing demand for copper cathodes and sections thereof to the benefit of U.S. copper-consuming industries.¹⁷ Given the high degree of U.S. import dependence on foreign sources of cathodes, reimposition of the 1 percent duty through loss of this GSP benefit for Brazil would result in higher prices paid for Brazilian cathodes by U.S. consuming industries.¹⁸

¹⁴ ICG, “World Copper Refineries Capacities 2004 to 2009,” Table 1, 81.

¹⁵ LME, “LME-Approved Brands.”

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

¹⁷ Caraiba Metais S.A., prehearing brief 6-8; and Caraiba Metais, S.A. petition, 3.

¹⁸ Caraiba Metais S.A., posthearing brief, 15.

Table 7-3 Copper cathodes and sections thereof: U.S. imports for consumption by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Chile	331,864,302	543,773,870	796,268,311	1,473,893,714	3,217,487,159
Canada	370,451,968	391,369,648	661,845,054	878,405,154	1,315,155,757
Peru	446,911,676	447,664,925	422,391,860	556,350,352	992,968,260
Kazakhstan	4,479,153	0	0	22,846,412	312,585,285
Mexico	89,706,150	36,716,806	55,594,092	93,775,542	164,604,664
Brazil	67,268,594	24,286,062	46,833,299	107,809,048	123,522,244
Poland	0	0	0	24,794,462	23,025,098
Sweden	5,842	0	0	32,542,553	0
Belgium	59,746	0	0	32,210,859	0
Finland	15,739	0	0	12,207,998	0
All other	63,119,925	20,626,494	8,187,032	3,653,193	15,499,444
Total	1,373,883,095	1,464,437,805	1,991,119,648	3,238,489,287	6,164,847,911

Imports from GSP-eligible countries:

Peru	446,911,676	447,664,925	422,391,860	556,350,352	992,968,260
Kazakhstan	4,479,153	0	0	22,846,412	312,585,285
Brazil	67,268,594	24,286,062	46,833,299	107,809,048	123,522,244
Russia	45,156,493	0	7,440,250	110,768	9,461,695
Congo (DROC)	0	0	0	320,218	1,804,480
India	0	0	0	0	464,506
Uruguay	0	0	0	1,803,506	0
Zambia	0	0	0	0	0
Ecuador	0	0	0	0	0
South Africa	1,484,538	0	0	0	0
All other	9,959,255	428,315	0	0	634,046
Total	575,259,709	472,379,302	476,665,409	689,240,304	1,441,440,516

Source: Official statistics of the U.S. Department of Commerce.

Table 7-4 Copper cathodes and sections thereof: U.S. exports of domestic merchandise, by market, 2002-06

Country	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Canada	1,189,426	1,995,204	1,517,219	551,448	160,606,139
Mexico	84,789	1,876,404	53,292,160	33,122,702	9,085,034
India	866,261	929,796	1,322,367	203,542	502,235
Korea	1,696,579	418,831	14,197,039	127,840	494,905
United Kingdom	288,353	40,396	412,885	115,796	442,952
Switzerland	57,375	15,300	21,450	27,300	51,060
China	26,783,133	154,107,595	60,475,372	24,098,416	0
Chile	0	0	0	1,547,000	0
Singapore	3,300	0	41,439	75,404	0
Philippines	4,892	0	0	22,048	0
All other	9,942,507	10,534,044	87,415,191	42,993	258,117
Total	40,916,615	169,917,570	218,695,122	59,934,489	171,440,442

Source: Official statistics of the U.S. Department of Commerce.

CHAPTER 8

Certain Unalloyed Copper Wire Rod

Competitive need limit waiver: Brazil

HTS subheading	Short description	Col-1 rate of duty as of 1/1/07 (percent <i>ad valorem</i>)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
7408.11.60 ^a	Refined, unalloyed copper wire rod, with maximum cross-sectional dimension over 6.0 mm but not over 9.5 mm	3.0	Yes

^a Brazil has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 7408.11.60. However, Brazil anticipates future export levels to the United States in excess of the competitive need limit. Russia was proclaimed by the President as noneligible for GSP treatment for articles included under HTS subheading 7408.11.60 on July 1, 2005.

Unalloyed copper wire rod is produced by continuous casting from melted-down copper cathodes and sections thereof, and is coiled for ease of handling and shipment. As an intermediate semi-fabricated product, this wire rod is produced exclusively for drawing down into unalloyed copper wire of desired cross-sectional dimension(s).¹

Probable Economic Effect Advice

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¹ The petition identifies this product as “refined copper wire.” Caraiba Metais S.A., petition, 4.

Although subheading HTS 7408.11 is labeled as “Copper wire, of refined copper...,” HTS subheadings 7408.11.30 and 7408.11.60 include unalloyed copper wire rod in coils. Wire rod of refined copper in coils would not be classified among “bars and rods” under HTS subheadings 7407.10.50, because “rods” are defined in Note 1d to Chapter 74 as “not in coils.” G. Stingone, National Import Specialist, U.S. Bureau of Customs and Border Protection, New York, NY, telephone interview with Commission staff, February 1, 2006; and Southwire Co., 2 and 3.

Unalloyed copper wire rod is produced to standards of American Society for Testing and Materials (ASTM), e.g., B49-98 (2004), which specify a minimum diameter of 1/4 inch (6.4 mm). By contrast, the largest single-strand, unalloyed copper wire produced in the United States is 4.1 mm (~5/32 inch) in diameter. R.D. Weed, Vice President for Building Construction Products, Copper Development Association, New York NY, telephone interview with Commission staff, February 7, 2007.

Profile of U.S. industry and market, 2002-06

The United States has the world's second-largest production capacity for unalloyed copper wire rod, estimated at 2.1 million metric tons in 2005, or 11 percent of the world total capacity.² Four large firms³ account for the bulk of the U.S. unalloyed copper wire rod production, and one of them (Phelps Dodge Corp.) is fully integrated from the mine through downstream wire and cable products. All other domestic producers are smaller-scale manufacturers of such wire rod. Many wire rod firms also produce wire and cable products of unalloyed copper. All but three domestic firms (one scrap-based and two smelter-based operations) rely on purchased cathodes and sections thereof as their sources of refined unalloyed copper for production of unalloyed copper wire rod. Because the purity of unalloyed copper wire rod is derived from the purity of the melted-down copper cathodes, wire rod producers rely on domestic and foreign refiners whose cathodes are certified as meeting the physical and chemical specifications to be traded on major commodity exchanges.⁴

Seven of the U.S. plants operating in 2005 exceeded 120,000 metric tons per year of production capacity, and four of these exceeded 240,000 metric tons per year. An additional domestic production facility reopened in 2006 after being closed since 2000.⁵ U.S. producers rely on both their own and foreign-origin advanced technologies to continuously cast unalloyed copper wire rod.⁶

Domestic consumption of unalloyed copper wire rod is driven by derived demand for unalloyed copper wire and cable products in electrical transmission and telecommunication applications.⁷ U.S. producers that sell unalloyed copper wire rod set their prices as a conversion charge (of 5 to 7 cents per pound) over the producers' delivered price of copper cathodes (set at a premium of 4 to 5 cents per pound over the First-Position (current-month) price on the New York Commodity Mercantile Exchange (COMEX)), with the total wire rod premium generally ranging from 9 to 12 cents per pound over the COMEX cathode price.⁸ Hence, rising values for domestic shipments (table 8-1) of unalloyed wire rod reflect the near-continuous rise of prices for copper cathodes that escalated from second-quarter 2005 through third-quarter 2006, quadrupling during the 2002-06 time frame.⁹

² ICSG, "Regional Aggregation of Identified First Use Capacities of Copper Alloys in 2005," Table 2, 2-13 and 2-14.

³ The four producers that dominate the domestic industry are: Phelps Dodge Corp. (acquired by Freeport McMoRan Copper & Gold Inc. on March 19, 2007), Asarco LLC, Essex Group Inc., and Southwire Co.

⁴ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston, VA, telephone interview with Commission staff, January 29, 2006.

⁵ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston, VA, telephone interview with Commission staff, January 29, 2006.

⁶ See e.g., Southwire Co., "Over Fifty Years of Quality and Service", and Superior Essex Inc., "History, Superior Essex Inc. History," at <http://www.superioressex.com/about-us/history.htm>; and "Directory of Wire Rod Plants," 3-2 to 3-3-21.

⁷ R. Weed, Vice President for Building Construction Products, Copper Development Association, New York, NY, telephone interview with Commission staff, February 7, 2007.

⁸ D. Edelstein, Copper Commodity Specialist, U.S. Geological Survey, Reston, VA, telephone interview with Commission staff, January 31, 2006.

⁹ World Bureau of Metal Statistics, *World Metal Statistics*, various pages.

Table 8-1 Certain unalloyed copper wire rods: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	14	14	14	14	15
Employment (<i>1,000 employees</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Shipments (<i>1,000 dollars</i>) ^b	3,087,858	3,278,232	5,440,824	6,624,201	10,283,157
Exports (<i>1,000 dollars</i>)	59,767	86,405	254,151	410,610	920,022
Imports (<i>1,000 dollars</i>)	397,573	390,610	704,008	1,369,513	2,353,566
Consumption (<i>1,000 dollars</i>)	3,425,664	3,582,437	5,890,681	7,583,104	11,716,701
Import-to-consumption ratio (<i>percent</i>) . .	12	11	12	18	20
Capacity utilization (<i>percent</i>)	79	77	78	80	(^a)

Source: Compiled from official statistics of the U.S. Geological Survey and the U.S. Department of Commerce, except where noted.

^a Not available.

^b Shipment values are calculated from wire-rod mill output tonnages and the annual average of the First-Position price on the New York Commodity Mercantile Exchange plus an industry-wide conversion charge.

GSP import situation, 2006

Brazil was the second-largest GSP-eligible U.S. import source of unalloyed copper wire rod and the fourth-largest U.S. import source overall, but accounted for an average of only 1 percent of total U.S. consumption of this product from 2002 through 2006 (tables 8-2 and 8-3). Although U.S. imports of unalloyed copper wire rod from Brazil increased significantly in value, such imports as a share of imports from all GSP-eligible countries declined from 50 percent to 20 percent as shares of imports from Russia rose from 49 percent to 79 percent. As a share of imports from all worldwide sources, imports from Brazil declined from 11 percent to 7 percent over this 5-year period.

Brazil had the largest annual production capacity for unalloyed copper wire rod, estimated at 353,000 metric tons, of any Latin American producer in 2005 (57 percent of the regional total). Nevertheless, Brazil's production capacity was only 17 percent of U.S. capacity, estimated at 2.1 million metric tons in that same year.¹⁰ The petitioner owns two of the four unalloyed copper wire rod plants currently in operation in Brazil. Another Brazilian facility is currently idled, but another is under development. Most Brazilian plants utilize similar production technologies as their U.S. counterparts, but the two oldest Brazilian facilities utilize the older hot-rolling, rather than continuous casting, production technologies.¹¹

¹⁰ ICSG, "Regional Aggregation of Identified First Use Capacities of Copper Alloys in 2005," Table 5, 2-13 and 2-14.

¹¹ ICSG, "Directory of Wire Rod Plants," 3-2 and 3-3.

Table 8-2 Certain unalloyed copper wire rods: U.S. imports and share of U.S. consumption, 2006

Item	Imports <i>1,000 dollars</i>	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Total U.S. imports	2,353,566	100	-	20
Total U.S. imports from GSP-eligible countries	906,382	39	100	8
Brazil	185,947	8	20	2

Position of interested parties¹²

Petitioner.—In its petition to USTR and submission to the Commission, Caraiba Metais S.A. (Caraiba) states that it is a Brazilian producer and exporter of certain unalloyed copper wire rod. Caraiba stated that unusual global market conditions, rather than enhanced competitiveness of Brazilian copper exporters, could lead to Brazil exceeding the competitive need limit for this product. Specifically, recent escalation of global copper prices artificially inflated import values disproportionately over import volumes.¹³ In fact, U.S. import quantities of this product from Brazil declined by 8 percent between 2005 and 2006.¹⁴ Also, according to Caraiba, granting a waiver is anticipated to enhance Brazil’s competitiveness with more developed foreign suppliers (e.g., Canada and Russia) in the U.S. market and help meet growing demand for unalloyed copper wire rod to the benefit of U.S. copper-consuming industries.¹⁵

Opposition.— In a submission to the Commission, AmRod Corp., a Port Newark, NJ-based producer of certain unalloyed copper wire rod, expressed opposition to granting a waiver for this product from Brazil. AmRod asserted that there is essentially no shortage of certain unalloyed copper wire rod in the U.S. and Canadian markets because its production facility is currently operating at 60-70 percent capacity. AmRod further alleges that the product is being “dumped” into the U.S. and Canadian markets by both Brazil and Russia at prices below U.S. manufacturing costs to AmRod’s competitive detriment. In support, AmRod also cited the Canada Border Services Agency’s November 28, 2006, preliminary dumping determination regarding this product from Brazil and Russia and preliminary subsidization

¹² Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

¹³ Caraiba Metais S.A., prehearing brief, 6-8; and Caraiba Metais S.A., petition, 4.

¹⁴ Caraiba Metais S.A., Brief of Caraiba Metais S.A. in Support of Its Petition for Competitive Need Limit Waivers for Copper Wire and Copper Cathodes from Brazil Under the Generalized System of Preferences, February 26, 2007, pp. 4-5.

¹⁵ Caraiba Metais S.A., Prehearing brief of Caraiba Metais S.A. in Support of Its Petition for a Competitive Need Limit Waiver for Copper Wire Under the GSP, February 2, 2007, pp. 6-8; and Petition of Caraiba Metais S.A. for a Competitive Need Limit Waiver for Copper Wire Under the GSP, November 16, 2006, p. 4.

determination regarding this product from Brazil. AmRod contended that its production capacity is languishing despite the record-high prices for input copper cathode, and cited industry publications that show apparent U.S. consumption of this product is at 10-year lows through November 2006.¹⁶

In a submission to the Commission, Southwire Co., a Carrollton, GA-based producer of certain unalloyed copper wire, also stated that it is opposed to granting a waiver for this product from Brazil. Southwire asserted that the product from Brazil is priced lower in the U.S. market than either the domestic or imported product from major foreign sources, and noted that the petition fails to describe the petitioner as a world-class manufacturer of copper and copper products. Further, Southwire countered the petitioner's assertion that the competitive need limit would be exceeded because of increased copper prices, noting that the petitioner failed to mention the doubling of U.S. import quantities from Brazil since 2004.¹⁷ According to Southwire, granting a waiver would encourage "a world-class manufacturer to continue competing in the U.S. market for a commodity-type product by undercutting domestic producer prices." Finally, Southwire stated that should Canada's ongoing antidumping and countervailing duty investigations of certain unalloyed copper wire rod from Brazil result in affirmative final determinations, then Brazilian exports will be diverted from Canada to the United States.¹⁸

¹⁶ AmRod Corp., posthearing comments, 1-2.

¹⁷ Southwire Co., written comments, 1-2.

¹⁸ Southwire Co., written comments, 2.

Table 8-3 Certain unalloyed copper wire rod: U.S. imports for consumption, by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Canada	229,203,781	212,547,745	416,217,005	594,033,623	1,158,126,032
Russia	41,182,077	95,217,855	131,841,505	385,879,812	719,045,035
Mexico	83,898,461	41,687,153	110,999,981	278,819,600	284,901,161
Brazil	42,272,456	37,917,817	41,595,224	106,773,140	185,946,756
Germany	14,211	68,610	57,934	319,151	1,392,921
Peru	373,631	844,847	1,886,568	2,317,500	1,389,780
Chile	0	0	0	0	88,008
France	0	0	0	70,860	4,754
Turkey	0	1,701,233	1,214,594	1,295,922	0
Spain	0	0	0	3,090	0
All other	628,294	624,557	195,129	0	2,671,706
Total	397,572,911	390,609,817	704,007,940	1,369,512,698	2,353,566,153
Imports from GSP-eligible countries					
Russia	41,182,077	95,217,855	131,841,505	385,879,812	719,045,035
Brazil	42,272,456	37,917,817	41,595,224	106,773,140	185,946,756
Peru	373,631	844,847	1,886,568	2,317,500	1,389,780
Turkey	0	1,701,233	1,214,594	1,295,922	0
India	0	0	0	0	0
Colombia	41,953	0	0	0	0
Indonesia	0	40,009	0	0	0
Costa Rica	0	0	0	0	0
Kazakhstan	0	0	0	0	0
Total	83,870,117	135,721,761	176,537,891	496,266,374	906,381,571

Source: Official statistics of the U.S. Department of Commerce.

Table 8-4 Certain unalloyed copper wire rod: U.S. exports of domestic merchandise, by market, 2002-06

Country	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
Mexico	58,293,604	84,986,989	250,449,118	406,791,065	915,676,983
Dominican Rep	939,429	489,615	1,387,761	1,683,141	1,836,110
Hong Kong	4,874	213,060	154,847	291,889	640,319
United Kingdom	2,596	12,152	64,008	386,558	514,251
China	0	0	159,413	865,398	450,443
Sweden	0	40,758	94,183	76,582	210,603
Denmark	0	0	0	146,852	58,675
Poland	0	0	0	87,732	12,060
Germany	0	70,908	56,465	61,755	3,999
Bolivia	0	0	19,409	39,157	0
All other	526,875	591,491	1,765,444	179,589	618,561
Total	59,767,378	86,404,973	254,150,648	410,609,718	920,022,004

Source: Official statistics of the U.S. Department of Commerce.

CHAPTER 9

Television Reception Apparatus with Video Recording/Reproducing Capability

Competitive need limit waiver: India

HTS subheading	Description	Col. 1 rate of duty as of 1/1/07 (percent ad valorem)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
8528.12.80 ^a	Set-top boxes with video recording/reproducing capability	3.9	No

^a India has not been proclaimed by the President as noneligible for GSP treatment for the articles included under HTS subheading 8528.12.80. However, India anticipates future export levels to the United States in excess of the competitive need limit. India was granted a de minimis waiver for this HTS subheading on July 1, 2005 but did not qualify as de minimis in 2006.

Effective January 1, 2007, HTS subheading 8528.12.80 no longer exists. It has been replaced with two new HTS subheadings - 8528.71.10 and 8528.72.80; the product under consideration for this competitive need limit waiver falls within HTS subheading 8528.72.80.

These goods are believed to be set-top boxes with the ability to record and reproduce television programs delivered by cable or satellite distribution. They also may be capable of reproducing pre-recorded video. According to the U.S. Customs Bureau, National Import Specialist, these goods are Tivo®-type set-top boxes with hard drives capable of recording television programs distributed by terrestrial broadcast, satellite, or cable television and with software facilitating such recording.

Probable Economic Effect Advice

* * * * *

Profile of U.S. industry and market, 2002-06

There are no U.S. producers of these goods (table 9-1). U.S. consumption is completely satisfied by imports. There are no known U.S. exports or re-exports of these products as there is no domestic industry.

Table 9-1 Television reception apparatus with video recording/reproducing capability: U.S. producers, employment, shipments, trade, consumption, and capacity utilization, 2002-06

Item	2002	2003	2004	2005	2006
Producers (<i>number</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Employment (<i>1,000 employees</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Shipments (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Exports (<i>1,000 dollars</i>)	(^a)	(^a)	(^a)	(^a)	(^a)
Imports (<i>1,000 dollars</i>)	14,264	6,352	1,762	4,442	35,833
Consumption (<i>1,000 dollars</i>)	14,264	6,352	1,762	4,442	35,833
Import-to-consumption ratio (<i>percent</i>)	100	100	100	100	100
Capacity utilization (<i>percent</i>)	(^a)	(^a)	(^a)	(^a)	(^a)

Note.— No U.S. export table is attached to this chapter as it is a basket category covering a wide variety of products in addition to the subject products.

Source: U.S. import data are based on official statistics of the U.S. Department of Commerce.

^a Not applicable.

GSP import situation, 2006

India began supplying these products to the United States in 2005, and in 2006 accounted for 73 percent of total U.S. imports and 100 percent of U.S. imports from GSP-eligible countries (table 9-2 and table 9-3). India is a major world supplier of these products with markets in numerous countries. The quality of the Indian product is considered to be equivalent to that of other suppliers to the U.S. market and the price reportedly is generally lower.

Table 9-2 Television reception apparatus with video recording/reproducing capability: U.S. imports and share of U.S. consumption, 2006

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	<i>1,000 dollars</i>			
Total U.S. imports	35,833	100	-	100
Total U.S. imports from GSP-eligible countries	26,280	73	100	73
India	26,280	73	100	73

Position of interested parties¹

Petitioner. – In its petition to the USTR, India described these goods as “CTV reception apparatus.” The government of India claims that its industry is in its early stages, with production of 10 million (presumably) units per year, with very low capacity utilization.²

No statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this HTS subheading.

Table 9-3 Color television reception apparatus with video recording/reproducing capability: U.S. imports for consumption, by principal sources, 2002-06

Source	2002	2003	2004	2005	2006
	<i>In Dollars</i>				
India	0	0	0	4,161,733	26,280,057
China	5,204	26,842	30,008	9,419	9,163,803
Japan	26,835	126,888	177,888	40,000	200,260
Mexico	13,620,340	6,848	0	95,240	55,343
United Kingdom	9,095	115,754	35,964	11,809	15,888
Israel	0	0	15,951	30,828	4,578
Korea	3,000	1,056,537	550,771	65,030	2,400
Canada	0	0	2,030	9,325	0
France	0	0	0	9,001	0
Taiwan	15,780	13,181	64,873	4,890	0
All Other	583,479	5,005,878	883,732	4,579	111,006
Total	14,263,733	6,351,928	1,761,217	4,441,854	35,833,335
Imports from GSP-eligible countries					
India	0	0	0	4,161,733	26,280,057
Thailand	570,020	0	6,255	0	0
Total	570,020	0	6,255	4,161,733	26,280,057

Source: Official statistics of the U.S. Department of Commerce.

¹ Except as noted, information provided in this section is derived from the petition filed with the USTR as well as testimony and written submissions of interested parties to the Commission in connection with this investigation.

² ***

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APPENDIX A

USTR Request Letters

DOCUMENT
NUMBER

2518

Office of the
Secretary
Int'l Trade Commission

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

JAN 09 2007

RECEIVED
OFFICE OF THE SECRETARY
US INTL TRADE COMM
2007 JAN 11 AM 9:19

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

Dear Chairman Pearson:

The Trade Policy Staff Committee (TPSC) has recently decided and will announce in the *Federal Register* the acceptance of product petitions for the 2006 GSP Annual Review for modification of the Generalized System of Preferences (GSP). For the most part, modifications to the GSP program which may result from this review will be announced in the spring of 2007 and become effective in the summer of 2007. In this connection, I am making the request listed below.

Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request, in accordance with section 503(d)(1)(A) of the 1974 Act, that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for the country specified with respect to the articles in the enclosed Annex. With respect to the competitive need limitation in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission is requested to use the dollar value limit of \$125 million.

It would be greatly appreciated if the requested advice could be provided by no later than 90 days from receipt of this letter. Additionally, to the maximum extent possible, it would be greatly appreciated if the probable economic effect advice and statistics (profile of the United States industry and market and United States import and export data) and any other relevant information or advice be provided separately and individually for each HTS subheading for all the cases in this investigation.

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

Commissioner Pearson
Page Two

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Susan C. Schwab". The signature is fluid and cursive, with the first name "Susan" being the most prominent part.

Susan C. Schwab

Enclosure: Annex

Annex

The Harmonized Tariff Schedule of the United States (HTS) subheadings listed below have been accepted as product petitions for the 2006 Generalized System of Preferences (GSP) Annual Review for modification of the (GSP). The tariff nomenclature in the HTS for the subheadings listed below are definitive; the product descriptions in this list are for informational purposes only (except in those cases where only part of a subheading is the subject of a petition). The descriptions below are not intended to delimit in any way the scope of the subheading. The HTS may be viewed on <http://www.usitc.gov/tata/index.htm>.

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

2006-01 (India)	2001.10.00	Cucumbers including gherkins, prepared or preserved by vinegar or acetic acid	Government of India
2006-02 (Argentina)	2836.91.00	Lithium Carbonates	Government of Argentina; FMC Corporation, Philadelphia, PA
2006-03 (Thailand)	4011.20.10	New pneumatic radial tires, of kind used on buses or trucks	Bridgestone Americas Holding, Inc. Nashville, TN
2006-04 (India)	5703.10.20	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	Government of India; Oriental Rug Importers Association, Inc. Secaucus, NJ
2006-05 (Argentina)	7202.99.20	Calcium silicon ferroalloys	Government of Argentina; CAFAE (Argentinean Chamber of Ferroalloys and Special Alloys), Argentina
2006-06 (Brazil)	7403.11.00	Refined copper cathodes and sections of cathodes	Caraiba Metais S.A., Brazil
2006-07 (Brazil)	7408.11.60	Refined copper wire w/ma cross-sectional dimension over ximum 6 mm not over 9.5 mm	Caraiba Metais S.A., Brazil
2006-08 (India)	8528.12.80 ¹	Color television reception apparatus, video display diagonal over 34.29 cm incorporating a VCR or player	Government of India

¹As a result of the 2007 changes to the Harmonized Tariff Schedule, this tariff number will change prior to implementation.

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

January 17, 2007

Ms. Lyn Schlitt
Director
Office of External Relations
U.S. International Trade Commission
500 E St SW
Washington, DC 20436

Dear Lyn,

DN 2518

I have been asked by the U.S. Trade Representative to advise you that USTR is requesting that the USITC provide probable economic effective advice on industry and on consumers for the 2006 GSP Review CNL waiver petitions.

Sincerely,



Meredith Broadbent
Assistant U.S. Trade Representative for
Industry, Market Access, and
Telecommunications

RECEIVED
OFFICE OF THE SECRETARY
US INTERNATIONAL TRADE COMMISSION
2007 JAN 17 PM 5:06

APPENDIX B

Notice of Investigation

and was accompanied by all the rentals due since the date the lease terminated under the law.

FOR FURTHER INFORMATION CONTACT:

Bernadine T. Martinez, BLM, New Mexico State Office, at (505) 438-7530.

SUPPLEMENTARY INFORMATION: No lease has been issued that affect the lands. The lessee agrees to new lease terms for rentals and royalties of \$20.00 per acre or fraction thereof, per year, and 18 $\frac{2}{3}$ percent, respectively. The lessee paid the required \$500.00 administrative fee for the reinstatement of the lease and \$166.00 cost for publishing this Notice in the *Federal Register*. The lessee met all the requirements for reinstatement of the lease as set out in Sections 31(d) and (e) of the Mineral Leasing Act of 1920 (30 U.S.C. 188). We are proposing to reinstate lease NMNM 108883, effective the date of termination, September 1, 2006, under the original terms and conditions of the lease and the increased rental and royalty rates cited above.

Dated: January 23, 2007.
Bernadine T. Martinez,
Land Law Examiner.
[FR Doc. E7-1287 Filed 1-25-07; 8:45 am]
BILLING CODE 4310-FB-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-895 (Review)]

Pure Magnesium From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of an expedited five-year review concerning the antidumping duty order on pure magnesium from China.

SUMMARY: The Commission hereby gives notice of the scheduling of an expedited review pursuant to section 751(c)(3) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(3)) (the Act) to determine whether revocation of the antidumping duty order on pure magnesium from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* January 5, 2007.

FOR FURTHER INFORMATION CONTACT: Debra Baker (202-205-3180), Office of

Investigations, 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 on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background. On January 5, 2007, the Commission determined that the domestic interested party group response to its notice of institution (71 FR 58001, October 2, 2006) of the subject five-year review was adequate and that the respondent interested party group response was inadequate.¹ The Commission did not find any other circumstances that would warrant conducting a full review.² Accordingly, the Commission determined that it would conduct an expedited review pursuant to section 751(c)(3) of the Act.³

Staff report. A staff report containing information concerning the subject matter of the review will be placed in the nonpublic record on February 1, 2007, and made available to persons on the Administrative Protective Order service list for this review.⁴ A public version will be issued thereafter, pursuant to section 207.62(d)(4) of the Commission's rules.

Written submissions. As provided in section 207.62(d) of the Commission's rules, interested parties that are parties to the review and that have provided individually adequate responses to the notice of institution,⁴ and any party other than an interested party to the review may file written comments with the Secretary on what determination the Commission should reach in the review. Comments are due on or before

¹ Commissioner Jennifer A. Hillman found both the domestic interested party group response and the respondent interested party group response to be inadequate.

² A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

³ Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun dissenting.

⁴ The Commission has found the response submitted by U.S. Magnesium LLC to be individually adequate. Comments from other interested parties will not be accepted (see 19 CFR 207.62(d)(2)).

February 6, 2007 and may not contain new factual information. Any person that is neither a party to the five-year review nor an interested party may submit a brief written statement (which shall not contain any new factual information) pertinent to the review by February 6, 2007. However, should the Department of Commerce extend the time limit for its completion of the final results of its review, the deadline for comments (which may not contain new factual information) on Commerce's final results is three business days after the issuance of Commerce's results. If comments contain business proprietary information (BPI), they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: January 23, 2007.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-1286 Filed 1-25-07; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-483]

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2006 Review

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

DATES: *Effective Date:* January 18, 2007.

SUMMARY: Following receipt on January 11, 2007 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332 (g)), the Commission instituted investigation No. 332-483, *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2006 Review*.

FOR FURTHER INFORMATION CONTACT: Information may be obtained from Cynthia B. Foreso, Project Leader, Office of Industries (202-205-3348 or cynthia.foreso@usitc.gov) or Falan Yinug, Deputy Project Leader, Office of Industries (202-205-2160 or falan.yinug@usitc.gov). For more information on legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel at 202-205-3091 or william.gearhart@usitc.gov. The media should contact Margaret O'Laughlin, Office of External Relations at 202-205-1819 or margaret.olaughlin@usitc.gov.

Background: As requested by the USTR, in accordance with section 503(d)(1)(A), of the Trade Act of 1974, as amended (1974 Act), the Commission will provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1970 Act for Argentina for HTS subheadings 2836.91.00 and 7202.99.20; Brazil for HTS subheadings 7403.11.00 and 7408.11.60; India for HTS subheadings 2001.10.00, 5703.10.20, and 8528.12.80; and Thailand for HTS subheading 4011.20.10. With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission, as requested, will use the dollar value limit of \$125 million. In an addendum received on January 17, 2007, the USTR also requested that this advice include the effect of such waivers on consumers.

As requested by the USTR, the Commission will provide its advice no later than April 11, 2007. The USTR indicated that those sections of the Commission's report and related working papers that contain the Commission's advice will be classified.

Public Hearing: A public hearing in connection with this investigation will be held beginning at 9:30 a.m. on February 22, 2007, at the United States International Trade Commission Building, 500 E Street SW, Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade

Commission, 500 E St., SW, Washington, DC 20436, not later than the close of business (5:15 p.m.) on February 5, 2007, in accordance with the requirements in the "Submissions" section below.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning these investigations. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. Any prehearing statements or briefs should be filed not later than 5:15 p.m., February 8, 2007; the deadline for filing posthearing statements or briefs is 5:15 p.m., February 27, 2007. All written submissions must conform with the provisions of section 201.8 of the *Commission's Rules of Practice and Procedure* (19 CFR. 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf).

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

The Commission may include some or all of the confidential business information submitted in the course of these investigations in the report it sends to the USTR. As requested by the USTR, the Commission will publish a

public version of the report, which will exclude portions of the report that the USTR has classified as confidential as well as any confidential business information. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Secretary at 202-205-2000.

By order of the Commission.

Issued: January 22, 2007.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-1283 Filed 1-25-07; 8:45 am]

BILLING CODE 7020-02-P

NATIONAL CREDIT UNION ADMINISTRATION

Agency Information Collection Activities: Submission to OMB for Review; Comment Request

AGENCY: National Credit Union Administration (NCUA).

ACTION: Request for comment.

SUMMARY: The NCUA intends to submit the following information collection to the Office of Management and Budget (OMB) for review and clearance under the Paperwork Reduction Act of 1995 (Pub. L. 104-13, 44 U.S.C. Chapter 35). This information collection is published to obtain comments from the public.

DATES: Comments will be accepted until March 27, 2007.

ADDRESSES: Interested parties are invited to submit written comments to NCUA Clearance Officer listed below:

Clearance Officer: Mr. Neil McNamara, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428, Fax No. 703-837-2861, E-mail: mcnamara@ncua.gov.

OMB Desk Officer: Mr. Mark Menchik, Office of Information and Regulatory Affairs, Office of Management and Budget, Docket Library, Room 10102, 725-17th Street, NW., Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or a copy of the information collection request, should be directed to Tracy Sumpter at the National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428, or at (703) 518-6444.

SUPPLEMENTARY INFORMATION: Proposal for the following collection of information:

OMB Number: 3133-0168.

Form Number: N/A.

Type of Review: Extension of a currently approved collection.

APPENDIX C

Calendar of Witnesses for the February 22, 2007 Hearing

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission’s hearing:

Subject: Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2006 Review
Inv. No.: 332-483
Date and Time: February 22, 2007 - 9:30 a.m.

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

ORGANIZATION AND WITNESS:

PRODUCT:

Radial Tires

Akin Gump Strauss Hauer & Feld LLP
Washington, D.C.
on behalf of

Bridgestone Americas Holding, Inc.
Bridgestone Firestone North American Tire, LLC

Steven J. Akey, Vice President, Government Affairs,
Bridgestone Americas Holding, Inc.

Jim Keating, Coordinator, Duty Drawback and NAFTA
Customs Compliance, Bridgestone Americas Holding, Inc.

Valerie A. Slater)
) – OF COUNSEL
Bernd G. Janzen)

ORGANIZATION AND WITNESS:

PRODUCT:

Hand-Hooked Carpets and Floor Coverings

Sidley Austin LLP
Washington, D.C.
on behalf of

Oriental Rug Importers Association, Inc.
Secaucus, NJ

Brenda A. Jacobs

) – OF COUNSEL

Calcium-Silicon Ferroalloys

Camara Argentina de Ferroaleaciones y Aleaciones Especiales (“CAFAE”)
Asociacion de Industriales Metalurgicos de la Republica Argentina
Buenos Aires, Republic of Argentina

Emilio Maluff, Member, CAFAE

Larry Goldzman, Traxys North America LLC

-END-

APPENDIX D

Model for Evaluating Probable Economic Effects of Changes in GSP Status

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

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

Introduction

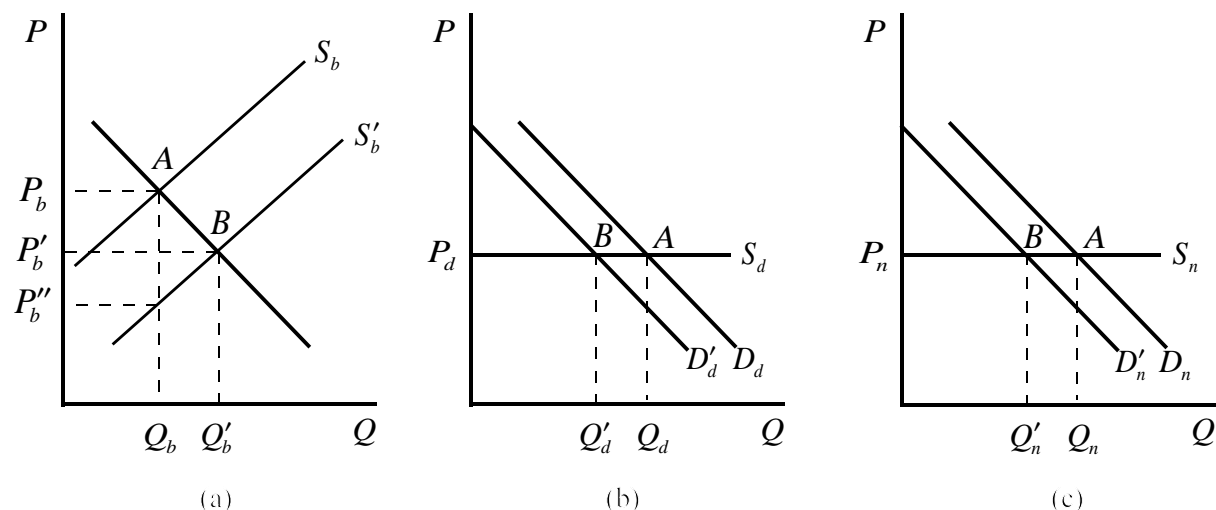
Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.¹ Trade data were taken from official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

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

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

Figure D-1

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

³ Armington (1969), p. 167.

⁴ Ibid., p. 168.

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

In addition the aggregate quantity index q can be defined as

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

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

Substituting equation (3) into equation (1) yields

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

Further manipulation and simplification yields

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

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

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

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

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

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

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

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

equation (4) can be rendered as

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

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

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

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

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

Consumer effects

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

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

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

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