PRODUCTION SHARING: USE OF U.S. COMPONENTS AND MATERIALS IN FOREIGN ASSEMBLY OPERATIONS, 1991-1994

(U.S. Imports Under Production Sharing Provisions of Harmonized Tariff Schedule Heading 9802)

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PREFACE

On May 22, 1989, on its own motion and pursuant to section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)), the U.S. International Trade Commission determined that it would continue investigation No. 332-237 (originally instituted on August 19, 1986) to present and analyze statistical data on imports under *Harmonized Tariff Schedule* (*HTS*) provision 9802.00.60 (metal of U.S. origin processed in a foreign location and returned for further U.S. processing) and provision 9802.00.80 (assembled goods containing U.S.-made components). The current report presents historical import data (1970-94) under these tariff provisions and evaluates the 4-year period 1991-94 on a sector-by-sector and commodity-specific basis.

In addition to the assessment on the use of provisions 9802.00.60 and 9802.00.80, this report has two special chapters that focus on specific issues. Chapter 5 provides an analysis of apparel production-sharing trends since NAFTA's implementation and chapter 6 examines production sharing in Europe.

NOTE: This report on U.S. production-sharing activity is based on official U.S. statistics on imports mainly under provisions 9802.00.60 and 9802.00.80 of the Harmonized Tariff Schedule of the United States (HTS). The production-sharing provisions provide a duty exemption for U.S.-made components that are returned to the United States as parts of articles assembled abroad (9802.00.80), or for articles of metal (except precious metal) manufactured or processed in the United States, then further processed abroad, and finally returned for processing in the United States (9802.00.60). The domestic content of U.S. imports entered under these production-sharing provisions is exempt from both duties and the Customs merchandise processing fee (the so-called user fee).

Articles that are imported free of duty, either with a Most-Favored-Nation rate of free or under a variety of trade preference programs, have a greatly reduced incentive to enter under the HTS heading 9802 production-sharing provisions. Consequently, use of U.S. components in the foreign production of such articles for the U.S. market may be understated. However, many importers of duty-free articles continue to use provisions of heading 9802 because of exemption from the user fee on the value of U.S.-origin content. The U.S.-Canada Free-Trade Agreement (CFTA) phased out the user fee applicable to U.S. imports qualifying under CFTA rules of origin as of January 1, 1994. Consequently, only a small portion of U.S. imports from Canada that contain U.S.-origin components currently enter under the production-sharing tariff provisions. A comparable significant understatement of production sharing in official statistics with regard to imports from Mexico is anticipated when the user fee applicable to imports from Mexico under the North American Free-Trade Agreement (NAFTA) is eliminated on July 1, 1999. Nevertheless, an examination of imports under the production-sharing provisions remains a valid and important tool for measuring the use of U.S.-made components in assembly operations conducted by most U.S. trading partners.

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CHAPTER 1
Introduction

Production sharing occurs when various aspects of an article's manufacture are performed in more than one country. Production sharing among industrialized nations often reflects rationalization of production (such as use of Canadian subsidiaries to supply the North American and other markets with goods that contain U.S.-made parts) and global sourcing of components (such as the use of certain high-quality, competitively-priced U.S. auto parts in Japanese and European motor vehicle assembly plants). Another common form of production sharing involves shipment of parts, made in the United States or other developed countries, to low-labor-cost countries for assembly.[1] The assembled goods are then returned to the originating developed country for further processing or packaging and distribution. This *"foreign assembly"* type of production sharing has evolved into an important competitive strategy for many U.S. producers of labor-intensive articles competing in the domestic market with low-cost imports from developing countries, especially those in Asia.

A number of U.S. firms use foreign assembly to reduce manufacturing costs in order to keep pace with their major competitors, both foreign and domestic. By preserving market share in the United States and improving the price competitiveness of U.S. exports of products benefitting from low-cost foreign assembly,[2] companies are able to retain higher production and employment levels in the United States than might otherwise be possible.

Provisions 9802.00.60 and 9802.00.80[3] of the *Harmonized Tariff Schedule of the United States (HTS)* encourage companies with foreign assembly or production operations to use U.S.- made components or materials. These provisions provide a duty exemption for U.S.-made components that are returned to the United States as parts of articles assembled abroad (9802.00.80), or articles of metal (except precious metal) manufactured or processed in the United States, then further processed abroad, and finally returned for processing in the United States (9802.00.60). The principal products assembled abroad and imported by U.S. producers under provision 9802.00.80 are apparel from the Caribbean Basin and Mexico; televisions, electronic products, and auto parts from Mexico; and semiconductors and other electronic components from Asia (figure 1-1). Imports under provisions 9802.00.60 and 9802.00.80 were valued at $59 billion in 1994, accounting for 9 percent of total U.S. imports (table 2-1). The value of U.S.-made components or materials contained in these imports totaled $20 billion.

Report Findings

The Commission's report contains a number of important findings regarding recent developments in the use of production sharing by U.S. and European industries, as reported under their respective production sharing tariff provisions. These include:

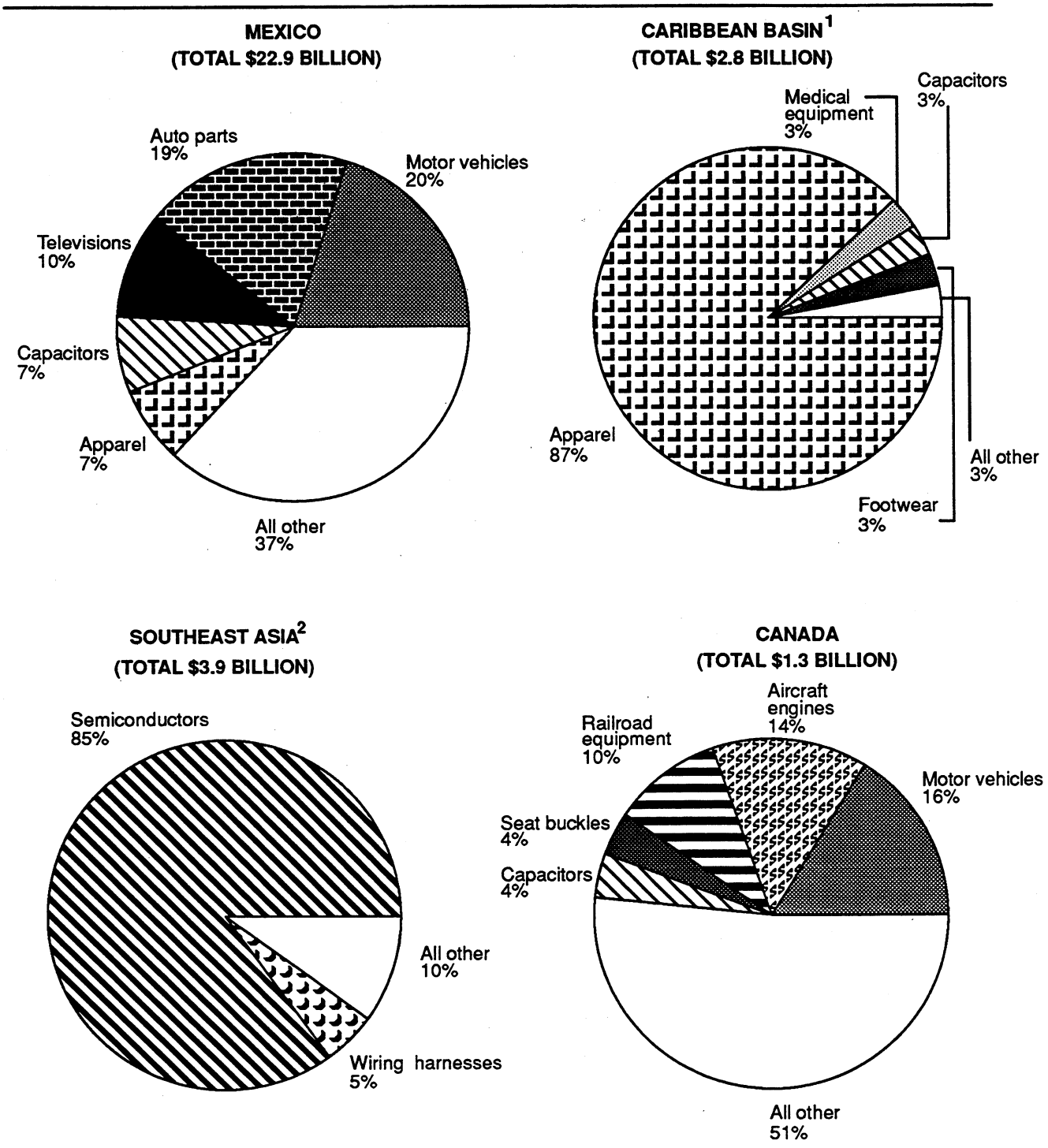
- U.S. companies that are significant users of production sharing regard such operations as an important tool to improve the relative price competitiveness of their product lines, help keep higher wage jobs and value-added production in the United States, and provide an important market for U.S. exports of components. The value of U.S.-made components sent to foreign assembly operations and returned to the United States under provision 9802.00.80 as part of assembled products grew by 13 percent over 1993 to $19.1 billion in 1994.
- The growth in U.S. production-sharing imports in 1994 resulted mainly from larger shipments of motor vehicles and parts, televisions, and other electronic products from Mexico; apparel from the Caribbean Basin and Mexico; and semiconductors from Southeast Asia (table 1-1). These regions and products were the source of growth in production sharing imports under provision 9802.00.80 in 1994. Such imports from Mexico grew by $4.1 billion (22 percent) to $22.9 billion. On a product basis, imports of apparel under the production sharing provisions from all sources climbed $1 billion

[1] In addition to use of foreign assembly plants to reduce labor costs or to rationalize production, other types of production-sharing operations include operations set up to penetrate foreign markets (where high tariffs or other trade barriers restrict direct export of finished goods); and operations that take advantage of unique foreign production technology, labor skills, raw materials, or specialized components.

[2] Finished goods imported from Mexican assembly plants often go through quality testing procedures in the United States prior to final packaging and shipping to domestic and foreign markets. U.S. exports of machinery and electronic products often incorporate subassemblies or parts that, in turn, have been assembled in Mexico or, in the case of semiconductors, Southeast Asia.

[3] See ch. 2 and app. A of this report for a discussion of the mechanics and legal framework for the production sharing tariff provisions. HTS provision 9802.00.80 accounts for 99 percent of imports under the production sharing tariff provisions.

Figure 1-1
Comparison of the composition of U.S. imports under HTS provision 9802.00.80 from major supplying countries/regions in 1994



[1] Dominican Republic, Costa Rica, and Honduras.
[2] Malaysia, Philippines, and Thailand.

Source: Compiled by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Table 1–1
Summary of U.S. production-sharing trade under HTS provision 9802.00.80 in 1994

Country	Product	Annual change	Reasons[1] for change
Mexico	Autos & parts	Up $1.3 billion (15 percent)	U.S. economy, NAFTA
Mexico	Televisions	Up $370 million (17 percent)	U.S. economy, Asian investment
Mexico	Apparel	Up $460 million (37 percent)	NAFTA, new 9802.00.90
Dominican Republic	Apparel	Up $166 million (13 percent)	Lower labor costs
Honduras	Apparel	Up $115 million (35 percent)	Lower labor costs, new investment laws
Malaysia	Semiconductors	Up $260 million (16 percent)	Global demand, skilled labor
Philippines	Semiconductors	Up $274 million (36 percent)	Global demand, new FTZs[2]
Thailand	Semiconductors	Up $136 million (48 percent)	Global demand
Canada	All products	Down $1.2 billion[3] (48 percent)	No Customs user fee under CFTA

[1] Further explanation is contained in chapter 3 and chapter 4.
[2] FTZs are foreign trade zones that facilitate export processing by exempting duties on in–process goods.
[3] Only a small portion of U.S. production–sharing trade with Canada now enters under provision 9802.00.80. With the phaseout of the Customs user fee for imports from Canada as of January 1, 1994, pursuant to the CFTA, there is no incentive for U.S. importers of such goods that are already duty–free under the CFTA to enter the shipments under the 9802.00.80 provision.

Source: Compiled by staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

(20 percent) to $6.0 billion; and imports of semiconductors and other microelectronic components increased by $1.7 billion (25 percent) to $8.2 billion.

- Although apparel accounts for only one-tenth of total U.S. imports under the production-sharing provisions, it accounts for nearly half the duty savings from use of these provisions. The average trade-weighted rate of duty on apparel is 16 percent, compared with about 3 percent for other products. Furthermore, the duty-free U.S. content accounts for two-thirds of the total value of apparel imported from production sharing operations, compared with one-third for imports of all products under the production-sharing provisions.
- The growth in production-sharing imports from Mexico in 1994 was principally the result of a strong market in the United States for articles assembled in Mexico, especially motor vehicles and parts, electronic products and subassemblies, and apparel. In the motor vehicle and parts sector, production sharing imports from Mexico under provision 9802.00.80 climbed by $1.2 billion (15 percent) in 1994 to $9 billion, with U.S.-made component trade reaching $4.4 billion. Much of the increase occurred in imports of ignition wiring harnesses, which rose by $810 million (46 percent) to $2.6 billion.
- In the apparel sector, NAFTA eliminated tariffs on garments and textile products from Mexico that are assembled entirely from fabric formed and cut in the United States. As a result, imports of apparel from Mexico under production sharing provisions rose by $460 million (36 percent) in 1994 to $1.7 billion, with U.S. fabric production used in the assembly of this apparel reaching $1.2 billion. Comparable tariff treatment for apparel from Caribbean countries ("NAFTA parity") is the subject of legislation introduced in the Congress. Most Caribbean countries already have duty-free access to the U.S. market for most manufactured or assembled articles under the Caribbean Basin Economic Recovery Act, but apparel is a major exception.

- The use of U.S. components in motor vehicles imported from Mexico contrasts sharply with their use in vehicles imported from Japan and Germany. While U.S.-made parts accounted for 39 percent of the value of finished vehicles imported from Mexico under provision 9802.00.80 in 1994, they made up only 1 percent of the value of vehicles imported from Japan and 2 percent of those from Germany.

- In recent years, companies in industrialized countries have increasingly tended to locate labor-intensive assembly operations in low-labor-cost countries, preferably in nearby countries. Two-thirds of all foreign assembly of U.S. components that re-enter under provision 9802.00.80 is done in Mexico and the Caribbean Basin; companies in Japan, Taiwan, Hong Kong, and Korea tend to use assembly plants in China, Thailand, Malaysia, the Philippines, and Indonesia to reduce their production costs. Companies in Western Europe have established assembly operations primarily in Central Europe and the Mediterranean region.

- The EU has a production sharing tariff provision comparable to U.S. provision 9802.00.80. The principal imports of the European Union (EU) under the European production sharing tariff provision in 1994 were apparel and other textile articles, which accounted for 43 percent ($6 billion) of the total. Germany accounted for over two-thirds of EU production sharing imports of apparel in 1994. Textile and apparel producers in Germany ship fabric mostly to Central Europe where it is cut and sewn into garments. EU tariff provisions exempt from duty the value of EU-origin components and materials contained in imported articles.

- After implementation of NAFTA, imports from Mexico entered under provision 9802.00.80 continued to rise in 1994 and 1995. The 50-percent devaluation of the peso during December 1994-January 1995 and associated decline in labor costs in Mexico were a principal cause of an 8-percent growth in production sharing imports from Mexico in 1995 to an estimated $25 billion. Companies continue to use provision 9802.00.80 when importing products free of duty from Mexico because the U.S.-origin content of imports under the production sharing provision is exempt from the Customs user fee. Under NAFTA, the user fee is scheduled to be eliminated July 1, 1999 with respect to imports from Mexico. After that time, firms will have no incentive to use the production sharing tariff provisions, except when importing goods from Mexico that do not qualify for duty-free treatment under NAFTA's rules of origin.[4] The application of the user fee to imports from Canada was eliminated on January 1, 1994, pursuant to the CFTA. Until that date, there was an incentive to use 9802 provisions under which the U.S.-origin content of imports was exempted from the fee. Official statistics show that only a small portion of production sharing trade with Canada now enters under the 9802 provision. As a result, the ability to monitor and analyze the use of U.S.-made components in assembly plants in Mexico and Canada on the basis of Census data generated from Customs documents will become more limited over time. Only the remaining portion (an estimated 40 percent) of U.S.-origin content of imports from foreign assembly operations in countries other than Mexico and Canada will be reported under the 9802 provisions, even though production sharing with Mexico and Canada continues to expand as trade agreements facilitate the use of U.S.-made components and materials in Canadian and Mexican assembly operations.

Purpose of the Report

This report annually monitors developments in the use of U.S. production sharing tariff provisions, focusing on shifts in trade and product mix, and analyzing trends by principal country sources and industry groups. Although incentives to use these provisions continue to decline as trade agreements reduce tariffs and Customs user fees,[5] issues related to production sharing will likely continue to be of importance to U.S. companies and policy makers.[6]

[4] Examples of products likely to be imported from Mexico under production-sharing provisions after July 1, 1999 include televisions assembled in Mexico using Japanese picture tubes (and U.S. components), and apparel assembled in Mexico with components fabricated in the United States from non-North American fabric.

[5] Importers of articles that are otherwise duty-free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.-origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

[6] In such cases where trade agreements have eliminated tariffs and Customs user fees, it will be necessary to develop an alternative means to measure the U.S.-origin content of imported products in order to maintain a capability to evaluate the effects of trade agreements and the use of foreign assembly on U.S. production and industry ability to compete. The

These issues include how much U.S. production is generated as a result of foreign assembly, how production sharing is used globally by manufacturers for competitive advantage, the effect of NAFTA on U.S. parts producers, and developments in the global integration of specific industries.

Organization of the Report

Chapter 2 presents an overview of production sharing trends in 1994, comparing developments among industries and regions. Chapter 3 identifies the principal countries engaged in U.S. production-sharing trade and examines key trends in these regions. Chapter 4 analyzes the industries and products that experienced the most significant growth or volume of trade in imports under tariff provision 9802.00.80 in 1994. This analysis identifies the level of U.S.-origin component production that is required to support foreign assembly operations. For each of the major industry groups, it examines the: (1) significance of the product and market; (2) reasons these products are involved in production sharing; (3) rationales for using production sharing in the assembly of these products; (4) impact of production sharing on the ability of U.S. industries to compete; and (5) important shifts in 1994.

Chapter 5 analyzes recent developments in U.S. apparel production-sharing trade, including U.S. programs that have encouraged investment in, and trade with, Mexico and countries in the Caribbean Basin. It describes NAFTA provisions affecting U.S. apparel trade and recent legislative efforts to extend NAFTA parity to CBERA-eligible countries. This special focus chapter concludes with a discussion of the future prospects of U.S. apparel producers and their offshore assembly operations in an environment in which world apparel trade is likely to be less restricted because of the phasing out of Multifiber Arrangement quotas under the Uruguay Round Agreement on Textiles and Clothing.

[6]—*Continued*
Commission anticipates coordinating with Customs, Census, and other trade-related agencies in the U.S. Government to consider possible options in the development of alternative methods for statistical reporting.

Chapter 6 identifies important production sharing trends in Europe and describes the production-sharing provisions in the European Union (EU) customs law (referred to as outward processing trade (OPT)). This special focus chapter examines developments in Europe compared with U.S. production-sharing trends during 1991-94, along with regional business alliances in Europe for OPT purposes that have been identified as having implications for U.S. companies competing there—particularly in light of the recent trade liberalization in Central and Eastern European economies.

The report also contains two appendixes. Appendix A examines preferential tariff treatment applicable to qualifying goods from the Caribbean Basin, the trade agreement status of provisions 9802.00.60 and 9802.00.80 of the *HTS*, their relation to preferential tariff programs, and special access programs.[7] Appendix B provides statistical tables on U.S. imports under provision 9802.00.80 and 9802.00.60 for the principal countries, by product.

[7] For the purposes of this report, imports under HTS provisions 9802.00.50.10 and 9802.00.90 are combined with imports under 9802.00.80. HTS provision 9802.00.50.10 was created pursuant to the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBERA). It is similar to provision 9802.00.80.40 in that both allow duty-free treatment for goods imported from countries designated as beneficiaries of the CBERA if the goods are made from U.S.-origin components and materials, except for most apparel, other textile articles, and petroleum products. The difference between these two provisions is that provision 9802.00.80.40 requires that the imported article be assembled entirely from U.S.-made components whereas provision 9802.00.50.10 is less restrictive, requiring only that the article consist entirely of U.S.-origin materials that have been advanced in value or improved in condition by any process of manufacture or other means. Under both provisions, no U.S. duty is applied to either the value of the U.S.-origin parts and materials or to the value added in the CBERA-beneficiary country. HTS provision 9802.00.90 was created by NAFTA to allow for duty-free treatment of textile and apparel products assembled in Mexico from U.S. formed and cut fabric. Under 9802.00.80, only the value of the U.S. cut fabric pieces is duty-free; under 9802.00.90, the value added in Mexico (such as labor and overhead) is duty-free as well. See chapter 5 for more detail about provision 9802.00.90.

CHAPTER 2
Overview Of U.S. Production Sharing

This annual report discusses significant trade shifts occurring under the production-sharing provisions 9802.00.60 and 9802.00.80 of the *HTS*, and analyzes recent developments in these imports by principal country sources and industry groups. The use of these tariff provisions is an integral activity for companies involved in production sharing worldwide. Imports under these two provisions were $59 million in 1994 and accounted for 9 percent of total U.S. imports.

Goods assembled abroad in whole or in part from U.S.-made components and certain goods exported and returned after foreign processing have long been afforded differential duty treatment. Their reduced-duty status was first set forth in the former *Tariff Schedules of the United States (TSUS)* items 806.30 and 807.00, in effect from 1963 through 1988. Subsequently, this tariff treatment was continued with some changes in terminology and application, in provisions 9802.00.60 and 9802.00.80, subchapter II, chapter 98 of the *HTS*, effective as of January 1, 1989.

U.S. production sharing imports enter almost entirely under tariff provision 9802.00.80, which covers imported goods that are assembled with U.S.-manufactured components. Such products are subject to duty upon entry at the full entered value of the completed article less the cost or value of the identifiable U.S.-origin components the article contains. In most cases, the duty is assessed on the value added abroad. For imports to qualify under the 9802.00.80 provision, goods must require no further processing in the United States and only "operations incidental to the assembly process" (but not manufacturing) may occur abroad.[1] Tariff provision 9802.00.60 pertains to articles of metal[2] (except precious metal) that are manufactured or processed in the United States,[3] exported for further processing, and then returned subject to duty on the value of the foreign processing.

[1] For the legal text of the provisions, see ch. 98 of the *HTS* and applicable notes. Also see U.S. International Trade Commission (USITC), *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Subheadings 9802.00.60 and 9802.00.80, 1987-1990,* USITC publication 2469, Dec. 1991.

[2] For definition of "metal," see U.S. note 3(d) to subch. II, ch. 98 of the HTS.

[3] Under each provision, foreign materials or components that are imported into the U.S. customs territory and substantially transformed into new articles of commerce generally qualify as "U.S. goods" (that is the original exports need not be wholly obtained or produced in the United States for the article to be considered as manufactured or processed in the United States).

Production Sharing in the Global Economy

Many factors drive the growing use of production sharing in the United States and abroad.[4] A few of the more significant factors are:

- Increased competition, mainly from low-cost Asian suppliers, leading to a shift in labor-intensive assembly operations to low-labor-cost countries.
- Efforts by companies to rationalize production operations, retaining domestic production of components that can be made more efficiently in the United States, and shifting generally more labor-intensive operations to lower wage countries.

[4] In addition to information obtained from various studies cited below, Commission staff have routinely monitored the effect of production sharing on U.S. industry and maintain regular contact with U.S. companies that use foreign assembly as part of their competitive strategy. The effects of the use of the production sharing tariff provisions and of the use of assembly in Mexico's maquiladora industry on the U.S. economy, including production, employment, and competitiveness, were the subject of Commission investigation No. 332-244, which was conducted in 1987: *The Use and Economic Impact of TSUS Items 806.30 and 807.00,* USITC publication 2953, Jan. 1988. In that study, the Commission surveyed over 300 companies in industries making use of foreign assembly. According to these responses, use of foreign assembly and the production sharing tariff provisions has (1) improved the overall competitiveness of U.S. firms; (2) reduced fixed costs and improved profitability; and (3) increased U.S. employment. Most of the respondents indicated that were it not for the production sharing tariff provisions, the firms would have lost market share to foreign producers that do not use U.S.-made components. See p. 7-26 of the report. For other studies on the impact of foreign assembly on the competitiveness of U.S. industries, see Joseph Grunwald and Kenneth Flamm, *The Global Factory: Foreign Assembly in International Trade,* Washington, D.C.: The Brookings Institution, 1985; Peter F. Drucker, "The Changed World Economy," *Journal of the Flagstaff Institute,* Feb. 1987; Elsie Echeverri-Carroll, "Maquilas: Creating Jobs in Texas and in Mexico," *Texas Business Review,* Feb. 1988; and Elsie Echeverri-Carroll, "Flexible Production and the North American Free Trade Agreement: The Impact on U.S. and Japanese Maquiladoras," in *NAFTA and Trade Liberalization in the Americas,* Bureau of Business Research, University of Texas at Austin, 1995.

- Globalization of operations, which leads to more cost-effective sourcing, market penetration, and rationalizing of production.[5]
- Reduction or elimination of barriers to trade and investment in foreign countries, lower U.S. tariffs, and greater awareness of investment opportunities in developing countries.
- Improved physical infrastructure in low-labor-cost countries and lower transportation costs in shipping to and from such countries.
- Currency fluctuations, which can be partially offset by establishing assembly or production operations in one or more foreign countries.

For the most part, U.S. producers assemble apparel in the Caribbean Basin countries and Mexico,[6] auto parts and finished vehicles in Mexico, televisions in Mexico, semiconductors in Asia, and other electronic products and subassemblies in Mexico and Asia.

Companies in other industrialized countries also outsource labor-intensive production. Manufacturers in Japan, Korea, Taiwan, and Hong Kong outsource assembly of labor-intensive goods to plants in China, Thailand, Malaysia, Indonesia, and the Philippines. Firms in France, Germany, and Northern Italy make use of low-labor-cost plants to sew apparel and assemble electronic products in Portugal, Southern Italy, Slovenia, Croatia, Hungary, Poland, the Czech Republic, Slovakia, and North Africa.

Mexico and Caribbean Basin countries not only offer low-cost labor, but their proximity to the United States also allows U.S. firms greater control over production and delivery lead times than do Asian nations. The competitive position of U.S. producers increasingly depends on their ability to react quickly to changes in customer requirements. Reduced duties resulting from trade agreements as well as unilateral market reforms in Mexico and Caribbean countries have enabled numerous U.S. apparel and other firms producing labor-intensive products with assembly operations in Mexico and the Caribbean to improve their ability to compete against low-cost imports from Asia, while maintaining U.S. production of components and materials that are used in these assembly operations and retaining U.S. production that otherwise would be lost to foreign producers competing in the U.S. or global market.[7]

Trade Shifts Under Production Sharing Provision 9802.00.80

U.S. trade in production-sharing imports enters almost entirely under tariff provision 9802.00.80. In 1994, imports under provision 9802.00.80 accounted for 99 percent of the total value of imports under the production sharing provisions and for 98 percent of the duty-free value (table 2-1). During 1994, the duty-free value (the aggregate value of the U.S.-origin content) accounted for a combined 33 percent of the total value of U.S. imports under tariff provisions 9802.00.60 and 9802.00.80.[8]

U.S. imports under tariff provision 9802.00.80 increased in 1994 by $2.2 billion (4 percent) over the 1993 level to $58.8 billion (table 2-1). Expanded assembly of auto parts in Mexico by the U.S. motor vehicle industry, the implementation of NAFTA on January 1, 1994, and a strong global market for semiconductors in 1994 more than offset reduced imports from Canada under the production sharing

[5] Companies "rationalize" production by consolidating the manufacture of a particular product or component to a limited number of locations. Plants that may have diversified products become specialized in the production of fewer goods. This can lead to greater efficiency and economies of scale, and to interdependency between plants requiring coordination of production planning. Rationalization of production across international boundaries is increasingly a common practice.

[6] The sector in Mexico that assembles products for foreign firms is called the maquiladora industry. Mexico's maquiladora law, in effect since 1965, allows the Government to grant licenses permitting companies (called maquiladoras or maquilas) to import components and machinery free of duty but under bond, provided that the machinery and components are subsequently exported. If the goods are not exported, the bond is forfeited and the importer is subject to a full assessment of duties. Failure to comply with the stipulations of the maquiladora law can result in the forfeiture of the importer's license to operate as a maquila. Maquilas are assembly plants that use foreign-made components, most of which are imported from the United States. Most maquilas are subsidiaries of U.S. manufacturers that perform assembly under contract with U.S. firms. The maquiladora law is part of the Maquiladora Program, a Mexican Government initiative to attract foreign investment in assembly plants in towns along the border with the United States. For background on the maquiladora industry, see Ralph Watkins, "The Origins and Growth of Mexico's Maquiladora Industry," in USITC, *Production Sharing:U.S. Imports Under Harmonized* Tariff Schedule Provisions 9802.00.60 and 9802.00.80, 1989-1992, Feb. 1994. For a discussion of the likely impact of NAFTA on the maquiladora industry, see Watkins, "NAFTA and Mexico's Maquiladora Industry," in USITC, *Industry, Trade, and Technology Review,* Feb. 1994, and Elsie Echeverri-Carroll, "Flexible Production and the North American Free Trade Agreement," in *NAFTA and Trade Liberalization in the Americas,* Bureau of Business Research, University of Texas at Austin, 1995.

[7] Chapters 4 and 5 provide more detailed illustrations of how production sharing helps retain U.S. production that otherwise would be lost to foreign producers competing in the U.S. or global markets.

[8] The share of total imports under the production sharing provisions accounted for by U.S.-origin content has risen steadily over the past decade, from 19 percent in 1985, to 28 percent in 1990 and 31 percent in 1994 (table B-1 in app. B). This increase reflects the growing use of assembly in Mexico relative to other suppliers of imports under these provisions. Plants in Mexico and Caribbean Basin tend to rely more heavily on components from the United States than do factories in other regions.

Table 2-1
U.S. imports under HTS provisions 9802.00.60 and 9802.00.80 and total imports, 1993 and 1994

Provision	1993	1994	Change, 1994 from 1993	Share of total imports under 9802.00.60 and 9802.00.80, 1994
	Million dollars		*Percent*	
Imports under provision 9802.00.60:				
Dutiable[1]	280	214	-24	(2)
Nondutiable[1]	556	377	-32	1
Subtotal	836	591	-29	1
Imports under provision 9802.00.80:				
Dutiable[3]	39,507	39,616	(2)	67
Nondutiable[3]	17,008	19,135	13	32
Subtotal	56,515	58,751	4	99
Imports under provision 9802.00.60 and 9802.00.80:				
Dutiable	39,787	39,830	(2)	67
Nondutiable	17,564	19,512	11	33
Total	57,351	59,342	3	100
Grand total U.S. imports	574,863	657,885	14	-

[1] The dutiable portion of imports under provision 9802.00.60 is the value added to the imported product by processing (or the cost of processing) in the foreign country. The nondutiable portion is the value of the U.S.-origin metal.

[2] Less than 0.5 percent.

[3] The dutiable portion of imports under provision 9802.00.80 is the total value of the imported product less the cost or value of the U.S.-made components. The nondutiable portion is the value of U.S.-made components contained in the imported product.

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

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

tariff provision following the elimination of the Customs user fee under the U.S.-Canada Free-Trade Agreement (CFTA). Imported products containing U.S.-made components represented 47 percent of total U.S. imports from Mexico in 1994; only the Dominican Republic had a higher ratio of production-sharing imports to total imports (55 percent) in 1994 (table 2-2). The high proportion of imports under this provision to total imports from Mexico and the Dominican Republic primarily reflects the importance to these countries of U.S. investment and/or participation for the development of manufacturing industries able to compete in the global market.

Mexico and the Dominican Republic were the leading sources of imports under provision 9802.00.80 in terms of the value of U.S. components used in assembly operations, accounting for 60 percent and 6 percent of such imports, respectively. The growth in imports from each is discussed in detail in chapter 3.

Other significant shifts in provision 9802.00.80 trade in 1994 included a decrease of $3.7 billion in imports from Japan. Motor-vehicles accounted for 89 percent of the total value ($10.5 billion) of provision 9802.00.80 imports from Japan in 1994. Decreased U.S. imports of Japanese automotive products entered under provision 9802.00.80 in 1994 reflected the appreciation of the Japanese yen against the U.S. dollar, improved competitiveness of U.S.-made vehicles, and the increased use of U.S. assembly plants by Japanese auto producers to supply the U.S. market. U.S. components accounted for only 5 percent of the value of imports from Japan under provision 9802.00.80 in 1994. Most were parts for motor vehicles or photocopiers.

The recent decline in the use of 9802.00.80 in connection with imports from Canada reflects the staged elimination of duties and the Customs user fee under the CFTA and the reduced incentive to use this tariff provision. The total value of provision 9802.00.80 imports from Canada decreased to $1.3 billion in 1994 from $2.5 billion in 1993, compared with a peak of $25.7 billion in 1989.

Globally, the leading industries that have employed foreign assembly to reduce production costs are the apparel, electronic products, and motor vehicle (and parts) industries. For U.S. industries using production sharing, semiconductors and other microelectronic components accounted for 24 percent of total U.S. imports under provision 9802.00.80 in 1994 and apparel made up 20 percent as measured by the value of U.S. components used in the assembly processes (table 2-3). Motor vehicles accounted for 12 percent and selected auto parts (including wiring harnesses, engines, and seats) 16 percent. As stated previously,

Table 2-2
U.S. imports for consumption, total and under HTS provision 9802.00.80[1] by principal suppliers (based on the value of U.S. components in the assembled imports in 1994), 1991-94
(Million dollars)

Country	1991	1992	1993	1994
			Total imports	
Mexico	30,445	33,935	38,668	48,605
Dominican Republic	1,977	2,367	2,667	3,077
Malaysia	6,074	8,176	10,482	13,877
Philippines	3,431	4,313	4,864	5,712
Korea	16,862	16,523	16,966	19,547
Japan	91,219	95,520	106,162	117,532
Canada	90,924	98,242	110,482	128,753
Costa Rica	1,144	1,402	1,542	1,645
Taiwan	22,942	24,531	24,981	26,586
Germay	25,605	27,650	28,103	31,566
Other	218,761	240,083	258,028	292,551
Total	463,778	525,091	574,863	657,885
			9802.00.80 imports	
Mexico	14,151	16,273	18,789	22,944
Dominican Republic	946	1,272	1,531	1,707
Malaysa	1,263	1,375	1,669	1,940
Philippines	622	823	1,049	1,377
Korea	2,051	1,577	1,659	1,723
Japan	16,840	17,626	14,135	10,481
Canada	7,481	2,919	2,493	1,292
Costa Rica	379	502	575	623
Taiwan	881	899	958	1,161
Germany	4,607	5,334	4,578	5,857
Other	7,191	6,891	9,079	9,646
Total	56,412	55,491	56,515	58,751
			U.S. content of 9802 .00.80 imports	
Mexico	7,119	8,522	9,733	11,508
Dominican Republic	643	873	1,041	1,109
Malaysia	532	611	784	968
Philippines	283	368	485	640
Korea	495	439	474	479
Japan	473	497	460	472
Canada	2,128	818	773	456
Costa Rica	264	355	399	411
Taiwan	219	298	336	372
Germany[2]	85	86	84	121
Other	1,650	1,895	2,439	2,717
Total	13,891	14,762	17,008	19,134

[1] Imports from Mexico under the 9802.00.80 provision in 1994 include those under HTS subheading 9802.00.90 (NAFTA provision for apparel assembled from U.S. formed and cut fabric) as well as 9802.00.80 ("regular 807"). The data also include imports under 9802.00.50, articles processed (other than assembly) in CBERA-eligible countries entirely from U.S.-origin materials.

[2] Germany is shown in this table even though it ranked only 18th in terms of the value of U.S. components contained in imports under 9802.00.80. Germany was the third-leading supplier in terms of the total value of imports under the provision. Countries not shown in the table that ranked higher than Germany in terms of duty-free value in 1994 were Thailand, Singapore, Honduras, Jamaica, Guatemala, El Salvador, Colombia, and Hong Kong. See app. Table B-15.

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

Table 2-3
U.S. imports under HTS provision 9802.00.80, total and duty-free by major industry groups, 1993 and 1994

Industry Group	Duty-free U.S. content		Change 1994 from 1993	Share of total 1994	Ratio of duty-free value to total value 1994	Total value		Change 1994 from 1993	Share of total 1994
	1993	1994				1993	1994		
		1,000 dollars			*Percent*		*1,000 dollars*		*Percent*
Apparel	3,132,735	3,738,812	606,077	20	62	5,034,142	6,029,953	995,811	10
Other textile articles	153,618	150,969	-2,649	1	59	276,608	292,839	16,231	1
Footwear	193,743	167,537	-26,205	1	15	1,134,495	1,142,718	8,223	2
Electrical motors	333,842	426,277	92,435	2	59	585,878	717,048	131,169	1
Wiring harnesses for motor vehicles	1,117,429	1,613,189	495,760	8	56	1,973,915	2,861,262	887,347	5
Autos, trucks, and buses	2,332,187	2,236,026	-96,162	12	10	25,315,543	23,095,398	-2,220,144	39
Certain auto parts including engines and other electrical	1,578,345	1,303,261	-275,084	7	42	3,290,577	3,066,713	-223,864	5
Motor vehicle seats and other furniture	64,889	170,403	105,514	1	27	120,543	640,075	519,531	1
Other transportation equipment	425,239	282,245	-142,995	1	25	1,388,352	1,141,271	-247,081	2
Household appliances and heating ventilation and air conditioners	412,880	531,036	118,156	3	51	877,274	1,047,374	170,100	2
Filtering and controlling equipment	228,503	507,101	278,597	3	72	362,949	705,991	343,042	1
Transformers	218,475	195,880	-22,595	1	40	551,892	486,895	-64,997	1
Other machinery	278,931	275,829	-3,102	1	34	855,442	800,766	-54,676	1
Television receivers	701,244	849,904	148,660	4	33	2,254,528	2,607,063	352,535	4
Radio-TV and telephone equipment except television receivers	429,123	607,635	178,512	3	34	1,415,556	1,807,374	391,817	3
Computers	451,631	390,181	-61,451	2	30	1,692,963	1,306,847	-386,116	2
Microelectronic components	3,632,158	4,531,347	899,189	24	55	6,555,381	8,226,412	1,671,031	14
Medical and scientific instruments	603,171	609,760	6,589	3	43	1,302,187	1,425,863	123,676	2
All other manufactured articles	719,933	547,547	-172,386	3	41	1,526,921	1,349,108	-177,813	2
Total	17,008,078	19,134,938	2,126,860	100	33	56,515,145	58,750,969	2,235,824	100

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

U.S. producers assemble apparel in the Caribbean Basin countries and Mexico, autos and parts, and televisions in Mexico, semiconductors in Asia, and other electronic products and subassemblies in Mexico and Asia.

The most significant growth in U.S. imports under provision 9802.00.80 in 1994 occurred in microelectronic components, apparel, and ignition wiring harnesses (table 2-4). Each of these products requires the use of labor-intensive manufacturing methods which encourages the use of production sharing as a means to minimize production costs given the intense global competition in these industries. Since labor is an important part of the cost calculations, producers seek to farm out assembly to lower labor cost countries, while maintaining most corporate functions in the United States, as well as the production of components and materials. The upward trend in imports of apparel, electronic products, and auto parts also reflected strong demand for these products in the U.S. market in 1994, which benefitted both U.S. production and foreign assembly.

For more detailed analysis regarding specific countries and industries engaged in U.S. production sharing, refer to chapters 3 and 4, respectively, and see chapter 5, "Production Sharing in the U.S. Apparel Industry."

Trade Shifts Under Production Sharing Provision 9802.00.60

Although products entered under U.S. tariff provision 9802.00.60 account for about 1 percent of total U.S. production sharing imports, a number of significant shifts in the use of this provision occurred in 1994. U.S. imports under *HTS* provision 9802.00.60 (measured in terms of the value of the U.S.-origin metal inputs before foreign processing occurs) decreased by 30 percent to $591 million. Most of the decline in imports under this provision resulted from a reduction in use of the metal-processing provision when importing steel mill products from Canada and Mexico.[9] Current or staged elimination of duties on imports from these countries under NAFTA has lessened the incentive to use provision 9802.00.60 when importing from processing operations. Canada, nevertheless, remained the dominant supplier of articles imported under provision 9802.00.60 in 1994 (accounting for 63 percent of the total), followed by Mexico (22 percent), and Japan (9 percent). Imports from Canada under provision 9802.00.60 fell by 6 percent in 1994 and imports from Mexico declined by 17 percent, while imports from Japan nearly doubled.

The principal products imported from Canada under provision 9802.00.60 in 1994 were steel and aluminum mill products and aircraft parts, despite the fact that these goods were no longer subject to duty or the Customs user fee that year. Motor-vehicle parts and steel mill products accounted for most of the imports from Mexico. Copper wire, pipe, and sheet products destined for the U.S. building and construction industries accounted for the bulk of imports from Japan under provision 9802.00.60.

[9] U.S. metal fabricators with plants in both the United States and Canada or Mexico are major users of tariff item 9802.00.60. Typically, when U.S. metal fabricators exhaust certain processing capacities on the U.S. side of the border, metal sheets or coil are sent to nearby affiliates in Canada or Mexico to have those particular functions performed. The processed metal is then returned to the U.S. parent company or other U.S. affiliate for further processing.

Table 2-4
Leading industry groups by duty-free value of U.S. imports under *HTS* provision 9802.00.80, change in value, and percent change

Industry group	Duty-free value 1993	Duty-free value 1994	Change in value 1994 from 1993	Percent change 1994 from 1993
		Million dollars		*Percent*
Microelectronic components	3,623	4,531	899	25
Apparel	3,133	3,739	606	19
Autos, trucks, and buses	2,332	2,236	-96	-4
Wiring harnesses for motor vehicles	1,117	1,613	496	44
Certain motor vehicle parts	1,578	1,303	-275	-17
Television receivers	701	850	149	22
Medical and scientific instruments	603	610	7	1
Filtering and controlling equipment	229	507	279	121
Electric motors	334	426	92	28
Computer equipment	452	390	-61	-14

Source: Compiled by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Duty Savings

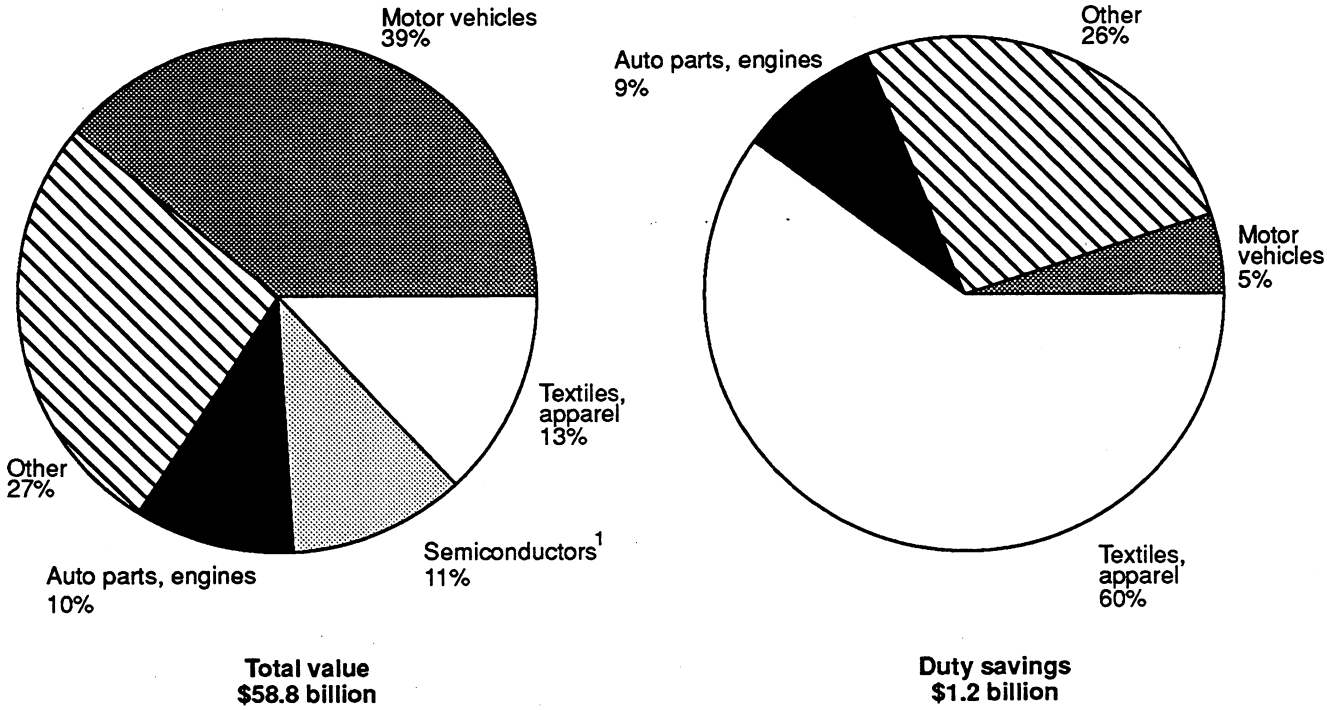
The U.S. apparel industry continues to have the greatest economic incentive of any domestic industry to use the production sharing provisions. Because of high tariffs and the significant portion of the value of imports accounted for by the U.S.-cut fabric pieces that the garments are sewn from, textile and apparel products accounted for nearly 60 percent of total duty savings from use of the production-sharing provisions in 1994 despite making up only 10 percent of total imports under the provisions. By contrast, since most semiconductors enter free of duty, they account for almost no duty savings while comprising 11 percent of total imports under the provisions (figure 2-1, and table B-28 in app. B).

Effects of NAFTA on Production Sharing

Changes in tariff treatment under NAFTA are expected to favor Mexico over Caribbean Basin countries in their competition to attract foreign investment in production sharing operations. Under NAFTA, apparel sewn in Mexico from fabric formed and cut in the United States enters the United States free of duty under newly created (January 1, 1994) provision 9802.00.90. Comparable apparel sewn in the Caribbean Basin receives duty-free treatment only on the value of the U.S. formed and cut fabric and is subject to duty on the value added by assembly in the Caribbean (labor costs plus overhead).

With the principal exception of apparel and textile articles, products assembled in Mexico will be placed on equal footing (in terms of duty-free tariff treatment) with products assembled in the Caribbean Basin when the staged elimination of tariffs for such products under NAFTA is complete in 2008. Under the Caribbean Basin Economic Recovery Expansion Act of 1990, certain products assembled in the Caribbean entirely from U.S.-origin components and materials enter the United States completely free of duty. Comparable imports from Mexico are subject to duty on the value added to the U.S.-made components through assembly in Mexico, unless the products enter free of duty under NAFTA (see chapter 5 for analysis on the effects of NAFTA on imports of apparel under new provision 9802.00.90 and a discussion of NAFTA parity for Caribbean Basin countries).

Figure 2-1
U.S. imports under HTS provision 9802.00.80: Shares of total value and duty savings, by selected industries, 1994



[1] Semiconductors accounted for less than 0.1 percent of the total duty savings in 1994.

Source: Based on official statistics of the U.S. Department of Commerce.

NAFTA will eventually affect the volume of U.S. imports from Mexico entered under the production-sharing provisions in much the same manner as the CFTA affected the volume of U.S. imports from Canada entered under the 9802 provisions. In the initial years of the phaseout of tariffs, most importers are expected to continue to use the production sharing-provisions, especially when the significant value of U.S. components contained in such imports would be exempt from the Customs user fee. In 1999, when the Customs user fee on imports from Mexico is eliminated, the use of the production-sharing provisions will likely decline substantially even though trade with Mexico and the use of U.S. components in Mexican manufacturing operations are expected to increase.

Trade-Monitoring Implications of the NAFTA and the U.S.-Canada Free-Trade Agreement

The existence of HTS tariff item 9802.00.80 provides a means for measuring the use of U.S.-made parts in foreign assembly and other production sharing operations. However, prior to the establishment by the U.S. Customs Service in 1986 of a Merchandise Processing Fee (user fee), imports entered under these provisions were largely limited to those that were dutiable and provided only a partial picture of the level of trade involving production sharing operations. Companies importing goods that were free of duty had no incentive to complete the extra paperwork necessary to enter goods from production sharing operations under HTS provision 9802.00.80, since there were no duty savings.

The creation of the Customs user fee in 1986 and exemption from the fee for the U.S.-content of products entered under HTS provisions 9802.00.60 and 9802.00.80 presented an opportunity to collect information on production sharing imports of duty-free products, such as motor vehicles and auto parts from Canada (which were duty-free under the Automotive Products Trade Act of 1965) and most semiconductors. For a brief period (November 1986 through September 1990), there was a financial incentive to import all products containing U.S.-made parts under provision 9802.00.80, which enabled the most comprehensive reporting to date on U.S. component trade. That incentive, however, began to diminish in 1990 with a $400 (now $485) per entry cap on the user fee. The trend continued with the staged reduction of duties and the elimination of the user fee on imports from Canada under the CFTA on January 1, 1994. Consequently, even though production sharing between the United States and Canada has expanded under the CFTA,[10] official U.S. statistics show that only a small portion of the trade now enters under provision 9802; imports from Canada under provision 9802.00.80 dropped from $26 billion in 1989 to $1 billion in 1994. Under NAFTA, the user fee on imports from Mexico is scheduled to be eliminated on July 1, 1999. As with imports from Canada under the CFTA, it is expected that there will be a sharp reduction in imports under 9802.00.80 from Mexico under NAFTA, despite a significant rise in the use of assembly plants in Mexico under NAFTA.

As trade agreements eliminate tariffs and customs user fees, the financial incentive to use provision 9802.00.80 is significantly reduced. As a result, an existing tool providing the capability to monitor and analyze the use of U.S.-made components in assembly plants in Mexico and Canada will become more limited. Only the remaining portion (an estimated 40 percent) of U.S.-origin content of imports from foreign assembly operations in countries other than Mexico and Canada will be verifiable for reporting purposes, even though production sharing with Mexico and Canada continues to expand as trade agreements facilitate the use of U.S.-made components and materials in Canadian and Mexican assembly operations. In addition, the use of production sharing in an increasingly globalized economy will continue to be an important competitive strategy for U.S. companies, even though duty-free imports will occur under CFTA and NAFTA without the need to use the 9802 provisions.

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[10] Production-sharing trade with Canada continued to expand in 1994, particularly in motor vehicles and parts and in electronic products. Most of this trade, however, was not reported under tariff provision 9802.00.80. U.S. imports of motor vehicles and parts from Canada rose by 15 percent in 1994 (to $38 billion) and exports increased by 18 percent (to $25 billion). North American motor vehicle producers achieve increased economies of scale by concentrating the production of specific car models at a single location. These locations supply both the U.S. and Canadian markets. North American car manufacturers generally award contracts to the most cost-competitive manufacturers of car parts on either side of the border. Car seats are an example of the integration of the North American motor vehicle industry. Canadian producers of electronically adjustable car seats are reliant on parts from the United States. The finished seats are used by vehicle assembly operations on both sides of the U.S.-Canadian border. In the electronics industry, U.S. imports from Canada of computer equipment rose by 17 percent in 1994 (to $5.4 billion) while U.S. exports to Canada increased by 18 percent (to $9.2 billion). U.S. multinationals such as IBM, Digital Equipment, and Hewlett Packard supply assembly operations in Canada. Products made by these operations are sold throughout North America. See Josephine Spalding-Masgarha, "Canada," in USITC, *U.S. Trade Shifts in Selected Industries: Merchandise—1994 Annual Report*, Publication 2924, Sept. 1995, p. 2-19.

CHAPTER 3
Principal Countries Engaged In U.S. Production-Sharing Trade

This chapter focuses on U.S. production-sharing trade with six developing countries that accounted for nearly one-half, or $29 billion, of U.S. imports under provision 9802.00.80 in 1994. Production-sharing imports from Mexico, the Dominican Republic, Malaysia, the Philippines, Thailand, and Honduras (table 2-1) grew by a combined 22 percent ($5.2 billion) over the 1993 level, whereas such imports from all other countries dropped by 9 percent ($3.0 billion). This chapter also examines the composition of U.S. production-sharing trade with these countries, which differs significantly on a regional basis. Apparel accounts for almost all of the production-sharing trade with the Caribbean Basin countries, while semiconductors dominate the trade with the Southeast Asian countries. Production-sharing trade with Mexico is more diversified, although the motor vehicle and electronics sectors account for about two-thirds of the trade.

Latin America

Production sharing is an important component of U.S. trade with Mexico, Central America, and the Caribbean Basin, accounting for 44 percent of total U.S. imports from countries in the region in 1994. Mexico and several Caribbean Basin countries have recently been the source of significant growth in certain production-sharing sectors. Whereas the growth in production-sharing trade with Mexico has touched on almost all manufacturing sectors, provision 9802.00.80 imports from all other countries in the region are concentrated in the apparel sector.[1]

Mexico

Mexico remains the leader in production-sharing operations with the United States due to competitive wages, proximity to U.S. markets,[2] and manufacturing operations that complement those in the United States. The maquiladora (assembly) industry in Mexico has continued to expand in recent years despite a number of major economic, financial, and political setbacks. Both the anticipation of NAFTA-related benefits and the sharp devaluation of the Mexican peso in December 1994 spurred investment in plants and equipment in the maquila sector.[3] The peso devaluation has not only reduced labor costs in dollar terms, making maquila goods significantly less expensive in the U.S. market, but also helped spawn 89,000 new maquiladora jobs and an added 400 plants to the existing 2,134 assembly facilities.[4]

U.S. imports from Mexico, both overall and under HTS provision 9802.00.80, steadily increased during 1991-94. Imports reflecting production-sharing operations accounted for nearly half of the total imports from Mexico. U.S.-origin components accounted for $11.5 billion, or 50 percent, of total U.S. production-sharing imports from Mexico in 1994 (table 3-1).

U.S. production-sharing imports from the maquiladora industry rose by 22 percent in 1994, compared with annual increases of 15 percent in 1992 and 1993. This growth in production-sharing imports from Mexico occurred despite a steady increase in hourly compensation for production workers in Mexico.[5] Rising wages led to a flattening of the

[1] See Chapter 5 in this report for more background on apparel production-sharing operations in Caribbean Basin countries and Mexico.

[2] Transportation costs constitute an advantage for Mexico in production-sharing activity. Garment manufacturers in Los Angeles, for example, tend to use maquiladora operations in Tijuana and Mexicali (Baja California), while those in Texas are likely to have sewing operations in Ciudad Juarez and other cities on the Mexican side of the Rio Grande. Both the California and Texas garment industries use truck and rail connections with Mexico. Apparel producers in New York City and the South Atlantic States tend to have sewing operations in the Caribbean Basin and ship by sea.

[3] For more information on the peso crisis, see U.S. International Trade Commission (USITC), *The Year in Trade 1994*, USITC publication 2894, July 1995, p. 85; USITC, "NAFTA Update: Steady U.S. Bilateral Trade Growth with Mexico Faces Mixed Prospects in 1995," prepared by Ruben Mata, *Industry Trade and Technology Review (ITTR)*, Mar. 1995; and Magda Kornis, "Financial Crises in Mexico," in USITC, *International Economic Review*, Mar. 1995. For a discussion on the effects of the peso devaluation, see Lucinda Vargas, "The Mexican Economy in 1995: A Post-Devaluation Assessment," in *Business Frontier*, Nov. 1995.

[4] See Chris Kraul, "Mexico Sees Potential of Foreign-Owned Factories," *The Los Angeles Times*, Nov. 23, 1995; and "Maquilas Scoreboard," *Twin Plant News: Mexico's Industrial Magazine*, Oct. 1995, p. 43.

[5] Average hourly compensation for production workers in Mexico rose by 59 percent during 1990-94 (from $1.64 to $2.61) compared with a 15-percent increase in the United States (from $14.91 to $17.10). U.S. Department

Table 3-1
Mexico: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94[1]

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	30,445	14,163	7,125	47	50
1992	33,935	16,291	8,524	48	52
1993	38,668	18,802	9,738	49	52
1994	48,605	22,944	11,508	47	50

[1] Also includes trade under provision 9802.00.90, which was created as a result of NAFTA on January 1, 1994, for the purpose of providing duty-free treatment to apparel assembled in Mexico from fabric formed and cut in the United States.

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

number of plants and employment in the maquiladora industry during 1991-93.[6] The sharp rise in the value of production-sharing imports in 1994 (to $22.9 billion), compared with a modest 6-percent increase in employment in the maquiladora industry (to an estimated 580,000 workers), partially reflected both a significant gain in productivity due to increased technology and better training in the maquiladora workforce, as well as a shift toward the assembly of higher technology and higher value-added products.[7]

The more rapid growth in production-sharing imports from Mexico in 1994 was prompted, in part, by the continued integration of the North American motor vehicle industry, as well as overall growth in the U.S. economy. The trade in motor vehicles appeared to benefit from capacity added in Mexico in anticipation of the reduction of trade and investment barriers under NAFTA. Collectively, U.S. imports of motor vehicles, engines, ignition wiring harnesses, and certain other motor vehicle parts from production-sharing operations in Mexico in 1994 rose by 15 percent (or by $1.2 billion) over the 1993 level to almost $9.0 billion (table 3-2). These shipments accounted for 39 percent of total U.S. imports from Mexico under 9802.00.80 in 1994. U.S.-origin content accounted for roughly half of the value of 9802.00.80 imports of motor vehicles and parts from Mexico.

Mexico's proximity to the electronics and computer industry in California has contributed to a steady increase in production sharing of these products. The assembly of electronic products requires certain labor skills and a relatively developed infrastructure, which are available in many countries in Asia but not in many countries in the Caribbean.[8] For many U.S. producers of electronic products that conduct labor-intensive processes offshore, the alternative to assembly in Mexico is through direct investment in plants, contracting, or licensing arrangements in Asia. Rising labor costs in Asian countries such as Taiwan and Korea and the implementation of NAFTA made Mexico more attractive than production sharing in Asia. Because assembly plants in Mexico use a higher proportion of U.S.-made parts than do plants in Asia,[9] the use of assembly operations in Mexico supports more employment in the United States for component producers. Use of assembly plants in Mexico by U.S. electronics firms rose sharply in 1994, in part reflecting the overall growth of the U.S. economy and the corresponding increase in demand for electronics.[10]

Manufacturers in other countries are also capitalizing on Mexico's advantages for production sharing. For example, Japanese and Korean electronics firms have continued to expand their maquiladora operations in Mexico in 1994. Their chief incentives

5—*Continued*
of Labor, Bureau of Labor Statistics, *"International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1994,"* report 893, June 1995, p. 7.

[6] For a discussion of trends in employment and compensation in the maquiladora industry, see USITC, "The Origins and Growth of Mexico's Maquiladora Industry," *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Provisions 9802.00.60 and 9802.00.80, 1989-92*, USITC publication 2729, Feb. 1994; and Lucinda Vargas, "The Changing Dynamics of the Maquiladora Industry: How Much Does NAFTA Matter?" *Business Frontier*, Vol. 1, No. 3, Nov.-Dec. 1994.

[7] Apparel, which is sewn in relatively low technology operations, accounted for only 12 percent of maquiladora employment in 1994 compared with 36 percent for electronic products and 23 percent for transportation equipment, both of which involved higher technology and/or higher value assembly operations. See Vargas, "The Changing Dynamics," Nov.-Dec. 1994.

[8] For a discussion of the factors influencing the location of assembly plants, see USITC, "Comparison of Production Sharing Operations in the Caribbean Basin with those in Mexico and Selected Asian Countries," prepared by Josephine Spalding-Masgarha, *Industry Trade and Technology Review*, Sept. 1995.

[9] The exception to this generalization is the assembly of semiconductors in Southeast Asia. Most components for these semiconductors are produced in California or elsewhere in the United States. See discussions about semiconductor assembly in chapter 4 of this report.

[10] See discussion on the electronics industry in chapter 4 of this report.

Table 3-2
Mexico: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal products, 1991-94

(Million dollars)

Product	1991	1992	1993	1994
Motor vehicles and parts:				
Motor vehicles	3,270	3,670	4,180	4,550
Wiring harnesses	1,410	1,660	1,760	2,570
Certain auto parts	931	1,340	1,590	1,490
Engines	274	337	284	361
Subtotal	5,885	7,007	7,814	8,971
Television receivers	1,650	1,900	2,180	2,550
Electric capacitors	1,040	1,100	1,280	1,720
Apparel	796	1,035	1,255	1,716
Electric motors, generators	309	412	475	638
Measuring, and testing equipment	270	338	526	565
All other	4,213	4,499	5,272	6,784
Total	14,163	16,291	18,802	22,944

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

were to (1) benefit from relatively lower labor costs in Mexico; (2) gain easier access to competitively priced U.S.-made electronic components; and (3) assemble electronics with sufficient North American content to qualify for duty-free entry into the United States and Mexican markets under NAFTA. Consequently, the expansion of these Asian operations in Mexico has contributed to the increase in demand for U.S. components.

The leading (non-automotive) electronic products assembled in Mexico for export to the United States are televisions, capacitors and resistors, electric motors, and measuring and testing instruments (mainly meters). Collectively, U.S. production-sharing imports from Mexico in these four categories climbed by 23 percent in 1994 to $5.5 billion, or nearly one-quarter of total imports from Mexico under 9802.00.80. All of the top U.S. and foreign television producers have assembly operations in the Mexican maquiladora industry, which has helped make Mexico the leading world exporter of televisions. Most Japanese and Korean producers assemble television receivers in Tijuana, taking advantage of direct air-cargo services between Tokyo and Seoul and Los Angeles. The three largest television producers in the United States (owned by Dutch, French, and Korean electronics corporations) have assembly plants in Mexican States that border Texas. These companies use transportation facilities in Texas to connect with complementary operations in Missouri, Illinois, Indiana, and Tennessee.

The apparel sector accounted for 7 percent of U.S. production-sharing imports from Mexico in 1994.[11] Mexico competes mainly with Caribbean Basin countries for garment assembly work from U.S. firms. The Caribbean Basin countries as a group supplied 60 percent of these imports. Mexico is the largest single-country supplier of apparel to the United States under the production-sharing provisions with 28 percent of the total in 1995.

Conditions of competition between Mexico and the Caribbean countries have changed in the past 2 years as a result of NAFTA and, more recently, the devaluation of the Mexican peso. Under NAFTA, garments assembled in Mexico from fabric wholly formed and cut in the United States enter free of duty under the new NAFTA production-sharing provision 9802.00.90. Such garments accounted for 85 percent, or almost $1.5 billion, of U.S. apparel imports from Mexico under the production-sharing provision in 1994. These Mexican garments compete directly with most of the 9802.00.80 apparel imports from Caribbean countries, which are still subject to duty on the value added offshore. The 50-percent devaluation of the Mexican peso during December 1994-January 1995 further affected the competitive balance between Mexico and the Caribbean countries by effectively reducing dollar prices of Mexican goods in the U.S. market.

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The Caribbean Basin

The vast majority of U.S. imports from the Caribbean Basin under *HTS* provision 9802.00.80 are apparel products. In 1994, apparel accounted for 89 percent of such imports. Although apparel is not eligible for duty-free entry under the CBERA program, it does benefit from reduced duties under the 9802.00.80 provision, relatively few restrictive quotas, and preferential access to the U.S. apparel market.[12]

[11] U.S. production-sharing trade in the apparel sector is discussed in chapter 5 of this report.

[12] See ch.5 for a description of "Guaranteed Access Levels" (GALS) for apparel from certain Caribbean Basin countries to the U.S. market.

As such, apparel represents a major and growing share of total U.S. imports from the Caribbean Basin countries, accounting for 40 percent of the total in 1994, compared with 25 percent in 1989. U.S. industry officials claim that NAFTA has led to a measurable diversion of apparel trade and investment from CBERA countries to Mexico, as discussed in chapter 5 of this report.

The Caribbean Basin's dependence on the production of apparel for export partly reflects the region's underdeveloped infrastructure. Frequent power outages in many Caribbean Basin countries discourage investment in the production of energy-intensive goods such as motor vehicles and parts and electronic goods. Nevertheless, U.S. imports from the region's top six production-sharing sources steadily increased during 1991-94 (table 3-3). These six countries, the Dominican Republic, Costa Rica, Honduras, Guatemala, Jamaica, and El Salvador, accounted for 97 percent of total U.S. imports under provision 9802.00.80 from the Caribbean Basin in 1994. The greatest growth in such imports from the Caribbean Basin in 1994 occurred in shipments from the Dominican Republic and Honduras.[13]

Dominican Republic

The Dominican Republic is the United States' leading supplier of manufactured goods from the Caribbean Basin region under the 9802.00.80 provision. This country has a relatively large workforce; a location that is closer to Atlantic seaboard ports serving the U.S. apparel industry than most other Caribbean Basin countries; and a developed network of port facilities, industrial parks, and free-trade zones.[14]

[13] Although the rise in imports of apparel under 9802.00.80 from El Salvador was roughly equivalent to the increase from Honduras, the growth in imports from El Salvador amounted to a return to pre-civil war levels.

[14] Firms operating within these free-trade zones are granted a 100-percent exemption on all taxes and duties for at least 15 years. U.S. Department of Commerce, International Trade Administration, *Country Commercial Guides: Investment Climate of Dominican Republic*, 1995.

Production-sharing activity accounted for just over half of total U.S. imports from the Dominican Republic in 1994. Two-thirds of the value of these imports, or $1.1 billion, consisted of U.S.-origin components. U.S. imports from production-sharing operations in the Dominican Republic grew by 11 percent in 1994 (to $1.7 billion), compared with an increase of 20 percent (to $1.5 billion) in pre-NAFTA 1993 (table 3-4). The remainder of the imports from the Dominican Republic consisted mainly of agricultural products, such as beef and sugar.

Although the Dominican Republic has diversified its manufacturing base more than other Caribbean nations, it still relies heavily on the apparel sector for export earnings. Apparel accounted for 52 percent of total U.S. imports from the Dominican Republic in 1994 and for 81 percent ($1.4 billion) of the 9802.00.80 imports from that country.[15] However, the passage of legislation by the Dominican Republic providing for tax inducements for investment, especially Law Number 8-90 which regulates free trade zones, has facilitated investment in higher technology and value-added industries, such as hard-to-automate assembly of respiratory equipment, electrical capacitors, jewelry, and wiring harnesses (table 3-5).[16]

[15] The Dominican Republic is the largest source of duty-free imports under CBERA. See USITC, *Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers*, Ninth Report, USITC publication 2813, Sept. 1994, p. 58, for a discussion of CBERA imports from the Dominican Republic. For a discussion of the comparative disadvantage faced by Caribbean countries in attracting foreign investors in manufacturing sectors other than apparel, see USITC, "Comparison of Production-Sharing Operations," Spalding-Masgarha, *ITTR*, Sept. 1995.

[16] These goods can also be imported duty-free under the CBERA. In 1994, the United States imported $90

Table 3-3
Caribbean Basin: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal countries, 1991-94

(Million dollars)

Country	1991	1992	1993	1994	Change 1993-94
Dominican Republic	946	1,272	1,531	1,707	176
Costa Rica	379	502	575	623	48
Honduras	144	249	337	452	115
Guatemala	227	323	425	451	26
Jamaica	176	225	321	380	59
El Salvador	87	148	203	322	119
Haiti	172	76	108	35	-73
Bahamas	(1)	0	155	28	-127
Belize	15	14	15	15	(1)
Panama	8	7	11	11	(1)
All other	34	44	48	48	(1)
Total	2,190	2,860	3,730	4,073	343

[1] Less than $500,000.

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

Table 3-4
Dominican Republic: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	1,977	946	643	48	68
1992	2,367	1,272	873	54	67
1993	2,667	1,531	1,041	57	68
1994	3,077	1,707	1,109	55	65

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

Table 3-5
Dominican Republic: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal products, 1991-94

(Million dollars)

Product	1991	1992	1993	1994
Apparel	784	1,032	1,211	1,377
Medical and optical goods	57	72	88	89
Electric capacitors	47	54	66	87
Footwear and parts	23	67	115	83
Jewelry	4	8	6	16
Wiring harnesses	7	10	11	15
Electric sound equipment	2	2	5	7
All other	22	27	29	33
Total	946	1,272	1,531	1,707

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

Honduras

The implementation of NAFTA did not appear to slow the expansion of U.S. production-sharing imports from Honduras, which grew by 35 percent in 1993 (pre-NAFTA) and 34 percent in 1994 (post-NAFTA). Because Honduras is one of the poorest and least developed countries in Central America,[17] overall investment has remained relatively low. However, with the passage in 1992 of a new investment law permitting free-trade zones[18] and reducing trade barriers, U.S. imports from Honduras under the production-sharing tariff provision more than tripled during 1991-94 to $452 million (table 3-6) and accounted for $325 million in U.S.-origin component production. Recent development of the transportation infrastructure (airports, highways, and seaports) and liberalized investment laws have also attracted private investment (both foreign and domestic) in apparel sewing operations and export-oriented agriculture.[19] Furthermore, Honduras has benefitted from recent changes in investment policies in Costa Rica that, in combination with significantly lower wages in Honduras, have diverted potential investors in the apparel industry toward Honduras. These developments help explain the increase in U.S. production-sharing trade with Honduras shown in table 3-6.

Recent developments notwithstanding, U.S. trade with Honduras is still heavily dependent upon apparel, which accounted for 60 percent of total U.S. imports from that country and for almost all of its production

16—*Continued*
million of jewelry, $70 million in medical and surgical instruments, and $10 million in electrical apparatus under CBERA from the Dominican Republic. See USITC, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers*, 10th Report, USITC publication 2927, Sept. 1995, pp. 9 and 21.

17 The Economist Intelligence Unit (EIU), *Country Report: Nicaragua, Honduras*, 2nd quarter 1994, pp. 3, 9.

18 The economic benefit of free-trade zones is discussed in USITC, "Free Trade Zones: Global Overview and Future Prospects," prepared by J. Gail Burns, *ITTR*, Sept. 1995.

19 Beef, bananas, coffee, shrimp, pineapples, and melons account for most of Honduras' non-apparel exports to the United States. The bulk of these agricultural exports enters the United States free of duty under GSP or CBERA. Medardo Galindo, General Manager, FPX (Honduran Federation of Agricultural Exporters), interview by USITC staff, San Pedro Sula, Honduras, May 17, 1994.

Table 3-6
Honduras: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	552	144	107	26	74
1992	781	249	181	32	73
1993	914	337	236	37	70
1994	1,091	452	325	41	72

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

sharing shipments in 1994.[20] U.S. apparel imports from Honduras in 1994 totaled $650 million, 70 percent of which entered under the production-sharing provision. The remainder of the apparel imports from Honduras are believed to be largely accounted for by Asian companies, particularly those based in Taiwan and Korea.[21] Faced with tight U.S. quotas on their home-country exports, Asian firms now assemble garments in Honduras and other countries in the region. The Asian plants both sew apparel from U.S.-cut pieces for export to the United States under HTS provision 9802.00.80 and cut and sew apparel from Asian fabric for export to the United States and Europe.

The Government of Costa Rica has placed a priority on investment in education (rather than infrastructure) in its effort to target foreign investors in high-technology, low-pollution manufacturing operations, especially electronic products, in order to diversify assembly away from sewing operations. The result has been the development of a higher skilled workforce than in other countries in Central America. However, foreign investment in export-oriented manufacturing has been slowed by serious transportation bottlenecks and higher wage rates than most other nations in the Caribbean Basin. Close scrutiny by the Government of Costa Rica regarding the types of foreign investors allowed to set up operations in the country, and a more conservative approach toward awarding tax breaks to investors also curbed the growth of U.S. imports from Costa Rica under provision 9802.00.80 in 1994.[22]

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Southeast Asia

U.S. production-sharing operations in most countries of Southeast Asia[23] have expanded rapidly in recent years. U.S. imports under *HTS* provision 9802.00.80 from the seven leading suppliers in Southeast Asia increased by 33 percent from $6.2 billion in 1991 to $8.2 billion in 1994 (table 3-7). Import gains were reported by all of the leading Southeast Asian countries, except Singapore. Net growth from the top seven suppliers totaled $892 million in 1994.

Of the Southeast Asian countries, Malaysia, the Philippines, and Thailand registered some of the most significant trade increases between 1991 and 1994.[24] Total U.S. imports from Malaysia increased by 54 percent ($676 million); the Philippines, by 121 percent ($755 million), accounting for 16 percent of total imports; and Thailand, by 51 percent ($198 million). U.S. imports under provision 9802.00.80 from the

[20] Honduras' first non-apparel maquiladora plant, a United Technologies wiring harness plant that employs 200-300 workers, officially opened in early 1995. Kristin Paulson, Manager of Congressional Affairs, United Technologies, interview by USITC staff, Mar. 19, 1996. Other electronics and automotive firms have been hesitant to invest in Honduras because of rolling power outages due to a shortage of power generation. While apparel maquilas have adapted, higher technology plants would lose too much work-in-progress and would have trouble meeting Just-In-Time (JIT) delivery and customer schedules if electricity supplies were interrupted. Lic. Roberto Reyes Silva, President, Chamber of Commerce and Industry of Cortes, interview by USITC staff, San Pedro Sula, Honduras, May 18, 1994.

[21] Most of these Honduran maquilas, which employed 45,000 workers in 1994, were located in the San Pedro Sula-Puerto Cortes region with the remainder near La Ceiba. Although about half of the maquilas were Honduran companies operating under contracts to supply U.S. apparel producers, 30 Korean-owned maquilas employed 20,000 workers. Juan de Dios Herrara, Executive Director, Honduran Association of Maquiladoras, interview by USITC staff, San Pedro Sula, Honduras, May 1994.

[22] Costa Rica government officials, interview by USITC staff, May 11, 1994. See also, USITC, *Impact of the Caribbean Basin Economic Recovery Act*, USITC publication 2813, p. 61ff.

[23] For purposes of this report, "Southeast Asia" includes all countries that are in East Asia and nearby Pacific islands, except China, Japan, and Russia.

[24] Imports from Singapore under provision 9802.00.80 declined by 16 percent ($232 million) in 1995 as a number of semiconductor wafer fabrication plants either came on line or expanded their production that year. Total U.S. imports of semiconductor devices from Singapore increased in 1994 but imports under 9802.00.80 fell as Singapore is shifting from being an assembler of semiconductors to becoming a fabricator of the devices.

Table 3-7
Southeast Asia: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal countries, 1991-94

(Million dollars)

Country	1991	1992	1993	1994	Change in 1994 from 1993
Malaysia	1,263	1,372	1,666	1,939	273
Korea	2,051	1,577	1,659	1,723	64
Philippines	622	823	1,049	1,377	328
Singapore	979	1,206	1,461	1,229	-232
Taiwan	810	899	958	1,161	203
Thailand	396	319	397	594	197
Indonesia	53	124	146	205	59
Total	6,174	6,320	7,336	8,228	892

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

three countries also posted considerable gains between 1993 and 1994. Such imports from Malaysia rose by $273 million, and imports from the Philippines and Thailand posted increases of $328 million and $197 million, respectively.

The growth in U.S. production-sharing trade with the Southeast Asian countries in 1994 was attributable, in part, to increased demand for semiconductors in the United States. Semiconductors account for the major portion of U.S. production-sharing trade with Malaysia (which supplied 30 percent of total imports of semiconductors under provision 9802.00.80 from the region), the Philippines (16 percent), and Thailand (6 percent), which together represent the fastest-growing region for the semiconductor business. Malaysia is now the third largest world producer of semiconductors after the United States and Japan, and the largest exporter. Semiconductors accounted for 85 percent, or $3.9 billion, of U.S. 9802.00.60 and 9802.00.80[25] imports from these three countries in 1994, with U.S. components representing one-half of the total value of these imports.

These three Asian countries, along with Singapore, are the principal suppliers of semiconductors under *HTS* provision 9802.00.80 to the United States because of their moderate labor costs, skilled workforces, favorable foreign investment climates, and relatively developed infrastructures with adequate air and sea ports. In addition, U.S. companies have set up production-sharing operations in the region to gain access to rapidly growing markets in these and neighboring countries. Asia's developing nations represent by far the fastest growing region for the semiconductor business; in 1995, non-Japanese Asia accounted for 21 percent of the $144 billion computer chip market. According to remarks attributed to Texas Instruments, it is estimated that the region will account for 28 percent of a $275 billion market by the year 2000.[26]

Malaysia

Malaysia's economy continued to expand at a rapid pace in 1994, with real economic growth estimated at 8.7 percent. Exports contributed significantly to Malaysia's economic growth, accounting for 80 percent of its GDP. Three-fourths of Malaysia's exports in 1994 came from the manufacturing sector, a substantial portion of which is controlled by multinational firms based in the United States and Japan. U.S. and Japanese companies dominate the production of electronic and electrical products, which accounted for about 50 percent of Malaysia's exports in 1994. Malaysia's ability to sustain strong export growth in the future will depend not only on the level of global economic activity, but more importantly on its success in attracting new foreign investment, in production sharing and other sectors, as well as shifting the manufacturing base to higher technology and value-added products.[27]

The pace of economic growth in Malaysia has, however, led to an increasingly tight labor market and rising labor costs. Local and foreign firms report difficulty in obtaining workers at all skill levels, and the shortage of labor reportedly led to official statements that Malaysia will no longer allow

[25] Although there are no U.S. tariffs on most semiconductors, these devices are imported under HTS provisions 9802.00.60 and 9802.00.80 because the U.S.-origin content of entries under the production-sharing provisions is exempt from the Customs user fee that was imposed at the end of 1986. In Oct. 1990, the user fee was capped at $400 per importation, thereby reducing the incentive to import under the production-sharing provisions. The cap was raised to $485 on Jan. 1, 1995. See *Customs and Trade Act of 1990*, pub. L. 101-3821, Aug. 20, 1990, sec. 111, subtitle (b)(2)(B)(ii), and app A of this report.

[26] Alan Goldstein, "Texas Instruments Expanding Computer Chip Plants Worldwide," *The Dallas Morning News*, Feb. 4, 1996.

[27] U.S. Department of Commerce, International Trade Administration, *Country Commercial Guides: Malaysia: Economic Trends and Outlook*, 1995.

investment in labor-intensive industries.[28] As a result, Malaysia has increased government funding of higher education and industrial training in an effort to upgrade labor skills. U.S. firms with production-sharing operations in Malaysia continue to assemble products there, not necessarily to be competitive on labor costs, but to supply Asian markets and interact with the fast-growing technical communities of the region.

The United States has been one of the top foreign investors in Malaysia in recent years. In 1994, the approved investment from the United States was $501 million, trailing only Japan and Taiwan.[29] These three countries made up about 75 percent of the total foreign investment in Malaysia. U.S. firms with significant investments in Malaysia include: most major semiconductor manufacturers, which account for the bulk of production-sharing trade (including Motorola, Texas Instruments, Intel, National Semiconductor, and Harris); a number of computer component makers (such as Seagate and Komagg); Mattel (toys); Baxter International (medical products); and Exxon (oil refining). Virtually all the major Japanese consumer electronics firms (such as Sony and Panasonic) have facilities in Malaysia.

[28] Ibid.
[29] Ibid.

Foreign and domestic investors have equal access to Malaysia's 10 free industrial zones (FIZs),[30] many of which are centers for production sharing and/or assembly manufacturing. In addition to the FIZs, Malaysia offers firms wishing to locate in other parts of the country the opportunity to establish themselves as Licensed Manufacturing Warehouses (LMWs), which operate on the same principles as an FIZ.

Imports from Malaysia under provision 9802.00.80 in 1994 rose by 16 percent to $1.9 billion, or 14 percent of total U.S. imports from that country. U.S.-origin components accounted for half, or $968 million, of the total value of the 9802.00.80 imports (table 3-8). Semiconductors accounted for 96 percent of total imports from Malaysia under 9802.00.80 during 1991-94 (table 3-9).

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[30] To be eligible for an FIZ, a firm must export all production (although the Malaysian Government will also consider applications from companies that export at least 80 percent of output). Raw materials and components imported for use in export production in the FIZ and exported are not subject to duty. No restrictions are placed on a company's choice of suppliers.

Table 3-8
Malaysia: Imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	6,074	1,263	532	21	42
1992	8,176	1,372	611	17	45
1993	10,482	1,666	794	16	48
1994	13,877	1,939	968	14	50

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

Table 3-9
Malaysia: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal products, 1991-94

(Million dollars)

Product	1991	1992	1993	1994
Semiconductors	1,200	1,320	1,600	1,860
Electrical/electronic articles	10	15	26	31
Measuring instruments	9	12	12	11
Electric capacitors	11	13	13	9
Telephone/telegraph apparatus	0	1	2	8
All other	33	12	13	20
Total	1,263	1,373	1,666	1,939

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

Philippines

Imports from the Philippines under *HTS* provision 9802.00.80 rose by nearly one-third in 1994 to $1.4 billion, and accounted for $640 million in production of U.S.-origin components (table 3-10). Semiconductors, on average, accounted for 74 percent of the total value of U.S. imports under 9802.00.80 from the Philippines during 1991-94,[31] while wiring harnesses and apparel each accounted for 9 percent of the total (table 3-11).

The recent growth in U.S. production-sharing trade with the Philippines largely reflects that country's relatively low wages, a large semi-skilled workforce, developed infrastructure, new industrial parks, improved political stability, and liberalization of trade and investment regulations. Geographically, air cargo routes from the Philippines to California are also closer than competing export-processing countries in Asia.

The reforms initiated under the Aquino administration, which influenced U.S. firms to locate in the Philippines for production-sharing operations, have continued under President Ramos. Since 1990, the Philippine Government has taken steps to attract foreign investment. For example, the 1991 Foreign Investment Act (FIA) lifted the 40-percent ceiling on foreign ownership of Philippine companies, which has facilitated investment in production sharing operations.

The Philippine government permits investments in foreign trade zones,[32] where major production sharing operations are located. In 1992, the Government authorized the conversion of two former U.S. military facilities into self-sustaining industrial, commercial, and investment centers now called the Subic Bay Freeport Zone (SBFZ) and the Clark Special Economic Zone (CSEZ). The SBFZ and CSEZ currently are industrial communities of about 170 and 65 companies, respectively, which are exempted from import duties and taxes on imports of capital equipment and raw materials needed for operations within the zones. Both zones have their own international airports, power plants, independent state-of-the-art telecommunication facilities, and housing and tourist facilities.

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[31] See the assessments of production sharing in the semiconductor and wiring harness industries in chapter 4 of this report.

[32] Also referred to as export processing zones (EPZs) or ECOZONES, industrial estates, or free trade zones.

Table 3-10
Philippines: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	3,431	622	283	18	46
1992	4,313	823	368	19	45
1993	4,864	1,049	485	22	46
1994	5,712	1,377	640	24	61

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

Table 3-11
Philippines: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal products, 1991-94

(Million dollars)

Product	1991	1992	1993	1994
Semiconductors	486	587	756	1,030
Wiring harnesses	8	87	108	152
Apparel	72	89	97	101
All other	56	60	88	94
Total	622	823	1,049	1,377

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

Thailand

Imports from Thailand under provision 9802.00.80 climbed by 50 percent to $594 million in 1994, and accounted for $353 million in production of U.S.-origin components (table 3-12). Semiconductors accounted for 70 percent of total U.S. imports from Thailand under provision 9802.00.80 in 1994. U.S. semiconductor imports from Thai assembly plants rose by 48 percent in 1994 to $418 million (table 3-13). U.S.-made parts accounted for 73 percent of the value of these semiconductors.

U.S. investment in Thailand totaled an estimated $9 to $10 billion in 1994. Some 25 U.S. firms account for at least 80 percent of U.S. investment in Thailand. Most of these U.S. firms' assembly plants in Thailand are in 17 export processing zones (EPZs) in which businesses may import raw materials and export finished products free of duty. The Royal Thai Government encourages foreign direct investment as a means of promoting economic development, employment, and technology transfer. The Board of Investment (BOI)[33] lists seven categories of economic activities, covering hundreds of types of businesses, that are eligible for investment incentives. The most generous incentives are offered to economic activities that bring new technology to Thailand. For example, production-sharing operations in the manufacture of parts for engines, machinery, and electrical and electronic products are eligible for all available incentives.

Infrastructure bottlenecks,[34] environmental degradation, and shortages of skilled personnel in Thailand will likely limit future growth in production sharing-type investment there. Communications facilities, ports, electricity grids, and, in particular, roads and mass transit are already overtaxed. It is also reported that the level of education of the workforce will have to rise to maintain development and the ability of Thai companies to compete with neighboring countries with lower wage rates.[35]

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[33] The BOI was established through the Investment Protection Act of 1977 and is Thailand's central investment promotion authority.

[34] Because of infrastructure bottlenecks in the Bangkok area, the BOI encourages new investors to locate factories in less developed regions of the country.

[35] U.S. Department of Commerce, International Trade Administration, *Country Commercial Guides: Thailand: Economic Trends and Outlook*, 1995.

Table 3-12
Thailand: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	6,070	396	158	7	40
1992	7,487	319	165	4	52
1993	8,539	397	238	5	60
1994	10,273	594	353	6	59

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

Table 3-13
Thailand: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal products, 1991-94

(Million dollars)

Product	1991	1992	1993	1994
Semiconductors	189	174	282	418
Footwear	35	32	32	58
Wiring harnesses	2	1	1	47
Jewelry	25	33	33	34
All other	145	79	50	30
Total	396	319	397	594

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

CHAPTER 4
Principal Products Involved in U.S. Production Sharing

U.S. companies that are significant users of production sharing regard such operations as an important tool to enhance their ability to compete. This chapter highlights the product sectors in which production sharing trade equals or exceeds $200 million of U.S. content and where a noticeable change occurred in the level of trade in U.S. production sharing imports in 1994. The analysis for each product sector examines (1) the significance of the product and its markets; (2) reasons that these products are involved in production sharing; (3) why particular countries are involved in the assembly of these products; (4) the impact of production sharing on the competitive ability of U.S. producers of these products; and (5) important shifts in trade that have occurred in 1994. The major product sectors covered in this chapter include transportation equipment, electronic products, and manufactured goods.[1]

Sector Overview: Transportation Equipment[2]

The U.S. transportation equipment industry is the largest user of U.S. production sharing provisions, accounting for 42 percent of total U.S. imports under *HTS* provision 9802.00.80 in 1994. Production sharing under 9802.00.80 accounted for 23 percent of total U.S. sector imports that year. The sector's largest users of provision 9802.00.80 are the Big Three U.S. automakers (General Motors, Ford, and Chrysler) and their principal parts suppliers (Bendix, Dana, Delco, Trico Components, United Technologies, and TRW). U.S.-origin components contained in production sharing imports of transportation equipment under 9802.00.80 totaled nearly $5 billion in 1994.

Total U.S. imports of transportation equipment under provision 9802.00.80 in 1994 declined by 5 percent from the 1993 level to $28.7 billion. Contributing to the decline was a sharp ($3.8 billion) drop in 9802.00.80 imports of motor vehicles from Japan. The contraction of sector imports under the production sharing tariff provision also reflected reduced incentives to use *HTS* provision 9802.00.80, rather than an actual decline in the use of production sharing operations. With the elimination of the Customs user fee on U.S. imports from Canada on January 1, 1994, importers no longer need to enter goods with U.S. components under the production sharing provision to be exempt from payment of the fee. For imports from Mexico, trade is beginning to shift from provision 9802.00.80 with its partial duty exemption, to importing under NAFTA provisions, whereby numerous products are now afforded duty-free treatment and are subject only to the Customs user fee.

Production sharing operations of the U.S. transportation equipment industry are concentrated in Canada and Mexico, with imports from assembly plants in Canada entering the United States duty free under NAFTA, while most imports from assembly plants in Mexico continue to enter under 9802.00.80.[3] Mexican operations (nearly all of which are affiliates of the Big Three automakers) accounted for 39 percent ($9.0 billion) of total U.S. imports of transportation equipment under HTS provision 9802.00.80 in 1994; the total value of U.S.-origin content was $4.4 billion. Mexico's proximity to the United States permits U.S. producers of labor-intensive transportation equipment to benefit from lower labor costs, without a significant increase in transportation and shipping costs. Controlling assembly costs is one of a number of steps that the U.S. motor-vehicle industry has taken to be more competitive with producers in Japan and Germany.

Motor Vehicles

The United States is the world's largest consumer and producer of motor vehicles.[4] In 1994, sales of

[1] The apparel sector is treated separately in chapter 5 of this report in order to provide a more detailed discussion of shifts in U.S. apparel production sharing since NAFTA's implementation in 1994 and recent U.S. initiatives to extend NAFTA parity to Caribbean apparel products.

[2] Transportation equipment discussed in this chapter consists of motor vehicles, motor vehicle parts, internal combustion engines, and ignition wiring harnesses for motor vehicles.

[3] Many leading auto parts producers manufacture parts in Mexico, including Delphi Automotive Systems; United Technologies Automotive; Delco Electronics; Ford Automotive Components Group; TRW, Inc.; Dana Corp.; Allied Signal Automotive; Johnson Controls, Inc.; ITT Automotive; Eaton Corp.; Breed Technologies, Inc; and Federal-Mogul Corp.

[4] Includes automobiles, trucks, buses, and bodies and chassis of the foregoing.

motor vehicles in the United States totaled 15.1 million vehicles, accounting for nearly one-third of global vehicle sales.[5] U.S. motor vehicle production that year totaled 12.3 million vehicles, or 24 percent of global motor vehicle production.[6]

The use of *HTS* provision 9802.00.80 by the U.S. motor vehicle sector is part of the broader trend toward the internationalization of motor vehicle production, reflecting the industry's restructuring and consolidation. The U.S. industry has relied on foreign manufacturing and assembly operations for a number of reasons, including production costs and import barrier considerations. Specifically, it is more cost effective for U.S. producers to manufacture vehicles in their major markets, rather than to export vehicles from the United States. The Big Three U.S. automakers not only have major manufacturing facilities in North America, but also in Latin America, Western Europe, and Australia. Smaller operations are maintained throughout the Asian region. U.S.-made components are used in both U.S.-affiliated and non-U.S. affiliated foreign manufacturing operations, owing to their quality and price competitiveness and to the global sourcing strategies of the world's automakers.

Exports of U.S.-made motor vehicles, particularly vehicles made by Japanese-affiliated manufacturers, have increased significantly in recent years, although such exports remain a relatively small percent of U.S. production. Between 1993 and 1994, U.S. motor vehicle exports of Japanese-affiliated plants rose by 52 percent to 201,000 units.[7] Total U.S. exports of motor vehicles rose by 39 percent during 1991-94 to $21.4 billion; most of these exports were passenger vehicles.

Total U.S. imports of motor vehicles rose by 35 percent during 1991-94, to $79.2 billion (table 4-1). However, production sharing imports decreased by 26 percent to $23.1 billion, due to decreased motor vehicle imports from Japan under 9802.00.80. Production sharing imports accounted for 30 percent of total imports of motor vehicles in 1994, and U.S.-origin components accounted for 10 percent, or $2.2 billion, of the total value of motor vehicle imports from production sharing operations. U.S. sector imports are principally passenger vehicles.

Japan is the leading supplier of motor vehicle imports under HTS provision 9802.00.80, accounting for 40 percent of the total in 1994. Such imports from Japan in 1994 decreased by 29 percent from the 1993 level to $9.3 billion (table 4-2). This trend is consistent with the continuing shift of motor vehicle production to North America from Japan, the second leading supplier of motor vehicles to the United States after Canada. In 1994, Japanese transplants and joint ventures produced 1.8 million cars in the United States, compared with 1.4 million in 1991.[8] In addition, the appreciation in the value of the yen against the U.S. dollar has eroded the price competitiveness of, and hence the demand for, Japanese-manufactured motor vehicles in the United States. Japanese motor vehicle exports to the United States declined by 21 percent overall during 1991-94.[9]

U.S. components accounted for less than 1 percent ($164 million) of the total value of 9802.00.80 imports from Japan in 1994. Leading U.S. component exports to the Japanese auto industry include catalytic converters, leather seat covers, and windshields. The Japanese industry has extensive automotive parts production facilities in the United States, from which some components are sourced for motor-vehicle assembly in Japan. In addition, Japanese motor vehicle producers have been under political pressure to increase their purchases of U.S.-made parts for motor-vehicle assembly in Japan.

[5] Automotive News, *Market Data Book*, 1995, p. 8.
[6] Ibid, p. 6.
[7] U.S. Department of Commerce, International Trade Administration, *U.S. Global Trade Outlook: 1995-2000*, p. 144.
[8] Ward's Communications, *Ward's Automotive Yearbook*, 1995, p. 118.
[9] Ibid., p. 66; Ward's Communications, *Ward's Automotive Yearbook*, 1992, p. 78.

Table 4-1
Motor vehicles: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	58,832	31,132	3,162	53	10
1992	60,376	27,607	2,190	46	8
1993	68,607	25,316	2,332	37	9
1994	79,240	23,095	2,236	29	10

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

Table 4-2
Motor vehicles: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Japan	15,800	16,600	13,100	9,300
Germany	3,940	4,900	4,290	5,450
Mexico	3,270	3,670	4,180	4,550
Belgium	207	19	629	996
United Kingdom	518	429	773	968
Sweden	879	294	914	813
Korea	744	377	374	605
All other	5,774	1,318	1,056	413
Total	31,132	27,607	25,316	23,095

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

Germany was the second-leading supplier of motor vehicle imports under *HTS* provision 9802.00.80 in 1994, with 24 percent of the total. U.S. motor vehicle imports from Germany under 9802.00.80 rose by 29 percent to almost $5.5 billion in 1994. This rise is associated with increased U.S. demand for German-made passenger automobiles, and is also a result of increased purchases of U.S. components by German motor vehicle manufacturers and U.S. automakers in Germany.

U.S. components accounted for less than 2 percent of the total value of motor vehicle imports from Germany under *HTS* provision 9802.00.80 in 1994. As with Japanese auto manufacturers, the leading U.S. components incorporated into German-manufactured vehicles include catalytic converters, leather seat covers, and windshields. Because of cost reduction demands by German automakers, recessionary conditions in the German auto industry, and the strong Deutsche mark, German automakers are increasingly looking worldwide for competitively priced components.[10] German sourcing of components from the United States and other foreign markets is likely to continue, given high German labor costs and as German transplants in the United States develop U.S. sources of supply.

Although Mexico was the third-leading supplier of motor vehicle imports under HTS provision 9802.00.80 in 1994 (rising by 40 percent to $4.6 billion), it ranked first in terms of U.S. content. U.S.-made components accounted for 39 percent ($1.8 billion) of the value of U.S. production-sharing imports of motor vehicles from Mexico that year. Most of Mexico's output exported to the United States is produced by subsidiaries of U.S. firms. The significant and growing integration of the U.S. and Mexican motor vehicle industries is reflected in the use of a substantial amount of U.S.-made parts (see discussions of related products later in this chapter).

Light trucks are the second-largest category of motor vehicles in terms of the value of U.S. parts used in the foreign assembly of vehicles for sale in the U.S. market ($267 million). U.S. automakers account for most of the production of light trucks in Mexico and they realize a significant duty advantage from the importation of these vehicles into the United States under *HTS* provision 9802.00.80. Because these imported vehicles contain a high proportion of U.S.-origin parts, which are not subject to duty under the 9802.00.80 provision, the effective duty rate is an estimated 2.2 percent ad valorem. By contrast, U.S. imports of light trucks from Japan, which generally contain few U.S. parts, are dutiable at 25 percent ad valorem.

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Internal Combustion Engines

The internal-combustion engine segment of the U.S. motor vehicle parts industry is highly concentrated, with the Big Three automakers accounting for the majority of U.S. production. The U.S. market for internal combustion engines is approximately $38 billion, with U.S. production also valued at about $38 billion, 24 percent of which is exported. Gasoline-powered engines for motor vehicles are the leading industry segment, accounting for nearly three-quarters of all internal combustion engine imports under HTS provision 9802.00.80 in 1994.[11]

U.S. imports of internal combustion engines rose by 45 percent during 1991-94 to $7.8 billion (table

[10] One of the principal regions of auto parts production in Germany reported a loss of over 60,000 jobs in the automotive parts sector during 1991-94.U.S. Department of State cable, "North Rhine-Westphalia's Auto Parts Industry: Tide Reps See More Hard Times Ahead," prepared by U.S. Embassy, Bonn, Feb. 1995.

[11] Industry segments include marine propulsion engines, spark–ignition reciprocating piston engines for motor vehicles, rotary internal combustion piston engines for motor vehicles, and compression–ignition internal combustion engines (diesel or semi–diesel) for motor vehicles.

4-3). However, production sharing imports declined by 46 percent during 1991-93 before rising by 24 percent in 1994 to $770 million, or 10 percent of total sector imports. The 1994 rebound in production sharing imports from Mexico and Germany, which together accounted for 90 percent of such shipments, more than offset the ongoing decline in production sharing imports from Canada and Brazil. The staged elimination of the Customs user fee accounted for the drop in imports from Canada (see sector overview). The decrease in production sharing imports from Brazil resulted from the reinstatement of duty-free treatment for these engines under the Generalized System of Preferences. U.S.-origin components accounted for 23 percent ($177 million) of the total value of internal combustion engines imported under production sharing provisions in 1994.

Mexico was the leading supplier of internal combustion engine imports under HTS provision 9802.00.80 in 1994 (table 4-4) and the third-leading supplier of total sector imports ($879 million). U.S. components accounted for 40 percent ($144 million) of the total value of production-sharing imports from Mexico. Much of the 27-percent increase in production sharing imports from Mexico in 1994 is attributable to production at a new Chrysler engine plant in Saltillo, Mexico. These engines eventually go into Chrysler and Mitsubishi cars built at the Diamond Star Motor Corporation plant in Illinois.

Germany was the second-leading source for U.S. internal combustion engine imports under provision 9802.00.80 in 1994, and the fourth-leading supplier of total sector imports. Germany supplied 43 percent of all internal combustion engine imports under 9802.00.80 in 1994, when production sharing imports from Germany increased by 31 percent. U.S.-origin components accounted for only $25 million (7 percent) of the value of U.S. production sharing imports of engines from Germany that year. Declines in production sharing imports of engines from Germany during 1991-93 partly reflected the rise in value of the Deutsche mark compared with the U.S. dollar. The

Table 4-3
Internal combustion engines: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	5,379	1,156	161	21	14
1992	5,848	805	139	14	17
1993	6,623	622	119	9	19
1994	7,798	770	177	10	23

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

Table 4-4
Internal combustion engines: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	274	337	284	361
Germany	562	375	256	335
Japan	28	37	40	52
Singapore	7	9	10	12
All other	285	46	32	11
Total	1,156	805	622	770

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

31-percent increase in 1994 production sharing imports from Germany was largely attributable to the start-up of the BMW manufacturing facility in Spartanburg, South Carolina.

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Ignition Wiring Harnesses[12]

The production of ignition wiring harnesses (sets) is closely tied to the worldwide production and consumption of motor vehicles. Slightly more than 90 percent of these devices are for original-equipment manufacturer (OEM) applications and the remainder are for the automotive replacement market.[13] Virtually all of the wiring sets that are consumed in the United States (in excess of 90 percent) employ foreign assembly (mainly in Mexico), due to the high labor intensity of the final assembly operations required in manufacturing these products.[14] U.S.-origin components used in foreign assembly most often consist of bulk electrical or signal wire, electrical connectors, and jacketing materials (electrical tape and flexible conduit).

U.S. consumption of ignition wiring harnesses is valued at approximately 25 to 30 percent above the annual level of U.S. imports of these products, or between $2.8 and $2.9 billion for 1994. U.S. consumption of ignition wiring harnesses has grown in response to increased U.S. production of motor vehicles. In 1994, production of cars and trucks in North America (the United States and Canada) amounted to 14.8 million vehicles, compared with 15.7 million in Europe, 15.5 million in the Asian Pacific region, and 3.3 million in Latin America (including Mexico).

Four companies[15] dominate the U.S. market for ignition wiring sets, primarily due to their strong historical ties to the major U.S. and foreign vehicle manufacturers. These firms (two U.S. and two foreign) are large, multinational concerns that supply approximately 60 percent of the global market for wiring harnesses. All of these companies have final assembly operations for wiring harnesses in Mexico and other offshore locations (notably the Philippines, Thailand, and Taiwan) in order to serve these foreign markets and maintain their competitive positions in the North American market.

Total U.S. imports of wiring harnesses for motor vehicles continued to exhibit strong growth in 1994, rising by $1.25 billion (35 percent) over the 1993 level to $4.8 billion (table 4-5). Most of the import growth occurred in 9802.00.80 shipments, which rose by $0.9 billion to $2.9 billion (45 percent) and which accounted for 60 percent of total imports of ignition wiring sets. U.S.-origin components accounted for $1.6 billion (56 percent) of the total value of imports of wiring harnesses entered under production-sharing provisions in 1994.

Mexico is the dominant source of U.S. imports of ignition wiring harnesses under 9802.00.80, accounting for 90 percent of the total in 1994 (table 4-6). Such imports from Mexico rose by $810 million (46 percent) in response to increased U.S. motor vehicle sales. Most of the ignition wiring harness assembly plants in Mexico are wholly-owned subsidiaries of the major vehicle manufacturers in the United States, or their principal suppliers. According to industry sources, the use of ignition wiring harness assembly plants in Mexico has helped U.S. producers to remain competitive with imports from the Philippines, Thailand, and Taiwan, as well as with Canada and China, the leading non-9802.00.80 suppliers of insulated electrical conductor imports to the U.S. market in 1994.

The only other countries significantly involved in U.S. production-sharing trade in sector products are the Philippines and Thailand. These countries emerged only recently as suppliers of production-sharing imports, following the establishment of facilities there by major Japanese manufacturers of wiring harnesses. The emergence of Thailand as a supplier of ignition wiring harnesses is also part of a broader trend of globalization of motor vehicle production. Major global automakers have rapidly expanded production capacity in Thailand to fill growing demand for vehicles there and in other Far Eastern and world

[12] The products covered include all of the insulated electrical wire and cable encompassed by HTS heading 8544. However, because ignition wiring harnesses (HTS subheading 8544.30.00) currently account for 85 percent of the value of production–sharing imports of all of these commodities, the analysis associated with this category of products focuses on this single product line. Ignition wiring harnesses are assemblies of two or more insulated electrical conductors that have been fitted with assorted terminals, plugs, connectors, sockets, and other wiring devices. They are used to connect various electrical components (e.g., lights and motors) to an internal power source (typically batteries and generators), and/or to carry high–voltage currents between selected starting and ignition components (such as starters, generators, coils, distributors, and spark plugs) in motor vehicles, aircraft, and ships.

[13] Although these devices may be incorporated in aircraft or ships, these applications do not represent a significant portion of current industry shipments or international trade.

[14] The operations that are typically performed in foreign countries by U.S.–based suppliers include one or more of the following: affixing assorted electrical terminal connectors to the ends of color–coded electrical or signal wire; bundling or pairing the terminated conductors through the use of wiring "trees" or other harness forming apparatus; wrapping or otherwise jacketing the assembled harnesses; and performing limited finishing operations such as testing and labeling.

[15] The leading suppliers of ignition wiring sets to the U.S. market are Delphi Packard Electric, Yazaki Corporation, Sumitomo Electric Wiring Systems, and United Technologies Automotive.

Table 4-5
Ignition wiring harnesses: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	2,707	1,450	857	54	59
1992	3,154	1,834	1,052	58	57
1993	3,564	1,974	1,117	55	57
1994	4,810	2,861	1,613	60	56

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

Table 4-6
Ignition wiring harnesses: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	1,410	1,660	1,760	2,570
Philippines	8	87	108	152
Thailand	2	1	(1)	147
Taiwan	6	51	79	45
All other	24	35	27	47
Total	1,450	1,834	1,974	2,861

1 Less than $0.5 million.

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

markets. This expansion of motor vehicle production has indirectly created economies of scale for manufacturers of wiring sets in Thailand, where wage rates are among the lowest in the region. U.S. imports of ignition wiring harnesses from Thailand have partially displaced those from Taiwan, where higher wage rates have diminished the global competitiveness of its wiring harness facilities.

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Certain Motor-Vehicle Parts[16]

The United States is a major producer of motor-vehicle parts, accounting for about one-quarter of the global production of these products. The U.S. motor-vehicle parts industry is emerging from a period of massive restructuring which has made it more competitive in terms of productivity, cost, and quality. This restructuring has enabled the U.S. motor-vehicle parts industry to step up the pace of globalization in order to meet the changing international sourcing strategies of automakers.

The U.S. motor-vehicle parts producing industry, which recorded a trade surplus of $4.6 billion in 1994, consists of several thousand, mostly small producers. The leading auto parts manufacturers are subsidiaries of the Big Three U.S. automakers, all of which produce parts mainly for captive use.[17] Subsidiaries of the Big Three account for about 50 percent of the U.S. auto parts market, while the 7 largest independent suppliers account for approximately 20 percent. U.S. auto parts production totaled some $84 billion in 1994, with U.S. consumption at approximately $80 billion. In general, the smaller firms in the industry produce a limited number of auto parts products for niche markets, whereas the larger independent and captive suppliers make a wide range of products for different market segments.

16 Certain motor–vehicle parts include bumpers, safety seat belts, brakes, gear boxes, axles, road wheels, suspension shock absorbers, radiators, exhaust systems, clutches, steering equipment, double flanged wheel hub units, airbags, half–shafts, drive shafts, and parts of the foregoing. For purposes of this analysis, ball and roller bearings are also included. Primary motor–vehicle parts that are not covered in this analysis include engines and engine parts, automotive storage batteries, automotive furniture, lighting equipment, and ignition wiring harnesses. The parts covered by this analysis account for approximately 70 percent of all automotive parts production.

17 General Motors' Delphi Automotive Systems has recently taken steps to expand its customer base outside General Motors.

As automakers demand cost reductions from parts suppliers, production sharing has become integral to U.S. part makers' competitive strategy in lowering production costs. Although lower costs from offshore production sharing operations will likely remain important to the U.S. motor-vehicle parts manufacturing industry, other considerations will likely become even more important. These include improved productivity and cost effectiveness, component commonality,[18] ability to take on roles such as financing and research and development, and technological innovation.

The use of the 9802.00.80 tariff provision by the U.S. motor-vehicle parts industry will likely decline, mainly because of NAFTA and the elimination of the Customs user fee.[19] Imports of motor-vehicle parts under 9802.00.80 from non-NAFTA countries are relatively small. In 1994, Canada and Mexico accounted for 77 percent of production sharing imports of auto parts, and 53 percent of total auto parts imports. Japan has traditionally been an important source of auto parts imports, accounting for 26 percent of such imports in 1994, but accounted for just 7 percent of production sharing imports in 1994. Imports of auto parts from Japan are expected to level off somewhat in future years as Japanese parts makers are establishing manufacturing operations in the United States to serve Japanese-based automobile companies manufacturing autos there.

[18] This term refers to the use of common parts across an automaker's various platforms.

[19] Importers of articles that are otherwise duty–free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.–origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

The leading motor-vehicle parts in terms of both U.S. exports and imports are transmissions and brakes. U.S. imports of these parts are incorporated into motor vehicles manufactured by U.S. automakers, and foreign-affiliated automakers in the United States. They are also incorporated into larger motor-vehicle subassemblies by parts makers in the United States. U.S. imports of motor-vehicle parts rose by 10 percent to $17.4 billion in 1994. U.S. production sharing imports of parts that year declined by 11 percent to just under $2.0 billion, because of the elimination of the Customs user fee on imports from Canada (see Sector Overview) (table 4-7). U.S.-origin components accounted for 49 percent, or $971 million, of the total value of these production sharing imports.

Mexico is the leading supplier of production-sharing imports for the sector, accounting for three-quarters of such imports in 1994 (table 4-8). U.S. sector imports from Mexico under 9802.00.80 in 1994 declined by 6 percent from the 1993 level to $1.5 billion. However, total sector imports from Mexico increased by 3 percent to $2.2 billion, making that country the second largest source of imports overall. U.S. components accounted for 63 percent ($944 million) of the total value of sector imports from Mexico under 9802.00.80 in 1994, with safety seat belts and miscellaneous parts and accessories[20] accounting for 89 percent of the total. TRW, Inc. and Allied Signal Automotive manufacture safety seat belts in Mexico for the North American market. Most of the parts assembled in Mexico return to the United States for further assembly into finished vehicles; the rest goes to the replacement parts market.

France became the second-leading supplier of auto parts under provision 9802.00.80 in 1994 and was ranked fifth in terms of total U.S. auto parts imports. Miscellaneous parts and accessories for vehicles and vehicle bodies are the principal U.S. auto parts used in French component assembly operations. In 1994,

[20] This category includes, but is not limited to, plastic brake hoses, double flanged wheel hub units not incorporating ball bearings, slide–in campers, radiator cores, and cable traction devices.

Table 4-7
Certain motor-vehicle parts: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	12,393	1,878	778	15	41
1992	14,294	2,337	1,068	16	48
1993	15,760	2,226	1,218	14	55
1994	17,387	1,986	971	11	49

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

Table 4-8
Certain motor-vehicle parts: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	931	1,340	1,590	1,490
France	398	375	190	233
Japan	116	166	128	142
Canada	403	430	293	37
Brazil	17	18	20	31
Germany	5	0	1	23
United Kingdom	2	1	1	20
All other	6	7	4	8
Total	1,878	2,337	2,226	1,986

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

sector imports from France totaled $670 million, of which $233 million entered under provision 9802.00.80. U.S. components accounted for 3 percent ($6.9 million) of the 9802.00.80 imports. Indicative of the truly global nature of the motor vehicle parts industry, U.S. auto parts manufacturers that are located in France to serve their customers in Europe incorporate U.S.-made components in their French assembly operations, and export some of this production back to the United States. In turn, French auto parts makers incorporate U.S.-made components into their parts assemblies for export to the United States. GM Delphi, TRW Electronics, Johnson Controls, Walbro Corp., and Dana Corp. have all formed joint ventures, acquired firms, and/or opened manufacturing plants in France in recent years.[21]

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Sector Overview: Electronic Products[22]

Faced with intense global competition, U.S. producers of electronic products continued to shift labor-intensive operations to regions with low labor costs to remain price competitive in the global marketplace. In 1994, total U.S. imports of electronic products increased by 24 percent, or by $18.7 billion, over the 1993 level to $95.8 billion. Imports of electronic products accounted for 23 percent of all imports under provision 9802.00.80. The principal supplier countries of electronic products under provision 9802.00.80 were Mexico, Malaysia, Japan, and Singapore, which together accounted for 74 percent of total U.S. sector imports under this provision in 1994. Imports of electronic products under 9802.00.80 increased by 15 percent from $11.7 billion in 1993 to $13.5 billion in 1994. The U.S.-origin content of these imports under 9802.00.80 rose by 20 percent to $6.5 billion during the period.

The region of Southeast Asia continues to grow as a hub for semiconductor production under provision 9802.00.80. Malaysia, Singapore, the Philippines, and Thailand are the leading suppliers of semiconductors under provision 9802.00.80, accounting for 66 percent of the total in 1994. U.S. components contained in semiconductors assembled in these countries under 9802.00.80 were valued at $2.6 billion. A favorable foreign investment climate in these Asian countries, moderate labor costs, a highly skilled workforce, and modern air and sea port connections attract semiconductor producers from throughout East Asia, Europe, and North America. U.S. imports of semiconductors from Malaysia ($1.9 billion), the Philippines ($1 billion), Singapore ($829 million), and Thailand ($418 million) totaled $4.1 billion in 1994, an increase of 28 percent over 1993.

Mexico continues as the principal location for production sharing for electronic products other than semiconductors. For the electronic products sector as a whole, Mexico accounted for 41 percent ($5.8 billion) of U.S. imports under provision 9802.00.80 in 1994. This represented a 23-percent rise from 1993. The primary reasons for the ongoing increase in imports from Mexico under provision 9802.00.80 were:

- Television picture tubes qualifying under NAFTA rules of origin are free of duty, while non-qualifying picture tubes are dutiable at 15 percent ad valorem;
- Mexico's proximity to the electronics, computer and glass industries in California and in the Midwest (Ohio, Missouri, and Indiana) has contributed to a steady increase in production-sharing operations involving these products;
- Major foreign electronic products manufacturers in Japan and Korea continued

[21] "Charting passengers on the Global Express", *Ward's Auto World*, July 1995, pp. 39–41.

[22] Electronic products covered by this chapter include electric motors and generators, television receivers (video monitors, cathode–ray tubes and other special purpose tubes), computers, microelectronic products (semiconductors), electronic circuit apparatus (capacitors and resistors), and measuring and testing instruments (meters).

to shift production of television receivers from Asia to Mexico, where labor costs ($2.61 per hour in 1994) remain below those of alternative locations in Asia;

- Proficiency levels and productivity continue to rise in Mexico's labor force; and
- Easy access to high-quality U.S. electronic components.

Semiconductor Devices

The United States is a major producer and consumer of semiconductor devices, with production of approximately $34 billion and a domestic market of $40 billion in 1994.[23] Most semiconductor production takes the form of integrated circuits (ICs), which combine thousands of transistors, capacitors, and other circuit elements on one small "chip."[24] Semiconductors are important components of virtually all modern computers, telecommunications equipment, consumer electronics products, industrial and transportation machinery, and military hardware.

Most major U.S. semiconductor manufacturers engage in production sharing in order to perform the labor-intensive stages of production in low-wage regions. The industry conducts its most skilled and capital-intensive operations, IC design and fabrication, in the United States. Fabrication of ICs consists of forming multiple copies of microscopic circuits on silicon wafers of up to eight inches in diameter. These wafers are then sent to affiliates in production-sharing countries for assembly and testing. Assembly includes sawing the wafers into individual chips, bonding the chips to wire leads, and encapsulating the chips within plastic or ceramic packages. The assembled items are then reimported into the United States under HTS provision 9802.00.80.

[23] The 1994 world market for semiconductor devices was approximately $100 billion.

[24] Semiconductors also include both "discrete" devices, such as individually packaged transistors, diodes, and rectifiers, and "hybrids," which combine ICs and discretes in special packaging arrangements.

U.S. imports of semiconductor devices from production-sharing operations increased in 1994 by 24 percent over the previous year to $6.2 billion (table 4-9) as a result of an increase in U.S. fabrication of semiconductors and subsequent foreign assembly. Nevertheless, U.S. demand for semiconductors increased at an even faster rate. Thus, production-sharing imports declined as a share of total U.S. semiconductor imports due to a substantial growth in non-production-sharing semiconductor imports from Japan, Korea, and other sources.[25] U.S.-origin components made up a $3.3 billion (53 percent) share of production-sharing imports under 9802.00.80 in 1994.

Malaysia and other Southeast Asian countries are the leading production-sharing partners of the U.S. semiconductor industry (table 4-10). U.S. semiconductor firms were originally attracted by the region's low wages and favorable business climate in the 1970s. The emergence of a strong skill base has kept the region competitive, relative to other low-wage regions, as the capital intensity and skill requirements of semiconductor assembly have risen substantially over the past two decades. The cost advantages of production sharing have enabled the U.S. semiconductor industry to remain competitive in the face of stronger competition from Japan, Korea, and other sources.

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[25] It is possible that some of these imports contained U.S.-origin content but were not imported under HTS provision 9802.00.80 because nearly all U.S. semiconductor imports are free of duty in any case. Importers of articles that are otherwise duty-free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.-origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

Table 4-9
Semiconductor devices: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	13,080	3,939	1,935	30	49
1992	15,449	4,351	2,234	28	51
1993	19,466	5,047	2,715	26	54
1994	26,020	6,243	3,311	24	53

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

Table 4-10
Semiconductor devices: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Malaysia	1,200	1,320	1,600	1,860
Philippines	486	587	756	1,030
Singapore	610	654	595	829
Korea	676	669	686	758
Taiwan	336	397	475	567
All other	631	724	935	1,199
Total	3,939	4,351	5,047	6,243

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

Electrical Circuit Apparatus

Electrical circuit apparatus, which includes capacitors, resistors, switches, connectors, and other circuit components, is used in essentially all electrical and electronic products. The U.S. market for these devices was approximately $32 billion in 1994, and U.S. production was $31 billion. The U.S. industry in 1994 included approximately 2,000 manufacturing establishments and 200,000 workers.

Most of these products are "commodity" items with strong domestic and international competition. U.S. producers have sought to reduce manufacturing costs and increase their ability to compete by turning to more capital-intensive production methods and transferring labor-intensive processes to lower wage countries. Much of the work performed in production-sharing partner countries involves assembly operations such as fitting parts together and attaching electrical leads. All major types of electrical circuit apparatus were imported under HTS provision 9802.00.80 during 1994, with circuit breakers and switches accounting for the largest share of these imports.

U.S. imports of these products from production-sharing operations increased in 1994 by 31 percent over the previous year to $2.0 billion (table 4-11) as U.S. firms continued to transfer production to other countries in response to competitive pressures to reduce costs.[26] U.S.-origin components accounted for a $1.2 billion (61 percent) share of electrical circuit apparatus imported under production-sharing provisions. Total U.S. imports of electrical circuit apparatus increased by 19 percent to $8.9 billion in 1994, due in part to increased non-production-sharing imports from Mexico and other low-wage countries.[27] U.S. exports of electrical circuit apparatus were $7.7 billion in 1994, up 24 percent from $6.2 billion in 1993.

Mexico accounted for over 80 percent of U.S. production-sharing imports in the industry under 9802.00.80 during 1991-94 (table 4-12). Mexico's dominant share of such trade is a result of its low wages and proximity to the United States. Most of this production in Mexico is undertaken by affiliates of U.S. producers.

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Television Receivers[28]

The United States is one of the world's largest producers and markets for television receivers, video monitors, and cathode-ray tubes. U.S. shipments of these products in 1994 totaled $8.4 billion, of which television receivers (TVs) accounted for 56 percent. The U.S. industry producing TVs consists of 16 companies with 7 affiliates or subsidiaries that produce television picture tubes (PTs), and about 40 small producers of special purpose tubes and other cathode-ray tubes. Prior to the mid-1980s, the major U.S. producers were U.S.-owned. Within the last decade, all U.S. TV and PT producers were purchased by European or Asian companies. Zenith was the only U.S. TV manufacturer without an affiliation with a foreign multinational firm until 1995, when a controlling interest was purchased by Lucky-Goldstar, a multinational corporation with headquarters in Korea. Currently, there are no U.S.-owned producers of TVs.

[26] Electronic Industries Association official, telephone interview by USITC staff, Feb. 23, 1996.

[27] This increase may have included some products that had U.S.–origin content but were not imported under provision 9802.00.80 due to the paperwork burden of importing under those provisions and duty–free entry for most electrical circuit apparatus from Mexico under NAFTA. Importers of articles that are otherwise duty–free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that

[27]—*Continued*
provision, the U.S.–origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

[28] Also includes video monitors, cathode–ray tubes, and other special purpose tubes.

Table 4-11
Electrical circuit apparatus: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	6,496	1,228	767	19	62
1992	6,467	1,311	803	20	61
1993	7,435	1,507	921	20	61
1994	8,855	1,980	1,217	22	61

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

Table 4-12
Electrical circuit apparatus: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	1,040	1,100	1,280	1,720
Dominican Republic	47	54	66	87
Canada	58	42	45	47
Ireland	6	8	18	27
China	4	10	10	21
All other	73	97	88	78
Total	1,228	1,311	1,507	1,980

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

Sector products are a major segment of the U.S. consumer electronics industry. By the late 1980s, every U.S. producer of TVs had moved the assembly of television receivers with high labor content (generally TVs with smaller screen sizes — under 20 inches in viewable diagonal measurement) to the maquiladora zone of Mexico. In 1994, Zenith moved virtually all TV production to Mexico, while it continued to produce PTs in the United States. Foreign-owned U.S. producers continue to assemble high-value, large-screen TVs in the United States. The design and R&D facilities of formerly U.S.-owned producers remain in the United States.

NAFTA provides that the 15-percent ad valorem duty on U.S. imports of color television picture tubes will not be assessed on tubes of North American origin, thereby providing the Mexican product with a considerable duty advantage over similar Asian products, which generally do not contain North American tubes.[29] Mexico and Canada each have only one picture tube producer. As a result, the majority of cathode-ray tubes for TVs imported from Mexico are produced in the United States, and then shipped to Mexico for assembly into complete receivers.

Narrowing profit margins in consumer electronics have been influencing U.S. producers' choice of assembly facilities for more than a decade, leading to movement of U.S. TV assembly plants to Mexico to take advantage of lower labor costs. U.S. trade with Mexico in this sector has grown steadily as a result. U.S. imports of TVs and related equipment and parts increased by 18 percent in 1994 to $5.5 billion (table 4-13). Mexican affiliates have been the largest suppliers of these products to the United States for a number of years, and thus Mexico accounts for half of total imports. U.S. imports of electronic equipment from production sharing operations in 1994 increased by 16 percent over 1993 to $2.6 billion, accounting for 47 percent of total sector imports. The U.S. content of these imports accounted for an $850 million (33 percent) share of imports under provision 9802.00.80. Mexico supplied virtually all of the 1994 imports of these products under HTS provision 9802.00.80 (table 4-14). The picture tube represents an

[29] Importers of articles that are otherwise duty-free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.-origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

Table 4-13
Television receivers: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	3,919	1,702	414	43	24
1992	4,460	1,945	522	44	27
1993	4,679	2,255	701	48	31
1994	5,537	2,607	850	47	33

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

Table 4-14
Television receivers: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	1,650	1,900	2,180	2,550
Italy	0	0	33	43
Brazil	9	12	12	10
Canada	11	16	7	2
Japan	14	10	19	1
All other	18	7	4	1
Total	1,702	1,945	2,255	2,607

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

increasing percentage of the value of a TV, and the majority of televisions imported from Mexico incorporate U.S.-made picture tubes.

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Computers

The dynamic, rapidly changing computer hardware industry includes products such as computers, printers, other computer peripheral equipment, and computer components. This $207 billion global industry accounted for approximately 6 percent of total U.S. merchandise trade in 1994.

The United States historically has been the world's leading supplier of computer products. U.S. exports of computer products increased at a 6 percent average annual rate from $24 billion in 1991 to $29 billion in 1994, despite significantly increased competition. Companies are attempting to reduce costs as price increasingly becomes the deciding factor in many purchases of computer products. As a result, many labor-intensive processes have been moved to low-wage countries, and firms purchase computer components from low-cost suppliers worldwide.

Imports of computer products increased by 22 percent in 1994 (table 4-15). Production from U.S. firms' overseas manufacturing facilities accounted for much of these imports. Some products that take advantage of overseas labor markets and foreign components include hard disk drives, printed circuit boards, partially-assembled laser printers, and standalone power supplies.

Although U.S. imports of computer products have continued to rise in recent years as the industry becomes increasingly globalized, production-sharing imports of these products declined in 1993 and 1994. Such imports in 1994 accounted for only 3 percent of total imports of computer products; U.S.-origin components accounted for $390 million (30 percent) of total production sharing imports. There are two principal reasons for decreasing production-sharing imports of computer products. First, firms have less incentive to import computer control units and certain disk drives under production-sharing provisions because they are duty-free.[30] Second, as reflected by a

[30] Importers of articles that are otherwise duty–free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.–origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485

sharp decline in production-sharing imports from Singapore, the makeup of such imports shifted from complete printers, which are subject to a 3.7 percent tariff, to printer subassemblies to take advantage of their duty-free status.

The leading suppliers of computer product imports from production-sharing operations are also the leading suppliers of computer product imports overall. Although production-sharing imports from Japan have not increased substantially in recent years (table 4-16), such imports from Mexico increased by 25 percent in 1994 despite the phaseout of computer product tariffs under NAFTA. U.S. components accounted for 36 percent of production-sharing imports from Japan and 37 percent of those imports from Mexico.

While reduced tariffs stemming from regional and multilateral trade agreements will continue to diminish the incentive to import products under production-sharing provisions, the use of foreign assembly operations will continue to be important to U.S. computer equipment manufacturers.

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Electric Motors and Generators

The U.S. industry producing electric motors and generators is a large, multi-faceted group of companies that manufacture components for incorporation into a wide range of consumer and industrial products.[31] In general, the U.S. industry can be segmented into a group of large, multi-product, multinational companies; a second tier of smaller, more specialized product manufacturers; and a multitude of limited product line or niche producers. U.S. producers' shipments of motors, generators, generator sets, and related equipment and parts amounted to approximately $12 billion in 1994.

30—*Continued*
per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

[31] Motors produced by this industry are used in products ranging from material-handling equipment such as conveyers, cranes, and hoists, to consumer electrical appliances and electronic equipment such as fans, air conditioners, blenders, and computer peripheral equipment. The industry also produces generators that are used as a ready source of electric power for business, industry, public utilities, and consumers.

Table 4-15
Computers: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	25,986	1,867	494	7	26
1992	31,564	1,907	558	6	29
1993	37,906	1,692	452	4	27
1994	46,161	1,307	390	3	30

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

Table 4-16
Computers: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Japan	518	559	463	492
Mexico	258	344	321	402
Singapore	183	355	587	152
Taiwan	113	87	25	95
Korea	56	9	114	51
China	6	18	34	43
United Kingdom	5	109	38	23
Ireland	145	165	50	23
All other	583	261	61	26
Total	1,867	1,907	1,693	1,307

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

U.S. exports of motors and generators were valued at nearly $3.0 billion in 1994, up by 27 percent from $2.3 billion recorded in 1991. U.S. imports of these products rose even faster during the period, by 46 percent to $3.5 billion (table 4-17). At the same time, imports of these products from production-sharing operations nearly doubled to $717 million, or 21 percent of total 1994 imports. U.S.-made components accounted for a $426 million (60 percent) share of electric motor and generator imports under the production sharing provision.

Mexico was by far the leading source of U.S. production-sharing imports, accounting for 89 percent of the total in 1994 (table 4-18). Mexico's dominant share of U.S. production-sharing trade is largely attributable to its proximity to complementary U.S. manufacturing operations, semi-skilled labor pool, and highly competitive labor costs. In 1994, 9802.00.80 shipments accounted for 85 percent of total U.S. sector imports ($754 million) from Mexico. U.S. companies accelerated their imports from Mexico under provision 9802.00.80 by more than one-third ($163 million) in 1994, despite eligibility for duty-free treatment under NAFTA.[32]

[32] Importers of articles that are otherwise duty–free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.–origin content of such imports is

In general, the types of motors and generators that enter under 9802.00.80 from Mexico are smaller, less specialized, and lower in price than those that are produced exclusively in U.S. facilities; many are incorporated in heating, ventilation and air conditioning equipment. Due to their smaller size and lower technological sophistication compared with other types of motors, the production process is less easily automated and labor inputs into the production process account for a larger percentage of the total value of the finished product. These motors are also marginally profitable lines that are readily available from numerous U.S. and foreign sources. Consequently, low-wage-rate inputs can have a substantial impact on the competitiveness of these devices. U.S. producers of motors have shifted the highly labor-intensive assembly operations to Mexico in recent years, including assembling and welding rotor and stator components, winding these components (with magnet

[32]—*Continued*
exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

Table 4-17
Electric motors and generators: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	2,368	362	202	15	56
1992	2,658	497	279	19	56
1993	2,974	586	334	20	57
1994	3,457	717	426	21	60

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

Table 4-18
Electric motors and generators: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	309	412	475	639
United Kingdom	20	35	33	30
France	0	1	15	15
Canada	27	33	37	10
Hong Kong	6	7	8	9
All other	1	9	19	14
Total	362	497	586	717

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

wire), and final assembly.[33] This competitive strategy benefits domestic companies in the U.S. market vis-a-vis highly price competitive products from suppliers in the Far East, particularly those in China and Taiwan.

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Measuring, Testing, Controlling, and Analyzing Instruments[34]

The United States is the world's largest producer and consumer of measuring, testing, controlling, and analyzing instruments ("measuring and controlling instruments"). U.S. shipments of these products increased by 10 percent to $25.8 billion in 1994, from $23.5 billion in 1991. The principal end users of measuring and controlling instruments include manufacturing and processing industries (such as automotive, appliances, machinery, food products, chemicals, primary metals, and petroleum); laboratories (industrial, institutional, scientific, and commercial); and public utilities (electric power, natural gas, and water purification). Measuring and controlling instruments are essential tools for improving operational productivity as well as the quality and service of products.

The U.S. measuring and controlling instruments industry is technology intensive and its production employees generally are highly-skilled workers. Nevertheless, there are certain labor intensive assembly and manufacturing operations that are carried out in Mexico under provision 9802.00.80. Since the industry is highly competitive (with hundreds of U.S. and foreign companies competing in the same markets), some domestic firms view production sharing as an essential means of lowering production cost and enhancing price competitiveness.

Total U.S. imports of measuring and controlling instruments increased by 58 percent during 1991-94 to $5.7 billion (table 4-19). U.S. imports under *HTS* 9802.00.80 increased by 77 percent during the period to $682 million, accounting for 12 percent of total U.S. sector imports in 1994. The increase in the value of both total imports and imports under *HTS* 9802.00.80 largely reflected a rise in demand for high-volume products, coupled with increased demand for certain higher valued measuring and controlling instruments. U.S.-made components accounted for a $298 million (44 percent) share of production sharing imports. The principal types of measuring and controlling instruments entered under HTS 9802.00.80 were speedometers, tachometers, certain process control instruments, and thermostats for air conditioning, refrigeration, and heating equipment. U.S. exports of measuring and controlling instruments increased by 29 percent during 1991-94, from $7.8 billion to $10.1 billion.

Mexico was the principal supplier of measuring and controlling instruments entering the United States under *HTS* 9802.00.80, accounting for 83 percent of such imports in 1994 (table 4-20). The importance of Mexico reflects its proximity to U.S. production facilities, its low labor costs and rising productivity, and the relative ease by which producers can monitor the quality and efficiency of production in Mexico. Although labor costs are lower in some Asian countries than in Mexico, the cost of shipping to and from Asia is generally higher. Cumulative imports from the Asian countries accounted for 11 percent of production sharing imports of measuring and controlling instruments in 1994.

[33] U.S. manufacturers typically perform most of the highly capital–intensive metalworking and foundry operations in U.S. facilities, including punching or stamping sheet metal for use as stator and rotor core laminations, forging and machining rotor shafts, and fabrication of end shields and casings. Numerous other components, such as magnet wire, bearings, and metal fasteners, are also secured or produced in the United States.

[34] These instruments are devices that make calibrated measurements of physical, electrical, or chemical quantity, which they may display, transmit, and/or automatically control. The name of an instrument often describes the function for which it was designed, such as a hardness tester, flowmeter, revolution counter, and voltage meter.

Table 4-19
Measuring, testing, controlling, and analyzing instruments: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	3,620	386	168	11	44
1992	4,014	447	208	11	47
1993	4,553	646	285	14	44
1994	5,727	682	298	12	44

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

Table 4-20
Measuring, testing, controlling, and analyzing instruments: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94
(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	270	338	526	565
Singapore	5	14	23	30
Japan	18	23	37	24
Malaysia	9	12	12	11
Switzerland	5	6	6	10
Canada	37	29	17	9
Taiwan	(1)	(1)	3	7
All other	42	25	22	26
Total	386	447	646	682

[1] Less than $500,000.

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

In addition to importing measuring and controlling instruments under the production- sharing provision, several U.S. producers have established wholly-owned companies, joint ventures, or licensing agreements in Latin America, Canada, Western Europe, and Asia primarily for the purpose of supplying instruments to markets in those areas of the world. In 1994, direct foreign investment by the U.S. measuring and controlling instruments industry is estimated to have totaled about $2.5 billion. While imports under the production-sharing tariff provision 9802.00.80 primarily reflect U.S. producers' use of low-cost assembly operations in Mexico's maquiladora industry and assembly plants in Singapore and Malaysia, some U.S. producers complement their domestic production with products made by subsidiaries in industrialized countries such as Japan, Switzerland, and Canada

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Sector Overview: Other Manufactured Goods

U.S. producers of a variety of manufactured goods have opted to make greater use of production-sharing operations in response to foreign competition, particularly with respect to products for which labor is a significant cost component. Significant growth in production- sharing imports was registered in the categories of medical and optical goods, gas stoves, and valves in 1994. Mexico was the dominant production-sharing partner for these products, accounting for nearly three-fourths of total 9802.000.80 imports that year. Although 9802.00.80 trade accounted for just 10 percent of total U.S. imports of these products in 1994, production- sharing imports of these goods from assembly plants in Mexico increased by $151 million (19 percent) to $965 million. U.S. components accounted for over half the value of these production- sharing imports. The use of provision 9802.00.80 is expected to decline in the next several years as producers of these products increasingly begin to take advantage of the duty-free provisions for manufactured goods under NAFTA.

Valves

The United States is the world's largest producer and consumer of all types of valves and components.[35] The market for such products is broad based and includes such diverse industries as shipbuilding and repair, petroleum refining, petrochemicals, pulp and paper, water and sewage treatment facilities, processed food and beverages, and power generation. U.S. producers' shipments of valves and components totaled $9.9 billion in 1994.

In recent years, major U.S. producers of valves have begun to rely more heavily on foreign assembly operations in an effort to remain internationally price-competitive relative to emerging competitors in Austria and Mexico, and to benefit from the enactment of NAFTA. To improve their price position, the U.S. valve industry has rationalized U.S. and Canadian production and increased valve and component production in Mexico.[36] Additionally, major U.S. producers of valves and components, such as Dresser Valve & Controls, Fisher Controls (a division of Emerson Electric Corp.), Limitorque Corp., and Cooper Cameron Corp., have increasingly obtained valve components from abroad. These companies typically import certain precision, high-quality valve components (thermostatic actuators) from countries such as Japan or Austria, and low-cost steel valve body housings from countries like Mexico where energy and environmental costs are lower.[37]

[35] A valve is defined as a device which isolates or controls fluid direction, or flow rate. Principal types of valves imported from abroad include multi–turn (gate, globe, and diaphragm), quarter–turn (plug, ball, and butterfly), and self–actuated (check and relief) valves.

[36] Officials of the Valve Manufacturers Association, interview by USITC staff, Oct. 2, 1995.

[37] Ibid.

The U.S. industry producing these products consists predominantly of small- and medium-sized firms producing high and intermediate technology valves, and importing largely lower technology valves and components to improve their price position. This industry has undergone major structural changes in recent years resulting from mergers, acquisitions, and joint ventures with foreign firms. Typically, large U.S. producers will export high-value components such as hydraulic actuators, and high-pressure valve stems, seals, and seats, and import steel or iron valve body housings from Mexico under *HTS* provision 9802.00.80. Iron and steel bodies produced in Mexico frequently contain high-value U.S.-made components such as hydraulic or electronic activators. These valves are sold to U.S. end-users such as the petrochemical and power generation industries.

U.S. producers' exports of valves and components rose by 42 percent during 1991-94 to $1.9 billion, while U.S. imports of these products increased by 48 percent to $2.6 billion (table 4-21). Production-sharing imports of these products more than tripled during the period, to $347 million, accounting for 13 percent of total imports in 1994. U.S.-origin components accounted for a $236 million (68 percent) share of valves imported under production-sharing provisions.

Mexico is the second leading U.S. supplier (following Japan) of valves and components, owing to its proximity to the United States, competitive wage rates, and relatively large home market for such valves because of its abundant natural gas supplies. U.S. imports of valves and components from Mexico in 1994 totaled $391 million, of which $285 million (73 percent) entered under *HTS* provision 9802.00.80. U.S. components accounted for 74 percent ($210 million) of the total value of 9802.00.80 sector imports from Mexico that year. Sector products from Mexico and Canada enter duty-free under NAFTA.[38]

[38] Importers of articles that are otherwise duty-free continue to have an incentive to declare eligibility for entry under HTS provision 9802.00.80. Under that provision, the U.S.-origin content of such imports is exempt from the Customs user fee, which is currently 0.21 percent ad valorem, with a maximum fee of $485 per entry. Under the CFTA, the user fee was phased out entirely on imports from Canada as of Jan. 1, 1994. Under NAFTA, imports from Mexico will be subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap until June 29, 1999, after which the fee will be reduced to zero. See app. A of this report for additional information about the Customs user fee.

Table 4-21
Valves: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars		*Percent*	
1991	1,760	184	104	10	56
1992	2,057	217	131	10	60
1993	2,175	275	186	12	67
1994	2,600	347	236	13	68

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

Table 4-22
Valves: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	83	106	230	285
Austria	15	20	39	59
Canada	6	5	3	3
All other	(1)	(1)	3	(1)
Total	104	131	275	346

[1] Less than $500,000.

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

Mexico supplied 82 percent of all valves and components entering the United States under HTS provision 9802.00.80 in 1994, when production sharing imports from that country grew by 24 percent (table 4-22). According to industry sources, strong U.S. demand from the petrochemical and energy industries, coupled with completion of large-scale public utility environmental projects, were largely responsible for increased use of valves and components from Mexico in 1994.[39]

The majority of sector imports from Mexico are low-technology, labor-intensive valves and components. Several major U.S. valve producers own or contract work out to foundries in Mexico to produce and machine valve castings (energy and environmental costs are less in Mexico). U.S. producers export U.S.-made electronic components to the Mexican foundries for assembly with the Mexican-made castings. The finished valves are then exported back to the United States for use primarily in the electrical power generation, petrochemical, and water and wastewater industries.

Austria was the second leading supplier of imports of valves and components under *HTS* provision 9802.00.80 in 1994. The U.S. content of such imports from Austria in 1994 totaled $24 million, which accounted for 10 percent of the duty-free value of all valves and components imported under HTS provision 9802.00.80. U.S.-origin electronic components made up nearly two-thirds of the value of these imports from Austria, reducing the effective rate of duty on such valves to about 1.3 percent. In recent years, major U.S. valve manufacturers have increasingly obtained highly sophisticated specialty valves and components from Austria. Austria's valve producers have a reputation for high quality and product reliability, and also benefit from strategic geographical market location for distribution into the Middle East, and Central and Western Europe.

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Gas Stoves and Other Miscellaneous Products of Base Metal

This product sector includes a broad spectrum of manufactured articles of base metal that accounted for $26 billion in U.S. shipments in 1994.[40] Sector products are imported under 109 different HTS provisions; however, the predominant products of provision 9802.00.80 imports are gas stoves and ranges. Other significant products are buckles and buckle clasps; motor vehicle locks; and air heaters, hot-air distributors, and related parts. During 1991-94, U.S. exports of sector products rose by 46 percent to $2.8 billion while total U.S. imports increased by 52 percent to $3.5 billion (table 4-23).

Although the extent of foreign assembly varies widely, sector imports under provision 9802.00.80 grew by 29 percent in 1994, to $376 million. As a result, the share of total sector imports accounted for by production-sharing operations reached 11 percent. In 1994, components of U.S. origin accounted for a $200 million (53 percent) share of gas stoves under production-sharing provisions.

Mexico is the predominant source of U.S. production-sharing imports of sector products, accounting for 86 percent of the total in 1994 (table 4-24). The value of production-sharing imports from Mexico rose by 29 percent in 1994 to $323 million, 56 percent of which represented the value of U.S. components. Most of the increased imports from Mexico under the production-sharing provisions consisted of gas stoves and ranges, which constituted nearly two-thirds of the 9802.00.80 sector imports from that country in 1994.

Gas stoves and ranges accounted for 55 percent, or $207 million, of provision 9802.00.80 imports of sector products in 1994 (table 4-25). Mexico accounted for 88 percent of those imports and now supplies an estimated one-third of the U.S. domestic market for gas stoves and ranges.[41] Rather than merely shifting labor-intensive operations offshore, two of the five major U.S. home-appliance producers have entered into joint production ventures with Mexican partners,[42] not only for export to the United States, but more importantly, to secure new markets in Mexico and other Latin American countries with which Mexico has reciprocal free-trade agreements.[43] The Leiser facility in San Luis Potosi, a joint venture between General Electric and MABE, a consortium of Mexican appliance manufacturers, is reported to be the world's largest facility for producing gas stoves and ranges, with a capacity to produce up to 1 million units a year.[44]

Other important sector products involved in production-sharing are buckles, most of which are for use in motor-vehicle seat belts, and motor-vehicle locks. In 1994, just over one-half of all imported buckles entered the United States under provision 9802.00.80 and almost all came from Mexico. Of the

[39] Officials of Dresser Industries, Industrial Valve Operations, interview by USITC staff, Oct. 2, 1995.

[40] U.S. International Trade Commission *(USITC), U.S. Trade Shifts in Selected Industries, Merchandise, 1994 Annual Report (Investigation No. 332–345)*, USITC publication 2924, Sept. 1995.

[41] Official of U.S. appliance manufacturing industry, interview by USITC staff, Dec. 7, 1995.

[42] General Electric and Whirlpool Corp. produce gas stoves and ranges and other household appliances under joint ventures with MABE and Vitro Mexico, respectively.

[43] Officials of several major U.S. appliance manufacturers, both with and without joint ventures in Mexico, interviews by USITC staff, Dec. 7 and 14, 1995.

[44] *Appliance Magazine*, Mar. 1995, pp. 66–69; *Business Week*, Apr. 24, 1995, p. 38.

Table 4-23
Gas stoves and other miscellaneous products of base metal: U.S. imports for consumption—total, production sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars			*Percent*
1991	2,309	67	33	3	49
1992	2,669	188	86	7	46
1993	2,936	291	128	10	44
1994	3,502	376	200	11	53

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

Table 4-24
Gas stoves and other miscellaneous products of base metal: Total value of imports to the United States under *HTS* provision 9802.00.80, by principal sources, 1991-94
(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	44	156	250	323
Canada	21	27	36	48
Dominican Republic	1	3	3	5
All other	1	1	2	1
Total	67	189	291	376

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

Table 4-25
Gas stoves and other miscellaneous products of base metal: Total U.S. imports and imports under *HTS* provision 9802.00.80, by principal *HTS* subheadings, 1994

HTS subheading	Item	Total U.S. imports	Imports under 9802.00.80	U.S. content under 9802.00.80
7321.11.30	Gas stoves and ranges	237	207	95
8308.90.60	Buckles and buckle clasps	96	52	43
8301.20.00	Motor vehicle locks	172	32	24
7322.90.00	Air-heaters, hot-air distributors, and parts	80	35	13
	All other	2,918	50	24
	Total	3,502	376	200

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

$52 million in production-sharing value, U.S. content amounted to 83 percent or $43 million. Assembly of seat-belt buckles is extremely labor intensive, involving 10 to 20 pieces in the buckle-latch mechanism and up to 300 pieces in the retractor mechanism, including the metal tang. Tasks include fitting the component parts into place, fastening the parts together by driving screws and riveting, and testing the devices with operator-guided test equipment.[45] The assembled buckle and retractor mechanisms are shipped to motor-vehicle manufacturers in both the United States and Mexico.

Mexico also supplied almost all U.S. imports of motor-vehicle locks under the production-sharing provisions in 1994. Of the $32 million in production-sharing value, the U.S. content was 77 percent, or $24 million. Only one of the five major motor-vehicle lock manufacturers in the United States reported shifting labor-intensive assembly operations to Mexico.[46] Locks assembled in Mexico include cylindrical keyed locks for doors, trunks, hatches, and ignitions and, to a lesser extent, electronic pass-key systems for doors. High-tech electronic locks, such as touch-pad electronic locks for doors, are less likely to be sent abroad for assembly, due to proprietary concerns.

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Medical and Optical Goods

The United States is the world's largest producer of medical goods and among the largest for optical goods. In 1994, the United States accounted for about 45 percent of world output of medical goods, or slightly more than $25 billion, and about 25 percent of world output of optical goods, or just under $5 billion. During 1991-94, the U.S. trade surplus in medical goods increased at an average annual rate of 14 percent to $3.6 billion as export growth outpaced the rise in imports. U.S. trade in optical goods is marked by a growing deficit, which reached over $1 billion in 1994.[47]

In response to government and health care insurer pressures to hold down rapidly expanding health care costs, U.S. and foreign medical equipment suppliers[48] have been forced to become more competitive in an increasingly price-sensitive market for medical goods.[49] For example, large U.S. medical manufacturers such as Baxter Healthcare, Johnson and Johnson, Abbott Laboratories, and Becton Dickinson have established significant assembly operations in Singapore, Malaysia, Mexico, and, more recently, the Dominican Republic and Costa Rica. These operations benefit from relatively low wage rates while assembling U.S.-made components into finished medical goods.

U.S. medical equipment manufacturers are highly integrated with foreign medical goods industries in more advanced countries, such as Japan and countries in Europe. Major U.S. manufacturers such as Baxter Healthcare, General Electric Medical Systems, and Hewlett-Packard Medical Systems not only have significant investment in foreign manufacturing facilities but also trade important components, subassemblies, and medical equipment with major European and Japanese competitors such as Philips (Netherlands), Siemens (Germany), and Toshiba (Japan). Because of these patterns of trade and investment, both U.S.- and foreign-based manufacturers benefit from reduced duties under U.S. production sharing provisions when importing medical goods into the United States that are manufactured or assembled with U.S.-made com- ponents and subassemblies.[50]

The U.S. optical goods industry uses production sharing to a lesser extent than the medical goods industry. However, major U.S. suppliers of low-end ophthalmic products[51] maintain operations in low-wage countries such as Mexico and those in Asia to assemble U.S.-made components into final goods. U.S. manufacturers of high-precision optical goods such as astronomical instruments and lasers also assemble U.S.-manufactured precision optical components and subassemblies in these countries to lower manufacturing costs. Also benefiting from reduced duties under the U.S. production sharing provisions are foreign manufacturers of optical goods, such as Olympus and TOPCON (Japan), that use important U.S. components such as software and microprocessors in the production of optical equipment for export to the United States.[52] Japan's share of U.S. production sharing imports has been declining in recent years, however, as Japanese companies shift production of optical goods using U.S. components to lower wage East Asian countries.

During 1991-94, U.S. exports of medical and optical goods rose by 28 percent to $9.3 billion, while U.S. imports of these products increased by 20 percent

[45] Officials of U.S. auto–parts manufacturing firms, interviews by USITC staff, Dec. 11 and 14, 1995.

[46] Officials of U.S. auto–parts manufacturing firms, interviews by USITC staff, Dec. 13, 1995.

[47] Much of the deficit in optical goods is accounted for by sunglasses, eyeglass frames, and camera lenses. However, the U.S. optical goods industry remains competitive in advanced–technology goods such as lasers and other precision–optic products, many of which are used in defense applications.

[48] This has particularly had an effect on major suppliers of commodity hospital supplies such as bougies, catheters, drains, disposable surgical trays, and blood transfusion and collection equipment. However, such cost pressures have also affected producers of certain more specialized respiratory, dental, and electrodiagnostic equipment.

[49] U.S. industry representatives and investment analysts, telephone interviews by USITC staff, Dec. 6–8, and 11, 1995.

[50] U.S. industry representatives, telephone interviews by USITC staff, Dec. 6–8, 1995.

[51] Sunglasses, eyeglass frame parts, and other ophthalmic goods.

[52] U.S. and Japanese industry representatives, telephone interviews by USITC staff, Dec. 7, 1995.

to $6.8 billion. Imports of these products under provision 9802.00.80 increased by just 9 percent during the period as U.S. producers increasingly turned to the duty-free treatment afforded medical and optical goods from Mexico under NAFTA and from the Dominican Republic and Costa Rica under CBERA (table 4-26).[53] U.S.-origin components comprised a $291 million (47 percent) share of medical and optical goods under production sharing provisions in 1994.

Mexico is the leading supplier of U.S. production-sharing imports of medical and optical goods under *HTS* 9802.00.80, supplying 58 percent, or $357 million, of the total in 1994 (table 4-27). Mexico will likely remain an important site for assembly of U.S. medical and optical goods, owing to its proximity to the United States, competitively priced labor, and preferential tariff treatment under NAFTA. However, the use of *HTS* 9802.00.80 is expected to decline considerably over the next several years as U.S. producers increasingly take advantage of duty-free provisions for medical and optical goods now available under NAFTA [54] and elimination of the customs user fee on NAFTA-eligible imports will reduce the incentive to import under 9802.00.80.

The Netherlands was the second leading supplier of U.S. imports of medical and optical goods under provision 9802.00.80, with 16 percent of the total in 1994 (table 4-27). U.S. components accounted for only about 10 percent of the total value of such imports, reflecting the relatively small value of high-end U.S. components (such as microprocessors and software) used by major European producers in the manufacture and assembly of medical imaging devices.[55] U.S. production sharing imports from Japan, the fourth leading supplier in 1994, contained a relatively small amount of U.S. components, primarily microprocessors and software used in the manufacture of medical imaging devices and other electromedical equipment.

The Dominican Republic has become a leading offshore manufacturing and assembly site of commodity hospital products for several U.S.-based producers, as primarily, noted.[56] All of these companies manufacture and assemble higher end components and subassemblies in Puerto Rican subsidiaries and then have labor-intensive final assembly and packaging completed in lower wage CBERA countries. In addition, companies such as Baxter have recently built assembly facilities in Costa Rica, a small but rapidly growing supplier of U.S. imports of medical and optical goods under provision 9802.00.80.

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[53] Some U.S. companies continued to import products assembled in Mexico under *HTS* provision 9802.00.80 even after the rate of duty was reduced to zero under NAFTA because of initial uncertainty by the companies regarding documentation required to qualify for duty-free treatment under NAFTA's rules of origin. Some companies indicated that they continued to import goods under production sharing provisions after duties on medical and optical goods went to zero under NAFTA on Jan. 1, 1994, because they were not aware of the elimination of tariffs under NAFTA. U.S. industry officials, telephone interviews by USITC staff, Dec. 6–8, 1995. Still other companies continued to import under provision 9802.00.80 because of the partial exemption from the 0.19 percent Customs user fee applicable to imports from Mexico. See app. A for additional information about the Customs user fee.

[54] U.S. industry and government officials, telephone interviews by USITC staff, Dec. 6–8, and 11, 1995.

[55] Representatives of U.S. and European medical equipment manufacturers, telephone interviews by USITC staff, Dec. 11–13, 1995.

[56] U.S. industry representatives, telephone interviews by USITC staff, Dec. 6–8, 1995.

Table 4-26
Medical and optical goods: U.S. imports for consumption—total, production-sharing under *HTS* provision 9802.00.80, U.S. content, and percentage shares, 1991-94

Year	Total U.S. imports	9802.00.80 imports	U.S. content under 9802.00.80	9802.00.80 share of total imports	U.S. content share of total under 9802.00.80
		Million dollars			*Percent*
1991	5,682	567	265	10	47
1992	6,095	591	288	10	49
1993	6,562	601	306	9	51
1994	6,790	619	291	9	47

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

Table 4-27
Medical and optical goods: Total value of imports to the United States under HTS provision 9802.00.80, by principal sources, 1991-94

(Million dollars)

Source/country	1991	1992	1993	1994
Mexico	289	323	334	357
Netherlands	82	99	104	97
Dominican Republic	57	72	88	89
Japan	46	36	25	30
Canada	9	16	14	17
Costa Rica	2	(1)	5	8
Singapore	1	5	3	5
All other	81	39	29	16
Total	567	591	601	619

[1] Less than $500,000.

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

CHAPTER 5
Production Sharing in the U.S. Apparel Industry[1]

U.S. production-sharing trade in the apparel sector has greatly expanded since the late 1980s, when the United States first granted preferential market access to garments imported from Mexico and Caribbean Basin Initiative (CBI) countries.[2] Between 1989 and 1995, U.S. imports of apparel assembled from U.S. parts and entered under U.S. tariff provision 9802.00.80 grew by 271 percent to almost $8 billion (table 5-1).[3] With total U.S. apparel imports rising by 62 percent during the period, the share accounted for by 9802.00.80 trade more than doubled to 20 percent. All but a small part of the 9802.00.80 imports come from CBI countries and Mexico, which mainly compete with one another for assembly work from U.S. apparel firms. In 1995, 9802.00.80 trade accounted for 82 percent of U.S. apparel imports from CBI countries and 89 percent of those from Mexico.

The pattern of apparel competition in the region has changed since the implementation of the North American Free-Trade Agreement (NAFTA) on January 1, 1994. In the 4 years before NAFTA, U.S. apparel imports from CBI countries and Mexico rose at similar rates of 23 to 24 percent a year. The growth in CBI shipments since then, though still quite rapid, has lagged behind that of Mexico. In 1994, the growth rate slowed to 13 percent for CBI countries but accelerated to 33 percent for Mexico. In 1995, CBI shipments resumed the strong upward trend, rising at a 21-percent annual rate, or by $943 million, but Mexico's shipments rose by 52 percent, or by $987 million.[4] Although CBI countries have nearly doubled their share of total U.S. apparel imports since 1989, to 13.8 percent in 1995, Mexico has tripled its share to 7.3 percent. Mexico is now the third-largest, single-country supplier of apparel to the United States, with shipments in 1995 of $2.9 billion, trailing only China ($5.9 billion) and Hong Kong ($4.3 billion). However, the CBI countries as a group are the second-largest supplier, with 1995 shipments of $5.5 billion.

Part of the growth in U.S. apparel imports from Mexico since NAFTA entered into force may have come at the expense of CBI shipments. U.S. industry officials claim that NAFTA has led to a measurable diversion of apparel trade and investment from CBI countries to Mexico.[5] Although CBI countries continued to attract apparel investment during the first year of NAFTA, much of the expansion of the CBI apparel industry was reportedly predicated on the prospect of CBI countries receiving NAFTA-equivalent tariff and quota treatment.[6] However, uncertainty over the passage of legislation introduced in 1995 to "address the unintended consequences of the NAFTA on the CBI"[7] may reduce incentives for apparel investment in the CBI region. Moreover, the 50-percent devaluation of the Mexican peso during December 1994-January 1995 further affected the

[1] Apparel, as used in this chapter, includes garments of textile and nontextile (e.g., leather) materials.

[2] The CBI, enacted as the Caribbean Basin Economic Recovery Act in 1984, grants duty-free entry to most goods from 24 beneficiary countries. Most garments are among the items statutorily excluded from the CBI. For information on the CBI, see USITC, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers - Tenth Report 1994* (investigation No. 332-227), USITC publication 2927, Sept. 1995.

[3] For purposes of this chapter, U.S. imports under tariff provision 9802.00.80 also include those from Mexico under the 9802.00.90 provision.

[4] In comparison, U.S. apparel production declined at an annual rate of 4.6 percent in 1995. Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization," (historical data, Nov. 1995 revisions), Washington, DC, telephone interview by USITC staff, May 2, 1996.

[5] Letter to William V. Roth, Jr., Chairman, Senate Finance Committee, in support of NAFTA parity for CBI countries, jointly signed by the American Apparel Manufacturers Association, American Textile Manufacturers Institute, United States Apparel Industry Council, American Yarn Spinners Association, and American Fiber Manufacturers Association, Oct. 3, 1995.

[6] Remarks attributed to Peter King, chairman, Caribbean Textile and Apparel Institute, in an article by Canute James, "US Business Warns Against Denying Caribbean Parity," *The Journal of Commerce*, Oct. 31, 1995. Investment in Costa Rica, El Salvador, and Honduras for the production of apparel, which is not eligible for duty-free entry into the United States under the 1984 CBI program, totaled $43 million in 1994. This exceeded all the reported 1994 investment in CBI production of goods that are eligible for duty-free entry under the CBI program. See USITC, *Caribbean Basin Economic Recovery Act*, fn. 10, p. 39.

[7] Prepared statement of Ambassador Alexander F. Watson, Assistant Secretary of State, Inter- American Affairs, *Caribbean Basin Initiative: Hearing Before the Subcommittee on International Trade of the Committee on Finance, United States Senate, on S. 529 and H.R. 553*, 104th Cong., 1st sess., May 15, 1995 (Washington, DC: U.S. Government Printing Office, 1995), S. Hrg. 104-96, p. 52.

Table 5-1
Apparel: U.S. imports for consumption, total and under the 9802.00.80 tariff provision, by principal suppliers (based on the value of U.S. components contained in the 9802.00.80 imports in 1995), 1989-95[1]

(Million dollars)

Country	1989	1990	1991	1992	1993	1994	1995
				Total imports			
Mexico	590	709	908	1,181	1,415	1,889	2,876
Dominican Republic	672	723	940	1,235	1,443	1,600	1,753
Honduras	87	113	197	368	510	650	934
Costa Rica	327	383	441	590	653	685	756
Jamaica	223	235	252	292	388	454	531
El Salvador	42	54	90	166	251	398	583
Guatemala	131	192	335	457	552	600	691
Colombia	130	157	212	296	324	363	370
Haiti	181	172	155	68	99	33	78
Other	22,152	22,780	22,720	26,582	28,269	30,206	31,088
Total	24,535	25,518	26,250	31,235	33,904	36,878	39,660
CBI countries, total	1,769	1,985	2,533	3,292	4,015	4,538	5,481
				9802.00.80 imports			
Mexico	512	614	796	1,035	1,255	1,716	2,549
Dominican Republic	559	583	784	1,032	1,211	1,377	1,565
Honduras	68	88	144	249	336	452	676
Costa Rica	253	296	365	481	543	587	670
Jamaica	160	158	173	217	313	371	448
El Salvador	33	41	76	130	185	303	477
Guatemala	80	119	227	322	425	450	520
Colombia	102	115	150	203	221	251	271
Haiti	162	152	138	63	93	31	75
Other	220	246	288	392	452	492	730
Total	2,149	2,412	3,141	4,124	5,034	6,030	7,981
CBI countries, total	1,356	1,475	1,958	2,550	3,169	3,634	4,510
				U.S. content of 9802.00.80 imports			
Mexico	357	435	555	712	869	1,194	1,792
Dominican Republic	378	396	532	702	810	878	989
Honduras	50	66	107	181	236	325	479
Costa Rica	172	205	254	340	375	387	443
Jamaica	115	118	130	167	249	299	363
El Salvador	20	25	44	80	103	160	260
Guatemala	42	60	117	162	219	218	258
Colombia	57	63	82	109	115	145	169
Haiti	113	108	98	47	63	22	52
Other	59	58	69	77	94	111	117
Total	1,363	1,534	1,988	2,577	3,133	3,739	4,922
CBI countries, total	918	1,002	1,315	1,714	2,093	2,328	2,889

[1] The 9802.00.80 imports from Mexico in 1994 include those under U.S. tariff provisions 9802.00.8055 (NAFTA tariff preference levels), 9802.00.90 (NAFTA provision for apparel assembled from U.S. formed and cut fabric), and 9802.00.8065 (other). Pre-NAFTA imports from Mexico, as well as imports from all other countries, are those entered under provisions 9802.00.8065 (formerly 9802.00.8060) and 9802.00.8015 (formerly 9802.00.8010).

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

competitive balance between Mexico and CBI countries by effectively reducing dollar prices of Mexican goods in the U.S. market.

This chapter examines recent developments related to 9802.00.80 trade in the U.S. apparel sector, including U.S. programs that encourage production sharing in CBI countries and Mexico. It reviews NAFTA provisions affecting apparel trade and discusses U.S. initiatives to extend NAFTA parity to CBI countries. The chapter concludes with an assessment of the outlook for U.S. apparel production sharing, given that apparel trade will become less restrictive as a result of the Uruguay Round agreement that phases out the Multifiber Arrangement system of textile and apparel quotas by 2005.

Recent Globalization Trends

The expansion of U.S. apparel production-sharing trade is part of a broader trend of globalization in garment production. Productive capacity in the world apparel industry continues to move from developed countries to lower cost production sites, mainly in Asia. Since 1989, notwithstanding significant quota and tariff restraints, U.S. apparel imports have grown by 62 percent to almost $40 billion in 1995, and now account for roughly half the domestic market. Developing countries in Asia supply the vast majority of U.S. apparel imports, although their share of the imports in the past 5 years has fallen by 10 percentage points to 65 percent.

Intense competition in the U.S. apparel market, especially from low-cost imports from Asia, has spurred a number of U.S. garment producers to set up sewing operations in CBI countries and Mexico to reduce production costs. The region offers competitively priced labor to perform labor-intensive sewing tasks, and its proximity to the United States provides the U.S. firms with greater management and quality control over production, quicker turnaround, and lower transportation costs than would Asian operations. According to industry sources, this international division of labor enables U.S. producers to improve the relative price competitiveness of their product line and helps keep higher wage production jobs in the United States.[8] U.S. firms shipped $4.7 billion worth of garment parts to CBI countries and Mexico for assembly in 1995, an increase of 267 percent since 1989 (table 5-1). As a result of this growth, the region is the fastest growing major supplier of apparel to the United States. From 1989 to 1995, U.S. apparel imports from the region rose by 254 percent, to nearly $8.4 billion, compared with an increase of just 41 percent for apparel imports from all other countries.

U.S. apparel firms have achieved a high level of efficiency in assembling basic garments offshore under production-sharing arrangements. The 9802.00.80 apparel trade is concentrated in garments whose production involves standardized runs, simple tasks, and few styling changes (table 5-2), unlike U.S. apparel imports from the Far East, which represent a cross section of domestic demand. More recently, however, U.S. firms have expanded apparel production sharing to garments requiring higher levels of production flexibility and sewing skills.

Given their growth, 9802.00.80 imports now account for an important and growing share of U.S. producers' shipments in several apparel segments. For foundation garments, mainly brassieres, 9802.00.80 imports accounted for 70 percent of U.S. producers' shipments in 1994 (table 5-3). These goods are especially suited to production sharing because their manufacture is labor intensive and because they are lightweight, thereby minimizing shipping costs. For underwear, 9802.00.80 imports rose from just under 8 percent of U.S. producers' shipments in 1989 to 33 percent in 1994. Preliminary data for 1995 show that 9802.00.80 imports accounted for 48 percent of U.S. producers' shipments of underwear. The gain underscores the keen competition in the market for such low value-added goods, the assembly of which involves relatively few sewing steps. Imports supplied about 56 percent of the U.S. underwear market in 1995, and slightly more than one-half of these imports were 9802.00.80 goods. Several large U.S. producers have set up operations offshore, including Fruit of the Loom, Inc., and Sara Lee Corp., which together supplied 70 percent of the market for men's and boys' underwear and 44 percent of that for women's and girls' panties in 1995.[9] For Fruit of the Loom, offshore assembly accounted for 20 to 25 percent of its 1994 production for North American markets, and it is expected to reach 30 percent in 1995 and at least 40 percent by 1997. The firm reportedly saves about 5 percent, or $1.25 per dozen garments, by sewing the U.S.-made components offshore rather than in the United States, for a total cost savings of roughly $35 million a year.[10]

[8] Larry K. Martin, president, American Apparel Manufacturers Association (AAMA), letter to President Clinton, Apr. 16, 1996, in support of NAFTA parity for CBI countries. Workers in the U.S. apparel industry who cut fabric into garment parts earned an average hourly wage in 1995 of $9.08, compared with $6.81 for sewing machine operators. See AAMA, *1995 Apparel Plant Wages Survey*, Arlington, VA, p. 24.

[9] Sara Lee Corp., *A Growth Company - 1995 Annual Report*, Chicago, p. 34. Sara Lee sells knitwear under such brand names as Hanes and Champion.

[10] Information on Fruit of the Loom is mainly from John S. Pickler, CFA, "For Textiles and Apparel, the U.S. Market Is It - but International Strategies Can Help Margins," *Store Wars 4 - A Consumer Group Research Bulletin* (New York: Prudential Securities Inc., Sept. 1995), p. 14.

Table 5-2
Apparel: U.S. imports for consumption, total and under the 9802.00.80 tariff provision, by principal items (based on the value of U.S. components contained in the 9802.00.80 imports), 1995

Item	Total imports	9802.00.80 imports		Ratio of 9802.00.80 imports to total imports	Ratio of U.S. content to total 9802.00.80 imports
		Total	U.S. content		
		Million dollars		*Percent*	
Trousers and shorts	7,426	2,630	1,568	35	60
Shirts and blouses	11,986	1,693	1,095	14	65
Robes, nightwear, and underwear	2,673	1,105	727	41	66
Foundation garments (brassieres)	927	686	464	74	68
Coats, jackets, suits, and skirts	6,091	823	400	14	49
Disposable apparel	475	223	157	47	70
Hosiery	363	164	153	45	93
Dresses	1,443	182	76	13	42
Gloves	1,733	52	29	3	56
Other	6,543	423	253	4	58
Total	39,660	7,981	4,922	20	62

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

Table 5-3
Selected apparel products: U.S. producers' shipments and 9802.00.80 imports for consumption, 1989-94

(1,000 dozen)

Item	1989	1990	1991	1992	1993	1994
Shirts and blouses:						
U.S. producers' shipments	147,164	142,000	129,762	153,050	[1]159,415	[1]166,784
9802.00.80 imports	7,389	(2)	7,882	11,340	16,920	[3] 22,170
Percentage share	5.0	(2)	6.1	7.4	10.6	13.3
Trousers and shorts:						
U.S. producers' shipments	77,854	73,709	79,838	89,563	93,976	96,037
9802.00.80 imports	13,310	(2)	17,400	22,262	25,175	[3]29,551
Percentage share	17.1	(2)	21.8	24.9	26.8	30.8
Coats and jackets:						
U.S. producers' shipments	11,357	[1]10,800	8,140	8,707	9,773	9,708
9802.00.80 imports	850	(2)	1,323	1,716	2,329	[3]2,312
Percentage share	7.5	(2)	16.3	19.7	23.8	23.8
Foundation garments (mainly brassieres):						
U.S. producers' shipments	23,430	22,563	23,949	26,769	26,185	29,101
9802.00.80 imports	14,039	(2)	14,980	17,787	19,942	[3]20,309
Percentage share	59.9	(2)	62.5	66.4	76.2	69.8
Underwear:						
U.S. producers' shipments	150,903	152,925	157,731	171,726	169,402	168,490
9802.00.80 imports	11,756	(2)	23,084	30,842	42,067	[3]55,994
Percentage share	7.8	(2)	14.6	18.0	24.8	33.2
Pajamas and other nightwear:						
U.S. producers' shipments	16,276	11,664	10,751	10,857	10,370	10,625
9802.00.80 imports	1,766	(2)	2,109	2,465	2,940	[3]3,086
Percentage share	10.9	(2)	19.6	22.7	28.4	29.0

[1] Partially estimated by USITC staff.
[2] Not available.
[3] Revises published data of the U.S. Department of Commerce, Bureau of the Census.

Source: U.S. Department of Commerce, Bureau of the Census, *Current Industrial Reports: Apparel Summary for 1994* (MQ23A), Aug. 1995, and back issues, except as noted.

U.S. Trade Programs

U.S. trade programs established under the 9802.00.80 (formerly 807) provision have also been a major force in facilitating the expansion of apparel production sharing. The 9802.00.80 provision provides a duty exemption for U.S.-made components that are returned to the United States as parts of articles assembled abroad.[11] The duty exemption can provide 9802.00.80 goods with a significant duty savings relative to similar Asian items, which seldom contain U.S. components. The use of the 9802.00.80 provision by U.S. apparel firms rose sharply following implementation of the "807A" program for CBI countries in 1986 and Mexico in 1989. The 807A program provides for guaranteed access to the U.S. market for apparel assembled in participating countries from "fabric wholly formed and cut in the United States." Rather than being assessed against regular quotas, 807A imports from CBI countries enter under "guaranteed access levels" (GALs) and pre-NAFTA 807A goods from Mexico entered under "special regime" quotas. The United States currently has agreements providing for GALs and regular quotas with six CBI beneficiaries--Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Jamaica (table 5-4).[12] An 807A program became operational for Andean Trade Preference Act (ATPA) countries on August 24, 1995, when the first special regime quotas entered into force for Colombia.[13]

The NAFTA provision having the greatest impact on apparel production-sharing trade to date allows imports of 807A garments (i.e., those assembled of U.S. formed and cut fabric) from Mexico to enter free of duty and quota. The 807A garments enter duty-free under the NAFTA-created 9802.00.90 provision and accounted for just over 80 percent, or $2.3 billion, of U.S. apparel imports from Mexico in 1995.[14] These

[11] In general, duty is assessed only on the value added abroad and not on the value of the U.S. components sent offshore for assembly. The components must be exported essentially ready for assembly. The fabric for making the components can be of either U.S. or foreign origin as long as the material is cut to shape in the United States.

[12] The bilateral agreement with Haiti providing for GALs and regular quotas expired on December 31, 1994. U.S. trade with Haiti has been severely affected by the embargo that the United States imposed in October 1991. President Clinton revoked the embargo following restoration of the democratically elected Government in Haiti in October 1994.

[13] Apparel imports from the other ATPA countries, Bolivia, Ecuador, and Peru, are currently not subject to quota. For information on ATPA, see USITC, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution* (investigation No. 332-352), USITC publication 2926, Sept. 1995.

[14] U.S. imports from Mexico under the 9802.00.90 provision are also exempt from a Customs user fee of 0.19 percent (see app. A of this report for a discussion of the fee). On June 30, 1999, the fee will be eliminated for goods from Mexico that meet NAFTA rules of origin.

Table 5-4
Apparel: U.S. imports for consumption under the 9802.00.80 tariff provision from Mexico and from CBI countries with GALs, 1995[1]

Source and type	Total	U.S. content	Ratio of U.S. content to total
	1,000 dollars		*Percent*
Mexico, total	2,548,756	1,791,813	70.3
NAFTA tariff preference level (9802.00.8055)	7,043	4,024	57.1
NAFTA tariff provision 9802.00.90	2,322,339	1,656,648	71.3
Regular 9802.00.80 imports	219,374	131,141	59.8
Dominican Republic, total	1,565,152	988,903	63.2
GALs	766,818	487,643	63.6
Regular 9802.00.80 imports	798,334	501,260	62.8
Costa Rica, total	670,208	443,106	66.1
GALs	141,186	95,770	67.8
Regular 9802.00.80 imports	529,022	347,336	65.7
Honduras, total[2]	675,808	479,458	70.9
Guatemala, total	519,525	258,121	49.7
GALs	157,580	85,454	54.2
Regular 9802.00.80 imports	361,945	172,667	47.7
Jamaica, total	448,061	363,061	81.0
GALs	245,477	201,349	82.0
Regular 9802.00.80 imports	202,584	161,712	79.8
El Salvador, total	477,303	260,176	54.5
GALs	18,901	12,728	67.3
Regular 9802.00.80 imports	458,402	247,448	54.0

[1] Although the bilateral textile agreement with Haiti providing for GALs and regular quotas expired on December 31, 1994, official U.S. statistics for 1995 show apparel imports from Haiti under the GALs of 4,694 thousand dollars.
[2] GALs effective in 1996.

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

807A garments compete directly with most of the 9802.00.80 apparel imports from CBI countries, which are still subject to duty on the value added offshore.[15] Moreover, NAFTA duty preferences for Mexican 807A garments apply even if the goods do not meet the NAFTA "yarn forward" rule of origin[16] or if they undergo certain finishing processes in Mexico after assembly, namely bleaching, garment dyeing, stone-washing, acid-washing, or permapressing. For imports from CBI countries or any other country under the 9802.00.80 provision, treatment of apparel in any such manner constitutes further fabrication and disqualifies the treated garments from a partial duty exemption even though they contain U.S. parts.

NAFTA Parity

Even before NAFTA was adopted, CBI countries contended that the trade pact potentially threatened their economic stability by diverting U.S. apparel production-sharing trade to Mexico. The apparel industry is one of the most important sectors in CBI countries, which individually are small in size and rely heavily on the industry for jobs and export earnings. Although apparel is ineligible for duty-free entry under the 1984 CBI program, it does benefit from reduced duties under the 9802.00.80 provision, as well as preferential market access under the GALs and relatively few restrictive quotas.[17] As such, apparel represents a major and growing share of U.S. merchandise imports from CBI countries, accounting for 44 percent of the total in 1995, up from 25 percent in 1989 and from less than 5 percent in the early 1980s.

U.S. apparel firms with production-sharing arrangements in CBI countries have expressed concern about their ability to remain financially viable in the region without NAFTA parity. U.S. firms operating in Costa Rica, for example, claim that NAFTA parity is key to their survival there.[18] Average labor costs in Costa Rica are estimated to be about three times higher than those in Mexico following the devaluation of the Mexican peso. Although productivity in Costa Rica is estimated to be 20 to 25 percent higher than in Mexico, the total cost for assembling garments, plus shipping and duty costs, is as much as 80 to 85 percent higher for Costa Rica than for Mexico.[19]

In response to these concerns, both the Clinton administration and Members of Congress have proposed legislation to extend NAFTA parity to CBI apparel. In May 1994, the Clinton administration proposed an "Interim Trade Program for the Caribbean Basin" for inclusion in the Uruguay Round implementing legislation. The program would have given CBI countries almost the same access to the U.S. apparel market as Mexico receives under NAFTA, provided that they met reciprocal obligations regarding foreign investment and intellectual property rights protection. However, the program was not included in the final Uruguay Round legislation.

Legislation introduced in both houses of the 104th Congress early in 1995, the Caribbean Basin Trade Security Act (H.R. 553 and S. 529), would make available NAFTA-like treatment to qualifying apparel and all other goods now exempted from duty-free entry under the CBI. No action has been taken on the Senate bill; the House bill was favorably reported by the Subcommittee on Trade of the Ways and Means Committee but it has not been considered by the full committee to date. In February 1996, the administration announced that the President will include an "interim trade program" providing for NAFTA parity for CBI apparel, as well as textiles, footwear, and petroleum, in the 1997 budget

14—*Continued*
The fee will still apply to imports from Mexico that do not "originate" in the NAFTA region but can be marked as goods of Mexico—for example, garments entered under provision 9802.00.8055, which provides for NAFTA preferential tariff treatment for a limited quantity of garments assembled from U.S. components of non-North American fabric. Once this "tariff preference level" (TPL) has been reached, any further imports of goods of that TPL category during that year will be subject to duty at the normal, most-favored-nation rate.

15 For every $10 in f.o.b. value, a typical CBI garment entered under the 9802.00.80 provision contains $6.40 in duty-free U.S. components and $3.60 in dutiable, foreign value-added. Applying the 1995 trade-weighted tariff for apparel of 16.1 percent to the foreign value-added yields a duty of $0.58, or an ad valorem equivalent of 5.8 percent.

16 NAFTA preferences apply to goods that "originate" in the United States, Canada, and Mexico, that is, the goods meet the NAFTA rules of origin. Most garments are subject to a yarn forward origin rule, whereby all manufacturing steps from the point of yarn formation forward must take place in North America. Most fabrics produced in the United States contain domestically produced yarn.

17 Certain segments of the U.S. apparel industry recently called for the elimination of the 807A (GALs) program, stating that 807A trade "is devastating domestic production of apparel by small and medium sized businesses in the United States." See letter forwarded on March 13, 1996, to Ambassador Michael Kantor, United States Trade Representative, and jointly signed by the National Knitwear and Sportswear Association, American Apparel Contractors Association, Atlantic Apparel Contractors Association, South East Apparel Manufacturers and Suppliers Association, and certain of their members.

18 Information in paragraph is based on data in U.S. Department of State message reference No. 006250, "Textile Sector Claims NAFTA Parity Key to Survival," prepared by U.S. Embassy, San Jose, Nov. 21, 1995.

19 Labor costs in Costa Rica are the highest of the major apparel-exporting CBI countries. In Nicaragua, new workers in the free trade zone earn 70 cents an hour which, based on mid-1995 data, is 46 percent lower than similar wages in Costa Rica, 22 percent lower than in El Salvador, and 12 percent lower than in Honduras and Guatemala. See U.S. Department of State message reference No. 000108, "IMI: Maquila Sector - Strong Growth Continues," prepared by U.S. Embassy, Managua, Jan. 11, 1996.

proposal.[20] The budget proposal submitted to Congress in March 1996 provided for funds for such a trade program; however, as of May 6, 1996, the administration had not submitted a draft bill proposing the establishment of the program.[21]

An important concern of the U.S. textile and apparel sector relating to the NAFTA parity legislation was the provision that would grant the administration authority to establish tariff preference levels (TPLs) similar to those in NAFTA for CBI goods. TPLs are annual tariff-rate quotas that would permit limited quantities of CBI goods that do not meet specified rules of origin (e.g., goods made with foreign fabric) to enter at preferential tariff rates accorded Mexico under NAFTA. U.S. apparel firms with production-sharing arrangements in the CBI region contend that TPLs are essential in providing flexibility to use cost-competitive non-NAFTA materials and in balancing their needs with the capabilities of CBI countries.[22] The U.S. textile industry, which supplies fabric for apparel production, claims that while TPLs are appropriate for NAFTA, they are inappropriate for one-way special access programs because the legislation does not provide for full-NAFTA reciprocal concessions.[23] To facilitate passage of H.R. 553, the textile and apparel producers had agreed to compromise language that would limit the TPLs to 9802.00.80 goods assembled from fabric that is in "short supply" in the United States and cap the TPLs at 10 percent of the 9802.00.80 trade in that article for each CBI country seeking them.

Data from a U.S. industry source indicate that NAFTA parity for CBI countries would enhance the price competitiveness of these countries relative to Mexico. For cotton casual slacks and knit golf shirts of polyester and cotton, table 5-5 shows the competitive position of Mexico under NAFTA relative to the Dominican Republic under the 9802.00.80 provision, and to South Korea and Pakistan. For slacks from Mexico, the average landed cost was 14 percent lower than that of the slacks from the Dominican Republic and even lower compared with South Korea or Pakistan. One-half of the cost difference between Mexico and the Dominican Republic is attributable to the duty. If NAFTA parity were granted to CBI countries, Mexico's cost advantage over the Dominican Republic would narrow to 7 percent. For knit shirts from Mexico, the average landed cost was 11 percent lower than that of the goods from the Dominican Republic. The duty accounted for 61 percent of the cost difference between Mexico and the Dominican Republic. If NAFTA parity were granted to CBI countries, Mexico's cost advantage over the Dominican Republic would narrow to slightly less than 5 percent.

[20] Warren Christopher, Secretary of State, in an address before the Legislative Assembly of El Salvador, Feb. 26, 1996.

[21] Official of the Office of the United States Trade Representative, telephone interview by USITC staff, May 6, 1966.

[22] See, for example, statement of Thomas W. Tusher, president and chief operating officer, Levi Strauss & Co., *Caribbean Basin Initiative: Hearing Before the Subcommittee on International Trade of the Committee on Finance, United States Senate, on S. 529 and H.R. 553*, 104th Cong., 1st sess., May 15, 1995 (Washington, DC: U.S. Government Printing Office, 1995), S. Hrg. 104-96, pp. 73-76.

[23] Testimony of Carlos Moore, executive vice president, American Textile Manufacturers Institute, *H.R. 553, The Caribbean Basin Trade Security Act: Hearing Before the Subcommittee on International Trade of the Committee on Ways and Means, House of Representatives*, 104th Cong., 1st sess., Feb. 10, 1995 (Washington, DC: U.S. Government Printing Office, 1995), serial 104-4, p. 99.

World Trade Organization Agreement on Textiles and Clothing

World trade in textiles and apparel had been largely governed by the terms of the 1974 Multifiber Arrangement (MFA), and predecessor arrangements, which permitted the use of quotas without compensation, contrary to the general prohibition against their use under the General Agreement on Tariffs and Trade (GATT). On January 1, 1995, the Agreement on Textiles and Clothing (ATC) entered into force as part of the World Trade Organization (WTO) agreements and replaced the MFA. The ATC provides for the gradual and complete integration of textiles and apparel into the GATT regime over a 10-year transition period ending on January 1, 2005.[24]

The ATC provides for the phased liberalization and elimination over the transition period of quotas on textile and apparel imports from countries that are WTO members.[25] It accomplishes this result through two mechanisms: product integration, including quota removal, and the acceleration of growth rates for quotas still in effect during the transition period. Based on 1990 trade volume, WTO countries must integrate at least 51 percent of their trade into the GATT regime in three stages during the 10-year period and the rest on January 1, 2005. As products are integrated into the GATT, they become subject to normal GATT rules. Product integration will have long-term implications for the U.S. apparel industry but limited near-term effects because most import-sensitive goods covered by the ATC will remain under quota throughout the transition period.

[24] U.S. House of Representatives, "Statement of Administrative Action," *The Uruguay Round Trade Agreements, Texts of Agreements Implementing Bill, Statement of Administrative Action and Required Supporting Statements, Message from the President of the United States*, Sept. 27, 1994, House Doc. 103-316, vol. 1, pp. 108-109. Also see USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (Investigation No. 332-353), USITC publication 2790, June 1994.

[25] The United States has textile and apparel quotas with 45 countries, 36 of which are WTO members. The non-WTO countries subject to U.S. quotas, including China and Taiwan, are ineligible for quota liberalization.

Table 5-5
Cost comparison of selected apparel products from Mexico, the Dominican Republic, South Korea, and Pakistan, 1995

(Per dozen)

Item	Cotton slacks				Polyester/cotton knit shirts			
	Mexico	Dominican Republic	South Korea	Pakistan	Mexico	Dominican Republic	South Korea	Pakistan
F.o.b. price	$51.11	$54.78	$78.07	$57.18	$32.89	$34.31	$45.46	$25.27
Transportation	.88	1.23	1.86	3.30	.46	.64	.96	1.71
Duty[1]	.00	4.44	13.74	10.06	.00	2.59	15.59	8.67
Other costs	.35	.39	1.76	1.97	.30	.34	1.24	1.11
Total landed cost	52.34	60.84	95.43	72.51	33.65	37.88	63.25	36.76

[1] For the Dominican Republic, duty was applied to the foreign value-added, which averaged 46 percent of the f.o.b. value for the slacks and 22 percent for the knit shirts in 1994. The 1995 rates of duty were 17.6 percent ad valorem for the slacks and 34.3 percent for the knit shirts.

Source: Compiled by USITC staff based on data from Kurt Salmon Associates, Atlanta, GA.

The acceleration of quota growth rates under the ATC is likely to affect U.S. import levels sooner than product integration. Bilateral agreements established under the MFA had specified the percentage rates at which the quotas could grow annually. For products under restraint, the ATC required importing countries to increase the quota growth rates for major supplying countries by 16 percent on the date of the WTO's enactment. These growth rates are to be increased by an additional 25 percent in 1998 and by another 27 percent in 2002. Given that real growth in consumer spending on apparel averaged only 2.8 percent a year during 1989-95,[26] it is likely that many remaining individual-country quotas will soon grow to a level where they no longer restrict trade.

The ATC also allows WTO countries during the transition period to limit imports of textiles or apparel by applying a "transitional safeguard" when imports of a product cause or threaten serious damage to a domestic industry producing a like or directly competitive article. In 1995, certain segments of the U.S. textile and apparel sector expressed concern that imports from certain CBI countries had exceeded those of other countries under quota in several categories, mainly those for cotton and manmade-fiber underwear and nightwear. Partly as a result of this concern, the Committee for the Implementation of Textile Agreements (CITA), an interagency group charged with implementing and enforcing U.S. textile agreements, issued 10 of 28 "calls" in 1995 to CBI countries that are major suppliers in these categories.[27] CITA negotiated regular quotas and relatively large GALs for seven of the CBI calls and rescinded two other CBI calls. For the call on cotton and manmade-fiber underwear from Costa Rica, the United States exercised its right under the ATC to set a quota unilaterally pending a mutually agreed solution. The United States imposed a quota for the 12-month period ending on March 26, 1996, of 14.4 million dozen, the amount that Costa Rica shipped in all of 1994.[28] Costa Rica filled the quota. The United States continued the quota for an additional 12-month period, and increased it to almost 15.3 million dozen.

Outlook for U.S. Apparel Production Sharing

During the 10-year quota phaseout period under the ATC, the U.S. textile and apparel sector likely will further develop an integrated production base in the Western Hemisphere in an effort to remain competitive with major foreign competitors. The creative and capital-intensive steps of apparel production—such as design, fabric formation, marketing, and distribution—will likely remain in the United States, while the more labor-intensive assembly tasks will likely continue to move to CBI countries and Mexico. The proximity of these countries to the United States should enable U.S. firms increasingly to assemble time-sensitive, market-driven garments in their offshore operations. Although U.S. firms report that lower costs are important, other considerations such as proximity to suppliers and markets and the ability to react quickly to retailer demands and changing fashions are expected to become dominant competitive

[26] U.S. Department of Commerce, Bureau of Economic Analysis, fax dated Apr. 15, 1996, of a table showing personal consumption expenditures by major products in "chained" 1992 dollars.

[27] A call is a formal request for consultations, following a CITA finding of serious damage or threat thereof, for the purpose of setting a quota.

[28] At the request of Costa Rica, the WTO Dispute Settlement Body on March 5, 1996, established a dispute settlement panel to examine whether U.S. application of a transitional safeguard on imports of cotton and manmade-fiber underwear from Costa Rica is consistent with U.S. obligations under the ATC. The panel is expected to issue a report detailing its findings and recommendations in 6 to 9 months. See U.S. Department of State message reference No. 001732, "WTO Dispute Settlement Body Meeting of March 5, 1996," prepared by U.S. Mission, Geneva, Mar. 13, 1996; and Office of the United States Trade Representative, "WTO Dispute Settlement Proceedings Concerning U.S. Restrictions on Cotton and Manmade Fiber Underwear from Costa Rica," 61 *Federal Register* 12129, Mar. 25, 1996.

factors. Because consumer spending on apparel is expected to show little real growth for the rest of the decade, most sales growth for U.S. producers is expected to be through increased market penetration.[29]

U.S. apparel firms seeking a low-cost production base in the Western Hemisphere are expected to be drawn increasingly to Mexico if NAFTA parity is not soon granted to CBI countries. Mexico benefits from unrestricted access to the U.S. market, competitive labor costs, and favorable land-transportation linkages with the United States. Although Mexico's competitive edge under NAFTA will diminish somewhat once WTO countries gain quota-free access to the U.S. apparel market, Mexico will still retain a considerable duty advantage. Most apparel imports (807A-type items) from Mexico already enter duty-free under NAFTA, while the rates of duty for most other originating garments from Mexico will be phased out by 1999. For non-NAFTA countries other than Israel, U.S. rates of duty for garments covered by the MFA average 19 percent ad valorem. In recognition of the quota phaseout, the United States in the Uruguay Round agreed to cut such tariffs by an average of only 9 percent over 10 years.

The outlook for U.S. apparel production-sharing trade with CBI countries is somewhat clouded by the uncertain prospects for approval of NAFTA parity legislation for the region. Although many CBI countries have lower labor costs than Mexico and, recently, shipping costs for CBI apparel trade have fallen sharply, the possibility exists that CBI countries will no longer be economically competitive in apparel assembly without enhanced preferential access to the U.S. market. The phaseout of U.S. apparel quotas under the ATC will gradually erode the preferential market access that CBI countries now enjoy under the GALs and expose the region to heightened competition in the U.S. market from low-cost exporting countries in the Far East whose shipments are currently under quota.

Moreover, an established infrastructure already exists in the Far East to produce raw materials for apparel, cut and sew garments, and otherwise offer a complete and competitively priced import package to U.S. buyers. By contrast, most apparel contractors in CBI countries, as well as those in Mexico, only provide sewing services, lacking the finances and experience to handle complete import packages.[30] As such, CBI assembly operations may gradually move to Mexico or the garments will be sourced from the Far East where there is little use of U.S. materials in garment production. Such a shift in output to the Far East will likely hurt the U.S. textile mill industry because the CBI region is its largest market for exports of textiles, either as cut garment parts, yarns, or fabrics. In 1995, U.S. textile exports to the CBI countries totaled $3.0 billion and those to Mexico amounted to $2.1 billion, compared with about $500 million in U.S. exports of yarns and fabrics to the major apparel-exporting countries in the Far East.[31]

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[29] One analyst expects real growth in U.S. consumer spending on apparel to average about 1 percent a year for the rest of the decade. See Pickler, CFA, *Store Wars 4*, p. 11.

[30] Kurt Salmon Associates, "Sourcing: Shake-ups and Shortfalls," *New Connections*, Atlanta, GA, Winter 1995.

[31] The countries in the Far East are China, Hong Kong, Taiwan, South Korea, and the ASEAN countries, which together supplied 46 percent, or $21.6 billion, of U.S. textile and apparel imports in 1995. Apparel items accounted for $2.5 billion of the U.S. textile exports to the CBI countries in 1995, and for $1.3 billion of the exports to Mexico. It is believed that most of these apparel exports are garment parts for assembly; the assembled garments are reimported under the 9802.00.80 provision. Data are from U.S. Department of Commerce, Office of Textiles and Apparel, *Textile & Apparel Trade Balance Report*, Internet (http://www.ita.doc.gov/industry/textiles/tbrexp.html), Mar. 20, 1996.

CHAPTER 6
Production Sharing in Europe

The outward processing provisions of European Union (EU) customs law, also referred to as outward processing trade (OPT),[1] establish a production-sharing scheme similar in result to HTS provision 9802.00.80 in the United States. The developments in regional business alliances in Europe for OPT purposes are treated separately in this chapter because these trends have implications for U.S. companies competing in Europe.[2] Sourcing patterns in Europe compared with U.S. production-sharing trends during 1991-94 provide insights on emerging competitive relationships, particularly in light of recent trade liberalization in Central and Eastern European (CE) economies. Assembly in CE countries presents opportunities for both Western European and U.S. companies seeking to reduce manufacturing costs in Europe.

Production sharing in Europe is driven by similar economic incentives and considerations as production sharing in North America. To remain competitive in the international marketplace, manufacturers in high labor-cost regions of Europe have moved some of their more labor-intensive production and assembly operations to neighboring countries with lower labor costs and, in some cases, even to extra-continental regions.[3]

In addition to low labor costs, factors such as labor skills and education, adequate transportation and financial infrastructures, and technological know-how are also important variables in determining the scope and direction of the disbursement of these contracts/operations in Europe and elsewhere. Moreover, EU firms have often used the OPT to gain access to new markets, particularly in CE. In addition to geographical proximity, the combined effect of low wages and high literacy rates may have helped the former Soviet-bloc countries in CE to attract most of the EU's OPT contracts during 1991-94 (see figure 6-1).

"Outward processing relief arrangements"[4] allow EU goods to be temporarily exported from the customs territory of the EU for the purpose of processing operations. Products resulting from such production-sharing activities may be granted partial relief from duties upon importation into the EU. The types of operations that may benefit from EU production-sharing provisions comprise the working (including fitting or assembly or adaptation to other uses), processing, and repair of goods. By contrast, U.S. production-sharing provisions are applicable only to goods that have been assembled or metal that has been processed. EU production-sharing provisions differ also from U.S. provisions in that only EU citizens or companies are granted authorization to use OPT. There is no comparable restriction on the use of *HTS* provision 9802.00.80. Further, all transactions must have the prior approval of the EU member country or countries of export and the member country into which goods will be reimported.[5] Arrangements under OPT may also be subject to approval by the EU Commission.

EU industry officials have long contended that the laws that regulate OPT activities within the EU are not sufficiently homologated[6] to allow production sharing operations to be consistently administered between member states and source countries. For example, the German Government has been widely considered to be more liberal than United Kingdom authorities in interpreting and administering OPT regulations.

A new OPT regulation was introduced in 1994 to harmonize the system of allocating OPT licenses.[7] This harmonization had the effect of restricting the OPT procedures of some member countries. Under this regulation, applicants for OPT licenses must manufacture products in the EU that are similar to or are at the same stage of production as those to be

[1] Production sharing in the European Union is called outward processing trade (OPT), or in some cases, outward processing traffic. In official literature of the EU, these provisions have also been referred to as "outward processing relief arrangements."

[2] The information presented in this chapter is drawn from official statistics of the European Union (Eurostat) on outward processing trade, interviews with staff of EU country embassies in the United States, and officials of U.S. and foreign companies operating in Europe.

[3] Anton Hrastelj, "Production Sharing Model and Concept Contributing to the Globalization of Consumer Markets," *Journal of The Flagstaff Institute*, Feb. 1992, p. 4.

[4] Outward processing is administered under part II, title III, chapter 6 of the regulation (Commission Regulation (EEC) No. 2454/93 of July 2, 1993) implementing the Community Customs Code (Council Regulation (EEC) No. 2193/92. See *Official Journal of European Communities*, Oct. 19, 1992, p. 1, and Oct. 11, 1993, p. 171.

[5] Patrick L. Kelley and Ivo Unkelinx, EEC Customs Laws: *Legislation, Case Law and Explanatory Text on the Customs Systems of the European Community* (Oxford, U.K.: EEC Publishing Ltd., 1986), pp. T-199.

[6] A terminology that is frequently used in official EU literature to depict harmonization of standards among member states; however, there may be interpretive variations even if statutory language has been harmonized.

[7] Council Regulation (EC) No 3036/94, OJ L 322/1, Dec. 15, 1994

Figure 6–1
Hourly compensation, GDP per capita, and literacy rate indicators for leading EU importers, leading non–OECD sources under production–sharing provisions and the United States, 1993

Country	Hourly compensation cost for production workers	GDP/capita	Literacy rate
	U.S. Dollars	*U.S. dollars*	*Percent*
Top 5 EU importers:			
Germany	25.70	16,500	99
France	16.23	18,200	99
Italy	16.00	16,700	97
Netherlands	19.95	17,200	99
United Kingdom	12.76	16,900	98
Average:	**18.13**	**17,100**	**98**
Leading 5 non–OECD sources:			
Poland	1.10	4,680	98
Hungary	1.48	5,500	99
Czech Republic	1.23	7,200	97
Romania	N/A	2,700	98
Slovenia	N/A	7,600	98
Average:	**1.27**	**5,536**	**98**
The United States in comparison:			
United States	16.73	24,700	97

Source: U.S. Department of Labor, Bureau of Labor Statistics, Mar. 1995, and the Central Intelligence Agency's World Factbook 1994.

processed elsewhere, and perform the main production processes on these products within the EU. The goods exported for assembly or processing must be products of the EU, with no more than 14 percent of the value being accounted for by imports from third countries. Manufacturers that are newcomers for certain products or member states can apply for licenses only up to the value of their EU production. Quotas on the volume of apparel imports afforded reduced-duty treatment under OPT are established at the EU level, but licenses are granted by national authorities providing that applicants meet the required criteria and sufficient quota, which is controlled by the European Commission, is available.

Recent Trends

In Europe, particularly after the fall of the Berlin Wall, OPT activities have taken an East-West direction, while in North America, the flow of production sharing trade activities has been conducted primarily in a North-South direction.[8] In addition, EU OPT trade with CE has been concentrated in "low-tech" and "high-touch" goods such as textile articles and apparel. Conversely, the Mexican maquiladoras along the U.S. border have gradually moved to the assembly of automotive parts and electronic products.[9]

The available literature on global production sharing activity indicates that worldwide (including the United States, Japan, and Europe) use of foreign assembly in export-processing zones amounted to approximately $100 billion in 1991.[10] Official EU statistics for 1994 show that EU OPT imports amounted to $14 billion in 1994, or approximately

[8] William Glade, "Mexico/NAFTA and Central Europe/European Community: A Comparative Analysis", in Elsie Echeverri-Carroll, ed., *Trade Liberalization in the NAFTA and Americas*, Bureau of Business Research, University of Texas at Austin, 1995, p. 287.

[9] Anton Hrastelj, op. cit., p. 26.

[10] These estimates are attributed to Richard Bolin and Jon Ozmun of the Flagstaff Institute in Anton Hrastelj, op. cit., p. 8.

14 percent of total production sharing trade worldwide. However, it is estimated that because approximately half of the production-sharing activities in Europe go unreported, the European share of the total could account for as much as $25-$30 billion a year.[11]

Production-sharing trade in the EU is underreported because trade preference programs providing for duty-free entry for certain goods from designated countries and reductions in legal formalities remove the incentive to declare these imports under the OPT program. Such EU trade preferences apply to imports of most manufactured products from CE and the Mediterranean region, especially machinery and electronic articles (which articles account for much of U.S. production-sharing trade with Mexico).[12] EU producers often locate assembly facilities in Portugal, Ireland, Greece, and southern Italy to reduce their labor costs, and these intra-EU transfers do not show up in OPT statistics.[13] Textile and apparel products are ineligible for duty-free entry in the EU, except under OPT and for certain apparel products from former EU colonies in North Africa, thus a greater portion of EU production sharing is captured in OPT statistics in the apparel sector than in other sectors.

The ratio of the value of outward-processed EU imports under OPT to total EU imports for consumption was less than 1 percent in 1994, whereas U.S. imports under *HTS* provision 9802.00.80 accounted for 9 percent of total U.S. imports for consumption (table 6-1). With the exception of arrangements involving apparel and other textile products, EU firms do not appear to have engaged in production-sharing activities nearly as much as U.S. firms. Further, a significant portion of EU goods sent abroad for further processing and assembly typically has been destined for either final consumption in markets abroad or for re-export to third-country markets, rather than for return to the original EU market.

Major EU producers of textiles, apparel, and machinery have been using production-sharing type activities since the second world war.[14] However, these operations have become particularly widespread in Europe since the liberalization of the CE economies in 1989. Aspiring to become EU members themselves, the CE countries have embraced OPT as a way to attract foreign direct investment (FDI) (table 6-2).

Principal EU Importers

Total OPT imports by the EU rose to $14.0 billion in 1994 from $10.5 billion in 1991, an increase of 34 percent (table 6-3). Much of this increase was due to Germany's increased OPT imports of apparel products from Poland. The top 3 EU countries (Germany, France, and Italy) accounted for 81 percent of all EU-OPT imports. Due to its proximity to and historical links with the markets of Central Europe, Germany was the most active beneficiary of OPT activities in the EU during the period, accounting for over one-half of total EU-OPT imports in 1994 (figure 6-2). Nearly half of all OPT trade flows in 1994 were between Germany and the Visegrád states.[15]

Poland, Germany's primary OPT partner, nearly doubled its OPT exports to Germany during 1991-94, from $793 million in 1991 to $1.5 billion in 1994, with most of the increase in apparel and textile articles. Germany's OPT imports from the Czech Republic amounted to $870 million in 1994, mainly in apparel and textiles. Microelectronic components and transportation equipment accounted for most of Germany's OPT imports from Korea, which rose from $35 million in 1991 to $233 million in 1994.

France accounted for about one-sixth of all OPT imports by the EU in 1994, with imports rising by 26 percent during 1991-94 to $2.2 billion. Unlike Germany, which sources most of its OPT imports from CE countries, France's proximity to large European seaports, its high-end product mix, and closer ties to the United States and other European markets facilitated sourcing of its OPT imports from other developed countries, such as the United States and Switzerland. These two countries contributed mainly

[11] Ibid.

[12] Because EU trade with former EU colonies in North Africa is covered by preferential agreements which grant access to EU markets for their textile and apparel exports free of tariffs, there is little incentive for importers to declare imports as OPT. It is estimated that as much as 80 percent of apparel production in the North African countries is carried out for OPT purposes. If these assertions are correct, OPT trade in apparel may be understated by as much as $3 billion (43 percent). See *The EU Textile and Clothing Industry 1993/1994*, a Factual Report, prepared by OETH at the request of the European Commission, Brussels, Apr. 1995, p. 34.

[13] Portugal and Greece, whose economic indicators resemble those of CE countries, provide an alternative to moving assembly operations outside the EU.

[14] Production sharing serves as one of the preliminary vehicles towards economic integration in Europe. However, it should be noted that the ideas of European economic integration and free trade are not 20th century concepts. The concept of free trade zones, in particular, has its roots in the early 18th century. The free warehouse of Trieste in Italy was founded in 1719 by Emperor Charles VI of Austria. Subsequently, the old free port of Hamburg was established in 1881. During the middle of the 20th century, a number of free trade zones were created, e.g., in Shannon, Ireland in 1947 and later that year in Cadiz, Vigo, and Barcelona in Spain. See Ingrid H.A. Schaerlaeckens, "European Community Legislation on Free Trade Zones," *Journal of the Flagstaff Institute*, Vol. XVI, No. 1, Feb. 1992, p. 29.

[15] The determination to establish a free-trade zone among the Czech Republic, Hungary, Poland, and Slovakia first emerged at a meeting in Visegrád, Hungary in February 1991. Hence the designation "Visegrád Group" or "Visegrád countries" often used in reference to the region. Subsequently, the Central European Free Trade Agreement was formally signed in Krakow, Poland, on Dec. 21, 1992, and went into effect on Mar. 1, 1993. See Special Focus article "U.S. Economic Relations with the Countries of the Central European Free Trade Agreement (Visegrád Group)" in *International Economic Review*, USITC, Apr. 1995, p.14.

Table 6-1
EU and U.S. imports for consumption, total and under production sharing provisions, 1991 and 1994

Year	EU			U.S.		
	Total imports	Outward processed imports	Ratio of outward processed imports to total imports	Total imports	9802.00.80 imports	Ratio 9802.00.80 imports to total imports
	— *Billion dollars* —		*Percent*	— *Billion dollars* —		*Percent*
1991	1,654	10	1	464	56	12
1994	1,885	14	1	658	59	9

Source: Eurostat database and U.S. Department of Commerce trade statistics.

Table 6-2
Total cumulative Foreign Direct Investment (FDI) and U.S. investment in Central and Eastern Europe, 1989-1994

Country	Total FDI	U.S. FDI
Central Europe:		
Hungary	$8.5 billion	$3.6 billion
Poland	$4.2 billion	$1.3 billion
Czech Republic	$3.8 billion	$1.1 billion
Slovakia	$0.5 billion	$50 million
Southeastern Europe:		
Romania	$400 million	$82 million
Bulgaria	$170 million	$50 million
Albania	$ 50 million	$30 million

Source for the CE countries: IER, USITC Publication, Apr. 1995, pp. 18-19. Source for the Southeastern European states: IER, USITC Publication, Jan. 1995, p. 22.

Table 6-3
EU imports after outward processing, by individual EU markets, 1991 and 1994

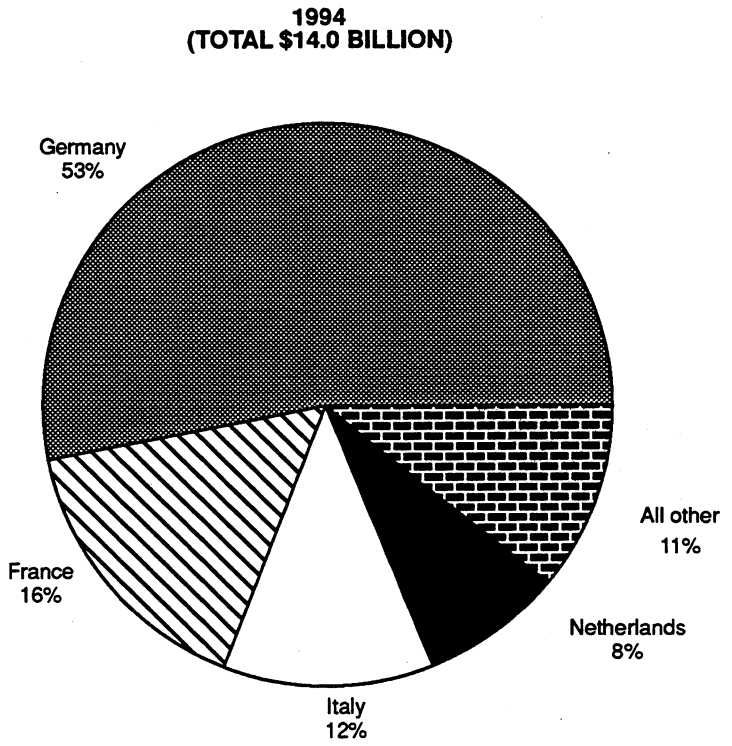
Market	1991	Share of total, 1991	1994	Share of total, 1994	Change, 1994 from 1991
	Million dollars	*Percent*	*Million dollars*	— *Percent* —	
Germany	5,546	53	7,415	53	33
France	1,751	17	2,204	16	25
Italy	1,108	11	1,733	12	55
Netherlands	988	9	1,058	8	6
United Kingdom	505	5	912	7	80
Denmark	254	2	361	3	41
Belgium and Luxembourg	186	2	329	2	76
Portugal, Ireland, Greece, and Spain	135	1	21	(1)	-84
Total	10,474	100	14,034	100	33

1 Less than 0.5 percent.

Note.—Because of rounding, columns may not add to the totals shown.

Source: Compiled by the U.S. International Trade Commission from official statistics of the European Union.

Figure 6-2
EU imports after outward processing, by leading EU markets, by share of total, 1994



Source: Based on official statistics of the European Union.

computers and microelectronic components; France's OPT imports from the United States grew by 59 percent during 1991-94, while OPT imports from Switzerland rose by 45 percent. Other regions that France actively utilized in OPT were North Africa and South-East Asia.

Italy increased its OPT imports by 56 percent during 1991-94. In contrast to France, Italy's imports from the two developed country suppliers, the United States and Switzerland, decreased significantly during the period, by 32 percent and 44 percent, respectively. However, the decrease was more than offset by a 54-percent growth in imports of semiconductor devices from its top OPT supplier, Malta, and by increases in imports, primarily of apparel and miscellaneous transportation equipment, from its two primary CE sources, Romania and Hungary. During 1991-94, Italy's OPT imports from Hungary rose from $37 million to $134 million, while OPT imports from Romania jumped from $1.5 million to $190 million.

Principal Sources

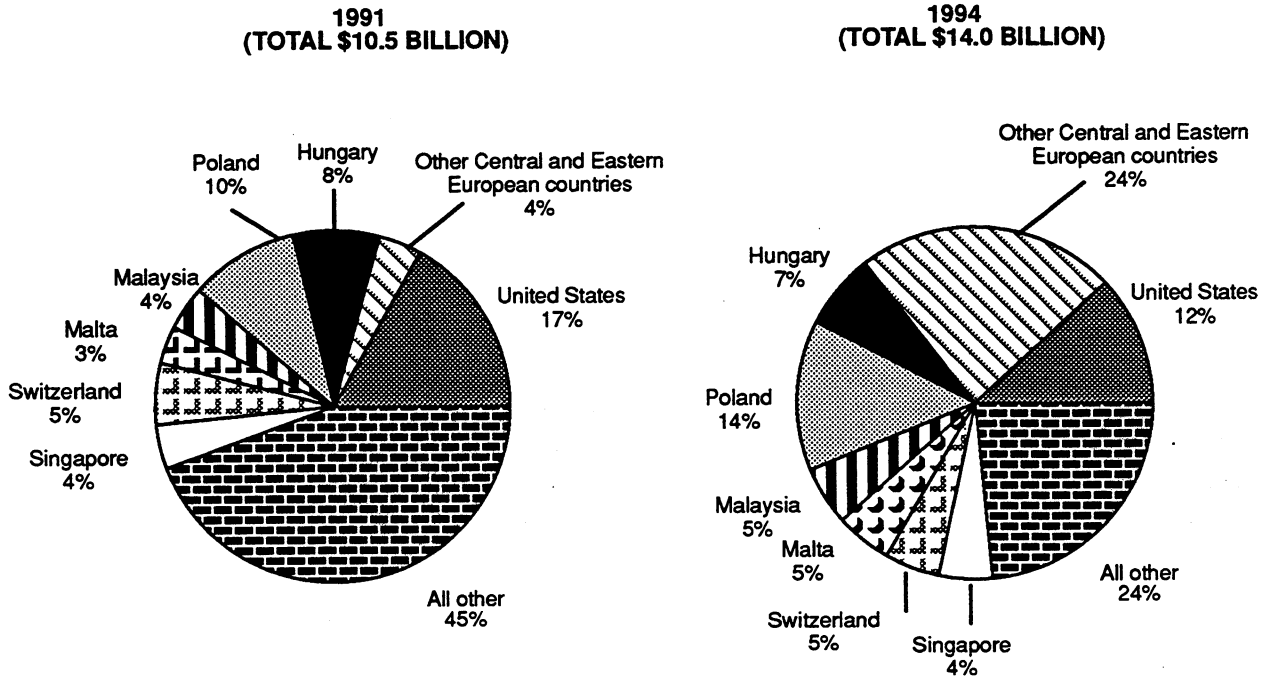
The primary site for the EU's OPT activities is Central Europe (figure 6-3). OPT imports from the region nearly tripled during 1991-94, rising to $6.4 billion, or 46 percent of total EU OPT traffic. Three Visegrád states (Czech Republic, Hungary, and Poland) have become the focal point of outward processed assembly activities (table 6-4) because of economic liberalization, regional proximity, relatively good transportation links, skilled workforce, cost-competitive wages, and commitment to modernization and investment.

Prior to the break-up of Yugoslavia during 1990-92 and the subsequent civil war there, Yugoslavia was consistently one of the top three countries involved in EU-OPT arrangements, particularly for apparel. Conflict in the Balkans shifted much of its production sharing northward from the former republics of Yugoslavia to the Visegrad countries. Despite economic and political uncertainties, newly independent Slovenia and Croatia have maintained OPT relationships with electronics and apparel companies in Germany and Italy.

The three leading Visegrád countries, together with Slovakia and newly admitted Slovenia,[16] accounted for

[16] Slovenia Gains Entry to Free Trade Group, *Financial Times*, Sep. 2, 1995, p. 2.

Figure 6-3
EU imports after outward processing, by leading sources, by share of total, 1991 and 1994



Source: Based on official statistics of the European Union.

Table 6-4
EU imports after outward processing, by principal suppliers, 1991 and 1994

Suppliers	1991	Share of total, 1991	1994	Share of total, 1994
	Million dollars	*Percent*	*Million dollars*	*Percent*
Poland	1,039	10	2,002	14
United States	1,779	17	1,689	12
Hungary	829	8	1,024	7
Czech Republic	(1)	(1)	947	7
Romania	356	3	835	6
Malaysia	409	4	544	4
Malta	351	3	519	4
Switzerland	579	6	506	4
Singapore	414	4	494	4
Croatia	(1)	(1)	398	3
All other	4,718	45	5,077	36
Total	10,474	100	14,034	100
Special categories:				
Central and Eastern Europe	2,301	22	6,418	46
North Africa	542	5	617	4

1 Not available.

Note.—Because of rounding, columns may not add to the totals shown.

Source: Compiled by the U.S. International Trade Commission from official statistics of the European Union.

about one-third of total EU OPT imports in 1994. The five CE countries have made substantive changes with respect to privatization, financial infrastructure, pricing mechanisms, trade policies, and the legal framework in which they conduct economic transactions since they broke away from the Soviet bloc in 1989. The Central European Free Trade Area formed by the Visegrád states is gaining recognition as Europe's second most important economic bloc (after the EU) in an attempt to fill the void recently left by the dissolution of the European Free Trade Area.[17]

EU OPT activity with CE countries focuses on the assembly of garments and shoes from materials originating in the EU or other portions of Western Europe. Apparel accounted for two-thirds of OPT imports from CE in 1994 and footwear for 7 percent (table 6-5). Poland, Romania, and Hungary were the most significant sources of apparel, while Hungary, Romania, and the Czech Republic were the most important suppliers of footwear.

Other EU-OPT imports from the region were mainly in the areas of transportation and electronic equipment. Poland was a major source of motor-vehicle seats and furniture, while Hungary contributed a significant portion of EU-OPT imports of other transportation equipment, such as wiring harnesses, and radio-TV and telephone equipment imports. The Czech Republic was the most important regional source of microelectronic components.

EU OPT imports from the United States and Switzerland, the top two developed-country sources, decreased by 5 percent and 13 percent, respectively, during 1991-94. These declines may have resulted from a realignment of sourcing patterns by European parent companies in search of alternative suppliers. The principal EU OPT imports from the United States consisted of office machines, internal combustion engines, and other machinery and equipment. The United Kingdom and Germany were important destinations for U.S. exports containing some parts and components made in Europe. Bosch, a major German producer of automotive parts, which supplies over one-half of the global automobile industry's demand for fuel injection systems, accounted for a large share of EU value contained in U.S.-made internal combustion engines shipped to the EU.[18]

EU OPT imports from East Asia continued to expand during 1991-94, particularly from the two largest suppliers, Malaysia (by 33 percent) and Singapore (by 19 percent). Others, such as Taiwan, Hong Kong, the Philippines, Korea, and Thailand, are also increasing in importance. These countries supplied mainly microelectronic components, computer products, and other machinery to the major European markets. For EU multinational semiconductor producers, the pattern of geographical distribution of foreign assembly operations in Asia resembled closely the patterns of U.S. and Japanese companies.

The Mediterranean region (Malta and the North African countries of Tunisia, Morocco, and Algeria) together contributed nearly 10 percent of EU OPT imports in 1994. Significant increases occurred that year in OPT shipments from the two largest Mediterranean suppliers, Malta (a 49-percent increase) and Tunisia (a 13-percent increase). France was the leading importer of OPT products (mainly textiles and apparel) from Tunisia and Morocco. Over 90 percent of Malta's EU OPT exports entered through Italy.

Investors from Finland and Sweden have been active in the region encompassing the former Soviet states of Estonia, Latvia, Lithuania, Belarus, and Ukraine. EU-OPT imports from these five countries in 1994 amounted to $343 million, or only 2 percent of the total. However, the significance of the region's contribution to European production may become more visible as imports from investments in these countries by firms in Finland, Sweden, and Austria begin to be recorded under the OPT provision. The leading OPT source in this region in 1994 was Ukraine, with apparel accounting for 90 percent of Ukraine's OPT exports to Western Europe.

Principal Products

A study of Central and Eastern Europe's export competitiveness in major manufacturing sectors, published by the U.S. International Trade Commission in 1991, identified two key areas with a high degree of export potential: apparel and motor-vehicle parts.[19] As the report anticipated, apparel and transportation equipment have become the leading industry groups in which the CE countries were able to attract European partners for co-production and assembly in 1994. Other sectors attracting production sharing investment from Western Europe were microelectronic products and radio-TV and telephone equipment (figure 6-4, table 6-6).

Apparel, other textile articles, and footwear together accounted for 47 percent of EU OPT imports in 1994; Germany accounted for two-thirds of total EU OPT imports in the apparel sector (table 6-7). In contrast, such articles represented only 12 percent of total U.S. imports under provision 9802.00.80 that year. Imports of apparel, other textile articles, and footwear under EU production-sharing provisions ($6.6 billion) were nearly as large as imports as the same goods under the corresponding U.S. tariff provision ($7.5 billion) in 1994.

[17] The European Free Trade Association (EFTA) was formed in 1960 between Austria, Denmark, Finland, Iceland, Liechtenstein (in association with Switzerland), Norway, Portugal, Sweden, Switzerland, and the United Kingdom. Founding members Austria, Denmark, Finland, Portugal, Sweden, and the United Kingdom later withdrew upon their entry into the European Union.

[18] Interviews with officials of the German Embassy by USITC staff in Washington, D.C., Feb.-Mar., 1996.

[19] USITC, Central and Eastern Europe, *Export Competitiveness of Major Manufacturing and Service Sectors*, Inv. No. 332-308, USITC Pub. No. 2446, 1991.

Table 6-5
EU OPT imports from the Central and Eastern European countries, by major industry groups (apparel, other, and total) 1991 and 1994

(Million dollars)

CEE suppliers	1991			1994		
	Apparel	Other	Total	Apparel	Other	Total
Poland	763	276	1,039	1,438	564	2,002
Hungary	472	357	829	608	416	1,024
Czech Republic	(1)	(1)	(1)	350	597	947
Romania	257	99	356	700	135	835
Croatia	(1)	(1)	(1)	324	74	398
Slovenia	(1)	(1)	(1)	291	74	365
Slovakia	(1)	(1)	(1)	185	83	268
Bulgaria	60	7	67	148	34	182
Ukraine	(1)	(1)	(1)	125	13	138
Lithuania	(1)	(1)	(1)	85	6	91
Belarus	(1)	(1)	(1)	47	11	58
Albania	10	0	10	20	33	53
Latvia	(1)	(1)	(1)	41	3	44
Estonia	(1)	(1)	(1)	11	1	12
Total	1,562	739	2,301	4,260	2,158	6,418

[1] Not available.

Source: Compiled by the U.S. International Trade Commission from official statistics of the European Union.

EU quotas established under the Multifiber Agreement, which had regulated world trade in textiles and apparel since 1974, are scheduled to be phased out by January 1, 2005. However, the full repeal of quantitative restrictions on EU imports of textile and apparel products from the CE countries likely will take place at an earlier date, in 1998-99. This should provide the Visegrád-4 producers (Czech Republic, Hungary, Poland, and Slovakia) with an advantage against their competitors in other developing countries, because these added EU textile and apparel imports from the Visegrád countries would benefit from substantial tariff concessions an estimated 5 years earlier.[20]

OPT imports accounted for an estimated 10 percent of total EU imports of textiles and apparel in 1994. While OPT has helped the EU textile and apparel industries (tables 6-8 and 6-9) in their effort to compete with increasing imports from China and other suppliers in Asia, companies that use low cost sewing operations in CE and North Africa have a competitive advantage over EU companies that do not use the OPT provisions.[21]

According to L'Observatoire Européen Du Textile et de L'Habillement (OETH),[22] EU trade policy in textiles and apparel has traditionally favored OPT assembly to foreign direct investment (FDI) in Central Europe. OPT arrangements in the machinery, motor vehicle, and electronics products sectors are more likely to consist of FDI resulting in the manufacturing of some parts in Central Europe, assembly in Central Europe with EU-made parts, and subsequently, sales to both EU and CE customers.

Outlook

The 1994 EU restrictions with respect to OPT activities may inhibit further expansion of the volume of OPT flows between EU producers and the Visegrád states (Czech Republic, Hungary, Poland, Slovakia, and Slovenia) in the future, particularly in the apparel sector. However, production sharing in articles benefitting from regional tariff preferences (such as electronic products, auto parts, and machinery from CE countries) should grow despite restrictions on OPT trade. The restrictions will make it more difficult to shift new apparel sewing operations to former Soviet states, but there should be a jump in reported OPT trade as production sharing trade between Scandinavia and the Baltic States and between Austria and Slovenia will now be officially reported. Sweden and Finland eliminated virtually all quantitative restrictions on OPT imports in 1991, leading production sharing arrangements to proliferate between these two countries and the Baltic States during 1991-94. As new EU members, Sweden and Finland will have to comply with the restriction on OPT trade, which will slow the movement of goods under OPT provisions between the Northern-tier member states and the former Soviet Republics. In the longer term, however, production sharing activities in this geopolitical region are predicted to continue to flourish as a result of persistent

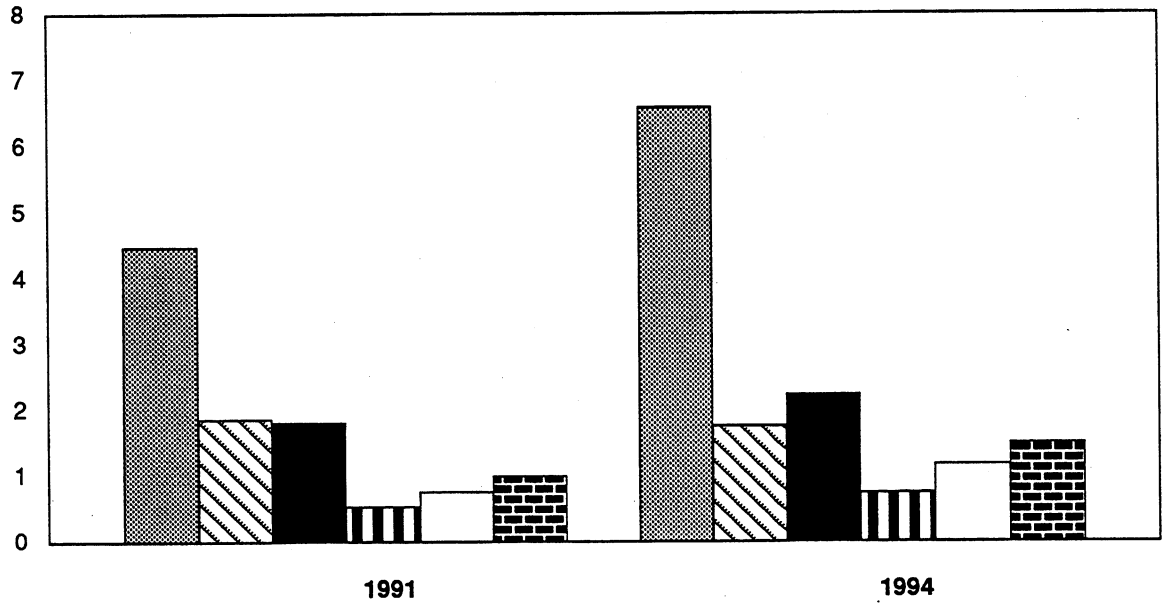
[20] Riccardo Faini and Richard Portes, ed., *European Union Trade with Eastern Europe: Adjustment and Opportunities*, Center for Economic Policy Research, London, 1995, p. 14.

[21] Panorama of EU INDUSTRY 94, European Commission, 1995, p. 14-3.

[22] The OETH was established in 1991. It is an independent non-profit organization, incorporated under Belgian law. The OETH is funded by the European Commission and through the sales of its publications.

Figure 6-4
EU imports after outward processing, by selected industries, by share of total and by value, 1991 and 1994

Million dollars



(Percent of total)

Items	1991	1994
Textile and apparel	43	47
Transportation equipment	18	13
Microelectronic components	17	16
Computers	5	5
Other manufactured articles	7	8
All other	10	11

Source: Based on official statistics of the European Union.

Table 6-6
EU imports after outward processing, by industry groups, 1991 and 1994

Market	1991	Share of total, 1991	1994	Share of total, 1994	Change, 1994 from 1991
	Million dollars	*Percent*	*Million dollars*		*Percent*
Apparel	3,943	38	5,744	41	46
Other textile articles	133	1	351	2	164
Footwear	409	4	493	4	21
Electric motors	52	(1)	78	1	50
Wiring harness for motor vehicles and other insulated electric conductors	57	1	193	1	239
Autos, trucks, and buses	131	1	406	3	210
Certain auto parts including engines and other electrical equipment	233	2	258	2	11
Motor vehicle seats and other furniture	190	2	261	2	37
Other transportation equipment	1,257	12	647	5	-49
Household appliances and heating, ventilation, and A/C equipment	57	1	75	1	32
Filtering and controlling equipment	36	(1)	50	(1)	39
Transformers	40	(1)	71	1	78
Other machinery	280	3	388	3	116
Television receivers	61	1	35	(1)	-43
Radio-TV and telephone equipment, except television receivers	218	2	471	3	116
Computers	537	5	749	5	39
Microelectronic components	1,821	17	2,250	16	24
Medical and scientific instruments	257	2	340	2	32
All other manufactured articles	761	7	1,176	8	55
Total	10,474	100	14,034	100	34

[1] Less than 0.5 percent.

Note.—Because of rounding, columns may not add to the totals shown.

Source: Compiled by the U.S. International Trade Commission from official statistics of the European Union.

wage discrepancies between the Scandinavian countries and the Baltic States and future new association agreements between the EU and the Baltic States.[23]

Old strategic economic alliances entrenched in traditional cultural and commercial ties that pre-date two world wars and the cold war are likely to gain strength in the form of production sharing relationships, with or without the tariff reduction benefits of OPT. Accordingly, the Scandinavian member states of the EU will likely forge even closer trade alliances with the Baltic states; Austria will likely reinforce its longstanding economic ties with Slovenia; Germany is likely to foster economic cooperation with Poland, Hungary, Croatia, and the Czech and Slovak Republics; and France and Italy are both likely to explore additional commercial possibilities vis-a-vis Romania and the newly independent republics of the former Yugoslavia.

U.S. companies manufacturing in Europe or exporting to Europe should monitor emerging production sharing relationships in Europe to identity potential new markets, opportunities for investment, sources of increased competition, and new challenges in a rapidly changing economic and political environment.

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[23] Anton Hrastelj, Ibid., p. 24.

Table 6-7
Apparel and other textile articles: EU imports after outward processing by principal sources, and by leading EU markets, 1994

Source	Value	Share of total	Leading EU markets (percent of total from each supplying country)				
			1	2	3	4	Other EU
	Million dollars	*Percent*					
Poland	1,526	26	Germany (71)	Netherlands (10)	Denmark (10)	France (4)	Other (4)
Romania	706	12	Germany (63)	Italy (18)	France (10)	Un. Kingdom (5)	Other (4)
Hungary	655	11	Germany (62)	Italy (14)	France (11)	Netherlands (9)	Other (4)
Czech Republic	426	7	Germany (91)	Italy (2)	France (2)	Belgium/ Luxembourg	Other (3)
Croatia	334	5	Germany (78)	Italy (9)	Netherlands (9)	France (2)	Other (2)
Slovenia	300	5	Germany (87)	France (5)	Italy (4)	Netherlands (4)	Other[1]
Tunisia	272	4	France (42)	Germany (33)	Netherlands (17)	Denmark (5)	Other (2)
Morocco	232	4	France (49)	Germany (29)	Belgium/ Luxembourg (11)	Netherlands (4)	Other
Slovakia	192	3	Germany (65)	Netherlands (13)	Italy (10)	France (9)	Other (3)
Turkey	166	3	Germany (88)	Netherlands (10)	France (1)	Italy [1]	Other[1]
All other	1,250	21	Germany (67)	France (8)	Italy (8)	United Kingdom (6)	Other (11)
Total	6,095	100	Germany (68)	France (10)	Netherlands (7)	Italy (7)	Other (9)

[1] Less than 0.5 percent.

Note.—Because of rounding, columns may not add to the totals shown.

Source: Compiled by the U.S. International Trade Commission from official statistics of the European Union.

Table 6-8
Top 10 EU OPT textile producers in 1993

Company	Main activity	Country	Turnover in millions of U.S.$
Coats Viyella	Textiles/clothing	United Kingdom	3,607
Beaulieu Group	Carpets	Belgium	2,087
D.M.C.	Fabrics/printing	France	1,412
Marzotto	Textiles/clothing	Italy	1,243
Chargeurs Textiles	Fabrics/yarn	France	1,101
Freudenberg Textiles	Stuffing	Germany	1,088
Miroglio Textile Group	Fabrics/knitwear	Italy	847
Hartmann Group	Medical textiles	Germany	790
Gamma Holdings	Fabrics	Netherlands	747
KBC Group	Printing	Germany	671

Source: The EU Textile and Clothing Industry 1993/1994, OETH report, p. 44.

Table 6-9
Top 10 EU OPT apparel producers in 1993

Company	Main activity	Country	Turnover in millions of U.S.$
Benetton	Knitwear	Italy	1,751
Triumph Group	Clothing	Germany	1,388
Courtaulds Textiles	Clothing	United Kingdom	1,387
Levi Strauss Europe	Clothing	Belgium	1,329
Steilmann Group	Clothing	Germany	1,082
Damart	Knitwear	France	950
GFT Group	Clothing	Italy	938
Bidermann Group	Clothing	Germany	829
William Baird	Clothing	United Kingdom	708
Escada Kozern	Clothing	Germany	706

Source: The EU Textile and Clothing Industry 1993/1994, OETH report, p. 45.

APPENDIX A
The Customs Treatment of Certain American Goods Returned (HTS 9802.00.60 and 9802.00.80)

The goods eligible for duty treatment under the tariff provisions discussed in this appendix comprise those exported from the United States and returned to the customs territory after being advanced in value or improved in condition abroad by manufacturing or other means. It should be remembered that any goods for which duty reductions or exemptions are claimed in chapter 98 remain classifiable in the appropriate categories of chapters 1 through 97 of the Harmonized Tariff Schedule of the United States (HTS), and that the duty treatment available under chapter 98 is not automatic but must be claimed and justified by the importer. Subheading 9802.00.60 and heading 9802.00.80 of the HTS were discussed in greater detail in earlier Commission reports on production sharing, and reference should also be made to current regulations of the United States Customs Service. (See USITC publications 2365, Mar. 1991, and 2469, Dec. 1991.) The customs treatment available to goods resulting from qualifying Caribbean Basin assembly and processing, the trade agreement status of the two chapter 98 provisions and their relation to preferential tariff programs, and the special access program are complex subjects and require some discussion; a brief update on user fees is likewise included below.

Caribbean Basin Assembly or Processing

U.S. note 2(b), subchapter II, HTS chapter 98, was enacted in section 222 of the Customs and Trade Act of 1990. The note provides the duty and origin treatment available to U.S.-origin components, materials, or ingredients assembled or processed in a designated Caribbean Basin Economic Recovery Act (CBERA) beneficiary. It was enacted because certain goods resulting from such assembly or processing do not otherwise qualify for duty-free entry under CBERA's rules of preference in chapters 1 through 97, usually because (1) no substantial transformation in the beneficiary country is deemed to have occurred, or (2) inadequate value is added in or attributable to the beneficiary country.[1]

In general terms, this note specifies two key aspects of the customs treatment of these goods. First, the note provides that such CBERA-assembled goods shall not be considered foreign articles, and thus effectively requires that Customs give them domestic (U.S.) origin status. Second, the note provides that these goods are not subject to duty upon entry into the U.S. customs territory.[2] Having duty treatment set forth in a note, rather than the rate of duty columns of the tariff, is confusing and has caused administrative difficulties. To help Customs carry out the note, because the rate of duty it accords is "free" and not the rates[3] enacted earlier by Congress in the tariff provisions covered by this report, a nonlegal 10-digit statistical category was created under heading 9802.00.80 (numbered 9802.00.8040) to capture trade entered by importers under the U.S. note. In recent years, Congress has considered proposals, including some by the Administration, to create a separate tariff category for these goods, to clarify the requirements and simplify administration; no such category has to date been enacted.

Trade Agreement Status and Special Tariff Treatment

Although most rates of duty in column 1-general in chapters 1 through 97 of the HTS are "bound" concession rates under schedule XX to the General Agreement on Tariffs and Trade (known as GATT 1994), the basic duty rates in subheading 9802.00.60 and heading 9802.00.80 are not.[4] Nor does schedule XX legally require that these tariff provisions be maintained. Similarly, because they fall in chapter 98, which is not part of the nomenclature

[1] The CBERA requires that the cost or value of materials from one or more beneficiary countries plus the direct costs of processing (including labor) therein must total 35 percent of the appraised value of goods for which duty-free entry is claimed, and that the goods be a "product of" a beneficiary country. The cost or value of U.S. materials (not counting those of Puerto Rico) may be counted toward that value threshold in an amount not to exceed 15 percent of the finished goods' appraised value upon entry. See HTS general note 7.

[2] No blanket exemption from duty for goods of U.S. origin—even if they are imported by or for most U.S. Government agencies—is afforded elsewhere in the HTS; and goods are dutiable each time they are imported unless a tariff provision provides duty-free entry. See general note 1 to the HTS.

[3] Goods described in heading 9802.00.80 are dutiable, to the extent that their tariff classification in chapters 1 through 97 provides a duty other than "free", but no duty is payable on the U.S. content.

[4] Following implementation of the concessions negotiated in the Uruguay Round of multilateral negotiations, the duty rate under these provisions for goods certified for use in civil aircraft is bound at "free." A tariff binding is a stated ceiling: GATT contracting parties that give bindings on tariff categories agree not to exceed the bound rates other than in circumstances provided for in the GATT (such as actions taken for emergency balance of payments reasons). If a country exceeds a bound rate in cases not covered by any GATT exception, other parties may undertake retaliatory actions or request compensation. U.S. tariff bindings and other concessions are enumerated in schedule XX; other numbered schedules list concessions of other GATT contracting parties.

structure of the Harmonized Commodity Description and Coding System (HS), the international convention establishing that structure does not include them, and they are unique to the United States. Thus, with respect to almost all goods in trade, Congress could amend or repeal these tariff provisions without impairing U.S. trade agreement obligations or concessions, even though such action could result in an effective increase in the duties collected on currently eligible goods. The exception is found in two U.S. free-trade agreements, with Israel[5] and with Canada and Mexico (the North American Free Trade Agreement or NAFTA), along with the Automotive Products Trade Act. These measures require the United States to continue duty treatment for eligible goods in some fashion. Various Presidential proclamations have included preferential duty rates in the "special" rate subcolumn to carry out such U.S. obligations.

In a two-tier determination, importers may claim preferential tariff rates under four programs as to goods found to be conditionally eligible for entry under these two provisions. The applicable preferential programs are the Automotive Products Trade Act, the Agreement on Trade in Civil Aircraft, the NAFTA, and the U.S.-Israel Free Trade Area Implementation Act of 1985, each covered in general notes to the HTS. For shipments deemed covered by these two chapter 98 provisions, the special duty rate from the appropriate tariff category in HTS chapters 1-97 is ascertained for the program concerned. If the goods qualify under that program's rules of preference, the corresponding special duty rate, if any, would be applied to the non-U.S.-origin part of their value. For other goods not eligible for tariff preferences, the general duty rate from the applicable tariff category is assessed on the foreign value.

Special Access Program

Pursuant to 7 U.S.C. 1854 and pertinent regulations, in accordance with the multilateral Agreement Regarding Trade in Textiles,[6] the United States has bilateral agreements with various countries to impose quantitative limitations and monitoring requirements on imports of enumerated textile and apparel products. The combined scope of these agreements as of the date of enactment of the CBERA defines the range of the statutory exclusion from duty-free entry under that Act for this class of goods from beneficiary countries. However, such goods—including goods assembled in whole or in part from U.S. materials or components in such CBERA countries—represent a significant portion of exports of these countries. Although duty-free entry under the CBERA for such goods was precluded, it was possible to afford some relaxation of otherwise applicable quota and related restrictions under specified circumstances.

Statistical reporting number 9802.00.8010 covers "articles eligible pursuant to bilateral textile agreements for entry under a Special Access Program and entered in compliance with procedures established by the Committee for the Implementation of Textile Agreements (CITA)."[7] Importers are required to report the value of the U.S.-fabricated components included in the merchandise and the shipment's dutiable value (total value less the value of U.S.-fabricated components), pursuant to statistical note 1(b), subchapter II, chapter 98. The Special Access Program (SAP) is available to designated CBERA beneficiary countries having bilateral textile agreements with the United States;[8] the former Special Regime (SR), which had applied to textile and apparel products of Mexico, was replaced by other preference provisions in the NAFTA as of January 1, 1994.[9]

SAP bilateral agreements contain (1) guaranteed access levels (GALs) for apparel assembled in the particular CBERA country from U.S.-formed-and-cut fabric, and (2) regular quota limits for apparel of the applicable MFA categories but not of such fabric. According to CITA,[10] a specific limit (SL) or a designated consultation level (DCL) for regular quotas and a GAL is negotiated for each MFA category covered by the SAP bilateral. GALs can be increased upon exporter request unless "unusual market disruption" occurs; SLs have set allowable annual percentage increases; and DCLs are increased only after bilateral consultation. GAL shipments under heading 9802.00.80 "typically qualify to have duty only assessed on the value added overseas (under HTS tariff line 9802); however those entering under the "H" provision lose this duty

[5] Under the FTA with Israel, now that the staging period specified under the agreement has ended, all goods that are described by and imported under these two tariff provisions should be admitted free of duty, along with all other products of Israel as provided in HTS general note 8.

[6] Commonly called the Multi-fiber Arrangement or MFA.

[7] See HTS chapter 98, subchapter II, for the legal text of the provisions and applicable notes, and see Customs regulations at 19 C.F.R. 12.130-131.

[8] Announced by President Reagan on Feb. 20, 1986, and implemented June 11, 1986 (51 FR 21208).

[9] See HTS heading 9802.00.90 and the notes to section XI. The special regime was discussed in earlier Commission reports on the production sharing provisions.

[10], U.S. Department of Commerce, Office of Textiles and Apparel, *Special Access Program Information Brochure*, Dec. 1990.

benefit."[11] Special CBI[12] Export Declarations must be filed at the time of exportation of fabric parts from the United States, and the Customs Service can request documentary proof of the U.S. forming and cutting of such parts during Post-Entry Compliance Reviews. According to the Office of Textiles and Apparel, foreign-origin findings, trimmings, and elastic strips not exceeding 25 percent of the cost of components in the assembled product do not disqualify an apparel article from entry under the GAL/SAP, but other components must be formed and cut in the United States. Also, CBERA assemblers must file declarations, and goods must be accompanied by the textile visas and certificates of origin specified in the bilaterals.

Two recent developments of significance may be noted. First, in a Federal Register notice of August 24, 1995,[13] CITA announced the creation of a SAP, with the same rules as the CBERA SAP, for beneficiary countries under the Andean Trade Preference Act (ATPA) that negotiate agreements with the United States. Four countries enumerated in HTS general note 11(a) are eligible; Colombia's agreement with the United States was announced on the same date, to become effective by October 1, 1995. Second, the Administration has drafted a proposed bill to establish an interim program of "NAFTA parity" for textiles and apparel from those CBERA beneficiaries that negotiate bilateral agreements with the United States. The measure would accord such countries essentially the same tariff treatment as is granted to goods of Mexico under HTS heading 9802.00.90. The duration of the interim program has not yet been finalized; presumably, interested Caribbean countries are intended at a future date to negotiate admission to the NAFTA or a comparable free-trade arrangement.

User Fees

Initially enacted as a temporary revenue measure, the so-called Customs user fee has been continued, mainly to help defray costs of Customs Service operations. Under Customs regulations, the fee—properly known as the merchandise processing fee—is treated and collected as a customs duty. Regulations provide that the fee must be applied to the dutiable value or cost (the foreign value added) of imports under HTS subheading 9802.00.60 and heading 9802.00.80, but not to the nondutiable portion of value attributable to domestic materials. The user fee originally was set at 0.22 percent ad valorem on imported merchandise. From October 1, 1987 through December 31, 1989, the fee was reduced to 0.17 percent ad valorem; subsequently, the fee was restructured and continued at the 0.17-percent rate but with a floor ($21 minimum fee per entry) and cap ($400 maximum fee) as of October 1, 1990. Current Customs regulations were set forth in the implementing legislation for the Uruguay Round Agreement.[14] They reflect a merchandise processing fee for formal entries of 0.21 percent ad valorem, with the floor unchanged, but the cap raised to $485 per entry. Qualifying goods from Mexico, however, are subject to a merchandise processing fee of 0.19 ad valorem with a maxium fee or 400 per entry.[15] A $3 surcharge is added to each entry processed manually, and informal entries are assessed fees of from $2 to $8 each; there are rules concerning the aggregation of the ad valorem fee for particular monthly entry programs. Other fees, such as the harbor maintenance fee, are also provided for in Customs regulations. Certain additional fees were set by section 521 of the NAFTA Implementation Act as compensation to the Treasury for duties being foregone under the NAFTA, with some fees that had been due to expire in 1998 being continued through 2003.

Under article 403 of the U.S.-Canada Free-Trade Agreement, since suspended (and section 24.23 of the Customs regulations), goods originating in the territory of Canada were assessed the merchandise-processing fee under a negotiated phase-out scheme, with the fee scheduled to be eliminated as of January 1, 1994. This previously-agreed treatment was continued under the NAFTA when it was implemented on January 1, 1994, so that no fees are collected on "goods of Canada under the terms of general note 12 to the HTS."[16] Goods of Mexico can be assessed the ordinary fee until June 30, 1999, as of

[11] Ibid., pp. 1-2. CITA indicated that the "H" provision covers "the reimportation of apparel which has been assembled from U.S. components and bleached, permapressed, stonewashed, acidwashed, or dyed following assembly." These processes may be among those that Customs would not deem to be permissible incidental operations under heading 9802.00.80, regardless of the country involved, so that such goods should be excluded from the heading and from the SAP. Administrative practice may change in future; the Uruguay Round Agreements Act requires that Customs implement new rules of origin based on specified principles as of July 1, 1996.

[12] Caribbean Basin Initiative.

[13] 60 FR 45144 *et seq.*, Aug. 30, 1995.

[14] Section 612 of Uruguay Round Agreement Act.

[15] 19 C.F.R. sec. 24.23.

[16] This phrase is a term of art in the HTS covering goods imported from and the product of Canada (regardless of whether they are marked) which are deemed to qualify for preferential duty rates under the NAFTA as goods originating in the NAFTA region. This test represents a departure from the normal rule requiring that imported goods be marked with a single country of origin, pursuant to 19 U.S.C. 1304.

which date no fee at all can be charged under article 310 and annex 310.1 of the NAFTA and section 204 of the NAFTA Implementation Act. In both cases, the marking rules adopted pursuant to annex 311 of the NAFTA determine the status of the goods with respect to whether they qualify as goods of Canada or of Mexico for purposes of the user fee. That is, because of the differential duty rates, fees, and staging applicable to Canada and Mexico under the NAFTA, the treatment of composite goods (containing content from 2 or 3 NAFTA countries) during the staging period is determined by the marking rules published and administered by Customs, rather than the rules of origin set forth in HTS general note 12 to establish whether a good is a product of the 3-country region. Customs regulations provide separately for other classes of goods, such as agricultural products of the United States that are processed and packed in a foreign trade zone. Goods from most other countries entered under HTS chapter 98 are to be subject to the imposition of the fee, with limited exceptions for products of preference-eligible countries (notably CBERA beneficiaries and the insular possessions of the United States). Products of Israel under the free-trade agreement with that country are eligible for exemption from user fees for such time as the United States Trade Representative determines that reciprocal treatment for U.S. products exists.

APPENDIX B
STATISTICAL TABLES

Table B-1
U.S. imports for consumption under HTS provisions 9802.00.60 and 9802.00.80, 1970-94

(Millions dollars)

Year	Total value			Dutiable value			Value of U.S. products		
	9802.00.60	9802.00.80	Total	9802.00.60	9802.00.80	Total	9802.00.60	9802.00.80	Total
1970	204.0	2,004.2	2,208.2	101.3	1,570.5	1,671.8	102.6	433.7	536.3
1971	199.4	2,566.4	2,765.8	75.1	2,030.8	2,105.9	124.3	535.6	659.9
1972	318.3	3,090.5	3,408.8	130.3	2,410.1	2,540.4	187.9	680.4	868.3
1973	462.6	3,784.5	4,247.1	212.9	3,025.4	3,238.3	249.7	759.1	1,008.8
1974	543.7	4,828.1	5,371.8	240.4	3,818.6	4,059.0	303.3	1,009.5	1,312.8
1975	454.6	4,707.8	5,162.4	192.6	3,703.9	3,896.5	262.0	1,003.9	1,265.9
1976	474.0	5,247.5	5,721.5	199.2	3,976.2	4,175.4	274.8	1,271.3	1,546.1
1977	465.1	6,723.4	7,188.5	190.7	5,021.4	5,212.1	274.4	1,702.0	1,976.4
1978	398.1	9,337.1	9,735.2	154.8	6,988.9	7,143.7	243.2	2,348.3	2,591.5
1979	407.7	11,559.3	11,967.0	172.8	8,468.3	8,641.1	234.9	3,091.0	3,325.9
1980	254.1	13,762.2	14,016.5	83.5	10,178.2	10,261.8	170.5	3,584.0	3,754.7
1981	256.5	15,924.0	16,180.8	80.3	11,653.9	11,734.2	176.2	4,270.3	4,446.6
1982	358.0	17,950.8	18,308.8	116.0	13,473.2	13,589.2	242.0	4,477.5	4,719.5
1983	341.5	21,234.4	21,575.9	112.5	16,076.8	16,189.3	229.0	5,157.6	5,386.6
1984	450.2	28,122.4	28,572.6	140.9	21,221.2	21,362.1	309.3	6,901.2	7,210.5
1985	419.7	30,115.4	30,535.1	144.6	24,565.7	24,710.3	275.0	5,549.7	5,824.7
1986	465.5	36,031.5	36,496.9	157.1	30,059.3	30,216.4	308.4	5,972.1	6,280.5
1987	953.9	67,595.1	68,549.0	538.4	55,067.9	55,606.2	415.6	12,527.2	12,942.8
1988	929.1	72,803.5	73,732.6	459.2	56,449.4	56,908.5	469.8	16,354.1	16,823.9
1989	1,141.3	73,031.8	74,173.1	444.2	54,110.5	54,554.7	697.1	18,921.3	19,618.4
1990	1,379.8	75,122.2	76,502.0	561.4	54,302.9	54,864.3	818.4	20,819.2	21,637.6
1991	1,142.1	56,412.8	57,554.9	514.3	42,521.2	43,035.5	627.8	13,891.6	14,519.4
1992	1,003.4	55,491.8	56,495.2	406.5	40,728.9	41,135.4	596.9	14,762.9	15,359.8
1993	836.6	56,515.1	57,351.7	280.3	39,507.1	39,787.4	556.3	17,008.1	17,564.4
1994	600.3	58,751.0	59,351.3	219.2	39,616.0	39,835.2	381.2	19,134.9	19,516.1

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

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted. Minor adjustments to official statistics were made to correct cases of misreporting.

Table B-2
U.S. imports for consumption under HTS provision 9802.00.60: Value and share of total, by principal sources, 1991-94

Source	1991					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Canada	806.4	389.5	416.9	70.6	62.0	81.1
Japan	93.3	61.4	31.9	8.2	9.8	6.2
Germany	15.2	10.4	4.8	1.3	1.7	0.9
Belgium	10.0	7.6	2.4	0.9	1.2	0.5
Greece	9.8	7.1	2.7	0.9	1.1	0.5
France	6.3	4.3	1.9	0.5	0.7	0.4
United Kingdom	3.4	2.4	1.0	0.3	0.4	0.2
All other	1.7	0.9	0.9	0.2	0.1	0.2
Total, developed countries	946.1	483.6	462.6	82.8	77.0	89.9
Mexico	183.5	137.1	46.4	16.1	21.8	9.0
Taiwan	5.1	2.0	3.1	0.4	0.3	0.6
Argentina	4.0	3.0	1.0	0.3	0.5	0.2
South Korea	2.3	1.5	0.8	0.2	0.2	0.1
All other	1.1	0.6	0.5	0.1	0.1	0.1
Total, less developed countries	196.0	144.3	51.7	17.2	23.0	10.1
Grand total	1,142.1	627.8	514.3	100.0	100.0	100.0
	1992					
	Million dollars			*Percent*		
Canada	671.9	366.8	305.1	67.0	61.4	75.1
Japan	63.5	37.9	25.5	6.3	6.4	6.3
Germany	7.4	3.7	3.7	0.7	0.6	0.9
Belgium	5.2	3.2	2.0	0.5	0.5	0.5
Switzerland	2.7	1.0	1.7	0.3	0.2	0.4
Belgium	2.6	1.6	1.0	0.3	0.3	0.2
United Kingdom	2.0	0.6	1.5	0.2	0.1	0.4
All other	1.5	1.1	0.4	0.2	0.2	0.1
Total, developed countries	756.8	415.9	340.9	75.4	69.7	83.9
Mexico	229.4	169.5	59.9	22.9	28.4	14.7
Taiwan	8.7	5.8	2.9	0.9	1.0	0.7
South Korea	5.4	4.0	1.4	0.5	0.7	0.3
Thailand	0.7	0.1	0.7	0.1	(1)	0.2
Russia	0.7	0.4	0.3	0.1	0.1	0.1
Argentina	0.7	0.5	0.1	0.1	0.1	(1)
All other	0.9	0.6	0.2	0.1	0.1	0.1
Total, less developed countries	246.5	181.0	65.5	24.6	30.3	16.1
Grand total	1,003.4	596.9	406.5	100.0	100.0	100.0

See notes at end of table.

Table B-2—Continued
U.S. imports for consumption under HTS provision 9802.00.60: Value and share of total, by principal sources, 1991-94

Source	1993					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Canada	541.6	351.2	190.4	64.7	63.1	67.9
Japan	49.6	29.0	20.7	5.9	5.2	7.4
France	16.8	8.6	8.2	2.0	1.5	2.9
Germany	7.4	3.5	3.9	0.9	0.6	1.4
Switzerland	2.6	1.0	1.6	0.3	0.2	0.6
United Kingdom	1.5	0.9	0.6	0.2	0.2	0.2
Austria	0.7	0.2	0.6	0.1	(1)	0.2
All other	1.2	0.7	0.5	0.1	0.1	0.2
Total, developed countries	621.5	395.0	226.5	74.3	71.0	80.8
Mexico	203.0	153.7	49.3	24.3	27.6	17.6
South Korea	5.1	3.9	1.2	0.6	0.7	0.4
Taiwan	3.1	0.9	2.3	0.4	0.2	0.8
Russia	1.7	1.1	0.5	0.2	0.2	0.2
China	1.1	1.0	0.1	0.1	0.2	0.1
Argentina	0.5	0.4	0.1	0.1	0.1	(1)
All other	0.6	0.3	0.3	0.1	0.1	0.1
Total, less developed countries	215.1	161.3	53.8	25.7	29.0	19.2
Grand total	836.6	556.3	280.3	100.0	100.0	100.0
	1994					
	Million dollars			*Percent*		
Canada	370.5	232.4	138.1	61.7	61.0	63.0
Japan	54.8	27.6	27.3	9.1	7.2	12.5
Germany	16.2	7.2	9.0	2.7	1.9	4.1
Belgium	2.8	2.4	0.3	0.5	0.6	0.2
France	2.5	1.6	0.8	0.4	0.4	0.4
Netherlands	2.1	1.5	0.6	0.3	0.4	0.3
United Kingdom	1.7	1.0	0.7	0.3	0.3	0.3
Spain	1.0	0.2	0.8	0.2	0.1	0.4
Switzerland	0.8	0.2	0.6	0.1	0.1	0.3
Austria	0.7	0.2	0.5	0.1	(1)	0.2
All other	0.9	0.3	0.6	0.1	0.1	0.3
Total, developed countries	454.0	274.5	179.4	75.6	72.0	81.9
Mexico	130.5	97.9	32.6	21.7	25.7	14.9
Russia	7.5	4.3	3.2	1.2	1.1	1.5
Singapore	2.5	0.4	2.1	0.4	0.1	1.0
China	1.9	1.6	0.3	0.3	0.4	0.1
St. Vincent and Grenadines	1.2	1.2	0.0	0.2	0.3	(1)
Taiwan	1.1	0.1	1.0	0.2	(1)	0.5
South Korea	1.0	0.8	0.2	0.2	0.2	0.1
Hong Kong	0.5	0.3	0.3	0.1	0.1	0.1
All other	0.2	0.1	0.1	(1)	(1)	(1)
Total, less developed countries	146.4	106.6	39.7	24.4	28.0	18.1
Grand total	600.3	381.2	219.2	100.0	100.0	100.0

[1] Less than 0.5 percent.

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

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

Table B-3
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand dollars)

Commodity group	1991 Total value	1991 Duty-free value	1991 Dutiable value	1992 Total value	1992 Duty-free value	1992 Dutiable value
Agricultural products	0	0	0	168	152	16
Forest products	55	45	10	3	(1)	3
Chemicals, coal, petroleum, natural gas, and related products:						
Fabricated plastics and rubber products	8	6	2	7	5	2
Other energy and chemicals products	6,035	4,119	1,917	5,745	2,802	2,943
Total	6,043	4,125	1,918	5,752	2,806	2,946
Textiles, apparel, and footwear:						
Textiles and textile products	23	21	2	287	193	94
Men's and boys' coats and jackets	0	0	0	385	270	115
Men's and boys' trousers	0	0	0	0	0	0
Women's and girls' trousers	0	0	0	0	0	0
Women's and girls' dresses	1	1	0	0	0	0
Robes, nightwear, and underwear	18	4	15	0	0	0
Foundation garments	6	3	2	0	0	0
Gloves, including Gloves, for sports	8	7	1	0	0	0
Headwear	0	0	0	0	0	0
Other wearing apparel and accessories	0	0	0	1	(1)	1
Footwear and parts	0	0	0	31	1	30
Total	56	36	20	705	464	240
Minerals and Metals:						
Steel mill products	123,793	90,445	33,348	111,047	76,889	34,158
Copper and related products	23,144	15,402	7,742	44,355	31,523	12,832
Aluminum mill products	265,465	216,195	49,270	254,548	211,580	42,968
Builders' hardware	3,346	1,696	1,650	2,830	1,363	1,467
Gas stoves and other articles of base metal	3,167	2,271	896	1,823	969	854
Other metal products	23,864	18,488	5,376	13,443	9,983	3,461
Total	442,779	344,497	98,282	428,047	332,306	95,741
Miscellaneous Manufactures:						
Jewelry	1,771	1,290	481	2,787	1,596	1,191
Motor vehicle and other furniture	146	32	114	79	40	38
Lamps and lighting fixtures	207	136	71	218	151	67
Other miscellaneous manufactured articles	34,912	27,873	7,039	46,144	37,084	9,060
Total	37,037	29,331	7,705	49,227	38,872	10,355

See notes at end of table.

Table B-3—Continued
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand dollars)

Commodity group	1991 Total value	1991 Duty-free value	1991 Dutiable value	1992 Total value	1992 Duty-free value	1992 Dutiable value
Machinery and equipment:						
Air conditioning equipment	172	68	105	7	6	1
Commercial machinery	12	11	1	0	0	0
Household appliances, including heating and drying equipment	47	36	11	11	5	6
Centrifuges, filtering and purifying equipment, and pumps for liquids	1,292	854	437	432	254	178
Semiconductor equipment, robots, and other equipment	8,613	5,508	3,104	13,569	6,939	6,629
Taps, cocks, values, and similar devices	6,663	5,608	1,055	8,860	7,820	1,040
Electric motors, generators, and related equipment	113	63	50	1,448	239	1,209
Electrical transformers, static converters, and inductors	24,935	14,881	10,054	20,980	15,631	5,349
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	252	230	22	41	19	22
Wiring harnesses for motor vehicles and other insulated electrical conduits	120	64	56	309	246	63
Miscellaneous machinery and equipment	1,933	1,156	778	2,878	1,445	1,433
Total	44,151	28,478	15,673	48,534	32,603	15,930
Transportation equipment:						
Aircraft engines and gas turbines	17,869	15,242	2,626	21,058	19,354	1,704
Internal combustion piston engines	3,757	1,570	2,187	17,826	6,468	11,357
Construction, mining, and industrial vehicles	693	323	370	144	96	48
Certain motor-vehicle parts	21,510	16,729	4,781	31,422	23,870	7,551
Primary cells and batteries, and electric storage batteries	11	7	4	16	3	13
Ignition starting, lighting, and other electrical equipment	3,010	2,265	745	447	270	176
Rail locomotives and rolling stock	1	(1)	1	16	14	2
Automobiles, trucks, buses, and bodies and chassis of the foregoing	1,968	980	988	60	8	51
Aircraft, spacecraft, and related equipment, except engines	553,698	179,657	374,041	391,998	133,908	258,091
Ships, tugs, pleasure boats, and similar vessels	4,080	1,115	2,965	168	16	152
Motorcycles and miscellaneous vehicles and transportation related equipment	265	238	26	754	623	131
Total	606,862	218,127	388,736	463,908	184,632	279,277

See notes at end of table.

Table B-3—Continued
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand dollars)

Commodity group	1991			1992		
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
Electronic products:						
Office machines	339	248	91	92	77	15
Telephone and telegraph apparatus, including optical fiber	6	1	4	25	22	2
Microphones, loudspeakers, audio amplifiers, and combinations thereof	0	0	0	2	2	(1)
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	0	0	0	0	0	0
Records, tapes, compact discs, computer software, and other media, whether or not recorded	0	0	0	0	0	0
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	20	11	9	55	5	50
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	2	2	(1)	0	0	0
Electric sound and visual signaling apparatus, and and other miscellaneous electrical and electronic articles	304	235	69	622	542	80
Electrical circuit apparatus	2,694	1,795	899	4,225	3,442	784
Semiconductor devices	135	74	61	71	65	7
Automated data processing machines (computers)	138	111	26	61	43	18
Photographic equipment and supplies	115	56	59	110	93	17
Medical and optical goods, including ophthalmic goods	1,106	536	570	1,503	671	833
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	17	2	15	4	3	1
Watches, clocks and timing devices, and arms and ammunition	3	1	2	4	2	2
Measuring, testing, controlling, and analyzing instruments	266	117	149	252	114	139
Total	5,146	3,191	1,955	7,028	5,080	1,948
Grand total	1,142,129	627,829	514,299	1,003,372	596,916	406,456

See notes at end of table.

Table B-3—Continued
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand dollars)

Commodity group	1993 Total value	1993 Duty-free value	1993 Dutiable value	1994 Total value	1994 Duty-free value	1994 Dutiable value
Agricultural products	19	8	10	17	12	4
Forest products	0	0	0	8	8	(1)
Chemicals, coal, petroleum, natural gas, and related products:						
Fabricated plastics and rubber products	42	23	19	432	188	244
Other energy and chemicals products	5,735	2,714	3,021	9,449	4,857	4,592
Total	5,777	2,737	3,040	9,881	5,045	4,836
Textiles, apparel, and footwear:						
Textiles and textile products	37	22	15	9	6	4
Men's and boys' coats and jackets	0	0	0	0	0	0
Men's and boys' trousers	0	0	0	24	18	6
Women's and girls' trousers	0	0	0	0	0	0
Women's and girls' dresses	0	0	0	1	(1)	1
Robes, nightwear, and underwear	0	0	0	0	0	0
Foundation garments	0	0	0	0	0	0
Gloves, including Gloves, for sports	22	1	21	0	0	0
Headwear	0	0	0	35	5	30
Other wearing apparel and accessories	0	0	0	39	8	30
Footwear and parts	5	4	1	101	43	58
Total	63	26	37	209	80	129
Minerals and Metals:						
Steel mill products	163,704	108,100	55,603	183,550	123,745	59,805
Copper and related products	58,556	45,555	13,001	85,129	65,882	19,247
Aluminum mill products	244,351	200,228	44,123	48,149	36,123	12,026
Builders' hardware	2,073	1,136	936	1,023	661	362
Gas stoves and other articles of base metal	2,179	985	1,195	2,277	907	1,370
Other metal products	10,919	6,495	4,425	27,948	15,828	12,120
Total	481,782	362,500	119,283	348,075	243,146	104,929
Miscellaneous Manufactures:						
Jewelry	2,336	1,601	735	4,021	2,893	1,129
Motor vehicle and other furniture	13	12	2	53	49	4
Lamps and lighting fixtures	134	81	53	7	1	6
Other miscellaneous manufactured articles	52,239	41,399	10,839	15,568	11,640	3,928
Total	54,721	43,093	11,628	19,650	14,583	5,067

See notes at end of table.

Table B-3—Continued
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand dollars)

Commodity group	1993 Total value	1993 Duty-free value	1993 Dutiable value	1994 Total value	1994 Duty-free value	1994 Dutiable value
Machinery and equipment:						
Air conditioning equipment	0	0	0	39	32	7
Commercial machinery	17	15	2	0	0	0
Household appliances, including heating and drying equipment	0	0	0	0	0	0
Centrifuges, filtering and purifying equipment, and pumps for liquids	89	38	51	6	3	3
Semiconductor equipment, robots, and other equipment	10,005	5,698	4,307	5,272	4,008	1,263
Taps, cocks, values, and similar devices	10,185	9,075	1,110	12,784	11,144	1,640
Electric motors, generators, and related equipment	467	149	318	96	59	36
Electrical transformers, static converters, and inductors	14,578	12,067	2,511	8,878	6,340	2,539
Flashlights and other similar electric light, lights bulbs and fluorescent tubes; arc lights	45	25	20	0	0	0
Wiring harnesses for motor vehicles and other insulated electrical conduits	257	180	77	14	7	7
Miscellaneous machinery and equipment	7,664	5,489	2,175	2,130	981	1,149
Total	43,305	32,735	10,570	29,220	22,575	6,644
Transportation equipment:						
Aircraft engines and gas turbines	11,302	10,387	915	5,474	4,714	759
Internal combustion piston engines	7,331	2,661	4,670	212	155	57
Construction, mining, and industrial vehicles	583	381	203	423	278	144
Certain motor-vehicle parts	35,448	28,885	6,563	41,809	33,631	8,178
Primary cells and batteries, and electric storage batteries	0	0	0	0	0	0
Ignition starting, lighting, and other electrical equipment	136	83	54	113	71	41
Rail locomotives and rolling stock	0	0	0	60	32	28
Automobiles, trucks, buses, and bodies and chassis of the foregoing	140	22	118	142	21	121
Aircraft, spacecraft, and related equipment, except engines	190,287	69,656	120,631	135,675	53,240	82,436
Ships, tugs, pleasure boats, and similar vessels	566	83	483	3,540	452	3,088
Motorcycles and miscellaneous vehicles and transportation related equipment	0	0	0	76	57	20
Total	245,793	112,157	133,636	187,524	92,651	94,872

See notes at end of table.

Table B-3—Continued
U.S. Imports for consumption under HTS provision 9802.00.60, by commodity groups, 1991-94

(Thousand of dollars)

Commodity group	1993 Total value	1993 Duty-free value	1993 Dutiable value	1994 Total value	1994 Duty-free value	1994 Dutiable value
Electronic products:						
Office machines	222	160	62	168	118	50
Telephone and telegraph apparatus, including optical fiber	100	35	65	280	40	240
Microphones, loudspeakers, audio amplifiers, and combinations thereof	0	0	0	0	0	0
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	0	0	0	46	42	3
Records, tapes, compact discs, computer software, and other media, whether or not recorded	19	17	2	0	0	0
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	6	5	1	13	11	1
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	0	0	0	0	0	0
Electric sound and visual signaling apparatus, and and other miscellaneous electrical and electronic articles	256	118	138	162	87	75
Electrical circuit apparatus	2,713	1,524	1,189	3,127	1,555	1,572
Semiconductor devices	34	23	11	93	66	27
Automated data processing machines (computers)	90	64	25	26	15	11
Photographic equipment and supplies	10	10	(1)	8	6	3
Medical and optical goods, including ophthalmic goods	1,334	804	530	1,579	969	610
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	85	76	9	1	1	1
Watches, clocks and timing devices, and arms and ammunition	0	0	0	11	11	(1)
Measuring, testing, controlling, and analyzing instruments	266	220	46	249	155	93
Total	5,135	3,056	2,078	5,763	3,076	2,686
Grand total	836,595	556,311	280,283	600,346	381,177	219,168

[1] Less than $500.

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

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

Table B-4
U.S. imports for consumption under HTS provision 9802.00.60, by principal sources, 1994

Source	Total value		Duty-free value	
	Value	Percent of total	Value	Percent of total
	Million dollars		*Million dollars*	
Grand total	600.3	100.0	381.2	100.0
Top 10 sources, total	591.3	98.5	376.9	98.9
Canada	370.5	61.7	232.4	61.0
Mexico	130.5	21.7	97.9	25.7
Japan	54.8	9.1	27.6	7.2
Germany	16.2	2.7	7.2	1.9
Russia	7.5	1.2	4.3	1.1
Belgium	2.8	0.5	2.4	0.6
Singapore	2.5	0.4	0.4	0.1
France	2.5	0.4	1.6	0.4
Netherlands	2.1	0.3	1.5	0.4
China	1.9	0.3	1.6	0.4
All other	9.1	1.5	4.3	1.1

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

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

Table B-5
U.S. Imports for consumption from Canada under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Forest products	4	4	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	432	188	244
Textiles, apparel, and footwear:			
Textiles and textile products	3	(1)	3
Minerals and Metals:			
Steel mill products	146,504	98,411	48,093
Copper and related products	43,038	44,948	(1,910)
Aluminum mill products	33,085	27,895	5,190
Gas stoves and other articles of base metal	561	283	279
Other metal products	1,709	986	723
Total	224,898	172,522	52,375
Miscellaneous Manufactures:			
Jewelry	9	3	6
Motor vehicle and other furniture	37	35	2
Lamps and lighting fixtures	7	1	6
Total	53	39	14
Machinery and equipment:			
Centrifuges, filtering and purifying equipment, and pumps for liquids	5	2	3
Semiconductor equipment, robots, and other equipment	4,689	3,836	853
Taps, cocks, values, and similar devices	176	116	60
Electrical transformers, static converters, and inductors	9	9	1
Miscellaneous machinery and equipment	1,882	953	929
Total	6,761	4,916	1,845
Transportation equipment:			
Aircraft engines and gas turbines	4	(1)	4
Internal combustion piston engines	208	153	55
Construction, mining, and industrial vehicles	416	272	144
Certain motor-vehicle parts	889	643	247
Ignition starting, lighting, and other electrical equipment	113	71	41
Rail locomotives and rolling stock	60	32	28
Automobiles, trucks, buses, and bodies and chassis of the foregoing	121	21	100
Aircraft, spacecraft, and related equipment, except engines	135,674	53,239	82,435
Ships, tugs, pleasure boats, and similar vessels	10	4	6
Motorcycles and miscellaneous vehicles and transportation related equipment	76	57	20
Total	137,572	54,492	83,080
Electronic products:			
Office machines	64	33	31
Electrical circuit apparatus	553	128	425
Semiconductor devices	30	18	12
Photographic equipment and supplies	8	6	3
Medical and optical goods, including ophthalmic goods	21	6	15
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	1	1	1
Measuring, testing, controlling, and analyzing instruments	51	20	31
Total	729	212	517
Grand total	370,451	232,372	138,078

[1] Less than $500.

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

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

Table B-6
U.S. Imports for consumption from Mexico under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Agricultural products	17	12	4
Forest products	4	4	([1])
Textiles, apparel, and footwear:			
Footwear and parts	101	43	58
Minerals and Metals:			
Steel mill products	35,708	24,371	11,337
Aluminum mill products	763	663	100
Builders' hardware	1,023	661	362
Gas stoves and other articles of base metal	1,035	615	421
Other metal products	2,519	1,602	917
Total	41,048	27,912	13,136
Miscellaneous Manufactures:			
Jewelry	2,828	1,718	1,110
Motor vehicle and other furniture	16	14	2
Other miscellaneous manufactured articles	15,475	11,556	3,919
Total	18,319	13,289	5,031
Machinery and equipment:			
Taps, cocks, values, and similar devices	12,605	11,027	1,577
Electric motors, generators, and related equipment	88	54	34
Electrical transformers, static converters, and inductors	8,854	6,331	2,523
Wiring harnesses for motor vehicles and other insulated electrical conduits	8	3	5
Miscellaneous machinery and equipment	5	2	3
Total	21,560	17,417	4,143
Transportation equipment:			
Aircraft engines and gas turbines	4,221	3,711	510
Certain motor-vehicle parts	40,896	32,974	7,922
Total	45,117	36,686	8,431
Electronic products:			
Office machines	104	85	19
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	2	1	1
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	154	83	71
Electrical circuit apparatus	2,534	1,398	1,136
Automated data processing machines (computers)	12	2	10
Medical and optical goods, including ophthalmic goods	1,545	956	589
Measuring, testing, controlling, and analyzing instruments	7	2	5
Total	4,357	2,527	1,830
Grand total	130,524	97,890	32,633

[1] Less than $500.

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

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

Table B-7
U.S. Imports for consumption from Japan under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Minerals and Metals:			
Copper and related products	41,395	20,480	20,914
Aluminum mill products	13,175	7,040	6,134
Total	54,570	27,521	27,049
Electronic products:			
Telephone and telegraph apparatus, including optical fiber	270	31	239
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	8	4	4
Total	278	35	243
Grand total	54,847	27,556	27,291

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

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

Table B-8
U.S. Imports for consumption from Germany under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Other energy and chemicals products	9,049	4,604	4,445
Minerals and Metals:			
Aluminum mill products	185	68	117
Other metal products	6,839	2,409	4,430
Total	7,023	2,477	4,547
Machinery and equipment:			
Miscellaneous machinery and equipment	11	10	1
Transportation equipment:			
Aircraft engines and gas turbines	130	105	25
Internal combustion piston engines	4	2	2
Automobiles, trucks, buses, and bodies and chassis of the foregoing	21	(1)	21
Aircraft, spacecraft, and related equipment, except engines	1	1	(1)
Total	156	108	48
Electronic products:			
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	2	2	(1)
Measuring, testing, controlling, and analyzing instruments	7	7	1
Total	9	8	1
Grand total	16,248	7,208	9,040

[1] Less than $500.

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

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

Table B-9
U.S. Imports for consumption from Russia under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Other energy and chemicals products	261	157	104
Minerals and Metals:			
Other metal products	7,196	4,116	3,080
Grand total	7,457	4,273	3,184

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

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

Table B-10
U.S. Imports for consumption from Belgium under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Minerals and Metals:			
Aluminum mill products	307	244	62
Other metal products	2,392	2,112	280
Total	2,699	2,357	342
Miscellaneous Manufactures:			
Other miscellaneous manufactured articles	78	77	1
Electronic products:			
Measuring, testing, controlling, and analyzing instruments	3	2	1
Grand total	2,779	2,436	344

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

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

Table B-1 1
U.S. Imports for consumption from Singapore under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Machinery and equipment:			
Ships, tugs, pleasure boats, and similar vessels	2,509	409	2,100

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

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

Table B-12
U.S. Imports for consumption from France under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Minerals and Metals:			
Steel mill products	17	9	9
Aluminum mill products	73	38	35
Other metal products	2,356	1,575	780
Total	2,446	1,622	824
Machinery and equipment:			
Wiring harnesses for motor vehicles and other insulated electrical conduits	3	3	([1])
Miscellaneous machinery and equipment	2	([1])	1
Total	4	3	1
Transportation equipment:			
Certain motor-vehicle parts	11	8	3
Electronic products:			
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	11	10	1
Grand total	2,471	1,642	828

[1] Less than $500.

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

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

Table B-13
U.S. Imports for consumption from Netherlands under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Minerals and Metals:			
Steel mill products	10	5	5
Copper and related products	354	236	118
Other metal products	494	243	251
Total	859	484	375
Miscellaneous Manufactures:			
Other miscellaneous manufactured articles	15	7	9
Machinery and equipment:			
Semiconductor equipment, robots, and other equipment	90	81	9
Transportation equipment:			
Aircraft engines and gas turbines	1,099	887	212
Electronic products:			
Telephone and telegraph apparatus, including optical fiber	7	6	1
Grand total	2,069	1,465	604

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

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

Table B-14
U.S. Imports for consumption from China under HTS provision 9802.00.60, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Other energy and chemicals products	65	50	15
Textiles, apparel, and footwear:			
Headwear	35	5	30
Minerals and Metals:			
Other metal products	1,797	1,579	218
Machinery and equipment:			
Air conditioning equipment	2	(1)	1
Transportation equipment:			
Certain motor-vehicle parts	13	6	7
Grand total	1,912	1,640	271

[1] Less than $500.

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

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

Table B-15
U.S. imports for consumption under HTS provision 9802.00.80: Value and share of total, by principal source, 1991-94

Source	1991					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Japan	16,872.5	472.5	16,400.0	29.9	3.4	38.6
Canada	7,484.6	2,123.3	5,361.4	13.3	15.3	12.6
Germany	4,607.3	84.6	4,522.7	8.2	0.6	10.6
Sweden	918.1	27.1	891.0	1.6	0.2	2.1
France	867.0	54.8	812.2	1.5	0.4	1.9
United Kingdom	777.8	66.2	711.5	1.4	0.5	1.7
Australia	256.9	10.8	246.1	0.5	0.1	0.6
Belgium	238.6	7.5	231.1	0.4	0.1	0.5
Netherlands	229.1	56.0	173.2	0.4	0.4	0.4
Ireland	166.6	45.1	121.5	0.3	0.3	0.3
Italy	150.1	22.4	127.7	0.3	0.2	0.3
Austria	54.6	15.1	39.5	0.1	0.1	0.1
All other	55.4	8.3	47.1	0.1	0.1	0.1
Total, developed countries	32,678.8	2,993.8	29,684.9	57.9	21.6	69.8
Mexico	14,163.5	7,124.9	7,038.6	25.1	51.3	16.6
Korea	2,050.8	494.7	1,556.1	3.6	3.6	3.7
Malaysia	1,263.1	531.9	731.2	2.2	3.8	1.7
Singapore	978.8	289.6	689.2	1.7	2.1	1.6
Dominican Republic	945.6	643.5	302.1	1.7	4.6	0.7
Taiwan	810.1	218.6	591.6	1.4	1.6	1.4
Philippines	621.9	283.3	338.7	1.1	2.0	0.8
Brazil	478.2	38.4	439.7	0.8	0.3	1.0
Thailand	395.9	157.8	238.1	0.7	1.1	0.6
Costa Rica	379.1	264.0	115.1	0.7	1.9	0.3
Hong Kong	325.8	112.5	213.3	0.6	0.8	0.5
Guatemala	227.4	117.2	110.2	0.4	0.8	0.3
Jamaica	176.4	132.4	44.0	0.3	1.0	0.1
Haiti	172.2	124.1	48.1	0.3	0.9	0.1
China	155.2	25.6	129.7	0.3	0.2	0.3
Colombia	151.3	82.7	68.6	0.3	0.6	0.2
Honduras	144.2	106.9	37.2	0.3	0.8	0.1
El Salvador	87.3	53.2	34.1	0.2	0.4	0.1
Indonesia	53.4	24.1	29.4	0.1	0.2	0.1
All other	154.0	72.6	81.4	0.3	0.5	0.2
Total, less developed countries	23,734.0	10,897.8	12,836.3	42.1	78.4	30.2
Grand total	56,412.8	13,891.6	42,521.2	100.0	100.0	100.0

See notes at end of table.

Table B-15—Continued
U.S. imports for consumption under HTS provision 9802.00.80: Value and share of total, by principal source, 1991-94

Source	1992					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Japan	17,662.9	497.5	17,165.4	31.8	3.4	42.1
Germany	5,334.1	86.2	5,248.0	9.6	0.6	12.9
Canada	2,918.6	814.3	2,104.3	5.3	5.5	5.2
France	919.8	57.8	861.9	1.7	0.4	2.1
United Kingdom	739.5	74.2	665.3	1.3	0.5	1.6
Sweden	325.4	14.2	311.1	0.6	0.1	0.8
Netherlands	235.4	55.6	179.7	0.4	0.4	0.4
Ireland	189.1	58.5	130.6	0.3	0.4	0.3
Australia	153.8	2.8	151.0	0.3	0.0	0.4
Italy	133.1	21.7	111.5	0.2	0.1	0.3
Austria	58.2	20.1	38.2	0.1	0.1	0.1
Belgium	43.7	6.9	36.8	0.1	(1)	0.1
All other	50.4	8.3	42.1	0.1	0.1	0.1
Total, developed countries	28,764.0	1,718.1	27,046.0	51.8	11.6	66.4
Mexico	16,290.9	8,524.1	7,766.8	29.4	57.7	19.1
Korea	1,577.3	439.1	1,138.2	2.8	3.0	2.8
Malaysia	1,372.1	610.7	761.5	2.5	4.1	1.9
Dominican Republic	1,272.1	872.8	399.2	2.3	5.9	1.0
Singapore	1,205.8	344.4	861.4	2.2	2.3	2.1
Taiwan	898.8	297.8	601.1	1.6	2.0	1.5
Philippines	823.5	367.8	455.6	1.5	2.5	1.1
Costa Rica	501.9	355.2	146.7	0.9	2.4	0.4
Hong Kong	353.7	132.7	221.0	0.6	0.9	0.5
Guatemala	322.6	162.3	160.3	0.6	1.1	0.4
Brazil	319.3	19.1	300.2	0.6	0.1	0.7
Thailand	319.0	164.6	154.4	0.6	1.1	0.4
China	307.7	42.7	265.0	0.6	0.3	0.7
Honduras	248.7	181.1	67.5	0.4	1.2	0.2
Jamaica	224.5	171.9	52.6	0.4	1.2	0.1
Colombia	204.4	109.1	95.3	0.4	0.7	0.2
El Salvador	148.2	94.1	54.2	0.3	0.6	0.1
Indonesia	123.6	39.4	84.2	0.2	0.3	0.2
Haiti	76.5	56.3	20.2	0.1	0.4	(1)
All other	137.2	59.7	77.5	0.2	0.4	0.2
Total, less developed countries	26,727.7	13,044.8	13,682.9	48.2	88.4	33.6
Grand total	55,491.8	14,762.9	40,728.9	100.0	100.0	100.0

See notes at end of table.

Table B-15—Continued
U.S. imports for consumption under HTS provision 9802.00.80: Value and share of total, by principal source, 1991-94

Source	1993					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Japan	14,110.6	460.2	13,650.4	25.0	2.7	34.6
Germany	4,581.7	83.9	4,497.8	8.1	0.5	11.4
Canada	2,493.5	773.3	1,720.1	4.4	4.5	4.4
United Kingdom	1,007.1	91.7	915.4	1.8	0.5	2.3
Sweden	955.0	28.9	926.1	1.7	0.2	2.3
France	793.0	75.3	717.7	1.4	0.4	1.8
Belgium	654.0	11.3	642.7	1.2	0.1	1.6
Netherlands	260.5	64.8	195.7	0.5	0.4	0.5
Italy	129.2	33.9	95.4	0.2	0.2	0.2
Ireland	81.9	23.6	58.3	0.1	0.1	0.1
Australia	68.0	4.6	63.5	0.1	(1)	0.2
Spain	51.1	5.5	45.6	0.1	(1)	0.1
Austria	40.2	15.0	25.2	0.1	0.1	0.1
All other	70.3	9.5	60.8	0.1	0.1	0.2
Total, developed countries	25,296.0	1,681.4	23,614.6	44.8	9.9	59.8
Mexico	18,801.6	9,738.0	9,063.6	33.3	57.3	22.9
Malaysia	1,666.1	794.3	871.8	2.9	4.7	2.2
Korea	1,658.7	473.7	1,185.0	2.9	2.8	3.0
Dominican Republic	1,531.0	1,041.1	490.0	2.7	6.1	1.2
Singapore	1,460.9	353.3	1,107.7	2.6	2.1	2.8
Philippines	1,049.1	485.0	564.2	1.9	2.9	1.4
Taiwan	957.6	336.2	621.5	1.7	2.0	1.6
Costa Rica	575.4	398.9	176.5	1.0	2.3	0.4
Guatemala	425.8	220.1	205.8	0.8	1.3	0.5
China	404.1	51.2	352.9	0.7	0.3	0.9
Thailand	396.6	237.8	158.8	0.7	1.4	0.4
Hong Kong	338.4	130.2	208.2	0.6	0.8	0.5
Honduras	336.5	236.4	100.1	0.6	1.4	0.3
Jamaica	321.3	254.4	66.8	0.6	1.5	0.2
Brazil	271.5	15.6	255.9	0.5	0.1	0.6
Colombia	222.6	115.7	106.9	0.4	0.7	0.3
El Salvador	202.6	118.2	84.5	0.4	0.7	0.2
Bahamas	155.2	148.6	6.5	0.3	0.9	0.0
Indonesia	145.6	35.0	110.6	0.3	0.2	0.3
Haiti	108.1	73.1	35.1	0.2	0.4	0.1
India	53.0	9.9	43.1	0.1	0.1	0.1
All other	137.2	60.1	77.1	0.2	0.4	0.2
Total, less developed countries	31,219.1	15,326.7	15,892.5	55.2	90.1	40.2
Grand total	56,515.1	17,008.1	39,507.1	100.0	100.0	100.0

See notes at end of table.

Table B-15—Continued
U.S. imports for consumption under HTS provision 9802.00.80: Value and share of total, by principal source, 1991-94

Source	1994					
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
	Million dollars			*Percent*		
Japan	10,481.3	472.1	10,009.2	17.8	2.5	25.3
Germany	5,857.4	120.6	5,736.8	10.0	0.6	14.5
Canada	1,292.2	456.1	836.1	2.2	2.4	2.1
United Kingdom	1,210.6	109.0	1,101.7	2.1	0.6	2.8
Belgium	1,018.1	16.0	1,002.1	1.7	0.1	2.5
Sweden	858.6	16.9	841.7	1.5	0.1	2.1
France	707.7	78.4	629.3	1.2	0.4	1.6
Netherlands	158.9	38.3	120.5	0.3	0.2	0.3
Spain	115.7	17.6	98.1	0.2	0.1	0.2
Italy	69.2	11.5	57.7	0.1	0.1	0.1
Ireland	66.2	17.3	48.9	0.1	0.1	0.1
Austria	59.6	23.9	35.7	0.1	0.1	0.1
Australia	41.3	2.8	38.4	0.1	(1)	0.1
All other	96.2	13.6	82.6	0.2	0.1	0.2
Total, developed countries	22,033.1	1,394.2	20,639.0	37.5	7.3	52.1
Mexico	22,944.0	11,508.4	11,435.7	39.1	60.1	28.9
Malaysia	1,939.5	967.9	971.6	3.3	5.1	2.5
Korea	1,722.8	479.2	1,243.6	2.9	2.5	3.1
Dominican Republic	1,706.7	1,109.4	597.2	2.9	5.8	1.5
Philippines	1,377.1	639.7	737.4	2.3	3.3	1.9
Singapore	1,228.8	335.3	893.5	2.1	1.8	2.3
Taiwan	1,161.0	372.0	789.0	2.0	1.9	2.0
CostaRica	623.0	411.4	211.6	1.1	2.2	0.5
China	601.0	72.7	528.3	1.0	0.4	1.3
Thailand	594.2	353.2	241.0	1.0	1.8	0.6
Honduras	451.9	325.5	126.4	0.8	1.7	0.3
Guatemala	451.4	219.1	232.3	0.8	1.1	0.6
Jamaica	380.0	305.8	74.3	0.6	1.6	0.2
Hong Kong	328.9	135.1	193.8	0.6	0.7	0.5
El Salvador	322.2	175.1	147.0	0.5	0.9	0.4
Colombia	252.1	145.6	106.5	0.4	0.8	0.3
Indonesia	205.0	46.7	158.3	0.3	0.2	0.4
Brazil	146.8	16.7	130.1	0.2	0.1	0.3
India	50.2	4.4	45.8	0.1	(1)	0.1
Haiti	35.2	25.1	10.1	0.1	0.1	(1)
All other	196.1	92.5	103.6	0.3	0.5	0.3
Total, less developed countries	36,717.8	17,740.8	18,977.1	62.5	92.7	47.9
Grand total	58,751.0	19,134.9	39,616.0	100.0	100.0	100.0

[1] Less than .05 percent.

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

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

Table B-16
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1991 Total value	1991 Duty-free value	1991 Dutiable value	1992 Total value	1992 Duty-free value	1992 Dutiable value
Agricultural products	19,242	2,433	16,809	14,961	1,901	13,059
Forest products	53,620	30,387	23,233	73,233	44,532	28,701
Chemicals, coal, petroleum, natural gas, and related products:						
Fabricated plastics and rubber products	124,525	71,114	53,410	131,517	80,361	51,156
Other energy and chemicals products	39,694	9,814	29,880	41,047	10,326	30,721
Total	164,219	80,928	83,290	172,564	90,687	81,877
Textiles, apparel, and footwear:						
Textiles and textile products	199,977	122,536	77,441	238,469	138,103	100,366
Medical apparel	162,919	115,240	47,678	204,708	136,197	68,510
Men's and boys' suits and sports coats	74,858	45,589	29,269	89,451	55,013	34,438
Men's and boys' coats and jackets	25,897	8,965	16,932	33,714	14,493	19,221
Men's and boys' trousers	702,962	483,511	219,451	907,225	620,942	286,283
Women's and girls' trousers	434,858	257,723	177,135	549,099	328,763	220,336
Shirts and blouses	430,960	246,819	184,141	667,583	396,083	271,500
Women's and girls' suits skirts and coats	329,058	177,465	151,593	427,458	213,888	213,570
Women's and girls' dresses	65,526	30,355	35,171	77,134	32,913	44,220
Robes nightwear and underwear	360,217	255,186	105,031	478,257	335,240	143,017
Hosiery	21,148	17,804	3,344	25,001	21,366	3,636
Foundation garments	324,243	224,541	99,703	423,117	281,887	141,231
Gloves, including Gloves, for sports	33,472	21,434	12,037	32,677	20,604	12,073
Headwear	24,688	15,601	9,086	28,067	15,353	12,714
Other wearing apparel and accessories	160,026	90,105	69,921	189,565	108,359	81,206
Footwear and parts	869,653	109,684	759,969	1,003,571	145,742	857,830
Total	4,220,461	2,222,560	1,997,901	5,375,095	2,864,946	2,510,148
Minerals and Metals:						
Steel mill products	900	557	342	812	397	415
Copper and related products	1,867	1,079	788	3,254	1,622	1,632
Aluminum mill products	3,780	2,443	1,336	2,072	1,676	396
Builders' hardware	76,039	51,285	24,754	58,870	37,329	21,541
Gas stoves and other articles of base metal	67,193	33,240	33,954	187,764	85,873	101,890
Other metal products	125,694	45,811	79,884	108,340	46,915	61,426
Total	275,473	134,415	141,058	361,113	173,813	187,300
Miscellaneous Manufactures:						
Luggage handbags and flat goods	59,283	30,636	28,647	68,798	38,068	30,730
Jewelry	65,426	60,214	5,212	67,632	61,459	6,173
Motor vehicle and other furniture	341,608	136,943	204,665	141,287	61,944	79,344
Lamps and lighting fixtures	48,147	28,431	19,715	56,615	33,717	22,898
Other miscellaneous manufactured articles	253,019	98,251	154,768	247,598	83,410	164,188
Total	767,482	354,476	413,007	581,930	278,597	303,333

See notes at end of table.

Table B-16—Continued
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1991 Total value	1991 Duty-free value	1991 Dutiable value	1992 Total value	1992 Duty-free value	1992 Dutiable value
Machinery and equipment:						
Air conditioning equipment	229,716	66,686	163,030	205,687	92,589	113,097
Commercial machinery	57,337	15,722	41,615	69,704	20,895	48,809
Household appliances, including heating and drying equipment	325,834	145,008	180,826	391,129	168,909	222,220
Centrifuges, filtering and purifying equipment, and pumps for liquids	88,122	32,728	55,394	113,704	41,100	72,604
Semiconductor equipment, robots, and other equipment	302,690	75,449	227,241	262,420	83,855	178,566
Taps, cocks, values, and similar devices	183,724	103,994	79,730	217,435	130,975	86,461
Electric motors, generators, and related equipment	361,466	201,622	159,844	497,199	278,716	218,483
Electrical transformers, static converters, and inductors	412,564	197,109	215,455	481,575	219,794	261,781
Powered handtools and parts thereof	35,374	16,536	18,838	29,334	7,931	21,403
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	120,450	54,960	65,490	146,678	75,877	70,801
Wiring harnesses for motor vehicles and other insulated electrical conduits	1,449,557	857,309	592,248	1,834,383	1,051,554	782,828
Miscellaneous machinery and equipment	358,175	76,584	281,592	348,055	82,300	265,754
Total	3,925,010	1,843,707	2,081,303	4,597,304	2,254,495	2,342,808
Transportation equipment:						
Aircraft engines and gas turbines	231,696	32,394	199,303	255,092	38,439	216,654
Internal combustion piston engines	1,155,735	160,524	995,211	804,463	138,673	665,790
Construction, mining, and industrial vehicles	287,910	88,241	199,669	251,826	56,892	194,934
Certain motor-vehicle parts	1,877,573	778,132	1,099,441	2,336,950	1,068,311	1,268,639
Primary cells and batteries, and electric storage batteries	139,263	81,014	58,249	134,347	77,902	56,445
Ignition starting, lighting, and other electrical equipment	202,470	119,236	83,234	247,099	144,558	102,541
Rail locomotives and rolling stock	84,502	14,903	69,599	66,224	18,802	47,421
Automobiles, trucks, buses, and bodies and chassis of the foregoing	31,131,669	3,161,880	27,969,790	27,607,468	2,189,921	25,417,546
Aircraft, spacecraft, and related equipment, except engines	487,194	182,275	304,919	423,224	168,658	254,566
Ships, tugs, pleasure boats, and similar vessels	85,210	36,489	48,722	32,040	6,504	25,536
Motorcycles and miscellaneous vehicles and transportation related equipment	52,025	17,857	34,168	71,033	34,692	36,341
Total	35,735,248	4,672,945	31,062,303	32,229,766	3,943,353	28,286,413

See notes at end of table.

Table B-16—Continued
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1991 Total value	1991 Duty-free value	1991 Dutiable value	1992 Total value	1992 Duty-free value	1992 Dutiable value
Electronic products:						
Office machines	100,185	21,226	78,960	107,782	18,924	88,858
Telephone and telegraph apparatus, including optical fiber	100,038	39,504	60,533	149,153	56,048	93,105
Microphones, loudspeakers, audio amplifiers, and combinations thereof	81,088	26,931	54,157	93,547	30,690	62,857
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	167,484	34,328	133,156	97,503	22,369	75,134
Records, tapes, compact discs, computer software, and other media, whether or not recorded	99,343	36,545	62,798	92,207	31,477	60,730
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	449,360	110,924	338,436	423,102	104,817	318,285
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	1,702,502	454,656	1,247,846	1,944,867	558,428	1,386,439
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	120,401	27,948	92,453	117,587	34,792	82,795
Electric sound and visual signaling apparatus, and and other miscellaneous electrical and electronic articles	166,753	64,093	102,660	141,502	47,772	93,730
Electrical circuit apparatus	1,227,973	767,718	460,255	1,311,235	803,154	508,081
Semiconductor devices	3,939,228	1,934,898	2,004,330	4,350,950	2,234,303	2,116,647
Automated data processing machines (computers)	1,866,680	493,927	1,372,754	1,907,138	557,878	1,349,260
Photographic equipment and supplies	195,283	76,646	118,636	201,891	75,253	126,638
Medical and optical goods, including ophthalmic goods	566,983	264,629	302,354	590,696	288,340	302,356
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	6,942	2,997	3,946	10,104	3,699	6,404
Watches, clocks and timing devices, and arms and ammunition						
Measuring, testing, controlling, and analyzing	76,047	24,575	51,472	99,696	34,534	65,162
instruments	385,752	168,209	217,544	446,852	208,105	238,747
Total	11,252,043	4,549,754	6,702,289	12,085,813	5,110,584	6,975,229
Grand total	56,412,799	13,891,604	42,521,194	55,491,778	14,762,908	40,728,870

See notes at end of table.

Table B-16—Continued
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1993 Total value	1993 Duty-free value	1993 Dutiable value	1994 Total value	1994 Duty-free value	1994 Dutiable value
Agricultural products	37,045	1,271	35,774	27,173	1,330	25,843
Forest products	65,613	31,942	33,671	86,113	45,335	40,778
Chemicals, coal, petroleum, natural gas, and related products:						
Fabricated plastics and rubber products	121,140	79,776	41,364	136,113	87,115	48,998
Other energy and chemicals products	170,229	154,080	16,149	44,512	33,191	11,321
Total	291,369	233,855	57,513	180,626	120,306	60,320
Textiles, apparel, and footwear:						
Textiles and textile products	261,950	149,936	112,013	283,989	150,165	133,823
Medical apparel	195,195	134,529	60,666	194,687	131,979	62,708
Men's and boys' suits and sports coats	101,450	54,277	47,174	138,295	78,309	59,986
Men's and boys' coats and jackets	51,444	22,499	28,945	55,894	28,291	27,603
Men's and boys' trousers	1,078,870	718,055	360,815	1,330,599	824,404	506,195
Women's and girls' trousers	628,304	344,768	283,536	732,857	417,421	315,435
Shirts and blouses	889,550	542,384	347,167	1,134,936	731,314	403,622
Women's and girls' suits skirts and coats	516,825	275,935	240,890	484,281	237,236	247,045
Women's and girls' dresses	89,084	41,453	47,631	117,475	52,882	64,593
Robes nightwear and underwear	606,773	415,445	191,328	768,530	521,122	247,408
Hosiery	98,185	92,060	6,125	137,960	129,088	8,873
Foundation garments	484,473	324,309	160,164	558,807	375,250	183,557
Gloves, including Gloves, for sports	43,120	22,770	20,350	58,274	29,286	28,988
Headwear	28,082	15,947	12,135	40,325	20,618	19,707
Other wearing apparel and accessories	236,385	131,988	104,397	277,353	161,846	115,507
Footwear and parts	1,134,495	193,743	940,752	1,142,718	167,537	975,181
Total	6,444,185	3,480,097	2,964,088	7,456,980	4,056,749	3,400,231
Minerals and Metals:						
Steel mill products	1,294	606	688	1,017	540	477
Copper and related products	2,919	1,721	1,199	1,889	669	1,220
Aluminum mill products	1,691	1,205	486	2,283	1,411	872
Builders' hardware	43,136	27,015	16,121	84,386	46,956	37,430
Gas stoves and other articles of base metal	290,613	127,820	162,793	375,857	199,851	176,006
Other metal products	132,938	57,735	75,203	120,733	50,355	70,378
Total	472,591	216,103	256,488	586,166	299,782	286,383
Miscellaneous Manufactures:						
Luggage handbags and flat goods	68,051	34,283	33,768	66,775	33,998	32,777
Jewelry	69,261	59,743	9,519	81,846	73,166	8,680
Motor vehicle and other furniture	120,543	64,889	55,655	640,075	170,403	469,671
Lamps and lighting fixtures	66,693	41,745	24,947	65,286	40,358	24,928
Other miscellaneous manufactured articles	289,019	87,917	201,101	378,552	92,547	286,005
Total	613,567	288,577	324,990	1,232,534	410,472	822,062

See notes at end of table.

Table B-16—Continued
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1993			1994		
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
Machinery and equipment:						
Air conditioning equipment	212,590	97,067	115,523	257,395	134,168	123,227
Commercial machinery	75,725	25,849	49,876	67,051	23,713	43,338
Household appliances including heating and drying equipment	374,072	187,993	186,078	414,122	197,017	217,105
Centrifuges, filtering and purifying equipment, and pumps for liquids	87,851	42,929	44,922	359,264	270,909	88,354
Semiconductor equipment, robots, and other equipment	260,384	83,822	176,563	265,365	73,944	191,421
Taps, cocks, values, and similar devices	275,098	185,575	89,523	346,728	236,192	110,536
Electric motors, generators, and related equipment	585,878	333,842	252,037	717,048	426,277	290,771
Electrical transformers, static converters, and inductors	551,892	218,475	333,417	486,895	195,880	291,015
Powered handtools and parts thereof	43,266	14,311	28,955	99,045	40,723	58,322
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	123,788	73,205	50,583	153,252	85,910	67,342
Wiring harnesses for motor vehicles and other insulated electrical conduits	1,973,915	1,117,429	856,486	2,861,262	1,613,189	1,248,073
Miscellaneous machinery and equipment	352,278	81,745	270,534	216,053	51,539	164,514
Total	4,916,737	2,462,240	2,454,497	6,243,478	3,349,460	2,894,018
Transportation equipment:						
Aircraft engines and gas turbines	265,625	40,567	225,058	196,948	27,418	169,530
Internal combustion piston engines	622,153	119,090	503,063	770,439	176,986	593,453
Construction, mining, and industrial vehicles	358,736	65,243	293,493	348,061	53,754	294,307
Certain motor-vehicle parts	2,225,584	1,217,549	1,008,035	1,985,543	970,996	1,014,547
Primary cells and batteries, and electric storage batteries	151,548	79,012	72,536	190,404	90,266	100,138
Ignition starting, lighting, and other electrical equipment	283,195	167,831	115,364	128,031	62,388	65,643
Rail locomotives and rolling stock	63,621	27,401	36,221	222,596	74,469	148,127
Automobiles, trucks, buses, and bodies and chassis of the foregoing	25,315,543	2,332,187	22,983,355	23,095,398	2,236,026	20,859,372
Aircraft, spacecraft, and related equipment, except engines	520,605	228,734	291,871	179,210	37,712	141,499
Ships, tugs, pleasure boats, and similar vessels	83,833	10,045	73,788	61,635	12,029	49,605
Motorcycles and miscellaneous vehicles and transportation related equipment	95,932	53,250	42,682	132,820	76,862	55,958
Total	29,986,374	4,340,909	25,645,465	27,311,086	3,818,907	23,492,179

See notes at end of table.

Table B-16—Continued
U.S. Imports for consumption under HTS provision 9802.00.80, by commodity groups, 1991-94
(Thousand dollars)

Commodity group	1993			1994		
	Total value	Duty-free value	Dutiable value	Total value	Duty-free value	Dutiable value
Electronic products:						
Office machines	164,099	35,450	128,649	93,220	8,687	84,533
Telephone and telegraph apparatus, including optical fiber	166,278	71,586	94,692	294,530	110,492	184,038
Microphones, loudspeakers, audio amplifiers, and combinations thereof	111,812	36,136	75,676	183,938	56,705	127,234
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	103,280	13,948	89,332	141,665	23,365	118,301
Records, tapes, compact discs, computer software, and other media, whether or not recorded	100,862	33,956	66,906	33,308	11,994	21,315
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	513,914	129,170	384,744	456,398	151,144	305,253
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	2,254,528	701,244	1,553,284	2,607,063	849,904	1,757,159
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	200,769	54,318	146,451	359,603	117,284	242,319
Electric sound and visual signaling apparatus, and and other miscellaneous electrical and electronic articles	164,175	54,559	109,616	230,344	82,864	147,480
Electrical circuit apparatus	1,506,839	920,843	585,996	1,979,563	1,216,980	762,583
Semiconductor devices	5,047,401	2,715,473	2,331,928	6,243,059	3,311,324	2,931,735
Automated data processing machines (computers)	1,692,963	451,631	1,241,331	1,306,847	390,181	916,667
Photographic equipment and supplies	246,096	98,170	147,926	173,695	69,834	103,862
Medical and optical goods, including ophthalmic goods	601,072	306,437	294,635	619,078	290,907	328,171
Balances, surveying/navigational instruments, and drawing/ mathematical and calculating and measuring instruments	54,865	11,340	43,525	125,111	21,089	104,022
Watches, clocks and timing devices, and arms and ammunition	112,463	33,430	79,033	97,716	22,081	75,636
Measuring, testing, controlling, and analyzing instruments	646,250	285,395	360,855	681,673	297,764	383,909
Total	13,687,665	5,953,085	7,734,580	15,626,814	7,032,598	8,594,216
Grand total	56,515,145	17,008,078	39,507,067	58,750,969	19,134,938	39,616,031

Note.—Because of rounding, figures may not add to the totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table B-17
U.S. Imports for consumption under HTS provision 9802.00.80, by principal sources, 1994

Source	Total value		Duty-free value	
	Value	Percent of total	Value	Percent of total
	Million dollars		*Million dollars*	
Grand total	58,751.0	100.0	19,134.9	100.0
Top 10 sources, total	49,760.5	84.7	16,197.7	84.6
Mexico	22,944.0	39.1	11,508.4	60.1
Japan	10,481.3	17.8	472.1	2.5
Germany	5,857.4	10.0	120.6	0.6
Malaysia	1,939.5	3.3	967.9	5.1
Korea	1,722.8	2.9	479.2	2.5
Dominican Republic	1,706.7	2.9	1,109.4	5.8
Philippines	1,377.1	2.3	639.7	3.3
Canada	1,292.2	2.2	456.1	2.4
Singapore	1,228.8	2.1	335.3	1.8
United Kingdom	1,210.6	2.1	109.0	0.6
All other	8,990.4	15.3	2,937.2	15.4

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

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

Table B-18
U.S. Imports for consumption from Mexico under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Agricultural products	701	346	355
Forest products	55,661	30,949	24,712
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	109,688	75,604	34,084
Other energy and chemicals products	4,629	1,867	2,762
Total	114,317	77,471	36,846
Textiles, apparel, and footwear:			
Textiles and textile products	203,460	129,028	74,432
Medical apparel	192,894	130,939	61,955
Men's and boys' suits and sports coats	8,526	5,350	3,176
Men's and boys' coats and jackets	15,348	9,839	5,509
Men's and boys' trousers	421,516	268,250	153,265
Women's and girls' trousers	259,034	174,244	84,790
Shirts and blouses	360,914	288,559	72,355
Women's and girls' suits, skirts and coats	51,898	33,841	18,056
Women's and girls' dresses	33,972	19,078	14,894
Robes, nightwear and undenvear	127,534	97,472	30,062
Hosiery	177	177	(1)
Foundation garments	129,573	88,883	40,690
Gloves, including Gloves, for sports	14,443	11,961	2,482
Headwear	31,365	16,105	15,260
Other wearing apparel and accessories	68,685	49,411	19,274
Footwear and parts	90,739	64,320	26,419
Total	2,010,079	1,387,457	622,621
Minerals and Metals:			
Steel mill products	591	269	322
Copper and related products	621	435	186
Aluminum mill products	1,181	937	244
Builders' hardware	84,293	46,918	37,375
Gas stoves and other articles of base metal	323,142	181,243	141,898
Other metal products	69,559	37,846	31,713
Total	479,387	267,648	211,739
Miscellaneous Manufactures:			
Luggage handbags and flat goods	57,303	31,646	25,657
Jewelry	13,004	12,738	266
Motor vehicle and other furniture	629,619	167,221	462,398
Lamps and lighting fixtures	61,097	39,232	21,865
Other miscellaneous manufactured articles	181,548	70,049	111,499
Total	942,570	320,885	621,686
Machinery and equipment:			
Air conditioning equipment	230,542	125,993	104,548
Commercial machinery	41,822	19,382	22,439
Household appliances including heat and drying equipment	275,804	179,311	96,493
Centrifuges, filtering and purifying equipment, and pumps for liquids	315,391	257,475	57,916
Semiconductor equipment robots, and other equipment	213,983	64,927	149,055
Taps, cocks, values, and similar devices	284,693	210,223	74,469
Electric motors, generators, and related equipment	638,455	408,404	230,05o
Electrical transformers, static converters, and inductors	407,933	173,529	234,404
Powered handtools and parts thereof	86,000	38,635	47,365

See notes at end of table.

Table B-18—Continued
U.S. Imports for consumption from Mexico under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Machinery and equipment—Continued			
Flashlights and other similar electric lights, lights bulbs and fluorescent tubes; arc lights	127,557	78,144	49,413
Wiring harnesses for motor vehicles and other insulated electrical conduits	2,570,000	1,550,000	1,020,000
Miscellaneous machinery and equipment	23,487	15,660	7,827
Total	5,215,665	3,121,684	2,093,981
Transportation equipment:			
Aircraft engines and gas turbines	4,623	2,615	2,008
Internal combustion piston engines	360,737	144,286	216,450
Construction, mining, and industrial vehicles	2,038	1,179	859
Certain motor-vehicle parts	1,490,000	944,001	545,999
Primary cells and batteries, and electric storage batteries	172,014	84,079	87,935
Ignition starting, lighting, and other electrical equipment	94,953	55,009	39,944
Rail locomotives and rolling stock	24	21	3
Automobiles, trucks, buses, and bodies and chassis of the foregoing	4,550,000	1,770,000	2,780,000
Aircraft, spacecraft, and related equipment, except engines	4,919	1,157	3,762
Ships, tugs, pleasure boats, and similar vessels	21	20	2
Motorcycles and miscellaneous vehicles and transportation related equipment	94,393	64,889	29,504
Total	6,773,721	3,067,256	3,706,465
Electronic products:			
Office machines	29,778	4,724	25,053
Telephone and telegraph apparatus, including optical fiber	87,100	19,567	67,533
Microphones, loudspeakers, audio amplifiers, and combinations thereof	160,010	52,272	107,738
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	139,861	23,176	116,685
Records, tapes, compact discs, computer software, and other media, whether or not recorded	32,625	11,735	20,890
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	371,874	130,566	241,308
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	2,550,000	839,476	1,710,524
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	279,532	110,439	169,093
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	144,911	65,059	79,852
Electrical circuit apparatus	1,720,000	1,090,000	630,000
Semiconductor devices	466,481	256,957	209,524
Automated data processing machines (computers)	402,775	134,711	268,064
Photographic equipment and supplies	14,314	3,229	11,085
Medical and optical goods, including ophthalmic goods	357,902	197,641	160,261
Balances, Surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	6,065	3,693	2,373
Watches, clocks and timing devices, and arms and ammunition	23,469	16,111	7,359
Measuring, testing, controlling, and analysing instruments	565,244	275,319	289,925
Total	7,351,940	3,234,674	4,117,267
Grand total	22,944,040	11,508,369	11,435,671

[1] Less than $500

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

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

Table B-19
U.S. Imports for consumption from Japan under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	142	58	85
Textiles, apparel, and footwear:			
Women's and girls' suits skirts and coats	1,118	12	1,106
Other wearing apparel and accessories	30	1	29
Total	1,148	13	1,135
Minerals and Metals:			
Other metal products	1	1	(1)
Miscellaneous Manufactures:			
Motor vehicles and other furniture	3	2	1
Other miscellaneous manufactured articles	5,773	1,209	4,565
Total	5,776	1,210	4,566
Machinery and equipment:			
Semiconductor equipment robots, and other equipment	7,733	221	7,512
Electric motors, generators, and related equipment	1,158	562	597
Electrical transformers, static converters, and inductors	31	30	1
Wiring harnesses for motor vehicles and other insulated electrical conduits	2,235	301	1,934
Miscellaneous machinery and equipment	2,999	386	2,613
Total	14,157	1,500	12,658
Transportation equipment:			
Internal combustion piston engines	52,311	5,238	47,073
Construction, mining, and industrial vehicles	107,100	15,398	91,702
Certain motor-vehicle parts	141,979	3,804	138,175
Primary cells and batteries, and electric storage batteries	4,098	89	4,009
Ignition starting, lighting, and other electrical equipment	3,642	1,325	2,317
Rail locomotives and rolling stock	87,734	18,613	69,122
Automobiles, trucks, buses, and bodies and chassis of the foregoing	9,300,000	164,124	9,135,876
Aircraft, spacecraft, and related equipment, except engines	86	72	14
Motorcycles and miscellaneous vehicles and transportation related equipment	79	1	78
Total	9,697,029	208,664	9,488,366
Electronic products:			
Telephone and telegraph apparatus, including optical fiber	104,090	29,485	74,605
Microphones, loudspeakers, audio amplifiers, and combinations thereof	81	34	47
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	2	2	(1)
Records, tapes, compact discs, computer software, and other media, whether or not recorded	4	1	4
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	1,649	322	1,327
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	1,257	42	1,216
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	18,806	2,522	16,285
Electrical circuit apparatus	35	29	6
Semiconductor devices	80,016	44,602	35,414
Automated data processing machines (computers)	492,882	177,319	315,562

See notes at end of table.

Table B-19—Continued
U.S. Imports for consumption from Japan under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Electronic products—Continued:			
Photographic equipment and supplies	598	328	271
Medical and optical goods, including ophthalmic goods	29,888	1,901	27,986
Watches, clocks and timing devices, and arms and ammunition	9,584	673	8,911
Measuring, testing, controlling, and analyzing instruments	24,127	3,363	20,764
Total	763,019	260,621	502,398
Grand total	10,481,274	472,067	10,009,207

[1] Less than $500.

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

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

Table B-20
U.S. Imports for consumption from Germany under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Forest products	67	51	16
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	73	21	52
Other energy and chemicals products	379	234	144
Total	452	255	196
Textiles, apparel, and footwear:			
Textiles and textile products	330	226	104
Men's and boys' suits and sports coats	4,959	2	4,958
Men's and boys' coats and jackets	517	(1)	517
Women's and girls' suits, skirts and coats	209	105	104
Gloves, including Gloves, for sports	(1)	(1)	(1)
Other wearing apparel and accessories	30	0	30
Footwear and parts	161	12	149
Total	6,206	344	5,861
Minerals and Metals:			
Steel mill products	41	29	12
Copper and related products	70	24	46
Other metal products	3	2	(1)
Total	114	55	58
Machinery and equipment:			
Air conditioning equipment	4,329	135	4,195
Household appliances including heating and drying equipment	1,564	407	1,157
Centrifuges, filtering and purifying equipment, and pumps for liquids	1,718	288	1,430
Semiconductor equipment, robots, and other equipment	1,843	297	1,546
Electric motors, generators, and related equipment	663	44	619
Electrical transformers, static converters, and inductors	4	4	1
Powered handtools and parts thereof	7	5	2
Flashlights and other similar electric lights, lights bulbs and fluorescent tubes; arc lights	101	41	60
Miscellaneous machinery and equipment	17,514	1,725	15,789
Total	27,744	2,946	24,798
Transportation equipment:			
Internal combustion piston engines	334,591	24,981	309,609
Construction, mining, and industrial vehicles	1,503	140	1,363
Certain motor-vehicle parts	23,406	891	22,515
Automobiles, trucks, buses, and bodies and chassis of the foregoing	5,450,000	88,903	5,361,097
Aircraft, spacecraft, and related equipment, except engines	186	14	172
Motorcycles and miscellaneous vehicles and transportation related equipment	4,410	98	4,312
Total	5,814,096	115,027	5,699,069
Electronic products:			
Office machines	6	3	3
Telephone and telegraph apparatus, including optical fiber	73	26	48
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	88	87	1
Records, tapes, compact discs, computer software, and other media, whether or not recorded	55	39	16

See notes at end of table.

Table B-20—Continued
U.S. Imports for consumption from Germany under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Electronic products—Continued			
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	14	14	([1])
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	2,954	1,027	1,927
Electrical circuit apparatus	705	78	626
Automated data processing machines (computers)	25	11	14
Photographic equipment and supplies	3,346	576	2,769
Medical and optical goods, including ophthalmic goods	757	40	717
Measuring, testing, controlling, and analyzing instruments	741	43	698
Total	8,763	1,944	6,819
Grand total	5,857,441	120,623	5,736,817

[1] Less than $500

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

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

Table B-21
U.S. Imports for consumption from Malaysia under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	45	34	11
Other energy and chemicals products	3	(1)	3
Total	48	34	14
Textiles, apparel, and footwear:			
Textiles and textile products	15	5	11
Men's and boys' trousers	75	23	52
Women's and girls' trousers	604	1	603
Shirts and blouses	9,482	345	9,137
Women's and girls' dresses	76	6	71
Other wearing apparel and accessories	18	(1)	18
Footwear and parts	86	15	71
Total	10,357	395	9,962
Miscellaneous Manufactures:			
Lamps and lighting fixtures	292	115	177
Machinery and equipment:			
Commercial machinery	19	17	2
Household appliances including heating and drying equipment	75	68	7
Semiconductor equipment, robots, and other equipment	945	709	236
Electric motors, generators, and related equipment	750	422	328
Electrical transformers, static converters, and inductors	985	167	818
Wiring harnesses for motor vehicles and other insulated electrical conduits	10	7	4
Total	2,785	1,390	1,396
Transportation equipment:			
Ships, tugs, pleasure boats, and similar vessels	1,020	176	843
Electronic products:			
Office machines	4	1	4
Telephone and telegraph apparatus, including optical fiber	8,212	2,098	6,114
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	5	3	2
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	4,974	142	4,832
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	31,305	4,806	26,499
Electrical circuit apparatus	8,833	2,588	6,245
Semiconductor devices	1,860,000	954,437	905,563
Automated data processing machines (computers)	157	106	51
Medical and optical goods, including ophthalmic goods	415	131	284
Measuring, testing, controlling, and analyzing instruments	11,086	1,463	9,622
Total	1,924,990	965,774	959,217
Grand total	1,939,492	967,884	971,608

[1] Less than $500.

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

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

Table B-22
U.S. Imports for consumption from Korea under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	93	50	43
Other energy and chemicals products	9	4	6
Total	102	54	48
Textiles, apparel, and footwear:			
Textiles and textile products	9,070	935	8,135
Men's and boys' suits and sports coats	877	17	860
Men's and boys' coats and jackets	295	5	290
Men's and boys' trousers	1,566	13	1,553
Women's and girls' trousers	2,132	17	2,116
Shirts and blouses	2,315	30	2,285
Women's and girls' suits skirts and coats	16,522	1,355	15,167
Women's and girls' dresses	3,924	96	3,829
Gloves, including Gloves, for sports	15	9	6
Other wearing apparel and accessories	935	14	922
Footwear and parts	225,805	10,501	215,304
Total	263,457	12,992	250,465
Minerals and Metals:			
Other metal products	89	69	20
Miscellaneous Manufactures:			
Luggage handbags and flat goods	1,449	67	1,382
Jewelry	976	74	902
Other miscellaneous manufactured articles	4,009	800	3,210
Total	6,435	942	5,493
Machinery and equipment:			
Centrifuges, filtering and purifying equipment, and pumps for liquids	22,764	7,823	14,941
Semiconductor equipment, robots, and other equipment	1,429	465	964
Taps, cocks, values, and similar devices	6	5	1
Electric motors, generators, and related equipment	194	30	164
Electrical transformers, static converters, and inductors	1,611	384	1,227
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	3,830	865	2,965
Wiring harnesses for motor vehicles and other insulated electrical conduits	13	6	6
Total	29,847	9,579	20,268
Transportation equipment:			
Construction, mining, and industrial vehicles	231	23	208
Ignition starting, lighting, and other electrical equipment	1,210	200	1,010
Automobiles, trucks, buses, and bodies and chassis of the foregoing	605,918	21,145	584,773
Motorcycles and miscellaneous vehicles and transportation related equipment	1,074	129	944
Total	608,433	21,497	586,936
Electronic products:			
Office machines	12	1	11
Telephone and telegraph apparatus, including optical fiber	1,610	192	1,418
Microphones, loudspeakers, audio amplifiers, and combinations thereof	122	2	120

See notes at end of table.

Table B-22—Continued
U.S. Imports for consumption from Korea under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	263	187	76
Semiconductor devices	758,061	425,668	332,393
Automated data processing machines (computers)	51,499	7,236	44,262
Medical and optical goods, including ophthalmic goods	1,706	288	1,418
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	333	78	255
Measuring, testing, controlling, and analyzing instruments	871	429	441
Total	814,477	434,082	380,395
Grand total	1,722,839	479,214	1,243,625

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

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

Table B-23
U.S. Imports for consumption from the Dominican Republic under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Agricultural products	81	39	42
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	207	150	58
Other energy and chemicals products	220	162	57
Total	427	312	115
Textiles, apparel, and footwear:			
Textiles and textile products	4,541	3,126	1,415
Medical apparel	291	59	232
Men's and boys' suits and sports coats	67,043	49,895	17,148
Men's and boys' coats and jackets	5,831	3,524	2,307
Men's and boys' trousers	478,849	281,146	197,704
Women's and girls' trousers	158,969	95,548	63,421
Shirts and blouses	115,843	76,038	39,805
Women's and girls' suits skirts and coats	151,462	96,204	55,258
Women's and girls' dresses	4,166	2,647	1,519
Robes, nightwear, and underwear	189,580	122,242	67,338
Foundation garments	145,550	108,120	37,429
Headwear	1,576	998	578
Other wearing apparel and accessories	58,298	41,889	16,409
Footwear and parts	82,582	55,950	26,632
Total	1,464,582	937,387	527,195
Minerals and Metals:			
Copper and related products	5	4	1
Gas stoves and other articles of base metal	4,464	3,433	1,032
Other metal products	13	7	6
Total	4,482	3,444	1,038
Miscellaneous Manufactures:			
Luggage handbags and flat goods	2,052	1,237	814
Jewelry	15,540	14,293	1,247
Other miscellaneous manufactured articles	8,788	2,690	6,098
Total	26,380	18,220	8,160
Machinery and equipment:			
Semiconductor equipment, robots, and other equipment	12	5	7
Electric motors, generators, and related equipment	2	1	1
Electrical transformers, static converters, and inductors	4,893	2,117	2,776
Wiring harnesses for motor vehicles and other insulated electrical conduits	14,912	11,842	3,070
Total	19,820	13,965	5,855
Transportation equipment:			
Certain motor-vehicle parts	3	3	1
Ignition starting, lighting, and other electrical equipment	1,408	1,098	309
Total	1,411	1,101	310
Electronic products:			
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	37	27	9
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	7,281	5,530	1,751
Electrical circuit apparatus	87,011	64,898	22,112

See notes at end of table.

Table B-23—Continued
U.S. Imports for consumption from the Dominican Republic under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Electronic products—Continued			
Automated data processing machines (computers)	14	11	3
Medical and optical goods, including ophthalmic goods	89,071	63,109	25,962
Measuring, testing, controlling, and analyzing instruments	6,064	1,385	4,679
Total	189,477	134,961	54,516
Grand total	1,706,660	1,109,430	597,230

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

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

Table B-24
U.S. Imports for consumption from the Philippines under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Textiles, apparel, and footwear:			
Textiles and textile products	2,696	1,041	1,654
Men's and boys' coats and jackets	381	3	377
Men's and boys' trousers	134	4	130
Women's and girls' trousers	636	2	634
Shirts and blouses	1,694	22	1,672
Women's and girls' suits skirts and coats	1,103	43	1,059
Women's and girls' dresses	2,958	161	2,797
Robes nightwear and underwear	11,870	513	11,357
Hosiery	25	(1)	25
Foundation garments	49,962	19,766	30,196
Gloves, including Gloves, for sports	18,431	622	17,809
Headwear	317	5	312
Other wearing apparel and accessories	13,103	517	12,586
Footwear and parts	15,312	1,024	14,289
Total	118,620	23,722	94,898
Miscellaneous Manufactures:			
Luggage handbags and flat goods	7	1	6
Motor vehicle and other furniture	2	1	2
Other miscellaneous manufactured articles	7	(1)	7
Total	16	1	15
Machinery and equipment:			
Electrical transformers, static converters, and inductors	663	12	651
Wiring harnesses for motor vehicles and other insulated electrical conduits	151,873	29,101	122,772
Total	152,536	29,113	123,423
Transportation equipment:			
Certain motor-vehicle parts	240	200	40
Aircraft, spacecraft, and related equipment, except engines	10	5	5
Total	250	205	45
Electronic products:			
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	2,714	2,503	211
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	9,129	2,669	6,461
Electrical circuit apparatus	897	663	234
Semiconductor devices	1,030,000	575,652	454,348
Automated data processing machines (computers)	1,112	267	845
Watches, clocks and timing devices, and arms and ammunition	61,578	4,804	56,775
Measuring, testing, controlling, and analyzing instruments	250	138	112
Total	1,105,681	586,694	518,986
Grand total	1,377,103	639,735	737,368

[1] Less than $500.

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

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

Table B-25
U.S. Imports for consumption from Canada under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Agricultural products	25	21	4
Forest products	28,873	13,931	14,942
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	16,643	5,227	11,416
Other energy and chemicals products	4,825	2,297	2,526
Total	21,468	7,524	13,944
Textiles, apparel, and footwear:			
Textiles and textile products	24,487	6,088	18,400
Medical apparel	17	16	(1)
Men's and boys' coats and jackets	195	7	188
Men's and boys' trousers	361	206	155
Women's and girls' trousers	284	107	177
Shirts and blouses	871	506	365
Women's and girls' suits skirts and coats	1,072	493	579
Women's and girls' dresses	165	104	61
Robes, nightwear, and underwear	37	22	15
Hosiery	29	24	5
Foundation garments	1,697	719	978
Gloves, including Gloves, for sports	93	69	24
Headwear	2,655	670	1,985
Other wearing apparel and accessories	9,519	5,960	3,559
Footwear and parts	291	18	273
Total	41,774	15,010	26,764
Minerals and Metals:			
Steel mill products	385	242	143
Copper and related products	1,011	134	877
Aluminum mill products	1,102	475	628
Builders' hardware	81	38	44
Gas stoves and other articles of base metal	47,645	15,054	32,591
Other metal products	21,339	4,736	16,603
Total	71,564	20,678	50,886
Miscellaneous Manufactures:			
Luggage handbags and flat goods	4,503	368	4,135
Jewelry	578	77	500
Motor vehicle and other furniture	10,405	3,170	7,235
Lamps and lighting fixtures	3,635	945	2,689
Other miscellaneous manufactured articles	11,117	1,576	9,542
Total	30,237	6,136	24,101
Machinery and equipment:			
Air conditioning equipment	11,567	3,048	8,519
Commercial machinery	17,722	3,305	14,417
Household appliances including heating and drying equipment	45,031	10,384	34,647
Centrifuges, filtering and purifying equipment, and pumps for liquids	10,434	2,889	7,545
Semiconductor equipment, robots, and other equipment	27,308	4,621	22,688
Taps, cocks, values, and similar devices	3,443	2,114	1,329
Electric motors, generators, and related equipment	10,124	2,345	7,779
Electrical transformers, static converters, and inductors	16,332	12,278	4,054
Powered handtools and parts thereof	3,322	1,193	2,129

See notes at end of table.

Table B-25—Continued
U.S. Imports for consumption from Canada under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Machinery and equipment—Continued			
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	19,075	5,785	13,290
Wiring harnesses for motor vehicles and other insulated electrical conduits	11,250	7,054	4,197
Miscellaneous machinery and equipment	110,572	26,089	84,484
Total	286,181	81,103	205,078
Transportation equipment:			
Aircraft engines and gas turbines	185,881	22,756	163,125
Internal combustion piston engines	572	120	452
Construction, mining, and industrial vehicles	28,987	10,107	18,881
Certain motor-vehicle parts	37,404	10,838	26,566
Primary cells and batteries, and electric storage batteries	10,787	4,839	5,948
Ignition starting, lighting, and other electrical equipment	248	69	179
Rail locomotives and rolling stock	130,169	55,149	75,020
Automobiles, trucks, buses, and bodies and chassis of the foregoing	207,410	125,412	81,998
Aircraft, spacecraft, and related equipment, except engines	1,391	513	878
Ships, tugs, pleasure boats, and similar vessels	14,425	3,146	11,278
Motorcycles and miscellaneous vehicles and transportation related equipment	31,483	11,573	19,910
Total	648,756	244,521	404,235
Electronic products:			
Office machines	6,920	799	6,121
Telephone and telegraph apparatus, including optical fiber	42,686	32,257	10,430
Microphones, loudspeakers, audio amplifiers, and combinations thereof	15,563	2,499	13,063
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	14	9	4
Records, tapes, compact discs, computer software, and other media, whether or not recorded	10	9	1
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	7,999	5,236	2,762
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	1,732	185	1,548
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	289	102	188
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	5,188	1,736	3,452
Electrical circuit apparatus	47,341	12,443	34,898
Semiconductor devices	272	230	42
Automated data processing machines (computers)	3,896	1,488	2,408
Photographic equipment and supplies	9	6	3
Medical and optical goods, including ophthalmic goods	17,228	6,327	10,901
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	4,348	591	3,756
Watches, clocks and timing devices, and arms and ammunition	556	159	396
Measuring, testing, controlling, and analyzing instruments	9,311	3,101	6,210
Total	163,360	67,176	96,184
Grand total	1,292,238	456,100	836,138

[1] Less than $500.

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

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

Table B-26
U.S. Imports for consumption from Singapore under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Textiles, apparel, and footwear:			
Shirts and blouses	9,743	722	9,022
Footwear and parts	27	1	26
Total	9,770	723	9,047
Minerals and Metals:			
Other metal products	18,429	2,628	15,801
Miscellaneous Manufactures:			
Other miscellaneous manufactured articles	516	109	406
Machinery and equipment:			
Commercial machinery	3,756	233	3,523
Household appliances including heating and drying equipment	21,074	1,059	20,015
Semiconductor equipment robots, and other equipment	152	78	74
Electric motors, generators, and related equipment	326	244	81
Electrical transformers, static converters, and inductors	2,868	469	2,399
Powered handtools and parts thereof	295	21	274
Wiring harnesses for motor vehicles and other insulated electrical conduits	104	92	11
Total	28,574	2,196	26,378
Transportation equipment:			
Aircraft engines and gas turbines	200	184	16
Internal combustion piston engines	11,506	730	10,777
Certain motor-vehicle parts	4,909	1,963	2,946
Primary cells and batteries, and electric storage batteries	101	2	99
Ignition starting, lighting, and other electrical equipment	2,779	1,270	1,509
Ships, tugs, pleasure boats, and similar vessels	9,461	1,668	7,793
Total	28,958	5,817	23,141
Electronic products:			
Office machines	55,125	2,948	52,177
Telephone and telegraph apparatus, including optical fiber	12,714	3,797	8,917
Microphones, loudspeakers, audio amplifiers, and combinations thereof	8,080	1,892	6,188
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	3	(1)	3
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	45,726	8,181	37,545
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	82	62	21
Electrical circuit apparatus	4,652	1,169	3,483
Semiconductor devices	829,223	269,910	559,313
Automated data processing machines (computers)	152,028	27,741	124,287
Medical and optical goods, including ophthalmic goods	5,310	2,033	3,277
Watches, clocks and timing devices, and arms and ammunition	93	6	88
Measuring, testing, controlling, and analyzing instruments	29,525	6,072	23,453
Total	1,142,562	323,810	818,752
Grand total	1,228,808	335,283	893,525

[1] Less than $500.

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

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

Table B-27
U.S. Imports for consumption from United Kingdom under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Forest products	213	179	34
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastics and rubber products	393	24	369
Other energy and chemicals products	6,330	5,198	1,133
Total	6,723	5,221	1,502
Textiles, apparel, and footwear:			
Textiles and textile products	63	20	42
Shirts and blouses	2	1	1
Other wearing apparel and accessories	2	1	1
Total	66	22	44
Minerals and Metals:			
Copper and related products	42	3	39
Other metal products	3,827	3,226	601
Total	3,869	3,229	641
Miscellaneous Manufactures:			
Lamps and lighting fixtures	32	29	3
Other miscellaneous manufactured articles	18	5	14
Total	50	34	17
Machinery and equipment:			
Centrifuges, filtering and purifying equipment, and pumps for liquids	6,167	1,660	4,506
Semiconductor equipment, robots, and other equipment	680	144	536
Taps, cocks, values, and similar devices	7	3	4
Electric motors, generators, and related equipment	30,060	4,595	25,465
Electrical transformers, static converters, and inductors	706	497	209
Powered handtools and parts thereof	25	1	24
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	4	1	3
Wiring harnesses for motor vehicles and other insulated electrical conduits	100	62	38
Miscellaneous machinery and equipment	22,352	2,613	19,739
Total	60,101	9,577	50,524
Transportation equipment:			
Aircraft engines and gas turbines	965	326	639
Construction, mining, and industrial vehicles	10,463	2,163	8,301
Certain motor-vehicle parts	20,049	921	19,127
Ignition starting, lighting, and other electrical equipment	1,111	186	925
Automobiles, trucks, buses, and bodies and chassis of the foregoing	968,040	33,537	934,503
Aircraft, spacecraft, and related equipment, except engines	167	146	21
Ships, tugs, pleasure boats, and similar vessels	1,346	217	1,129
Motorcycles and miscellaneous vehicles and transportation related equipment	734	40	695
Total	1,002,875	37,535	965,341

See notes at end of table.

Table B-27—Continued
U.S. Imports for consumption from United Kingdom under HTS provision 9802.00.80, by commodity groups, 1994

(Thousand dollars)

Commodity group	Total value	Duty-free value	Dutiable value
Electronic products:			
Office machines	1,072	117	955
Telephone and telegraph apparatus, including optical fiber	2,244	1,729	514
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	1,213	767	446
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	18,949	792	18,157
Electrical circuit apparatus	3,698	2,397	1,301
Semiconductor devices	62	32	30
Automated data processing machines (computers)	23,314	13,046	10,268
Photographic equipment and supplies	78,805	32,471	46,334
Medical and optical goods, including ophthalmic goods	1,761	398	1,363
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	823	562	261
Watches, clocks and timing devices, and arms and ammunition	3	3	(1)
Measuring, testing, controlling, and analyzing instruments	4,801	875	3,927
Total	136,746	53,189	83,557
Grand total	1,210,644	108,986	1,101,658

[1] Less than $500.

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

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

Table B-28
Duty savings from use of HTS provision 9802.00.80, by monitoring group, 1994

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars		*Percent*			*Thousand dollars*
Agricultural products	27,173	1,330	95	11	11	150
Forest products	86,113	45,335	47	5	2	2,214
Fabricated plastic and rubber products	136,113	87,115	36	4	2	3,916
Other energy and chemical products	44,512	33,191	25	6	2	2,006
Textiles and textile products	283,989	150,165	47	7	3	10,362
Medical apparel	194,687	131,979	32	11	3	14,189
Men's and boys' suits and sports coats	138,295	78,309	43	24	10	18,637
Mens' and boys' coats and jackets	55,894	28,291	49	15	7	4,277
Mens' and boys' trousers	1,330,599	824,404	38	20	7	161,668
Women's and girls' trousers	732,857	417,421	43	19	8	81,345
Shirts and blouses	1,134,936	731,314	36	24	9	177,753
Women's and girls' suits, skirts, and coats	484,281	237,236	51	20	10	47,616
Women's and girls' dresses	117,475	52,882	55	15	8	8,054
Robes, nightwear, and underwear	768,530	521,122	32	14	4	72,268
Hosiery	137,960	129,088	6	17	1	21,869
Foundation garments	558,807	375,250	33	19	6	70,034
Gloves, including gloves for sports	58,274	29,286	50	16	8	4,808
Headwear	40,325	20,618	49	7	3	1,366
Other wearing apparel and accessories	277,353	161,846	42	15	6	24,242
Footwear and parts	1,142,718	167,537	85	14	12	23,949
Steel mill products	1,017	540	47	3	2	19
Copper and related products	1,889	669	65	3	2	21
Aluminum mill products	2,283	1,411	38	5	2	68
Builders' hardware	84,386	46,956	44	6	2	2,620
Gas stoves and other articles of base metal	375,857	199,851	47	5	2	9,334
Other metal products	120,733	50,355	58	6	3	2,790
Luggage, handbags, and flat goods	66,775	33,998	49	18	9	5,979
Jewelry	81,846	73,166	11	7	1	5,079
Motor vehicle and other furniture	640,075	170,403	73	3	2	5,345
Lamps and lighting fixtures	65,286	40,358	38	6	2	2,584
Other miscellaneous manufactured articles	378,553	92,547	76	6	5	5,758

See footnotes at end of table.

Table B-28—Continued
Duty savings from use of HTS provision 9802.00.80, by monitoring group, 1994

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars		*Percent*			*Thousand dollars*
Air conditioning equipment	257,395	134,168	48	3	1	3,682
Commercial machinery	67,051	23,713	65	4	2	882
Household appliances, including heating and drying equipment	414,122	197,017	52	4	2	8,176
Centrifuges, filtering and purifying equipment, and pumps for liquids	359,264	270,909	25	4	1	10,214
Semiconductor equipment, robots, and other equipment	265,365	73,944	72	3	2	2,127
Taps, cocks, valves, and similar devices	346,728	236,192	32	4	1	9,320
Electric motors, generators, and related equipment	717,048	426,277	41	4	2	18,934
Electrical transformers, static converters, and inductors	486,895	195,880	60	3	2	6,346
Powered handtools and parts thereof	99,045	40,723	59	2	1	957
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	153,252	85,910	44	4	2	3,454
Ignition wiring harnesses	2,861,262	1,613,190	44	5	2	81,127
Miscellaneous machinery and equipment	216,053	51,539	76	3	2	1,361
Aircraft engines and gas turbines	196,948	27,418	86	5	4	1,317
Internal combustion piston engines	770,439	176,986	77	3	2	4,824
Construction, mining, and industrial vehicles	348,061	53,754	85	2	2	1,197
Certain motor–vehicle parts	1,985,544	970,996	51	3	2	30,090
Primary cells and batteries, and electric storage batteries	190,404	90,266	53	5	3	4,619
Ignition starting, lighting, and other electrical equipment	128,031	62,388	51	2	1	1,506
Rail locomotives and rolling stock	222,596	74,469	67	12	8	8,579
Automobiles, trucks, buses, and bodies and chassis of the foregoing	23,095,398	2,236,026	90	3	3	62,553
Aircraft, spacecraft, and related equipment, except engines	179,210	37,712	79	5	4	1,814
Ships, tugs, pleasure boats, and similar vessels	61,635	12,029	80	1	1	176
Motorcycles and miscellaneous vehicles and transportation related equipment	132,820	76,862	42	3	1	2,436
Office machines (except computers)	93,220	8,687	91	3	3	300
Telephone and telegraph apparatus, including optical fiber	294,530	110,492	62	6	4	6,856

See footnotes at end of table.

Table B-28—Continued
Duty savings from use of HTS provision 9802.00.80, by monitoring group, 1994

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars			*Percent*		*Thousand dollars*
Microphones, loudspeakers, audio amplifiers, and combinations thereof	183,938	56,705	69	5	3	2,779
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	141,665	23,365	84	4	3	902
Records, tapes, compact discs, computer software, and other media, whether or not recorded	33,308	11,994	64	4	3	483
Radio transmission and reception apparatus, navigational aid, radar, and related apparatus	456,398	151,144	67	5	3	7,543
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	2,606,391	849,904	67	5	3	43,279
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	359,603	117,284	67	4	3	4,370
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	230,344	82,864	64	3	2	2,710
Electrical circuit apparatus	1,981,668	1,217,086	39	6	2	72,683
Semiconductor devices	6,242,475	3,311,324	47	([3])	([3])	235
Automated data processing machines (computers)	1,306,847	390,181	70	2	1	7,455
Photographic equipment and supplies	173,695	69,834	60	4	2	2,587
Medical and optical goods, including ophthalmic goods	619,078	290,907	53	5	3	14,321
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	125,111	21,089	83	6	5	1,197
Watches, clocks and timing devices, and arms and ammunition	97,716	22,081	77	8	6	1,705
Measuring, testing, controlling, and analyzing instruments	681,673	297,764	56	4	2	11,253
Total	58,750,969	19,134,938	67	5	3	1,236,666

[1] Trade-weighted average rate of duty applicable to the products imported under provision 9802.00.80 for each monitoring group. Rate that is applied to the dutiable portion of such imports.
[2] Trade-weighted average rate of duty after accounting for the duty-free U.S.-origin content of imports under provision 9802.00.80.
[3] Less than 0.5 percent.
Source: Compiled from official statistics of the U.S. Department of Commerce.

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