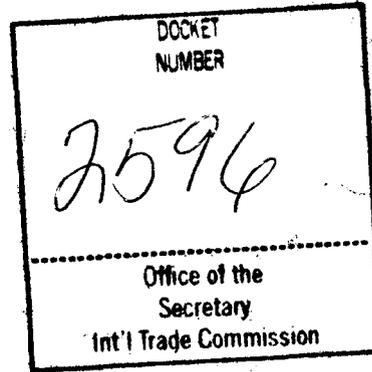


EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436



FEB 08 2008

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Dear Chairman Pearson:

Chapter Four and Annex 4.1 of the United States-Chile Free Trade Agreement (USCFTA) set out rules of origin for applying the tariff provisions of the USCFTA. Our negotiators recently reached agreement in principle with representatives of the government of Chile on the proposed modifications to Annex 4.1 contained in the attached document.

Section 202(o) of the U.S.-Chile Free Trade Agreement Implementation Act ("the Act") authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim modifications to the USCFTA rules of origin. One of the requirements set out in section 103 is that the President obtain advice from the United States International Trade Commission ("the Commission") regarding the proposed action.

Under authority delegated by the President, and pursuant to section 103 of the Act, I request that the Commission provide advice on the probable economic effect of the modifications reflected in the enclosed proposals on U.S. trade under the USCFTA and on domestic industries. Please note that Annex I to Presidential Proclamation 8214 of December 27, 2007, modified some of the rules of origin in the USCFTA to reflect changes to the Harmonized System. These rules took effect on February 1, 2008. Where applicable, the attached document includes both the original rules of origin in the USCFTA, as well as the revised rules that took effect as of February 1.

I request that the Commission provide this advice at the earliest possible date, but not later than October 31, 2008. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,

Susan C. Schwab

Enclosure

U.S.-Chile Free Trade Agreement

Proposals to Modify the Rules of Origin

Chapter 7: Edible Vegetables and Certain Roots and Tubers

Current Rule

07.01 – 07.14: A change to heading 07.01 through 07.14 from any other chapter.

Proposed Rule

0701.10 - 0712.39 A change to subheading 0701.10 through 0712.39 from any other chapter.

0712.90 A change to marjoram, savory or cilantro, crushed or ground, of subheading 0712.90 from marjoram, savory or cilantro, neither crushed nor ground, of subheading 0712.90 or any other chapter; or

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

07.13 - 07.14 A change to heading 07.13 through 07.14 from any other chapter.

Chapter 9: Coffee, Tea, Maté and Spices

Current Rule

09.01 A change to heading 09.01 from any other chapter.

Proposed Rule

0901.11 – 0901.12 A change to subheading 0901.11 through 0901.12 from any other chapter.

0901.21 A change to subheading 0901.21 from any other subheading.

0901.22 A change to subheading 0901.22 from any other subheading, except from subheading 0901.21.

0901.90 A change to subheading 0901.90 from any other chapter.

Current Rule

09.03 – 09.10 A change to heading 09.03 through 09.10 from any other chapter.

Proposed Rule

09.03 A change to heading 09.03 from any other chapter.
(Formatting only; no change in intent.)

0904.11 – 0910.99 A change to crushed, ground, or powdered spices put up for retail sale of subheading 0904.11 through 0910.99 from spices that are not crushed, ground, or powdered of subheading 0904.11 through 0910.99, or from any other subheading; or

A change to mixtures of spices or any good of subheading 0904.11 through 0910.99 other than crushed, ground, or powdered spices put up for retail sale from any other subheading.

Chapter 12: Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder

Current Rule

12.01 – 12.14 A change to heading 12.01 through 12.14 from any other chapter.

Proposed Rule

12.01 0 12.07 A change to heading 12.01 through 12.07 from any other chapter.

1208.10 - 1209.30 A change to subheading 1208.10 through 1209.30 from any other chapter.

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

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

1209.91 - 1211.40 A change to subheading 1209.91 through 1211.40 from any other chapter.

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

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

12.12 – 12.14 A change to heading 12.12 through 12.14 from any other chapter.

Chapter 18: Cocoa and Cocoa Preparations

Current Rule

18.01-18.05 A change to heading 18.01 through 18.05 from any other chapter.

Proposed Rule

18.01 – 18.02 A change to heading 18.01 through 18.02 from any other chapter.

18.03 – 18.05 A change to heading 18.03 through 18.05 from any other heading.

Current Rule

1806.31 A change to subheading 1806.31 from any other subheading.

1806.32 A change to subheading 1806.32 from any other heading.

1806.90 A change to subheading 1806.90 from any other subheading.

Proposed Rule

1806.31 – 1806.90 A change to subheading 1806.31 through 1806.90 from any other subheading, including another subheading within that group.

Chapter 21: Miscellaneous Edible Preparations

Current Rule

2103.30 – 2103.90 A change to subheading 2103.30 through 2103.90 from any other chapter.

Proposed Rule

2103.30 A change to subheading 2103.30 from any other chapter.

2103.90 A change to subheading 2103.90 from any other subheading.

SECTION VI: PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES

Current Chapter Note

1. Chemical reaction origin rule

Any good of Chapters 28 through 38, except a good of heading 3823, that is the product of a chemical reaction shall be considered to be an originating good if the chemical reaction occurred in the territory of one or both of the Parties. Notwithstanding any of the line-by-line rules, the “chemical reaction” rule may be applied to any good classified in the above chapters.

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

The following are not considered to be chemical reactions for the purposes of this definition: (a) dissolving in water or other solvents; (b) the elimination of solvents including solvent water; or (c) the addition or elimination of water of crystallization.

2. Separation prohibition

A non-originating material or component will not be deemed to have satisfied all applicable requirements of these rules by reason of a change from one classification to another merely as the result of the separation of one or more individual materials or components from a man-made mixture unless the isolated material or component, itself, also underwent a chemical reaction.

Proposed Chapter Notes

Notes to Section VI:

Note 1

Rules 1 through 7 of this Section confer origin to a good of any heading or subheading in this Section, except as otherwise specified in those rules.

Note 2

Notwithstanding Note 1, a good is an originating good if it meets the applicable change in tariff classification or satisfies the applicable value content requirement specified in the rules of origin in this Section.

Rule 1: Chemical Reaction

A good of Chapters 28 through 38, except goods of heading 38.23, that results from a chemical reaction in the territory of one or more of the Parties shall be treated as an originating good.

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

The following are not considered to be chemical reactions for the purposes of determining whether a good is originating:

(a) dissolution in water or in another solvent; (b) the elimination of solvents, including solvent water; or (c) the addition or elimination of water of crystallization.

Rule 2: Purification

A good of Chapters 28 through 38, that is subject to purification shall be treated as an originating good provided that the purification occurs in the territory of one or more of the Parties and results in the following:

- (a) the elimination of 80 percent of the impurities; or
- (b) the reduction or elimination of impurities resulting in a good suitable:
 - (i) as a pharmaceutical, medicinal, cosmetic, veterinary, or food grade substance;
 - (ii) as a chemical product or reagent for analytical, diagnostic, or laboratory uses;
 - (iii) as an element or component for use in micro-elements;
 - (iv) for specialized optical uses;
 - (v) for non-toxic uses for health and safety;
 - (vi) for biotechnical use;
 - (vii) as a carrier used in a separation process; or
 - (viii) for nuclear grade uses.

Rule 3: Mixtures and Blends

A good of Chapters 30, 31, or 33 through 38, except for heading 38.08, shall be treated as an

40.06 – 40.17 A change to heading 40.06 through 40.17 from any other heading, including another heading within that group.

Proposed Rule

40.05 – 40.17 A change to heading 40.05 through 40.17 from any other heading, including another heading within that group.

Chapter 71: Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals, Metals Clad with Precious Metal and Articles Thereof, Imitation Jewellery; Coin

Current Rule

71.01 A change to heading 71.01 from any other heading, except from heading 03.07.

Proposed Rule

71.01 A change to heading 71.01 from any other heading.

Chapter 84: Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof

Current Rule

8415.10 - 8415.83 A change to subheading 8415.10 through 8415.83 from any other subheading including another subheading within that group, except a change within that group resulting from a simple assembly.

Proposed Rule

8415.10 – 8415.83 A change to subheading 8415.10 through 8415.83 from any other subheading, including another subheading within that group.

Current Rule

8419.11 – 8419.89 A change to subheading 8419.11 through 8419.89 from any other heading, or

A change to subheading 8419.11 through 8419.89 from subheading 8419.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Proposed Rule

8419.11 A change to subheading 8419.11 from any other subheading.

8419.19 A change to subheading 8419.19 from any other heading; or
A change to subheading 8419.19 from any other subheading, provided that there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

8419.20 – 8419.89 A change to subheading 8419.20 through 8419.89 from any other subheading, including another subheading within that group.

Current Rule

8420.10 A change to subheading 8420.10 from any other heading, or
A change to subheading 8420.10 from subheading 8420.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Proposed Rule

8420.10 A change to subheading 8420.10 from any other subheading.

Current Rule

8421.11 – 8421.39 A change to subheading 8421.11 through 8421.39 from any other heading, or

A change to subheading 8421.11 through 8421.39 from subheading 8421.99, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Proposed Rule

8421.11 – 8421.39 A change to subheading 8421.11 through 8421.39 from any other subheading.

Current Rule (Note: Text in blue highlight indicates an original rule that *has been changed* to reflect the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin that is currently in effect.)

8424.10-8424.89 A change to subheading 8424.10 through 8424.89 from any other subheading, including another subheading within that group.

8424.90 A change to subheading 8424.90 from any other heading, except from subheading 8414.40 or 8414.80.

[REDACTED]



- 8430.10 – 8430.61 A change to subheadings 8430.10 through 8430.61 from any other subheading, including another subheading within that group.
- 8430.69 A change to “scrapers” of subheading 8430.69 from any other good of subheading 8430.69 or from any other subheading.

A change to any other good of subheading 8430.69 from “scrapers” of subheading 8430.69 or from any other subheading.

Proposed Rule

- 8424.10 – 8430.69 A change to subheading 8424.10 through 8430.69 from any other subheading, including another subheading within that group.

Current Rule

- 8434.10-8434.20 A change to subheading 8434.10 through 8434.20 from any other subheading, including another subheading within that group.
- 8434.90 A change to subheading 8434.90 from any other heading.
- 8435.10 A change to subheading 8435.10 from any other subheading.
- 8435.90 A change to subheading 8435.90 from any other heading.

Proposed Rule

- 8434.10 – 8435.90 A change to subheading 8434.10 through 8435.90 from any other subheading, including another subheading within that group.

Current Rule

- 8439.91-8439.99 A change to subheading 8439.91 through 8439.99 from any other heading.
- 8440.10 A change to subheading 8440.10 from any other subheading.
- 8440.90 A change to subheading 8440.90 from any other heading.

Proposed Rule

- 8439.10 – 8440.90 A change to subheading 8439.10 through 8440.90 from any other subheading, including another subheading within that group.

Current Rule

- 8450.11-8450.20 A change to subheading 8450.11 through 8450.20 from any other heading; or
- A change to subheading 8450.11 through 8450.20 from subheading 8450.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 35 percent when the build-up method is used, or
 - (b) 45 percent when the build-down method is used.

Proposed Rule

- 8450.11 – 8450.20 A change to subheading 8450.11 through 8450.20 from any other subheading, including another subheading within that group.

Current Rule

- 8451.10-8451.80 A change to subheading 8451.10 through 8451.80 from any other heading; or
- A change to subheading 8451.10 through 8451.80 from subheading 8451.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 35 percent when the build-up method is used, or
 - (b) 45 percent when the build-down method is used.

Proposed Rule

8451.10 – 8451.80 A change to subheading 8451.10 through 8451.80 from any other subheading, including another subheading within that group.

Current Rule

8455.10-8455.30 A change to subheading 8455.10 through 8455.30 from any other subheading, including another subheading within that group.

8455.90 A change to subheading 8455.90 from any other heading, except from heading 85.01 when resulting from a simple assembly.

Proposed Rule

8455.10 – 8455.90 A change to subheading 8455.10 through 8455.90 from any other subheading, including another subheading within that group.

Current Rule (Note: Text in blue highlight indicates an original rule that *has been changed* to reflect the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin that is currently in effect.)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Proposed Rule

84.69 A change to heading 84.69 from any other heading

Current Rule

84.73 A change to heading 84.73 from any other heading.

Proposed Rule

8473.10 – 8473.50 A change to subheading 8473.10 through 8473.50 from any other subheading, including another subheading within that group; or

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

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Chapter 85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

Current Rule

8539.10-8539.21 A change to subheading 8539.10 through 8539.21 from any other subheading, including another subheading within that group.

8539.22 A change to subheading 8539.22 from any other heading, or

A change to subheading 8539.22 from any other subheading, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

8539.29 A change to subheading 8539.29 from any other heading; or

A change to subheading 8539.29 from subheading 8539.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or

(b) 45 percent when the build-down method is used.

8539.31 A change to subheading 8539.31 from any other subheading.

8539.32 – 8539.39 A change to subheading 8539.32 through 8539.39 from any other subheading outside that group.

8539.41 – 8539.49 A change to subheading 8539.41 through 8539.49 from any other subheading outside that group.

Proposed Rule

8539.10 – 8539.49 A change to subheading 8539.10 through 8539.49 from any other subheading, including another subheading within that group.

Chapter 90: Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus; Parts and Accessories Thereof

Current Rule (Note: Text in blue highlight indicates an original rule that *has been changed* to reflect the 2007 changes to the Harmonized System. Text in green highlight indicates the rule of origin that is currently in effect.)

[REDACTED]

Proposed Rule

9030.10 – 9030.89

A change to subheading 9030.10 through 9030.89 from any other subheading, including another subheading within that group.