PRODUCTION SHARING: USE OF U.S. COMPONENTS AND MATERIALS IN FOREIGN ASSEMBLY OPERATIONS, 1992-1995

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

USITC PUBLICATION 3032
APRIL 1997

INVESTIGATION NO. 332-237

United States International Trade Commission, Washington, DC 20436

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With assistance from
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the Office of Tariff Affairs and Trade Agreements

Design, electronic composition, and printing provided by the
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PREFACE

Pursuant to section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b), the U.S. International Trade Commission reports annually on U.S. import trends under the provisions of *Harmonized Tariff Schedule* (*HTS*) heading 9802. The annual analysis identifies the level and nature of U.S.-origin component production that is used in foreign assembly operations. The current report examines the 4-year period 1992-95 on a country- and product-specific basis, and presents historical data (1970-95) under these tariff provisions. In addition to the assessment on the use of *HTS* 9802 provisions, this year's report includes a special chapter that focuses on changes and issues affecting the maquiladora industry since the implementation of the North American Free-Trade Agreement.

Extension of this investigation in 1-year increments is subject to annual Commission reauthorization depending in large measure on administration (USTR, Commerce, Labor, State) and congressional interest related to production sharing and trade agreements issues, as well as the extent of public interest in and use of the information presented. Foreign assembly with U.S.-made components is expanding and continues to be an important competitive strategy for many companies, and despite certain data limitations explained in the note below, this assessment of trade under the provisions of *HTS* 9802 currently is the only official source for documenting the use of U.S. components in foreign assembly. Production-sharing data play an important role in analyzing the effects of trade agreements and the ability of U.S. industry to compete.

NOTE: This report on U.S. production-sharing activity is based on official U.S. statistics on imports under the production-sharing provisions of heading 9802 of the *Harmonized Tariff Schedule of the United States* (*HTS*). The main production-sharing provisions provide a duty exemption for the value of U.S.-made components that are incorporated in imported articles that have been assembled abroad. The domestic content of U.S. imports entered under these production-sharing provisions is also exempt from the Customs merchandise processing fee (the so-called "Customs user fee"—a 0.21 percent ad valorem fee with a $485 per entry cap).

Firms that import articles free of duty, either with a Most-Favored-Nation rate of free or under a variety of trade preference programs such as NAFTA, have a greatly reduced incentive to enter under the provisions of *HTS* 9802. Consequently, the reported 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 the provisions of *HTS* 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 are currently entered under the production-sharing tariff provisions. A comparably significant increase in 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 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 U.S. trading partners, such as Mexico, and certain countries in the Caribbean Basin and Southeast Asia.

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CHAPTER 1
Overview and Findings

Production sharing occurs when certain aspects of an article's manufacture are performed in more than one country. Production sharing among industrialized nations often reflects rationalization of production.[1] Another common form of production sharing occurs when parts, made in the United States or other developed countries, are shipped to regionally accessible low-labor-cost countries for assembly.[2] The assembled goods are then returned to the originating developed country for further processing or packaging and distribution.[3] This *"foreign-assembly"*-type production sharing has evolved into an important competitive strategy for many U.S. producers of low-cost labor-intensive articles. Market share (in the United States and abroad) can often be preserved as a result of improvements in cost competitiveness by way of foreign assembly, which enables companies to retain higher production and employment levels in the United States than might otherwise be possible.[4]

Production-sharing activities in Europe[5] and Japan are driven by economic incentives and considerations

[1] Companies "rationalize" production by consolidating the manufacture of a particular product or component at just a few specific places. Plants that may manufacture diversified products become specialized in the production of fewer products. This rationalization can lead to greater efficiency and economies of scale, and to interdependency between plants requiring coordination of production planning. Increasingly, rationalization of production across international boundaries is a common practice.

[2] In addition to the use of foreign assembly plants to reduce labor costs or to rationalize production, production-sharing operations may be designed to penetrate foreign markets (where high tariffs or other trade barriers restrict direct export of finished goods). Production sharing may also take advantage of a certain unique foreign production technology, labor skills, raw materials, or specialized components.

[3] 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 have been assembled in Mexico or, in the case of semiconductors, Southeast Asia.

[4] In addition to information obtained from various Commission studies since 1987, Commission staff has routinely monitored the effects of production sharing on U.S. industry and maintained regular contact with U.S. companies that use foreign assembly as part of their competitive strategy, particularly vis-a-vis Asian producers. See chapter 3 for illustration in various industry sectors.

[5] Production sharing in Europe is referred to as "outward processing" trade. Typically, firms in France, Germany, and Northern Italy make use of low-labor-cost

Customs Incentives for Entry Under *HTS* 9802 and NAFTA

By importing under the production-sharing provisions of *HTS* 9802, companies are exempted from paying U.S. Customs duties or the Customs Merchandise Processing Fee (user fee) on the value of the U.S.-made components used in making imported products. The user fee was phased out entirely on imports from Canada as of Jan. 1, 1994 under the CFTA. Under NAFTA, imports from Mexico are subject to a user fee of 0.19 percent ad valorem with a $400 per entry cap. Importers of Mexican products that are free of duty continue to have an incentive to import under *HTS* 9802 to avoid the user fee until it is eliminated on July 1, 1999. Many companies with production-sharing operations in Mexico whose products meet the NAFTA rules of origin benefit from entering their products under both NAFTA and *HTS* 9802. The value of the U.S.-made components contained in the imported article is free of both Customs duties and the user fee under *HTS* 9802, while the remaining value added to the assembled good in Mexico receives a preferential NAFTA duty rate, but is subject to the user fee.

In 1995, 38 percent ($17 billion) of all imports entering under NAFTA also entered under *HTS* 9802. An estimated $10 billion of NAFTA imports from assembly operations that could have simultaneously entered under *HTS* 9802 did not because for many companies, the expense of complying with Customs record keeping to verify eligibility for entry under *HTS* 9802 is greater than the savings gained from exemption from the user fee. Some companies minimize the user fee they have to pay by consolidating shipments from Mexico at foreign trade zones in the United States into a single entry for Customs purposes, thereby paying the $400 per entry cap once instead of several times. See appendix A; the section on Mexico in chapter 2; and the section on transportation equipment in chapter 3 for more information about the user fee and the Customs treatment of goods from Mexico.■

[5]—*Continued*
plants to sew apparel and assemble electronic products in Portugal, Southern Italy, Slovenia, Croatia, Hungary, Poland, the Czech Republic, Slovakia, and North Africa.

similar to those in North America. To remain viable in the international marketplace and provide a shield against the intensifying competition from low-labor-cost manufacturers in newly industrialized or developing nations, manufacturers in the European Union (EU) and Japan also have moved some of their more labor-intensive production and assembly operations to countries primarily within their respective regions that offer significantly lower labor costs (table 1-1).

For the host country, production sharing may be perceived as an interim step towards economic integration.[6] National governments in Central Europe (CE) have approached production-sharing arrangements as an interim tactical, fast-track measure to improve their economies in pursuit of quasi-parity with the less developed European Union (EU) economies of Greece, Portugal, and Ireland.[7] The strategy reportedly was embraced by the CE economies to encourage more foreign direct investment and to persuade the leading EU member states (Germany, the United Kingdom, and France) to grant them the benefits of full subsequent integration. In North America, the NAFTA appears to be a natural progression from production sharing in the motor vehicle, electronic products, and apparel sectors, integrating industries in Canada, the United States, and Mexico.

[6] This strategy has been established and pursued, for example, by the Central and East European economies following the 1989 political transformation in that region. See Riccardo Faini and Richard Portes, "European Union Trade with Eastern Europe: Adjustment and Opportunities," *Journal of the Flagstaff Institute*, Vol. 16, No. 1, Feb. 1992.

[7] For more information, see chapter 6, "Production Sharing in Europe," in USITC, *Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations*, 1991-1994, USITC publication 2966, May 1996, p. 6-1.

Table 1-1
Average hourly compensation costs for manufacturing employees, by selected regions and countries, 1992-95

Region/country	1992	1993	1994	1995	Change in 1995 from 1992	Change in 1995 from 1994
	in U.S. dollars				Percent	
North America						
United States	16.09	16.51	16.86	17.20	7	2
Canada	17.03	16.43	15.87	16.03	-6	1
Mexico	2.17	2.40	2.47	[1]1.51	-[1]43	-[1]39
Europe						
Germany	25.40	25.36	26.90	31.88	26	19
Austria	20.29	20.16	21.51	25.38	25	18
Sweden	24.59	17.70	18.86	21.36	-15	13
France	16.89	16.23	17.04	19.34	15	13
Italy	19.60	16.00	16.10	16.48	-19	2
United Kingdom	14.44	12.47	12.86	13.77	-5	7
Spain	13.37	11.50	11.39	12.70	-5	12
Portugal	5.17	4.50	4.60	5.35	3	16
Poland[2]	1.04	1.10	1.37	2.09	101	53
Hungary[2]	1.25	1.48	1.65	1.80	44	9
Czech Republic[2]	1.05	1.25	1.45	1.70	62	17
Asia						
Japan	16.28	19.01	21.07	23.66	45	12
Korea	5.22	5.64	6.40	7.40	42	16
Singapore	4.95	5.25	6.29	7.28	47	16
Taiwan	5.09	5.19	5.49	5.82	14	6
Hong Kong	3.92	4.29	4.61	4.82	23	5
Malaysia	1.35	1.50	1.68	1.88	39	12
Philippines	0.90	1.00	1.15	1.32	47	15
Sri Lanka	0.40	0.42	0.45	0.48	20	7

[1] The drop in Mexican wage rates in 1995 was due primarily to the peso devaluation in December 1994.
[2] The wage rates of the three Central European countries featured in the table should not be interpreted as a reflection of living standards as these countries continue to offer subsidized health care, child care, mass transportation and education to their citizens.

Source: Compiled by the U.S. International Trade Commission from U.S. Department of Labor and U.S. Department of Commerce international wage-rate comparison statistics.

U.S. imports of goods assembled or processed abroad from U.S.-made components or materials are eligible for a partial exemption from duty under heading 9802 of the *Harmonized Tariff Schedule of the United States (HTS).*[8] 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 imported articles using U.S.-origin metal (except precious metal) that are returned to the United States for processing (9802.00.60). The principal products assembled abroad and imported by U.S. producers under provision 9802.00.80 are apparel from CBERA countries and Mexico; televisions, electronic products, and auto parts from Mexico; and semiconductors and other electronic components from Southeast Asia (figure 1-1). Imports under the production-sharing provisions were valued at $60.9 billion in 1995, accounting for 8 percent of total U.S. imports (table 1-2). The value of U.S.-made components or materials contained in these imports totaled $22.1 billion (or 36 percent of the value of total U.S. imports entered under the provisions of *HTS* 9802) in 1995.

Purpose

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 recent trends by principal source countries and industry groups. Although incentives to use these provisions have diminished somewhat as NAFTA has reduced or eliminated tariffs and Customs user fees on articles entering from Mexico and Canada,[9] the production-sharing tariff provisions will likely continue to be of importance to U.S. companies. Key issues include the extent to which U.S. production and component manufacture relies on foreign assembly, how production sharing is used globally by manufacturers for competitive advantage, and developments in the global integration of specific industries.

The existence of the tariff provisions under *HTS* 9802 provides the principal means for measuring the use of U.S.-made parts in foreign assembly and other production-sharing operations. However, in recent years, U.S. firms engaged in assembly in Canada and Mexico have continued to import more of these products into the United States duty free under the CFTA and NAFTA rather than using the *HTS* 9802 provisions. The phasing out, under these agreements, of Customs user fees and duties on imports from Canada and Mexico, the two most important U.S. trading partners for co-production, is reducing the incentive for firms with assembly operations in North America to import under *HTS* 9802.00.80. As a result, *HTS* 9802 trade data are becoming a more limited measure of U.S. production-sharing activity, even though foreign assembly with U.S.-made components is expanding[10] and continues to be an important competitive strategy for many companies (see chapter 3).

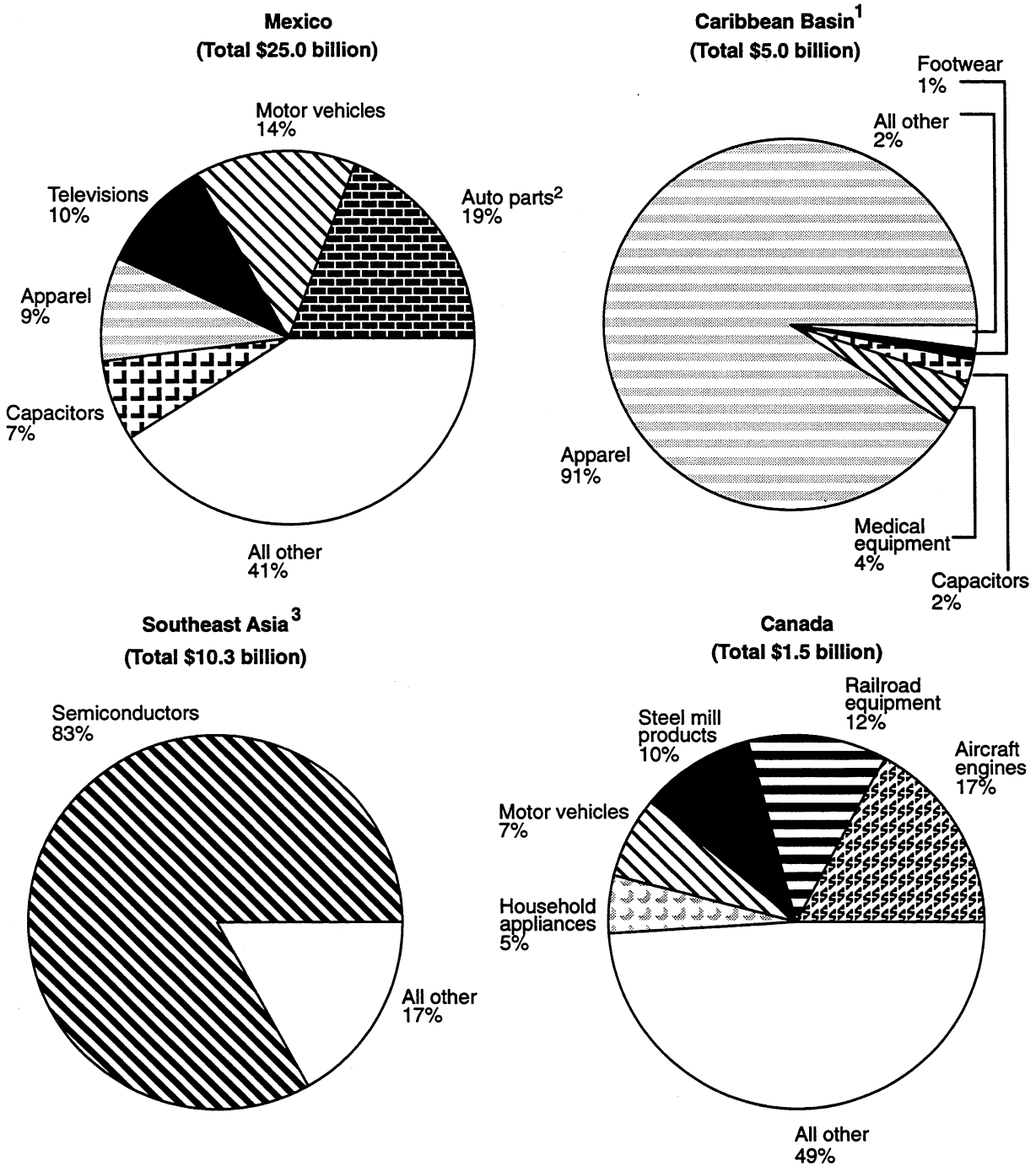
Official statistics show that 8 percent ($61 billion) of total U.S. imports ($717 billion) entered under the production-sharing provisions of *HTS* 9802 in 1995. Sources contend, however, that the actual share of

[8] See 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 the imports under the production-sharing tariff provisions. For the legal text of the provisions, see ch. 98 of the *HTS* and applicable notes. For the purposes of this report (except as noted in table 1-2), 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 and petroleum products; however, 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 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 the section on apparel in chapter 3 for more detail about provision 9802.00.90.

[9] Importers of articles that are otherwise duty-free continue to have an incentive to declare eligibility for entry under *HTS* 9802. Under that provision, the U.S.-origin content of such imports is exempt from the Customs merchandise processing fee (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 per cent ad valorem with a $400 per entry cap until June 30, 1999, after which the fee will be eliminated. See App. A of this report for additional information about the Customs user fee.

[10] Production-sharing trade with Canada and Mexico continued to expand in 1995, particularly in motor vehicles and parts and in electronic products. For example, North American automobile manufacturers near the Canadian border generally award contracts to the most cost-competitive manufacturers of car parts on either side of the border. In the electronics industry, U.S. multinationals such as IBM, Digital Equipment, and Hewlett Packard supply assembly operations in Canada. For additional information, see the Canada and Mexico country analysis sections in USITC, *Shifts in U.S. Merchandise Trade in 1995*, USITC publication 2992, Sept. 1996, pp. 2-21. Also, see chapter 2 for additional information on non-9802 production-sharing trade with Mexico.

Figure 1-1
Comparison of the composition of U.S. imports under the production-sharing provisions of *HTS* 9802 from major supplying countries/regions in 1995



[1] Includes those countries which are eligible for preferential duty treatment under the Caribbean Basin Economic Recovery Act. See Ch. 2 for a complete list of CBERA-eligible countries.

[2] Includes wiring harnesses and engines.

[3] For the purpose of this report, Southeast Asia includes Brunei, Burma, Cambodia, Indonesia, Hong Kong, Korea, Laos, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

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

Table 1-2
U.S. imports under *HTS* provisions 9802.00.60, 9802.00.80[1], and 9802.00.90 and total imports, 1994 and 1995

Provision	1994	1995	Change, 1995 from 1994	Share of total imports under the production-sharing provisions, 1995
	Million dollars			*Percent*
Imports under provision 9802.00.60:				
Dutiable[2]	219	127	-42	25
Nondutiable[2]	381	377	-1	75
Subtotal	600	503	-16	1
Imports under provision 9802.00.80:				
Dutiable[3]	39,127	37,939	-3	66
Nondutiable[3]	18,063	19,955	10	34
Subtotal	57,190	57,894	1	95
Imports under provision 9802.00.90:				
Dutiable	446	705	58	28
Nondutiable	1,074	1,778	66	72
Subtotal	1,520	2,483	63	4
Imports under all production-sharing provisions of ***HTS*** 9802				
Dutiable	39,792	38,770	-3	64
Nondutiable	19,517	22,110	13	36
Subtotal	59,310	60,880	3	100
Grand total U.S. imports[4]	637,063	716,540	12	-

[1] Separate data are not reported for imports under provision 9802.00.50.10. Data for entries under this provision are combined with data for entries under 9802.00.80.

[2] 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.

[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.

[4] For the purposes of this report, "total imports" consists of all imports entering under chapters 1-97 of the ***HTS***.

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

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

production-sharing imports may range between 10 and 15 percent ($70-to-$110 billion) of total U.S. imports.[11] Most production-sharing imports that were not accounted for statistically originated in Mexico and Canada in 1995. Since many products that enter under NAFTA without declaring eligibility for *HTS* 9802 are known to be manufactured chiefly through the assembly of U.S.-made parts, it is estimated that 1995 data reporting imports from Mexico under *HTS* 9802 ($25 billion) understate production-sharing imports by approximately $10 billion.[12]

Despite the data limitations posed by these developments, this assessment of trade under the provisions of *HTS* 9802 currently is the only official source for documenting the use of U.S. components in foreign assembly. Production-sharing data play an important role in analyzing the effects of trade agreements on U.S. production and help assess the

[11] These estimates were provided by Professor Donald A. Michie, University of Texas, El Paso, and were also cited by other experts at a Border Trade Alliance conference in El Paso, TX, June 23-25, 1996. In addition, the Association of International Automobile Manufacturers, Inc. notes that provisions of *HTS* 9802 understate the use of U.S. components by many of

[11]—*Continued*
AIAM's members; submission in response to May 15, 1996, Federal Register notice (Appendix C) concerning the 1997 report on production sharing by the Commission covering the period 1992-95.

[12] See page 2-3 for further discussion on this subject and the basis for the estimate.

result of business strategies aimed at competing with foreign products. With U.S. production-sharing activity growing in importance in an increasingly globalized economy and continuing to generate growth in the use of U.S. components, alternative methods for statistical reporting are being considered by various U.S. government entities to improve data collection.

An interagency committee[13] has proposed collecting production-sharing information for export transactions, specifying whether the shipment is for foreign processing and return, or for foreign consumption; this would be a core data element of a new International Trade Data System (ITDS). This proposal coincides with the development by the U.S. Bureau of the Census of voluntary reporting through a new interactive electronic mechanism for exports that attempts to capture the value of products destined for foreign processing and return. These efforts are in the formative stages and, as currently proposed, would not identify the final product incorporating the U.S. components. It is uncertain whether these approaches will be successful in improving data collection for production-sharing trade.

Report Findings

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, to help keep higher wage jobs and value-added production in the United States, and to provide important markets for U.S. exports of components (see chapter 3). Important findings regarding recent developments in the use of production sharing by U.S. industry include:

Aggregate trends

- Official statistics show that the use of U.S.-made components in imported goods continued to grow significantly in 1995. The value of U.S.-made components contained in products entered under the provisions of *HTS* 9802 grew by $2.6 billion (13 percent) over 1994 to $22.1 billion in 1995. Total U.S. imports under the production-sharing tariff provisions of *HTS* 9802 increased in 1995 by $1.6 billion (3 percent) over the 1994 level to $60.9 billion. The share of total imports under the production-sharing provisions accounted for by U.S.-origin content has risen steadily over the past decade, reaching 36 percent in 1995 compared with 19 percent in 1985 and 28 percent in 1990 (table B-1). Plants in Mexico and the Caribbean Basin tend to rely more heavily on components from the United States than do factories in other regions.
- Although official statistics indicate that 8 percent ($61 billion) of total U.S. imports in 1995 are entered under the production-sharing provisions of *HTS* 9802, industry sources contend that such imports may range between 10 and 15 percent of total U.S. imports. Imports from Mexico under *HTS* 9802 ($25 billion) in 1995 are estimated to understate the production sharing imports by about $10 billion (see chapter 2 - Mexico). Recognizing these developments, alternative methods for statistical reporting are being considered as part of several initiatives noted in the preceding discussion.

Principal countries

- Mexico is the principal source of U.S. imports under HTS 9802, accounting for 41 percent of the total value of such trade and 58 percent of the total value of U.S. components in 1995 (table 1-3). Despite the increased use of NAFTA as an alternate mechanism for entry of production-sharing trade between the United States and Mexico, *HTS* 9802 continues to serve as an important competitive tool for companies wishing to use low-cost foreign assembly.[14] The other major suppliers, Malaysia and the Dominican Republic, each accounted for 6 percent of the total value of U.S. content.
- U.S. imports from Mexico under *HTS* 9802 rose by $2.9 billion (8 percent) in 1995 to $25.0 billion reflecting the combined

[13] Chaired by the U.S. Department of the Treasury, and established under the National Performance Review (NPR Recommendation IT-06) to develop an International Trade Data System (ITDS), the IT-06 Task Force includes the participation of 83 agencies coordinated by an interagency Board of Directors drawn from departments with a substantial involvement in the operation, analysis, policy development, and promotion of international trade. The Board is comprised of officials of Treasury, Justice, Commerce, Transportation, U.S. International Trade Commission, Office of the U.S. Trade Representative, Agriculture, and Health and Human Services.

[14] All but one-eighth ($7 billion) of U.S. imports from Mexico in 1995 entered under NAFTA and/or *HTS* 9802. Three-quarters ($44 billion) entered under NAFTA; 42 percent ($25 billion) entered under *HTS* 9802; and over one-quarter ($17 billion) were entered as eligible for preferential treatment under both NAFTA and *HTS* 9802. Importers can liquidate a good simultaneously under *HTS* 9802 and NAFTA, using *HTS* 9802 for its U.S.-origin content, while liquidating the remaining portion of the entry's value under NAFTA's reduced tariff rates (less than MFN rates). When importing articles that are free of duty under NAFTA, the importer has an incentive to also declare eligibility under *HTS* 9802 as well to receive an exemption from the Customs user fee on the value of the U.S.-origin content. See App. A for more information about the Customs treatment of imports under *HTS* 9802.

Table 1-3
U.S. imports for consumption, total and under the production-sharing provisions of *HTS* 9802, by principal suppliers (based on the value of U.S. components in the assembled imports in 1995), 1992-1995

(Million dollars)

Country	1992	1993	1994	1995
	Total imports			
Mexico	32,446	36,989	46,661	59,220
Malaysia	8,074	10,361	13,699	17,116
Dominican Republic	2,293	2,590	2,995	3,302
Philippines	4,257	4,796	5,621	6,918
Canada	93,243	105,121	122,081	137,492
Korea	16,358	16,809	19,363	23,773
Honduras	775	909	1,082	1,427
Costa Rica	1,386	1,519	1,625	1,819
Thailand	7,403	8,455	10,177	11,234
Taiwan	24,199	24,636	26,232	28,497
All other	317,645	344,764	387,527	425,742
Total	508,080	556,949	637,063	716,540
	*Production-sharing imports under **HTS** 9802*			
Mexico	16,502	18,992	23,067	24,962
Malaysia	1,375	1,669	1,938	2,778
Dominican Republic	1,272	1,531	1,707	1,965
Philippines	823	1,049	1,378	1,749
Canada	3,591	3,035	1,663	1,539
Korea	1,583	1,664	1,724	1,798
Honduras	249	337	452	676
Costa Rica	502	575	623	707
Thailand	320	397	594	786
Taiwan	908	961	1,127	1,193
All other	29,317	27,154	25,037	22,727
Total	56,441	57,363	59,310	60,880
	*U.S. content of imports under **HTS** 9802*			
Mexico	8,692	9,887	11,608	12,833
Malaysia	611	794	968	1,313
Dominican Republic	873	1,041	1,109	1,278
Philippines	368	485	640	785
Canada	1,182	1,124	688	605
Korea	443	478	480	600
Honduras	181	236	325	480
Costa Rica	355	399	411	472
Thailand	165	238	353	461
Taiwan	304	337	371	424
All other	2,186	2,540	2,562	2,859
Total	15,358	17,560	19,517	22,110

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

effects of the 50-percent devaluation of the peso in December 1994 and January 1995, reduced U.S. duties on goods from Mexico under NAFTA, and strong consumer demand in the United States. The peso devaluation effectively lowered the U.S. dollar price of goods originating in Mexico, thereby encouraging a new round of expansion in the maquiladora industry. In addition, the devaluation caused a severe tightening of credit in Mexico. This has prompted some firms that recently established manufacturing operations in Mexico in anticipation of rising local demand to shift their output to the United States.[15]

[15] Chapter 4 provides an assessment of the factors influencing changes in the maquiladora industry since the implementation of NAFTA.

- Eight percent of U.S. imports under HTS 9802 in 1995 came from the CBERA countries, which compete primarily with Mexico for assembly work from U.S. apparel firms. Mexico and the 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 and other trade liberalization measures resulting from trade agreements, as well as unilateral market reforms in Mexico and certain Caribbean countries, have enabled numerous U.S. apparel and other firms to improve their ability to compete against low-cost imports from Asia.[16]

- Production sharing accounts for a significant share of U.S. trade with Mexico and the Caribbean countries, reflecting the importance to these countries of U.S. investment, which enables their manufacturing industries to compete in the global market. *HTS* 9802 imports represented 42 percent of total U.S. imports from Mexico in 1995; 60 percent from the Dominican Republic and 47 percent from Honduras (table 1-3).

- The U.S. content (duty-free portion) of *HTS* 9802 imports from Southeast Asia (including Korea) rose by 25 percent in 1995 to $4.1 billion. All but a small part of these imports from the region consisted of semiconductors. Although the growth in *HTS* 9802 shipments continued for relatively low-cost export-processing locations such as Malaysia, the Philippines, and Thailand, significant growth also occurred in such shipments from moderately high-labor-cost sources Korea and Hong Kong. This change reflected two important developments: (1) a major U.S. semiconductor producer increased its use of contract assembly with a Korean company with which it has an agreement to jointly develop and produce a next-generation semiconductor device; and (2) another U.S. semiconductor producer expanded its assembly of U.S.-fabricated chips in Hong Kong for export to both the United States and China for use in the production of cellular telephones.

[16] Chapter 3 provides more detailed illustrations of how production sharing helps retain U.S. production that otherwise would be lost to foreign producers competing in U.S. or global markets.

- Official statistics show that the recent decline in the use of *HTS* 9802 in connection with imports from Canada reflects the staged elimination of duties and the Customs user fee under the CFTA, thereby reducing the incentive to use this tariff provision (appendix A). *HTS* 9802 imports from Canada continued to decrease in 1995, to $1.5 billion from $1.7 billion in 1994, and from a peak of $25.7 billion in 1989.

Principal products

- The growth in the U.S. content of *HTS* 9802 imports in 1995 chiefly reflected larger shipments of apparel products from the Caribbean Basin and Mexico; wiring harnesses for motor vehicles and internal combustion engines from Mexico; and semiconductors from Southeast Asia (table 1-4). The upward trend in *HTS* 9802 imports of apparel, electronic products, wiring harnesses, and medical and scientific instruments was partially the result of strong demand for these products in the U.S. market in 1995 (table 1-5).

- The U.S. content of *HTS* 9802 imports of apparel increased by $1.2 billion (32 percent) to $4.8 billion, while the value of U.S.-made parts contained in semiconductor and other microelectronic component assemblies imported under *HTS* 9802 rose by $1.1 billion (23 percent) to $5.6 billion in 1995 (table 1-6). Each of these products requires labor-intensive manufacturing methods, encouraging production sharing as a means to minimize production costs given the intense global competition in these industries. This strategy enables U.S. producers to maintain component and material production, and most design, marketing, and distribution functions in the United States.

- U.S. imports of apparel under *HTS* 9802 come almost entirely from Mexico and CBERA countries. NAFTA eliminated tariffs and quotas on garments and other 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 $808 million (53 percent) in 1995 to $2.3 billion, with the value of U.S. fabric used in the assembly of such apparel reaching $1.6 billion. *HTS* 9802 imports of apparel from the Caribbean Basin grew by $876 million (24 percent) to $4.5 billion, with the U.S.-cut fabric used in the assembly process valued at $2.9 billion.

Table 1-4
Summary of U.S. production-sharing trade shifts under the provisions of *HTS* 9802 in 1995, U.S. content, by selected countries and products, annual volume and percentage change, and reasons

Country	Product	Annual change	Reasons[1] for change
Mexico	Apparel	Up $574 million (54 percent)	NAFTA, new 9802.00.90
Mexico	Autos & parts	Down $260 million (-9 percent)	Shift to entry under NAFTA instead of 9802
Mexico	Wiring harnesses	Up $208 million (13 percent)	Strong U.S. demand for motor vehicles, peso devaluation
Mexico	Internal combustion engines	Up $109 million (76 percent)	Strong U.S. demand, peso devaluation, suspension of GSP
Dominican Republic	Medical goods	Up $80 million (127 percent)	Tax incentives, suspension of GSP
Dominican Republic	Apparel	Up $111 million (13 percent)	Benefiting from shift in trade from Asia, where labor costs are rising and quotas are tight
Honduras	Apparel	Up $154 million (47 percent)	Political stability, good port facilities, low labor costs
El Salvador	Apparel	Up $100 million (63 percent)	Re-investment following end of Civil War, skilled workers
Malaysia	Semiconductors	Up $349 million (37 percent)	Global demand, skilled labor
Hong Kong	Semiconductors	Up $187 million (153 percent)	Largest producer increased exports to both the United States and China
Philippines	Semiconductors	Up $124 million (22 percent)	Global demand, new FTZs[2]
Korea	Semiconductors	Up $134 million (31 percent)	Global demand, new joint ventures, increased capacity

[1] Further explanation is contained in chapter 2 and chapter 3.
[2] FTZs are foreign trade zones that facilitate export processing by exempting duties on in-process goods.

Source: Compiled by staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce, various industry publications, and industry officials.

- The U.S. apparel sector continues to have the greatest economic incentive of any domestic industry to use the production-sharing provisions of *HTS* 9802. In 1995, apparel products accounted for 60 percent of the total duty savings from the use of *HTS* 9802 in 1995, despite comprising only 13 percent of total U.S. imports under these provisions (figure 1-2). The average trade-weighted rate of duty on apparel is 16 percent ad valorem, compared with about 3 percent ad valorem for other products. In addition, the duty-free U.S. content accounts for two-thirds of the total value of apparel imported under *HTS* 9802, compared with one-third for imports of all other products under the production-sharing provisions.
- The growth in *HTS* 9802 imports of semiconductors and similar microelectronic devices in 1995 reflected a strong demand for the devices by producers of personal computers and similar electronic equipment. *HTS* 9802 imports of semiconductors increased by 38 percent ($2.4 billion) in 1995 and accounted for 22 percent ($8.6 billion) of total U.S. imports of the devices that year (table B-3). Since most semiconductors enter free of duty, they account for almost no duty savings while comprising 14 percent of total imports under the provision.
- U.S. imports of motor vehicles under *HTS* 9802 declined by 32 percent to $18.7 billion in 1995. Similarly, U.S. imports of certain motor-vehicle parts decreased by 24 percent to $1.8 billion during the same period. These declines are attributable to changes in U.S. trade with Mexico, whereas many importers are now entering assembled goods under NAFTA rather than *HTS* 9802 (table B-5).

Table 1-5
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, total and duty-free, by major industry group, 1994 and 1995

Industry group	U.S. content (duty free)		Change 1995 from 1994	Share of total 1995	Ratio of U.S. content value to total value 1995	Total value		Change 1995 from 1994	Share of total 1995
	1994	1995				1994	1995		
	Million dollars			*Percent*		*Million dollars*			*Percent*
Apparel	3,607	4,765	1,158	22	61	5,836	7,758	1,923	13
Other textile articles	282	356	74	2	64	479	560	81	1
Footwear	168	158	-9	1	11	1,143	1,398	255	2
Electrical motors	426	475	49	2	61	717	780	63	1
Wiring harnesses for motor vehicles	1,617	1,843	226	8	60	2,858	3,080	222	5
Autos, trucks, and buses	2,234	2,046	-188	9	11	23,095	18,659	-4,437	31
Certain auto parts including engines and other electrical parts	1,334	1,288	-46	6	42	3,113	3,081	-32	5
Motor vehicle seats and other furniture	170	113	-58	1	19	640	604	-36	1
Other transportation equipment	341	401	60	2	30	1,287	1,336	50	2
Household appliances and heating ventilation and air conditioners	532	519	-12	2	46	1,050	1,131	81	2
Filtering and controlling equipment	518	473	-45	2	66	719	714	-5	1
Transformers	202	234	31	1	40	496	591	951	
Other machinery	281	306	25	1	32	808	960	152	2
Television receivers	850	835	-15	4	33	2,606	2,511	-96	4
Radio-TV and telephone equipment except television receivers	554	626	72	3	30	1,700	2,062	362	3
Computers	390	405	15	2	30	1,307	1,372	65	2
Microelectronic components	4,530	5,587	1,057	25	52	8,227	10,702	2,474	18
Medical and scientific instruments	611	740	129	3	43	1,428	1,724	297	3
All other manufactured articles	869	941	72	4	51	1,802	1,857	55	3
Total	19,517	22,110	2,593	100	36	59,310	60,880	1,570	100

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

Table 1-6
Leading industry groups by U.S. content (duty-free) value of U.S. imports under the provisions of *HTS* 9802, change in value, and percent change, 1994-95

Industry group	Duty-free value 1994	Duty-free value 1995	Change in value 1995 from 1994	Percent change 1995 from 1994
		Million dollars		*Percent*
Microelectronic components	4,530	5,587	1,057	23
Apparel	3,607	4,765	1,158	32
Autos, trucks, and buses	2,234	2,046	-188	-9
Wiring harnesses for motor vehicles	1,617	1,843	226	14
Certain auto parts including engines and other electrical parts	1,334	1,288	-46	-4
Television receivers	850	835	-15	-2
Medical and scientific instruments	611	740	129	21
Radio and telephone equipment	554	626	72	13
Household appliances	532	519	-13	-3
Filtering and controlling equipment	518	473	-45	-10
Computers	390	405	15	4

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

- The use of U.S. components in motor vehicles imported from Mexico far exceeds that in vehicles imported from Japan and Germany, which together with Canada accounted for 82 percent (by value) of total U.S. imports of motor vehicles in 1995. U.S.-made parts accounted for 49 percent ($1.7 billion) of the value of finished vehicles imported from Mexico under provision 9802.00.80 in 1995, they made up only 2 percent of the value of vehicles imported from Japan and Germany; $98 million and $118 million, respectively (tables B-6 and B-7). It is estimated that U.S.-made parts account for between one-quarter and one-third of the value of vehicles imported from Canada, but most of these vehicles enter free of duty under NAFTA rather than under *HTS* 9802.

Organization

The rest of this report contains three chapters and three appendixes. Chapter 2 identifies the principal countries or regions engaged in U.S. production-sharing trade and examines key trends in these assembly locations. Chapter 3 analyzes the industries and products that experienced the most significant growth or volume of trade under the production-sharing provisions of *HTS* 9802 in 1995. The analysis addresses the competitive aspects and the level of U.S.-origin component production that is used in foreign assembly operations. Chapter 4 examines recent developments and changes in the 32-year old Maquiladora Program in Mexico since the implementation of NAFTA.[17] Appendix A discusses applicable preferential tariff treatment for qualifying goods from the Caribbean Basin, the trade agreement status of *HTS* 9802, and the relationship of the production-sharing provisions to preferential tariff programs and special access programs. Appendix B provides statistical tables on U.S. imports under *HTS* 9802 for the principal countries, by product categories. Appendix C contains a copy of the Commission's Federal Register notice requesting comments with respect to this investigation.

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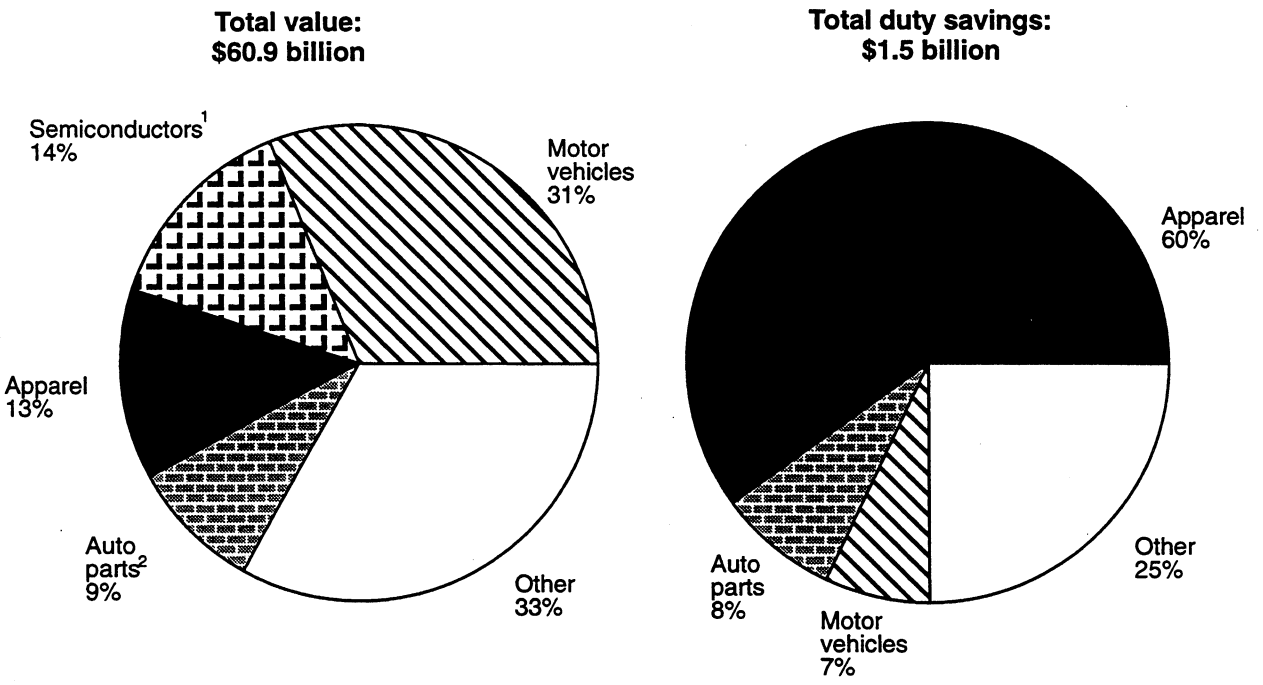
[17] Maquiladoras are assembly plants that use foreign-made components, most of which are imported from the United States. Most maquiladora plants are either subsidiaries of U.S. manufacturers or Mexican companies performing assembly under contract for U.S. firms. The Maquiladora Program is a Mexican Government initiative to attract foreign investment in assembly plants in towns along the border with the United States.

Figure 1-2
U.S. imports under the production-sharing provisions of *HTS* 9802, shares of total value and duty savings, by selected industries, 1995



[1] Semiconductors accounted for less than 0.1 percent of the total duty savings in 1995.
[2] Auto parts include engines and wiring harnesses.

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

CHAPTER 2
Principal Countries Engaged In U.S. Production-Sharing Trade

This chapter focuses on the principal sources of U.S. imports under the production-sharing provisions of *HTS* 9802, namely Mexico, the Caribbean Basin, and Southeast Asia. Together these regions accounted for 92 percent ($20.3 billion) of the U.S. content of *HTS* 9802 imports in 1995 (figure 2-1). *HTS* 9802 imports from these sources during 1992-95 rose by a combined 54 percent ($7.1 billion) to $20.3 billion, whereas those from all other sources declined by 18 percent ($400 million). This chapter highlights the factors that led to this significant growth.

This chapter also examines the composition of U.S. production-sharing trade with the principal sources, which differs significantly by region. Apparel accounts for nearly all of the production-sharing trade with the Caribbean Basin countries, whereas semiconductors dominate the trade with the Southeast Asian countries. U.S. production-sharing trade with Mexico is more diversified, although the motor-vehicle and electronics sectors account for about two-thirds of the trade. Mexico continued to be the dominant source of *HTS* 9802 imports in 1995, accounting for 58 percent of the total U.S. content value, followed by Malaysia and the Dominican Republic, with 6 percent each.

Mexico

Mexico continues to be the leader in production-sharing operations with the United States. Total U.S. imports from Mexico under *HTS* 9802 in 1995 rose by $1.9 billion (8 percent) to $25 billion over the 1994 level. The gain is down considerably from that in 1994 when *HTS* 9802 imports from Mexico grew by $4.1 billion (21 percent). U.S.-made components accounted for slightly over one-half of the total value of *HTS* 9802 imports from Mexico each year during 1992-95 (table 2-1). Firms have recently taken advantage of the implementation of NAFTA and the peso devaluation by investing in maquila plants, contributing to a sharp increase in total U.S. imports from Mexico; however, as more products from Mexico have become eligible for duty-free entry under NAFTA, a smaller share of production-sharing imports are entering under *HTS* 9802.[1]

Historically, U.S. firms have preferred production-sharing manufacturing in Mexico to other locations because of its proximity to U.S. markets, competitive wages, and complementary manufacturing operations.[2] Two other more recent factors made Mexico even more attractive as an investment and production-sharing site: the implementation of NAFTA in 1994[3] and the 50-percent devaluation of the Mexican peso during December 1994 and January 1995.[4] Specifically, under NAFTA the United States has eliminated U.S. duties and quotas on imports of apparel and other textile products assembled in Mexico from U.S.-made and cut fabrics, substantially reduced or abolished duties on many other imported goods, and implemented rules of origin that encourage companies to make greater use of U.S.-made parts. The sharp devaluation of the peso[5] further enhanced the competitive position of Mexico by effectively reducing Mexican labor costs in dollar terms, making maquila goods less expensive in the United States.[6]

[1] For a discussion of the reasons for entering a shipment under NAFTA instead of, or in addition to, *HTS* 9802, see chapter 1.

[2] For a discussion of factors influencing the location of assembly plants, see Josephine Spalding-Masgarha, "Comparison of Production-Sharing Operations in the Caribbean Basin with those in Mexico and Selected Asian Countries," in USITC, *Industry Trade and Technology Review*, Sept. 1995. Also, for an analysis of the comparative benefits and risks of establishing manufacturing operations in China and Mexico, see Kerry Pechter, "Mexico Beats China: Melitta Saved Money, Reduced Risk, and Decentralized When it Shifted Production from China to Mexico," *International Business*, Jan. 1994, pp. 22-25; and Jenny Anderson, "A Closer Look," *Business Mexico*, Aug. 1995, pp. 10-11.

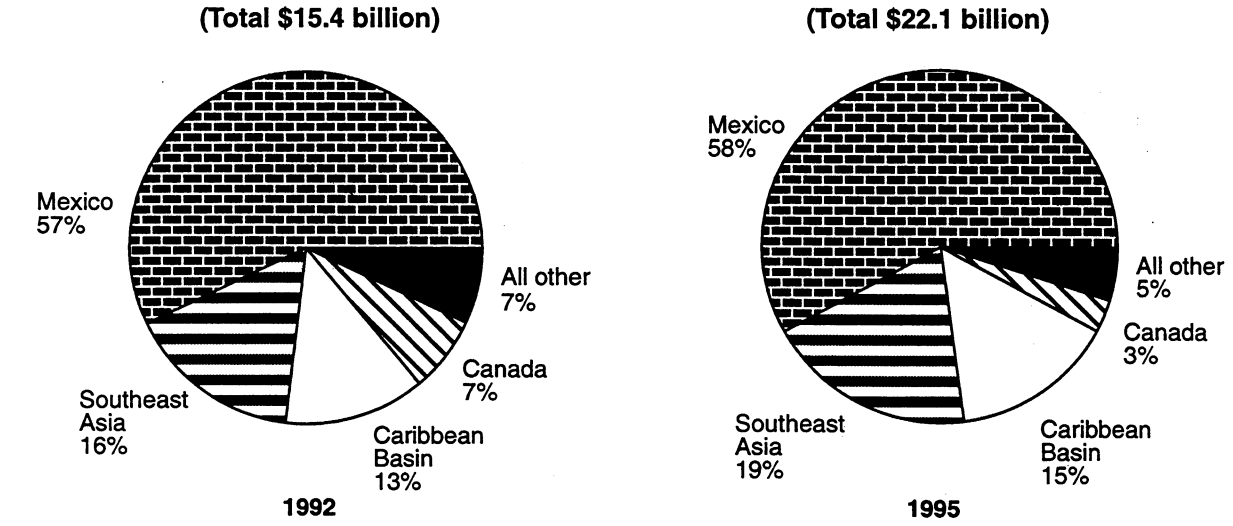
[3] These two factors also influenced many other foreign companies, especially those based in Asia, to establish production sharing operations in Mexico. For more detail, see Tim Coone, "The Aztec-Asian Connection," *Latin Trade*," Sept. 1996, p. 17; and Joel Millman, "Asian Investment Floods Into the Mexican Border Region: Access to U.S. Market Draws Makers of Television, Toys - and Shabu-Shabu," *The Wall Street Journal*, Sept. 6, 1996, p. A 10.

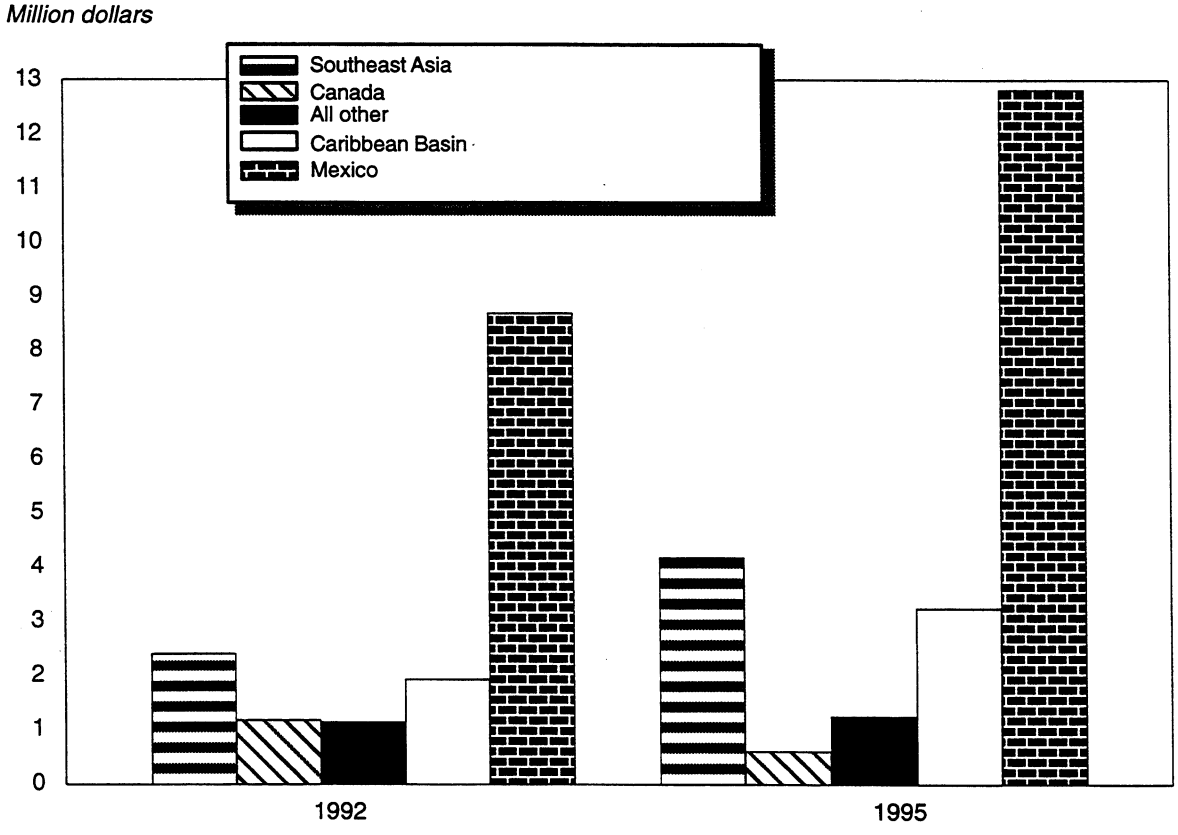
[4] For further discussion on investment patterns in Mexico, see chapter 4 of this report.

[5] For a detailed discussion of the Mexican peso crisis, see Edwin M. Truman, "The Mexican Peso Crisis: Implications for International Finance," *Federal Reserve Bulletin*, vol. 82:3 (Mar. 1996), pp. 199-209.

[6] The addition of 89,000 maquila jobs and 400 assembly facilities in 1995 provided an important boost to the Mexican economy at a time when most other sectors were in decline. Chris Kraul, "Mexico Sees Potential of Foreign- Owned Factories," *The Los Angeles Times*, Nov. 23, 1995; and "Maquila Scoreboard," *Twin Plant News: Mexico's Industrial Magazine*, Oct. 1995, p. 43.

Figure 2-1
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802: U.S. content, major supplying countries/regions, 1992 and 1995





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

Table 2-1
Mexico: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	32,446	16,502	8,692	51	53
1993	36,989	18,992	9,887	51	52
1994	46,661	23,067	11,608	49	50
1995	59,220	24,962	12,833	42	51

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

A $1.26 billion (11 percent) increase in total U.S. content incorporated in *HTS* 9802 goods from Mexico was concentrated in 3 sectors: apparel, up by $574 million (54 percent) to $1.6 billion; electronic products, up by $404 million (12 percent) to $3.6 billion; and machinery and equipment, up by $250 million (8 percent) to $3.4 billion (see table B-5 in Appendix B). Total U.S. content of *HTS* 9802 imports for the transportation sector declined, by $55 million (2 percent) to $3.05 billion in 1995.

Some 46 percent of all imports from Mexico in 1995 entered under NAFTA, and another 28 percent entered under both NAFTA and *HTS* 9802 (table 2-2). Of the $27.1 billion in imports from Mexico entered only under NAFTA, Commission staff estimate that at least $10.5 billion consisted of products known to be manufactured chiefly through the assembly of U.S.-made parts. The leading products[7] together with their "NAFTA only" value (in millions of dollars) are shown in the tabulation below:

Commodity Group	Value
	(Million dollars)
Motor vehicles	4,505
Internal combustion engines	733
Television receivers	724
"Certain" motor vehicle parts	633
Radio transmission and reception apparatus	570
Motor vehicle seats and other furniture	586
Wiring harnesses for motor vehicles	446
Telephone and telegraph apparatus	439
Electrical transformers	379
Computers	376
Television apparatus, except receivers	356
Household appliances	286
Air conditioning equipment	285
Electrical circuit apparatus	228
Total	10,546

Table 2-2
Mexico: U.S. imports from Mexico under NAFTA and *HTS* 9802, 1995

Type of entry	Value	Share
	(Million dollars)	*(Percent)*
NAFTA only	27,110	46
NAFTA and 9802	16,721	28
9802 only	8,241	14
Other (MFN)	7 148	12
Total	59,220	100
Total NAFTA	43,831	74
Total 9802	24,962	42

Source: Compiled from official statistics of the U.S. Department of Commerce. See Appendix table B-5 for product detail.

[7] See table B-5.

Given that the traditional dichotomy in sources of supply between the maquiladora industry and the national industry in Mexico, it is likely that a significant portion of the remaining $7.5 billion in U.S. imports of manufactured goods from Mexico that entered under NAFTA in 1995 (but not *HTS* 9802), such as fuel pumps, catalytic convertors, stereo equipment, and disposable medical goods, were also produced using U.S.-origin content. It is therefore reasonable to conclude that 1995 data reflecting imports from Mexico under *HTS* 9802 ($25 billion) understate production-sharing imports by more than $10 billion.

Mexico has been successful in attracting electronics assembly because the U.S.-Mexico border region has relatively developed infrastructure and labor skills, as well as proximity to the electronics and computer industry in California.[8] This region's labor

[8] For a discussion of why maquiladoras are doing better in Mexico than Central America, see Tim Coone and John Otis, "Weaving Away in Maquilaville," *Latin Trade*, Jan. 1997, pp. 26-28.

skills, educational level, and degree of infrastructure development typically resemble those of certain Southeast Asian countries; however, low wage rates and preferential access to the U.S. market under NAFTA provide Mexico with a competitive advantage over traditional Asian sources of assembled goods.[9] As a result, Asian manufacturers have been setting up production-sharing operations in Mexico, and often using U.S.-made components.[10] Electronic capacitors and television receivers were the leading products in the electronics sector imported from Mexico under *HTS* 9802 in 1995, accounting for $1.16 billion and $814 million, respectively.[11] Both of these products were also entered under NAFTA in large volumes in 1995.[12]

The continued integration of the North-American motor-vehicle industry, the peso devaluation, and growing demand for vehicles in the United States led to a sharp increase in U.S. imports of motor vehicles and other transportation equipment from Mexico in 1995, rising by $3.5 billion (36 percent) to $13.3 billion (table B-5).[13] The growth in imports from Mexico was further supported by NAFTA which provided an incentive for U.S. firms to increase production capacity in Mexican plants.[14] As a result, U.S. imports of transportation equipment under *HTS* 9802 declined by $738 million (11 percent) to $6.1 billion.

U.S. imports of machinery and equipment assembled in Mexico from U.S. parts are also increasingly entered under NAFTA. Although such imports under HTS 9802 increased by 7 percent, or $383 million, to $5.6 billion and the value of the U.S. content increased by 8 percent, or $250 million, to $3.4 billion, shipments under NAFTA grew by 32 percent, or $1.5 billion, to $6.2 billion. The leading machinery and equipment products assembled in Mexico for export to the United States are wiring harnesses, electrical transformers, electric motors, catalytic converters, and fuel pumps (tables 2-3 and B-5).

Apparel has become an increasingly important sector for production-sharing activity between Mexico and the United States, accounting for $1.64 billion (13 percent) of the total U.S. content of *HTS* 9802 imports from Mexico, an increase of $574 million (54 percent) in 1995. Mexico principally competes with the countries in the Caribbean Basin for garment assembly contracts with U.S. firms. Under NAFTA, garments assembled in Mexico from fabric wholly formed and cut in the United States enter free of duty and quota under the NAFTA-created production-sharing provision *HTS* 9802.00.90, whereas imports from the Caribbean Basin, entered under the production-sharing provision *HTS* 9802.00.80, continue to be subject to duty on the value added offshore. The peso devaluation further increased Mexico's competitive advantage by reducing the dollar prices of Mexican goods in the U.S. market and by bringing Mexican

[9] Remarks attributed to Alan Foster, Vice President of Sanyo's Video Component USA claiming that Sanyo has reduced production costs by $10 to $20 dollars per television set through savings in freight, labor, and tariffs by setting up operations in Tijuana instead of an Asian country. See Millman, "Asian Investment Floods...," Sept. 6, 1996. For more detail on television receivers, see section in Chapter 2.

[10] Political and economic conditions in Asia can influence the level of maquiladora activity in Mexico. Uncertainty about the consistency of the supply chain from Asia can result from reported political disputes between Taiwan and China; potential problems posed by the transition of Hong Kong from a British protectorate to Chinese rule; and the periodic trade disputes between the United States and Japan. For those reasons, as well as the increased cost of transporting components from Asia, a growing number of companies are using U.S. components or, to a lesser extent, opting for Mexico as a source of materials for their production sharing operations in Mexico. See Kevin G. Hall, "When Asia Sneezes, Maquiladoras Shiver," *The Journal of Commerce*, Aug. 1, 1996, p. A 3.

[11] One writer has referred to Tijuana as the "TV-set capital of the world." Since the end of 1994, Korean companies have invested $650 million and Japanese companies, $400 million in Tijuana alone, much of it in facilities for the assembly of television receivers. See Damon Darlin, "Maquiladora-ville," *Forbes*, May 6, 1996, pp. 111-112. Also, see section on television receivers in chapter 3.

[12] For statistics on the value of television receivers and other products entered under NAFTA, see earlier tabulation in this chapter and table B-5.

[13] The importance that U.S. automotive firms place on the maquiladoras as a key component in their competitive

[13]—*Continued*
strategy can be seen in the innovative concepts some companies are implementing to improve worker satisfaction, and consequently, reduce chronic absenteeism. General Motors Corporation is working with INFONAVIT and Delphi Automotive Systems to help maquila workers receive home loans. Workers contribute to a fund in order to accumulate enough down payment money to purchase their own homes. Because only workers who have been with the company for a year can apply, Delphi Automotive Systems hopes to decrease worker turnover, while benefitting Mexico's economy as a whole by increasing the savings rate and providing a boon to the construction industry. See "Maquila Housing: GM and INFONAVIT Join Forces," *Twin Plant News*, Aug. 1996, pp. 27-29.

[14] For more information on the shift toward importing motor vehicles from Mexico free of duty under NAFTA instead of entering them partially exempt from duty (U.S. content) under *HTS* 9802, see section on motor vehicles in chapter 3 of this report.

Table 2-3
Mexico: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal products, 1992-95

Million dollars

Product	1992	1993	1994	1995
Wiring harnesses for motor vehicles and other insulated electrical conduits	996	1,055	1,554	1,757
Automobiles, trucks, buses, and bodies and chassis of the foregoing	1,600	1,758	1,768	1,676
Apparel	581	739	1,063	1,637
Electrical circuit apparatus	713	811	1,091	1,164
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	547	676	839	814
Certain motor-vehicle parts	961	1,164	977	811
Electric motors, generators, and related equipment	264	311	408	457
Semiconductor devices	165	224	257	326
All other	2,865	3,149	3,651	4,192
Total	8,692	9,887	11,608	12,834

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

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

labor costs close to parity with labor costs in the Caribbean Basin.[15]

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The Caribbean Basin

Apparel was among the first manufactured exports of Caribbean Basin countries,[16] and still largely influences the pattern of U.S. production-sharing trade with the region. In 1995, apparel[17] accounted for 90 percent of the total value of U.S. production-sharing imports from these countries; no other category of imports (e.g., medical goods; jewelry; and electric capacitors, resistors, and electric circuit apparatus) accounted for more than 5 percent of the total (table 2-4).

The CBERA countries[18] compete principally with Mexico for sewing work from U.S. firms. Two factors altered the competitive balance between CBERA countries and Mexico in 1994 and 1995. First, the legislation implementing NAFTA permitted apparel assembled from fabric "formed and cut" in the United States to enter duty free from NAFTA countries, whereas goods from CBERA countries are still subject to duty on the value added offshore.[19] Second, the devaluation of the Mexican peso reduced labor costs at garment factories in Mexico's maquiladora industry. Nevertheless, trade sources report that the continuing growth in the Caribbean maquila industry partly reflects investments made by U.S. apparel companies in anticipation that the Caribbean Basin would be granted NAFTA parity.[20] It was also seen as an effort

[15] See section on apparel in chapter 3 of this report.

[16] Apparel producers located in the eastern half of the United States began shipping cut fabric pieces to the Caribbean Basin region (especially the Dominican Republic and Haiti) for assembly into finished apparel for the U.S. market in the early 1950s. In addition to low labor costs, the region offered relatively low shipping costs between Caribbean ports and U.S. ports (such as Savannah, Norfolk, and Mobile) used by textile fabric suppliers and ports (such as New York, Baltimore, and Miami) servicing East Coast distribution points for the apparel industry. At the same time, logistics (low transportation costs and timely delivery) were important factors leading apparel producers in Texas and California to establish sewing operations across the border in Mexico (chiefly Ciudad Juarez and Tijuana, respectively).

[17] For further information on U.S. production-sharing trade in apparel, see chapter 3 of this report.

[18] The CBERA countries are Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, and the British Virgin Islands. Imports of most products from the CBERA countries, except for apparel and certain other articles are eligible for preferential duty treatment under the Caribbean Basin Economic Recovery Act.

[19] For every $10 in f.o.b. value, a typical CBERA garment entered under the provisions of 9802 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.

[20] Legislation was introduced in the U.S. Congress in 1995 to grant NAFTA-like treatment to qualifying apparel and other goods exempted from duty-free entry under CBERA. However, no action was taken on the Caribbean Basin Trade Security Act (H.R. 553 and S. 529) during the 104th Congress.

Table 2-4
U.S. imports under the production-sharing provisions of *HTS* 9802 from the Caribbean Basin, by principal products, 1995

Product description	Total 9802	U.S. content	Product share of U.S. content	U.S. content share of total 9802 value for product
	Million dollars		*Percent*	
Apparel	4,563	2,925	90	64
Medical and optical goods, including opthalmic goods	198	152	5	77
Electrical circuit apparatus	116	87	3	74
Jewelry	30	28	1	95
All other	94	54	2	57
Total	5,001	3,246	100	65

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

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

by these companies to maintain geographic diversity in their offshore assembly operations so as to reduce political and economic risks. Relatively low wages, adequate infrastructure, and proximity to the United States are additional reasons why CBERA countries are attractive to U.S. companies as production-sharing partners.

While many Caribbean countries have expressed concerns about the competitive advantage that NAFTA gives to apparel assembly in Mexico in the form of *HTS* 9802.00.90, U.S. production-sharing imports from all the major apparel-producing countries in the region increased substantially in 1995. Regional U.S. production-sharing imports under *HTS* 9802 rose by 23 percent in 1995 over the 1994 level to $5.0 billion (table 2-5), with U.S. content comprising $3.2 billion (65 percent) of the total.[21] The gain marked a resumption of double-digit growth in CBERA production-sharing shipments, which had grown by just 9 percent in 1994 after rising by 30 percent a year in 1992 and 1993. U.S.-origin content accounted for 65 percent of the total value of U.S. production-sharing imports from CBERA countries.

Many Caribbean countries have implemented economic reforms and favorable investment laws to privatize industries, establish mechanisms for handling legal disputes, and maintain fiscal restraints.[22] Regional governments have also implemented laws which set up free-trade zones (FTZs) to encourage economic growth and employment. These have been successful in attracting production-sharing investment in many cases.[23] For example, the maquiladora industry in Honduras increased by 12 percent in 1995.[24] Similarly, El Salvador had 5 FTZs by 1995, employing approximately 75,000 workers.[25] By

[21] Imports entered under the CBERA program totaled $2.26 billion in 1995, 18 percent of total imports from the region. Goods assembled from U.S. components in CBERA-eligible countries, but entering under CBERA rather than HTS 9802, are estimated to have totaled $600 million in 1995. The leading production-sharing articles entered under CBERA were footwear uppers of leather, gold jewelry, medical goods, electrical switching apparatus, and circuit breakers from the Dominican Republic; and hair dryers and baseballs from Costa Rica. The bulk of the remaining goods imported under CBERA were agricultural products such as sugar, melons, pineapples, beef, and fish. See USITC, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers: Eleventh Report, 1995*, USITC publication 2994, Sept. 1996.

[22] Information in this paragraph is mainly from "Stability, Economic Reform Keep Foreign Investment in Central America," *The Journal of Commerce*, NewsEDGE/LAN, Sept. 4, 1996.

[23] Investment in FTZs represents a substantial portion of new investment in the Dominican Republic, and accounts for a significant part of the country's growing GDP by offering 100-percent exemptions on taxes, duties, and charges affecting production and trade activities, the freedom to repatriate profits, and the option to sell part of a company's production to the local market. U.S. Department of State, cable No. 006116, "Input for 1996 CBERA Report," prepared by U.S. Embassy, Santo Domingo, Sept. 9, 1996.

[24] U.S. Department of State cable No. 003115, "Honduras' Maquila Industry Shines In Spite," prepared by U.S. Embassy, Tegucigalpa, May 22, 1995. Between 1990 and 1994, the number of maquilas grew from 26, employing 9,030 persons and generating $112.5 million in export earnings, to 103 firms, employing about 42,000 persons, and generating $648.3 million.

[25] The Foreign Investment Promotion and Guarantee Law of 1988 and Export Reactivation Law of 1990 provide tax exemptions from all income, dividends, capital taxes, and any taxes on exports or imports of goods or equipment used in products manufactured for export. In addition, any export firm can arrange to be declared a FTZ and foreign investors are not restricted with respect to ownership of FTZ properties. The incentives provided in these laws, along with a relatively healthy economy, recently improved political and social stability, and a stable currency created a positive economic and commercial environment for U.S. businesses and investors. U.S. Department of State, Office of the Coordinator for Business Affairs, "1996 El Salvador Country Commercial Guide," July 1995.

Table 2-5
Caribbean Basin: U.S. imports under the production-sharing provisions of *HTS* 9802, by total value and by value of U.S. content only, and by principal countries, 1992-95

(Million dollars)

Country	1992	1993	1994	1995	Percent change 1994-95
	Total imports under *HTS* 9802				
Dominican Republic	1,272	1,531	1,707	1,965	15
Costa Rica	502	575	623	707	13
Honduras	244	332	452	676	50
Guatemala	323	426	451	521	16
El Salvador	148	203	322	497	54
Jamaica	225	321	380	456	20
Haiti	76	108	35	79	126
Nicaragua	3	9	12	18	50
Panama	7	11	11	15	36
Belize	14	15	15	13	-13
All other	41	194	65	54	-17
Total	2,855	3,725	4,073	5,001	23
	U.S. content of imports under *HTS* 9802				
Dominican Republic	873	1,041	1,109	1,278	15
Costa Rica	355	399	411	472	15
Honduras	178	233	325	480	48
Guatemala	162	220	219	259	18
El Salvador	94	118	175	276	58
Jamaica	172	254	306	369	21
Haiti	56	73	25	54	116
Nicaragua	1	3	5	8	60
Panama	4	6	7	9	29
Belize	10	11	10	10	0
All other	26	174	48	31	35
Total	1,931	2,532	2,640	3,246	23

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

attracting new investment in manufacturing sectors such as apparel and also more value-added production of processed foods, pharmaceuticals, and electronics, CBERA countries are likely to reduce their dependence on traditional agricultural sectors.

Certain CBERA countries are also trying to diversify their manufacturing base so as to reduce their reliance on the apparel sector for jobs and export earnings. Costa Rica, for example, with a more educated labor force than most other CBERA countries, is seeking foreign investment in high-technology manufacturing and assembly.[26] With the highest wage rates[27] of any major exporting CBERA country and rising costs of electricity, water, and payroll contributions for social programs,[28] Costa Rica's competitive position in apparel trade has been eroding somewhat, especially relative to Mexico. Although productivity in Costa Rica is estimated to be 20 to 25 percent higher than in Mexico, the total cost for assembling apparel in Costa Rica, plus shipping and duty costs, remains as much as 80 to 85 percent higher.[29] This partially explains why production-sharing has increased in Costa Rica (13 percent in 1995), but not to the same degree as the majority of the Caribbean.[30] Honduras and El Salvador have been the major beneficiaries of this shift in apparel trade away from Costa Rica.

[26] U.S. Department of State, "Country Commercial Guide: Costa Rica," prepared by U.S. Embassy, San Jose, Aug. 1996.

[27] Based on mid-1995 data, new workers in the FTZ of Nicaragua earn 70 cents an hour, which 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 cable No. 000108, "IMI: Maquila Sector - Strong Growth Continues," prepared by U.S. Embassy, Managua, Jan. 11, 1996.

[28] U.S. Department of State cable No. 004685, "U.S. Textile Pull-Out Adds to Unemployment," prepared by U.S. Embassy, San Jose, Nov. 22, 1996.

[29] U.S. Department of State cable No. 006250, "Textile Sector Claims NAFTA Parity Key to Survival," prepared by U.S. Embassy, San Jose, Nov. 21, 1995.

[30] U.S. apparel imports from Costa Rica in January-August 1996 were down 12 percent by value from year-earlier levels, whereas those from Mexico were up by 34 percent. Overall, U.S: apparel imports were down by less than 1 percent.

An increasingly skilled workforce has contributed to the small, but evolving growth in value-added assembly of medical goods[31] and electronic capacitors from the Dominican Republic. The share of U.S. production-sharing imports from the Dominican Republic accounted for by medical goods almost doubled from 6 percent in 1994 to 11 percent in 1995.

Although the Dominican Republic has diversified its production-sharing base more than other Caribbean Basin suppliers, the apparel sector continues to dominate. Apparel accounted for 77 percent of the total value of the U.S. content of production-sharing imports from the Dominican Republic in 1995, down from 79 percent in 1994 (table 2-6). According to trade sources, the number of jobs in Dominican apparel assembly plants has declined since 1994 when NAFTA entered into force.[32] Apparel production in Dominican plants, however, continues to be competitive because of improvements in efficiency and reduced profit margins by Dominican contract sewing operations.[33] Apparel and other textile companies, which benefit from preferential access to the U.S. market, accounted for about 60 percent of all companies in the FTZs.[34]

Despite the challenge from other low-cost suppliers in the region, the Dominican Republic continued to be the leading CBERA supplier of manufactured goods to the United States under *HTS* heading 9802 in 1995, accounting for 39 percent of the total value of *HTS* 9802 imports from the region. This represented a decline from a 42-percent share in 1994, as production-sharing imports grew even more rapidly from other CBERA countries such as Honduras and El Salvador. U.S. imports under *HTS* heading 9802 from the Dominican Republic increased by 15 percent in 1995 to almost $2.0 billion (table 2-5). This was up from a 12-percent increase in 1994, the first year NAFTA was in effect, but down from a 20-percent increase in 1993. U.S.-origin content accounted for roughly two-thirds of the value of production-sharing imports from the Dominican Republic.

More than 95 percent of Honduran maquila production involves apparel destined for the U.S. market.[35] The size of the plants assembling apparel in Honduras (e.g., Sara Lee Corporation, Hanes, Fruit of the Loom, and Oshkosh B'Gosh) tend to be large, with the number of employees averaging 500 to 1,500 per plant.[36] Representative U.S. companies with assembly operations in El Salvador, include Sara Lee (Hanes), Oshkosh, the Gap, Hampton Industries, Fruit of the Loom, K-mart, JC Penney, and Walmart.[37] Similarly, some of the 350 maquiladora plants in El Salvador are also large operations, each employing an average of 500 to 600 employees and utilizing 600-700 sewing machines.[38] Although the general education level in El Salvador is low compared with other major production-sharing suppliers in the Caribbean, the work force is perceived as industrious.[39]

[31] For more information, see section on medical goods in chapter 3 of this report.

[32] Public sources report that 60,000 export manufacturing workers lost their jobs during 1996 when 38 companies closed down. Most of these companies assembled garments. "Hard-Hit Caribbean Seeks NAFTA Parity With Mexico," *The Los Angeles Times*, NewsEDGE/LAN, Dec. 6, 1996.

[33] U.S. Department of State cable No. 006116, "Input for 1996 CBERA Report," prepared by U.S. Embassy, Santo Domingo, Sept. 9, 1996.

[34] U.S. Department of State cable No. 003464, "Dominican Free Trade Zones—Internationally," prepared by U.S. Embassy, Santo Domingo, May 25, 1995.

[35] Other than apparel, wiring harnesses are the only products manufactured in Honduras using production sharing. United Technologies began assembling wiring harnesses in San Pedro Sula in 1995. Telephone interviews with U.S. representatives of United Technologies in Sept. 1996.

[36] "A Reference Guide to the Latin American Apparel and Sewn Products Industry," Research conducted by Apparel Industry International, 1996.

[37] U.S. Department of State cable No. 005480, "Business Codes of Conduct Have Positive Effect," prepared by U.S. Embassy, San Salvador, Sept. 23, 1996.

[38] "A Reference Guide to the Latin American Apparel and Sewn Products Industry," Research conducted by Apparel Industry International, 1996.

[39] U.S. Department of State, Office of the Coordinator for Business Affairs, "1996 El Salvador Country Commercial Guide," July 1995.

Table 2-6
Dominican Republic: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal products, 1992-95

(Million dollars)

Product	1992	1993	1994	1995
Apparel	703	810	878	989
Medical goods	51	64	63	143
Electric capacitors and resistors	37	50	65	57
All other	87	124	110	99
Total	873	1,041	1,109	1,278

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

Growth in El Salvador's production-sharing operations is likely to continue, albeit at a considerably slower rate than the 59-percent and 54-percent annual gains experienced in 1994 and 1995.[40] El Salvador is at a disadvantage compared with other Caribbean apparel suppliers because it must ship its goods through either Guatemala or Honduras to ports along the Gulf of Mexico or Atlantic Coast. Furthermore, the country has been affected by a relatively high crime rate compared with most other CBERA production-sharing suppliers.[41] Although apparel assembly operations in El Salvador have been hampered by labor unrest and work stoppages, mostly against Asian companies in the FTZs, conditions are reported to be improving.[42]

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Southeast Asia

Production-sharing operations in Southeast Asia[43] are concentrated in semiconductor manufacturing.[44] As in previous years, semiconductors accounted for almost all (93 percent) of the U.S. content of 9802 imports from Southeast Asia in 1995. The region also supplied 90 percent of the U.S. content of total U.S. imports of semiconductors entered under production-sharing provisions (table 2-7).[45] Labor factors are among several reasons that explain the sustained growth of U.S. production-sharing investment in the Southeast Asian semiconductor industry:

- The manufacturing process for semiconductors is well suited to production sharing because the capital intensive operation of chip fabrication can be done in the United States, while the labor intensive chip assembly and testing can be completed in countries offering low labor costs.[46]
- There was a continued strong demand for semiconductors. The value of U.S. -origin content of semiconductors imported from Southeast Asia under *HTS* 9802 increased by $879 million (29 percent) between 1994 and 1995, while total U.S. imports of semiconductor devices grew at an even faster pace in 1995, rising by $13.1 billion (51 percent) over 1994 to $39.2 billion. In addition, regional demand is strong and companies that assemble semiconductors in the region enjoy a competitive advantage with local customers over foreign competitors that do not have a manufacturing presence in the region.
- The increasing sophistication of Southeast Asian semiconductor operations derives from the region's skilled workforce, favorable foreign investment climate, and relatively well developed infrastructure.
- Growth in production-sharing imports was further encouraged by the actions of some Southeast Asian countries to liberalize trade and investment laws, and to accentuate their international labor cost advantage in an effort to compete for foreign investment.[47]
- The joint ventures and subsequent production sharing between U.S. and Southeast Asian manufacturers is expanding due to the increasingly high cost of building semiconductor fabrication facilities.

All of the leading Southeast Asian sources of production-sharing imports exhibited strong growth in exports of semiconductor devices entering the United States under *HTS* 9802 in 1995, except Singapore.[48]

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[40] The rate of growth of U.S. apparel imports from El Salvador slowed to 18 percent during the first 8 months of 1996, compared with 46-percent annual increase in apparel imports in 1995 over 1994 levels.

[41] Crime has also been a problem for production-sharing investors in Jamaica. This situation has required that investors spend more money on security, reducing Jamaica's appeal as a production-sharing location. Production costs for electricity and telecommunications have also increased in Jamaica recently; however, press accounts state that the government is planning to assist companies in setting up production-sites in Jamaica. Canute James, "Jamaica Outfits Apparel Industry with Aid; Exporters Embrace Move," *The Journal of Commerce*, Jan. 24, 1997.

[42] U.S. Department of State Cable No. 005480, "Business Codes of Conduct Have Positive Effect," prepared by U.S. Embassy, San Salvador, Sept. 23, 1996.

[43] For the purpose of this report, Southeast Asia includes Brunei, Burma, Cambodia, Indonesia, Hong Kong, Korea, Laos, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

[44] The high value of semiconductors relative to their weight and volume makes transportation costs less important in determining the assembly location for semiconductor production-sharing operations than for most other products. Consequently, semiconductor assembly is concentrated in Southeast Asia, while the majority of products with higher transportation costs are assembled in Mexico.

[45] Although there are no U.S. tariffs on most semiconductors, these devices are imported under *HTS* provision 9802 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

[45]— *Continued*
1986. See app. A of this report for more information about the user fee.

[46] See the assessment of production sharing in the semiconductor industry in chapter 3 of this report.

[47] Sugawara, Sandra. "Throughout Asia, They Have It Made—Chain of Assembly Lines Transforms Economies," Washington Post Foreign Service, *The Washington Post*, June 6, 1996, p. D 9. According to a 1996 Comtex Scientific Corporation report, four ASEAN countries, Indonesia, Malaysia, the Philippines, and Thailand, attracted $14 billion in investment in 1995 compared with $8.6 billion in 1994.

[48] The U.S. content of Singapore's exports of semiconductor devices to the United States under HTS 9802.00.80 fell by 34 percent in 1995, which reflects

Table 2-7
Southeast Asia: Duty-free value of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal countries, semiconductors, all other products, and total 1992-95

Country	1992	1993	1994	1995	Change 1994/1995 Absolute	Change 1994/1995 Percent
	Million dollars					
	Semiconductors					
Four tigers						
Korea	383	396	426	560	134	31
Taiwan	231	282	326	371	45	14
Hong Kong	111	116	122	310	188	154
Singapore	271	230	270	178	-92	-34
Subtotal	996	1,024	1,144	1,419	275	24
Other						
Malaysia	600	783	954	1,303	349	37
Philippines	307	421	576	700	124	22
Thailand	105	200	306	410	104	34
Indonesia	31	25	24	51	27	113
All other	(1)	(1)	(1)	(1)	(2)	(2)
Subtotal	1,043	1,428	1,860	2,464	604	32
Total	2,039	2,452	3,004	3,883	879	29
	All other products					
Four tigers						
Korea	50	82	54	40	-14	-26
Taiwan	73	56	46	53	7	15
Hong Kong	22	15	13	14	1	8
Singapore	73	123	66	16	-50	-76
Subtotal	218	276	179	123	-56	-31
Other						
Malaysia	11	11	13	10	-3	-23
Philippines	61	64	64	85	21	33
Thailand	60	38	47	51	4	9
Indonesia	8	10	23	24	1	4
All other	9	(1)	(1)	(1)	(2)	(2)
Subtotal	149	122	147	170	23	16
Total	367	398	326	293	-33	-10
	Total U.S. content					
Four tigers						
Korea	443	478	480	600	120	25
Taiwan	304	337	371	424	53	14
Hong Kong	133	130	135	323	188	139
Singapore	344	353	336	194	-142	-42
Subtotal	1,224	1,298	1,322	1,541	219	17
Other						
Malaysia	611	794	968	1,313	345	36
Philippines	368	485	640	785	145	23
Thailand	165	238	353	461	108	31
Indonesia	39	35	47	75	28	60
All other	9	(1)	(1)	293	293	100
Subtotal	1,192	1,552	2,008	2,927	919	46
Total	2,416	2,850	3,330	4,468	1,138	34

[1] Less than $500,000.
[2] Not applicable.
Note.—Because of rounding, figures may not add to the totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Although there had been a tendency to shift the assembly of semiconductor devices from the newly industrialized countries of Korea, Taiwan, Hong Kong, and Singapore to nearby countries with lower labor costs, such as Malaysia, the Philippines, and Thailand,[49] the trend halted in 1995 as Korea, Taiwan, and Hong Kong together accounted for 42 percent of the growth of the U.S. content value of semiconductor imports under *HTS* 9802. This changing pattern signals that factors other than labor costs are also important in location decisions, particularly for the new generations of more sophisticated semiconductor devices.[50]

Malaysia

Malaysia is the world's third largest producer of semiconductor devices after the United States and Japan, and ranks as the world's largest exporter of semiconductors. U.S. companies supply more than 30 percent of Malaysia's annual imports of electronic components,[51] and U.S.-origin components accounted for nearly half, or $1.3 billion, of the *HTS* 9802 imports from Malaysia in 1995 (table 2-8); 98 percent of these components were used in the assembly of semiconductors (table B-8).

Foreign investors (both semiconductor companies using U.S.-made components and manufacturers of other electronic products using parts and materials sourced within the region) are attracted to Malaysia for a number of reasons:

- A stable government that generally supports trade liberalization measures and encourages foreign direct investment, particularly in export-oriented manufacturing and high-technology products;
- An educated labor force with relatively low wage rates;
- A local economy with low inflation (3.4 percent in 1995), a stable currency, and strong GDP growth with gains of 9.2 percent in 1994 and 9.5 percent in 1995;[52]
- Customs provisions exempting raw materials, machinery, and equipment used directly in the manufacture of goods from import duties, provided materials and machinery of necessary quality are not produced locally; and
- Malaysia's ten free industrial zones (FIZs).[53]

U.S. firms invested $721 million in Malaysia in 1995, second only to Japan.[54] U.S. investment was concentrated in the electronics sector, particularly in the manufacture of components, such as semiconductor chips in which a high degree of production-sharing takes place. Approximately 25 U.S.-affiliated assembly operations, including Motorola, Texas Instruments, Intel, National Semiconductor, and Harris,[55] account for over half of Malaysia's semiconductor production; the rest is produced by Japanese and European companies.[56]

There are factors that may reduce U.S. production-sharing imports from Malaysia, however. Labor shortages exist for both skilled and unskilled

[48]—*Continued*
government policies encouraging the movement of low-value added industry to neighboring Malaysia and Indonesia in favor of retaining higher-value added industry such as semiconductor fabrication and the production of camcorders, VCRs and computer equipment.

[49] Semiconductor manufacturers are under pressure to keep production costs down, particularly for the older generation memory chips, because of intense price competition. See *The Journal of Commerce*, "Asian Makers Storm Semiconductor Market," Aug. 27, 1996, p. 2.

[50] According to industry sources, design and prototype production of new generation semiconductor devices will occur in the home country of the manufacturer. Post-prototype production and modification, where production undergoes continuous engineering for volume manufacturing (changing material quality, improving yields through training, and process improvement), will occur in moderate labor-cost markets such as Hong Kong, Korea, Singapore, or Taiwan. When desired quality and yields are achieved and the product matures, the entire production line is likely to be moved to low-cost labor regions such as Malaysia, Thailand, or the Philippines.

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

[52] Jayasankaran, S., "Strength in Numbers," Economic Monitor-Malaysia, *Far Eastern Economic Review*, Apr. 4, 1996.

[53] These FIZs are located in the states of Johor, Melaka, Penang, Perak, and Selangor. 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. To be eligible for an FIZ, a firm generally 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 subsequently exported are not subject to duty. No restrictions are placed on a company's choice of suppliers.

[54] According to the Malaysian Industrial Development Authority, investments by Japan ($838 million) and the United States made up 43 percent of Malaysia's total foreign investment in 1995; other major foreign investors were Taiwan ($577 million) and Singapore ($403 million). NewsEDGE/LAN, Aug. 2, 1996.

[55] The 1996 *Yearbook of World Electronics Data*, vol. 2 reported that Harris is to invest approximately $100 million in its Malaysian plant over the next five years, making Malaysia its Asian headquarters for semiconductor manufacturing.

[56] A joint venture involving Japan's Sharp Corp. and U.S. and European companies is expected to further boost production sharing in Malaysia. The joint venture is expected to begin production in 1998 of microchips designated as application-specific integrated circuits (ASICs). "Sharp to Produce ASICs in Malaysia From 1998," 1996 Comtex Scientific Corporation, NewsEDGE/LAN: 8/17/96.

Table 2-8
Leading production-sharing partners in Southeast Asia: U.S. imports for consumption, total under the production-sharing provisions of *HTS* 9802, and U.S. content

Country	1992	1993	1994	1995	Change 1994/1995 Absolute	Change 1994/1995 Percent
			Total U.S. imports in thousand dollars			
Malaysia	8,074	10,361	13,699	17,116	3,417	25
Philippines	4,257	4,796	5,621	6,918	1,297	23
Korea	16,358	16,809	19,363	23,773	4,410	23
Thailand	7,403	8,455	10,177	11,234	1,057	10
Hong Kong	9,328	8,995	9,187	9,739	552	6
Total	45,420	49,416	58,047	68,780	10,733	18
			***HTS** 9802 imports in thousand dollars*			
Malaysia	1,375	1,669	1,938	2,778	840	43
Philippines	823	1,049	1,378	1,749	371	27
Korea	1,583	1,664	1,724	1,798	74	4
Thailand	320	397	594	786	192	32
Hong Kong	354	338	329	637	308	94
Total	4,455	5,117	5,963	7,748	1,785	30
			Total U.S. content in thousand dollars			
Malaysia	611	794	968	1,313	345	36
Philippines	368	485	640	785	145	23
Korea	443	478	480	600	120	25
Thailand	165	238	353	461	108	31
Hong Kong	133	130	135	323	188	139
Total	1,720	2,125	2,576	3,482	906	36

workers, and wages continue to rise.[57] In addition, a shift to higher-value added wafer fabrication and consumer electronics, together with rising labor costs,[58] could lead to a reduced incentive for firms to use the production-sharing provisions.

Philippines

The Philippines has also become an important location for semiconductor production-sharing operations. Semiconductor manufacturing establishments, consisting mainly of Filipino-owned independent subcontractors and wholly-owned subsidiaries of foreign electronics companies, dominate production-sharing operations in the electronics sector.[59] Like other countries in the region, the Philippines is attractive to production-sharing investors because of low-labor costs,[60] an educated work force, and economic reforms and incentives, including FTZs.[61] Producers of other consumer electronic goods based in Japan, Taiwan, Korea, and Europe have also shifted production/assembly to the Philippines, expanding exports to the United States of telephone equipment, radio and stereo equipment, personal computers, and watches.[62]

U.S. imports from the Philippines entering under the production-sharing provisions of *HTS* 9802 grew by $371 million (27 percent) in 1995 to $1.7 billion (table 2-8). U.S.-origin components accounted for $785 million (45 percent) in 1995, ranking the Philippines second among Southeast Asian countries in terms of the value of U.S. components used in foreign assembly and returned under *HTS* 9802; 89 percent of these components were used in the assembly of semiconductors (table 2-7).

The Philippines 1994 Investment Priorities Plan (The Plan) should provide a further boost to production sharing in the Philippines. The Plan provides incentives for the production/assembly of semiconductor devices, electronic components, printed circuit boards, telecommunications and information handling equipment, and parts and components needed to manufacture electronic products. Several U.S. companies plan future investments in U.S. production-sharing operations in the Philippines.[63] Intel plans to invest $350 million to expand its Philippine operations to include assembly lines to test Pentium chips and flash memory products, while National Semiconductor has said it will invest $100 million to expand its computer chip plant. Integrated Device Technology (IDT) has also taken initial steps to build a $75 million test and assembly facility in Manila. The facility is expected to produce 6 million devices a week and will employ 2,000 people.[64]

Korea

Korea is also one of the world's leading producers of semiconductors. Samsung Electronics,[65] Hyundai Electronics, L.G. Electronics, and Anam Group assemble semiconductors from U.S. components for customers in the United States. Anam Group, the first company to offer contract assembly for semiconductors in the 1970s, remained the principal source of U.S. imports from Korea under the production-sharing provisions of HTS 9802 in 1995.[66] U.S. producers ship dice (silicon chips etched with electrical circuits) to Anam Group's service operations in Korea for labor-intensive assembly and testing operations.[67] The transportation costs for shipping U.S. semiconductor components to Korea are reportedly more than offset by the labor-cost savings.[68]

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

[58] 1996, *Yearbook of World Electronics Data*, vol. 2, America, Japan & Asia Pacific, p. 137.

[59] Subsidiaries of multinational corporations play an important role in Philippine exports of semiconductors, accounting for 75 percent of total semiconductor exports in 1995. Ibid., p. 148.

[60] According to Thomson's Asian headquarters, the average hourly wage rate in the Philippines in 1995 was approximately $1.00 (including social benefits), and, recently, the annual average increase of those wages was 12 -to-15 percent. These statistics were presented by an official of Thomson Components de Mexico at a conference in El Paso, TX, Jun. 23-25, 1996

[61] These zones offer production-sharing operations various duty and tax incentives on all production that is exported. In addition, the production-sharing operations may sell any of their output for local consumption, subject to applicable taxes and duties.

[62] Electronic products accounted for 19 percent ($1.3 billion) of total imports from the Philippines in 1995, and

[62]—*Continued*
5 percent of these imports entered under *HTS* 9802 (table B-11). Apparel made up nearly one-quarter ($1.6 billion) of total imports from the Philippines; 6 percent ($99 million) of the apparel entered under *HTS* 9802.

[63] U.S. electronic firms performing production-sharing operations in the Philippines include Advanced Micro Devices, General Electric, 3M, Motorola, Intel, Texas Instruments, Data General, Schlumberger, Gould, and IBM.

[64] Yearbook of World Electronics Data 1996, vol. 2, American, Japan & Asia Pacific, p. 137.

[65] Samsung's production-sharing assembly operations are located in Portugal, China, Indonesia, Korea, Malaysia, and the Philippines. Semiconductors fabricated by Samsung in Korea destined for the EU market are assembled in Portugal, while those sold to East Asian markets are assembled in China, Indonesia, Korea, Malaysia, and the Philippines. Semiconductors fabricated in Austin, Texas, will be sent to Korea for assembly and then returned for sale to the United States.

[66] Representative, Semiconductor Industry Association, interview with USITC staff, Oct. 1996.

[67] For a more detailed description of semiconductor production see Appendix E of USITC, *Global Competitiveness of U.S. Advance-Technology Manufacturing Industries: Semiconductor Manufacturing and Testing Equipment*, USITC publication no. 2434, Sept. 1991.

[68] According the Bureau of Labor Statistics the hourly compensation cost in U.S. dollars for production workers in manufacturing industries in Korea was $7.40 in 1995 compared with $17.20 in the United States. U.S.

Semiconductors accounted for $560 million (93 percent) of the U.S.-origin content value of imports from Korea under HTS 9802 in 1995 (table 2-7), although only $1.1 billion (15 percent) of U.S. imports of semiconductors from Korea entered under HTS 9802 (table B-10). The U.S. content of other products imported from Korea under *HTS* 9802 fell by $14 million (26 percent) to $40 million; however, U.S. imports of apparel and footwear and automobiles from Korea under *HTS* 9802 remained substantial in 1995 (table B-10).

U.S. semiconductor trade with Korea under *HTS* 9802 is likely to increase as manufacturers form an increasing number of joint ventures for semiconductor fabrication. U.S.- Korean joint ventures are encouraged by both the sharply rising cost of building semiconductor fabrication facilities and the desire to gain improved access to markets of the partner companies.[69]

Thailand

Production-sharing operations in Thailand have recently progressed to higher technology products, notably electronics and computer parts. Thailand reportedly has achieved strong growth in the electronics sector by encouraging a vibrant export-oriented manufacturing sector,[70] moderate labor costs,[71] and a favorable foreign investment climate within export processing zones (EPZs).[72] An important additional factor is strong government support, especially in the form of public sector investment in infrastructure development ($60 billion to the year 2000).[73]

Most production-sharing operations in Thailand use components made in Japan and other Asian countries, which partially explains why only 7 percent of Thailand's exports to the United States in 1995 entered under the production-sharing provisions of *HTS* 9802. Although U.S. investors manufacture a variety of products in Thailand, semiconductor assembly is the only significant industry segment that relies heavily on parts from the United States. Major U.S. companies utilizing production-sharing operations in Thailand include Lucent Technology (formerly AT&T Microelectronics), Data General, National Semiconductor, Seagate Technology, and SCI Systems.

Imports from Thailand entering under the production-sharing provisions of *HTS* 9802 rose by $192 million (32 percent) in 1995 to $786 million (table 2-8). U.S.-origin components accounted for 59 percent ($461 million) of *HTS* 9802 imports from Thailand (table 2-7), with the U.S. content value of semiconductor imports alone quadrupling during 1992-95 and rising by about $100 million each year.

U.S. companies with production-sharing operations in Thailand have reported shortages of skilled labor and related difficulties such as low employee retention, spiraling wages, and difficulties increasing labor productivity.[74] U.S. companies, however, are reportedly continuing to invest in Thailand as both a base for production-sharing operations, as well as to supply the East Asian market, including the growing Thai domestic market.[75]

Hong Kong

Of all the Southeast Asian countries, Hong Kong experienced the sharpest growth rate in production-sharing exports to the United States in 1995, with the U.S. content value of *HTS* 9802 imports increasing by 139 percent to $323 million (table 2-7). Semiconductors accounted for $310 million (96 percent) of the U.S. content value of *HTS* 9802 imports from Hong Kong in 1995. Outside the semiconductor industry, most imported components used in Hong Kong's manufacturing sector come from other Asian sources. Like Thailand, only 7 percent ($637 million) of Hong Kong's exports to the United States contained U.S.-made components and entered under *HTS* 9802.

The substantial growth in *HTS* imports from Hong Kong in 1995 primarily reflected the expansion of Motorola's semiconductor operations in Hong Kong

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68—*Continued*
Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, *Supplementary Table for BLS Report 909*, Table 2, June 2, 1996.

69 Currently, Hyundai Electronics Co. is investing $1.3 billion to build a computer chip fabrication complex in Oregon. Texas Instruments Incorporated, Anam Industrial Co., Ltd. of Korea, and Amkor Electronics, Inc., West Chester, PA have also formed a long-term cooperative agreement for the production of wafers for advanced logic semiconductors in Korea. News Release, C-96041, Texas Instruments.

70 U.S. Department of Commerce, International Trade Administration, *Country Commercial Guides: Thailand*, 1996.

71 According to Thomson's Asian headquarters, the average manufacturing wage rate in Thailand in 1995 was approximately $1.40 per hour, averaging an increase of about 12 to 15 percent per year. These statistics were presented by an official of Thomson Components de Mexico at a conference in El Paso, TX, Jun. 23-25, 1996.

72 Thailand has 17 (EPZs) into which firms that operate production-sharing facilities may import raw materials free of duty and then re-export finished goods. Within EPZs, foreign investors are permitted to own land and employ foreign technicians and experts. EPZs have proven to be beneficial to production-sharing operations because of their complete infrastructure facilities and generally good access to transportation. U.S. Department of Commerce, International Trade Administration, *Country Commercial Guides: Thailand*, 1996.

73 Ibid.

74 The Thai labor market for workers who possess at least a secondary education is increasingly tight. Among highly-skilled and experienced engineers, technicians and managers, labor shortages are severe. Many U.S. multinational firms involved in U.S. production-sharing operations in Thailand are bringing in expatriate professionals because qualified local personnel are not available even at high salaries. *The Wall Street Journal*, "Thailand Trips in Reach for New Exports," Aug. 27, 1996, p. A 8.

75 Bangkok—U.S. Foreign Direct Investment in Thailand, "U.S. Foreign Direct Investment in Thailand Jumps to $14 Billion," NewsEdge/Lan: Oct. 18, 1996.

and was in sharp contrast to a cumulative increase of just $3 million (2 percent) during the previous 2 years.[76] Hong Kong's developed infrastructure, educated work force, low wage rates, and overall stability were instrumental in Motorola's initial selection of Hong Kong as the principal location in East Asia for its semiconductor assembly operations.[77] Productivity improvements by Motorola have helped offset rising labor costs in Hong Kong that are higher than in most other production-sharing locations.[78] Hong Kong's competitive position is further improved by its highly efficient seaport and air cargo systems. Moreover, Motorola's anticipation that its Hong Kong production sharing operations may become an export platform to China after Hong Kong becomes a Special Administrative Region of the Peoples' Republic of China on July 1, 1997, may be a precursor of future developments as other companies recognize the benefits of investing in Hong Kong to reach China.

[76] Representative of Motorola Inc., USITC staff interview, Oct. 21, 1996.

[77] According to a company official, Motorola's semiconductor products sector in Hong Kong has been expanded over the years from simple assembly operations to include sales and marketing activities, research and technology services, and semiconductor manufacturing operations. The high volumes associated with semiconductor assembly and the increasing complexity and number of circuits etched onto a chip has resulted in Motorola's automation of a significant portion of its assembly operations in Hong Kong. Products assembled in Motorola's Hong Kong operations include some of the

[77]—*Continued*
industry's most advanced semiconductors, such as micro-controllers, digital signal processors, and analog integrated circuits. The dice (silicon wafers containing etched circuits) assembled in Hong Kong are fabricated in Motorola's semiconductor plants in the United States, the EU, and Japan. The finished chips are marketed throughout Asia and the rest of the world and used extensively by Motorola's business equipment lines such as cellular telephones and pagers. Ibid.

[78] Ibid.

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CHAPTER 3
Principal Products Involved in U.S. Production-sharing Trade

This chapter highlights the product sectors in which the U.S. content (duty-free) portion of production-sharing trade entered under the provisions of *HTS* 9802 equaled or exceeded $500 million in 1995 and where a significant change occurred in the level of U.S. production-sharing imports. The analysis for each product sector examines: (1) the significance of the product and its markets; (2) important shifts in trade that occurred in 1995; (3) reasons that these products are involved in production sharing; and (4) the impact of production sharing on the competitiveness of U.S. producers with respect to these products.

The major product sectors covered in this chapter include apparel, transportation equipment,[1] and electronic products (figure 3-1). Expanded imports of apparel under *HTS* 9802 from Mexico and the Caribbean Basin and a strong global demand for semiconductors in 1995 more than offset declining imports under these provisions of motor vehicles and most auto parts from Mexico, as many importers shifted from entering these goods under *HTS* 9802 to importing them under NAFTA (table B-5).

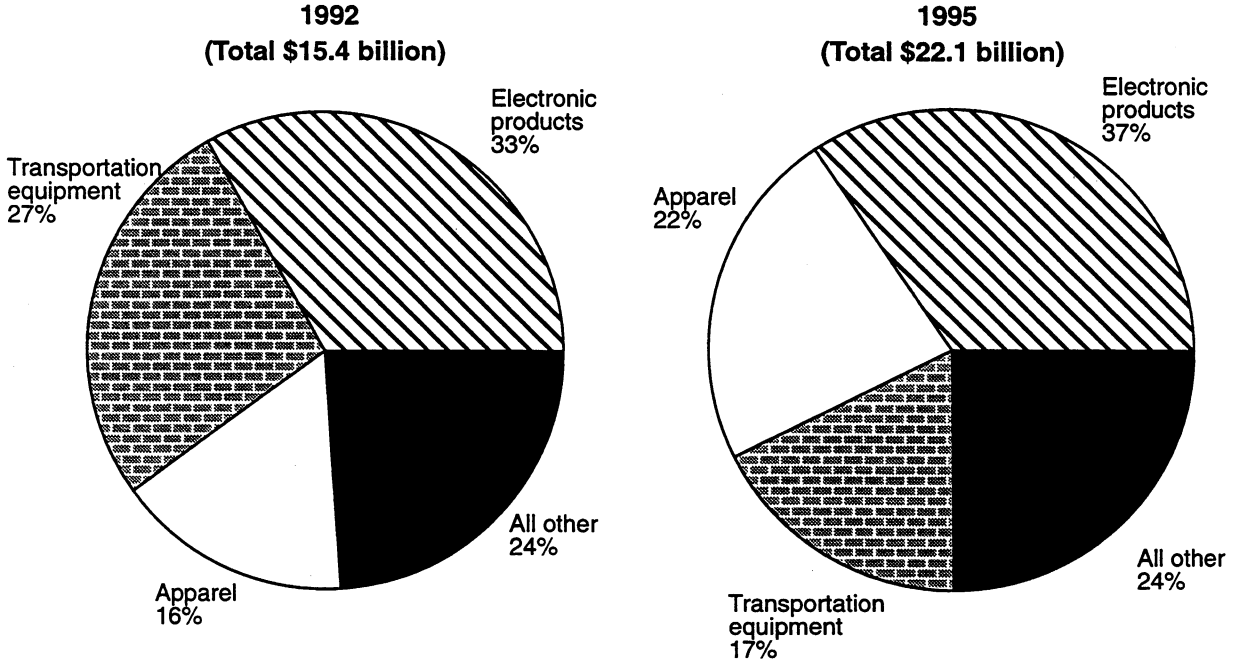
Apparel[2]

U.S. production-sharing trade in apparel continues to grow rapidly as U.S. producers, faced with a highly

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

[2] U.S. production-sharing trade in apparel during 1989-95 was examined in a "special focus chapter" in last

Figure 3-1
The U.S. content of U.S. imports for consumption under the production-sharing provisions of *HTS* 9802: by selected product sectors, 1992 and 1995



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

competitive retail environment, expand their use of offshore assembly operations to cut costs. U.S. imports of apparel assembled from U.S. components and entered under the provisions of *HTS* 9802[3] in 1995 grew by 33 percent over the 1994 level to $7.8 billion, bringing the total gain since 1992 to 97 percent (table 3-1). With overall U.S. apparel imports rising by just 34 percent since 1992, to $38.8 billion, the share accounted for by *HTS* 9802 trade rose by 6 percentage points to 20 percent in 1995.

Apparel is especially suited to production sharing because of relatively high U.S. duty rates, the value of U.S. components, and import volume. The apparel sector accounted for 60 percent, or roughly $900 million, of total duty savings for all products entered under the provisions of *HTS* 9802 in 1995. The value of the U.S. components (i.e., the garment parts made in the United States and sent offshore for assembly) accounted for 61 percent, or $4.8 billion, of the total value of apparel imports entered under the *HTS* 9802 provisions in 1995.

Apparel imports under the provisions of *HTS* 9802 come almost entirely from Mexico and countries designated as beneficiaries of the Caribbean Basin Economic Recovery Act (CBERA).[4] Mexico and the CBERA countries mainly compete with one another for assembly work from U.S. apparel firms, which shipped $4.5 billion worth of garment parts to these countries for sewing in 1995, or almost twice the 1992 level. As a result, the region is the fastest growing major supplier of apparel to the United States. From 1992 to 1995, U.S. apparel imports from the region rose by 90 percent, to $8.1 billion, compared with a gain of just 24 percent for apparel imports from all other, mostly Asian, countries. Altogether, imports now supply about one-half of the domestic apparel market by value.

The pattern of apparel competition between CBERA countries and Mexico changed when NAFTA entered into force in 1994. In the 4 years before NAFTA, U.S. apparel imports from the CBERA countries and Mexico each grew by slightly more than 20 percent a year. In 1994, the growth rate slowed to 13 percent for CBERA countries but accelerated to 33 percent for Mexico. In 1995, CBERA shipments grew by 21 percent ($930 million), but Mexico's shipments rose by 57 percent ($962 million). Mexico is now the third-largest, single-country source of imported garments, with 1995 shipments of almost $2.7 billion, or 7 percent of total U.S. apparel imports, trailing only China ($5.9 billion) and Hong Kong ($4.3 billion). The CBERA countries as a group, however, are the second-largest supplier, with shipments of slightly more than $5.4 billion, or 14 percent of the total.

Part of the growth in U.S. apparel imports from Mexico since NAFTA entered into force may have come at the expense of CBERA as well as Asian shipments. Whereas garments assembled in Mexico from "fabric wholly formed and cut in the United States" enter free of duty and quota under NAFTA, such products from CBERA countries enter under liberal "guaranteed access levels" (GALs)[5] but are still subject to duty on the value added offshore.[6] The competitive balance between Mexico and CBERA countries was also affected by the 50-percent devaluation of the Mexican peso during December 1994-January 1995, which effectively reduced dollar prices of Mexican goods in the U.S. market.

Major 9802 sources of apparel

Competition in the U.S. apparel market among U.S. firms, as well as between U.S. firms and foreign suppliers mainly in low-wage countries in Asia, has spurred a number of U.S. apparel firms to expand their use of assembly operations in Mexico and CBERA countries to reduce production costs. These countries offer competitively priced labor to perform labor-intensive sewing operations, and their proximity to the United States provides U.S. firms with greater

2—*Continued*
year's report (*Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations, 1991-1994*, USITC publication 2966, May 1996, ch. 5), which reviewed programs that encourage offshore assembly, initiatives to extend NAFTA parity to Caribbean countries, and the outlook for apparel production sharing in light of the Uruguay Round agreement that phases out textile and apparel quotas by 2005.

[3] This section on imports of apparel under production-sharing arrangements covers not only goods entered under HTS subheading 9802.00.80, but also imports of apparel from Mexico in which all of the fabric components were wholly formed and cut in the United States that enter under subheading 9802.00.90. Consequently, unless specifically stated otherwise, the use of the term 9802.00.80 shall also include apparel imports from Mexico under subheading 9802.00.90. For imports under 9802.00.80, duty is assessed on the value added abroad and not on the U.S.-cut parts exported for assembly. These parts can be cut from fabric of either U.S. or foreign origin as long as they are cut to shape in the United States. For imports under 9802.00.90, no duty is assessed on the value of the U.S. formed and cut fabric or on the value added through assembly in Mexico.

[4] The CBERA, enacted in 1984, grants duty-free treatment to most goods from 24 beneficiary countries. However, most garments are statutorily excluded from CBERA. For further information on CBERA, see USITC, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers, Eleventh Report, 1995* (investigation No. 332-227), USITC publication 2994, Sept. 1996.

[5] The United States currently has GALs and regular quotas with six CBERA beneficiaries—Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Jamaica.

[6] For every $10 in f.o.b. value, a typical CBERA garment entered under the 9802 provision contains $6.40 in duty-free U.S. parts 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.

Table 3-1
Apparel: U.S. imports for consumption, total and under the production-sharing provisions of *HTS* 9802, by principal suppliers (based on the value of U.S. components contained in the 9802 imports in 1995), 1992-95[1]

(Million dollars)

Country	1992	1993	1994	1995
	Total imports			
Mexico	983	1,225	1,696	2,658
Dominican Republic	1,227	1,435	1,593	1,744
Honduras	363	506	645	919
Costa Rica	590	653	685	756
Jamaica	292	388	454	53
El Salvador	166	251	398	583
Guatemala	457	552	600	691
Colombia	296	324	363	370
Haiti	68	98	32	76
Other	24,558	26,898	29,264	30,442
Total	29,000	32,330	35,730	38,770
CBI countries	3,279	4,002	4,525	5,455
	9802 imports			
Mexico	840	1,067	1,523	2,331
Dominican Republic	1,031	1,212	1,377	1,565
Honduras	244	332	451	675
Costa Rica	481	543	587	670
Jamaica	217	313	371	448
El Salvador	130	185	303	477
Guatemala	322	424	450	520
Colombia	203	221	251	271
Haiti	63	93	30	74
Other	398	463	493	727
Total	3,929	4,853	5,836	7,758
CBI countries	2,544	3,165	3,632	4,508
	U.S content of 9802 imports			
Mexico	581	739	1,063	1,637
Dominican Republic	703	810	878	989
Honduras	178	233	325	479
Costa Rica	340	375	387	443
Jamaica	167	249	299	363
El Salvador	80	103	160	260
Guatemala	162	219	218	258
Colombia	109	115	145	169
Haiti	47	63	22	51
Other	76	96	110	116
Total	2,443	3,002	3,607	4,765
CBI countries	1,712	2,090	2,328	2,888

[1] Imports exclude nonwoven apparel, which totaled $476 million in 1995, with 9802 imports accounting for $223 million in total value and $158 million in U.S. components. Mexico supplied virtually all of the 9802 imports that consisted mostly of garments of paper–based fabric and other disposable garments used in laboratories and hospitals. These imports were included in the 1994 production-sharing report.

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

management and quality control over production, shorter lead times, and lower transportation costs than would Asian operations. The proximity of the region also enables U.S. firms to use "Quick Response" (QR) programs[7] that they have developed with their retail customers.

U.S. industry sources contend that this international division of labor enables U.S. firms to improve the relative price competitiveness of their product lines and helps keep higher wage production jobs in the United States. Based on information collected by the American Apparel Manufacturers Association from U.S. producers involved in offshore assembly operations, about 15 apparel jobs in the United States are created by every 100 jobs in production-sharing operations offshore.[8] Industry sources also allege that the production moved to Mexico and CBERA countries was no longer viable in the United States and that, without the incentives of NAFTA and the provisions of *HTS* 9802, the production would have moved to the Far East where there is little use of U.S. fabric in garment production.[9] Nevertheless, the U.S. Department of Labor has found that the increase in imports since the implementation of NAFTA has affected workers in the U.S. textile and apparel industries. According to data of the U.S. Department of Labor, 22,357 workers in 195 textile and apparel firms were granted NAFTA Transitional Adjustment Assistance through September 1996 due to loss of jobs caused by either increased imports from Mexico or Canada, or the relocation of production facilities to those countries.[10]

Mexico is the largest, single-country source of U.S. apparel imports under the provisions of *HTS* 9802 (figure 3-2). In addition to preferential access to the U.S. market under NAFTA, Mexico has benefited from the devaluation of the peso relative to the dollar, which has pushed down its labor costs measured on a dollar basis. Of the six economies for which data are available, the average apparel manufacturing cost per standard allowed hour (SAH)[11] for Mexico were just over one-third that for the United States (figure 3-3). Only China had lower costs of apparel production than Mexico. Mexico's average SAH cost was substantially lower than that of Costa Rica, the second largest CBERA supplier for apparel, Hong Kong, the second largest overall supplier of apparel, and Thailand, a major Asian apparel source.

Growth of production sharing by product category

U.S. apparel firms have achieved a high level of efficiency in assembling basic garments offshore under production-sharing arrangements. The assembly of these garments involves standardized runs, simple tasks, and few styling changes. U.S. imports of apparel under the provisions of *HTS* 9802 now account for an important and growing share of U.S. producers' shipments in several product categories (table 3-2). In 1995, just over 75 percent of U.S. producers' shipments of foundation garments were produced using production sharing arrangements, as were 53 percent of U.S. producers' shipments of underwear. Other products for which production sharing accounted for a significant and growing share of U.S. producers' shipments are trousers (39 percent of total 1995 shipments), shirts and blouses (23 percent), and babies' apparel (46 percent).

Foundation garments, particularly brassieres, are especially suited to production sharing because their assembly is labor intensive and their light weight minimizes shipping costs. Brassieres entered under the provisions of *HTS* 9802 also contain a high proportion of duty-free U.S. components. The duty-free U.S. content in such imports in 1995 rose by 24 percent over the 1994 level to $464 million, representing 68 percent of the total value of foundation garments entered under the production-sharing provisions.

Underwear, more than any other apparel product, has shown the greatest growth in *HTS* 9802 imports in recent years. This is largely the result of keen price competition in the mass-merchandise market for these low value-added commodity products. In addition, although the assembly of underwear involves relatively few steps, considerable financial incentive exists in assembling underwear offshore given the quantities involved. The U.S. content in such imports in 1995

[7] QR programs use computers to speed the flow of goods, services, and information between segments of the industry chain, linking apparel producers with textile suppliers and retailers. Adoption of innovative technology by U.S. apparel firms underscores the growing importance of QR as a competitive tool to lower costs and increase services. For further information on QR, see USITC, *Industry & Trade Summary: Apparel,* USITC publication 2853, Jan. 1995.

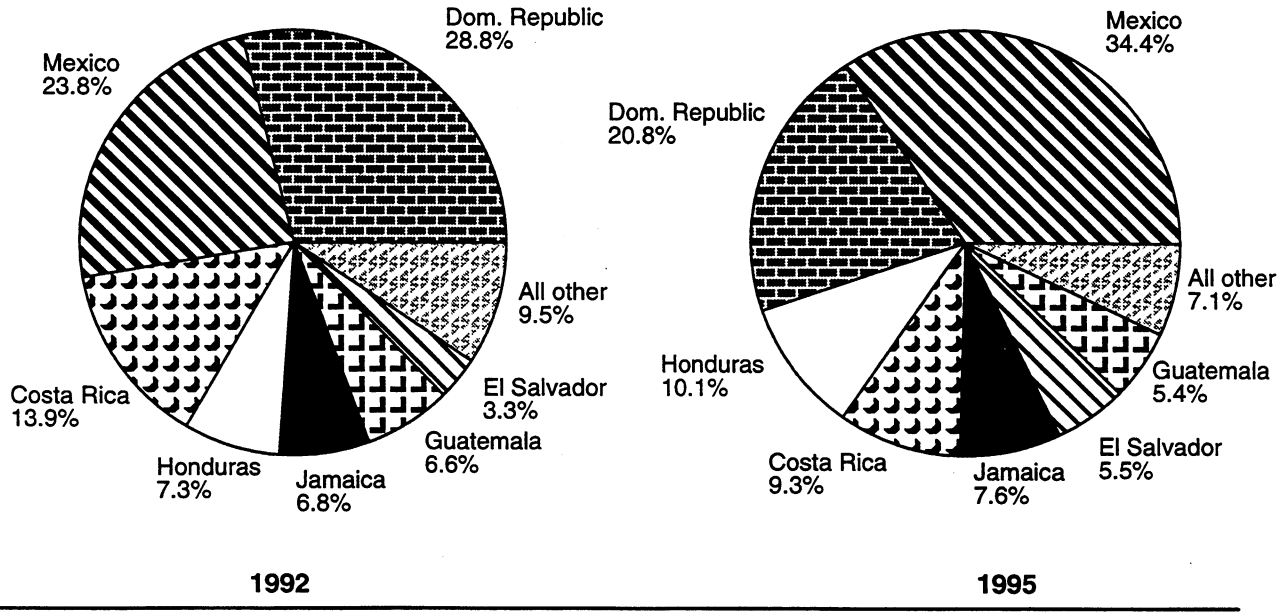
[8] Larry K. Martin, president, American Apparel Manufacturers Association (AAMA), letter to President Clinton, Apr. 16, 1996, in support of NAFTA parity for CBERA countries. Mr. Martin also stated that additional jobs in the textile, transportation, and other industries result from offshore production. See Martin, speech at the Encuentro 1996 Inter-American Business Conference & Trade Expo, New Orleans, Aug. 20, 1996.

[9] Martin, speech at the Encuentro 1996 Conference.

[10] U.S. Department of Labor, Office of Trade Adjustment Assistance, "NAFTA Transitional Adjustment Assistance: Standard Industrial Classification Breakout," Oct. 4, 1996, and earlier publications. The data are for SIC 22, Textile Mill Products, and SIC 23, Apparel and Other Textile Products.

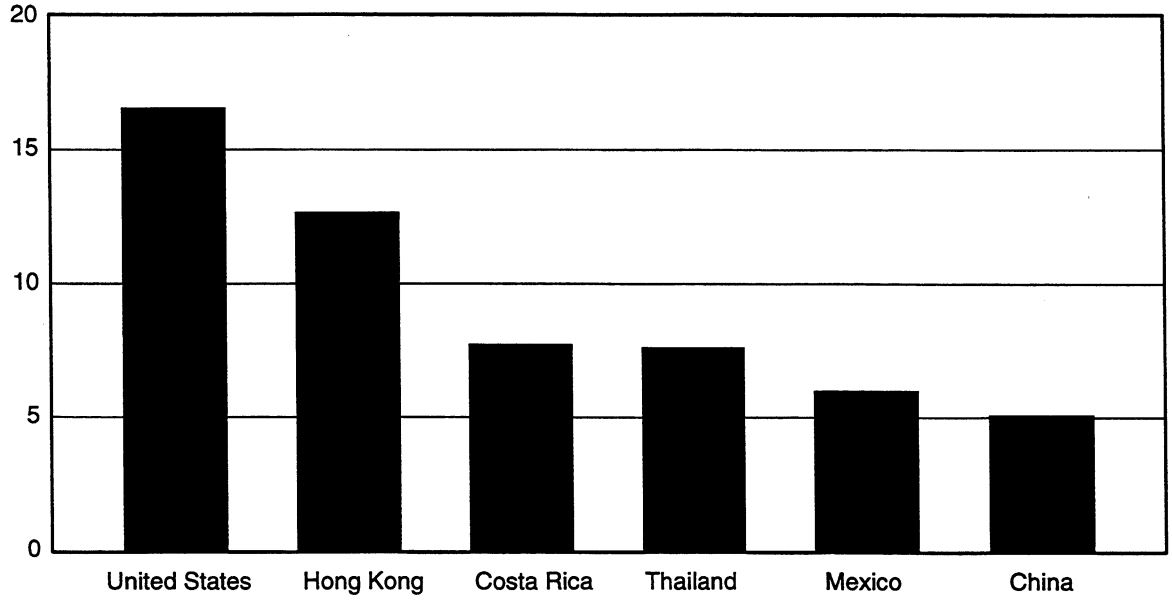
[11] Standard Allowed Hour (SAH) is that amount of direct labor time (in hours) that is allowed for a trained operator to complete an operation, or a series of operations. For example, if 200 operators are scheduled to work 45 hours a week and produce 14,376 dozens of crewneck T-shirts per week, the SAH per dozen is 0.63. In other words, one direct operator takes 0.63 hour to produce a dozen crewneck T-shirts, the manufacturing cost of which can be calculated based on hourly compensation of such operator.

Figure 3-2
Apparel: The share of U.S. content provided by major suppliers of imports under the production-sharing provisions of *HTS* 9802, 1992 and 1995



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

Figure 3-3
Apparel manufacturing costs per standard allowed hour for selected countries, 1995
$/SAH



Source: Kurt Salmon Associates, Atlanta, GA.

Table 3–2
Selected apparel products: U.S. producers' shipments and imports for consumption under the production-sharing provisions of *HTS* 9802,1992–95

(1,000 dozen)

Item	1992	1993	1994	1995
Shirts and blouses:				
U.S. producers' shipments	153,050	[1]159,415	[1]162,559	[1]57,238
9802 imports	11,340	16,920	[2]22,170	35,952
Percentage share	7.4	10.6	13.6	22.9
Trousers and shorts:				
U.S. producers' shipments	89,563	93,976	95,791	97,144
9802 imports	22,262	25,175	[2]29,551	38,299
Percentage share	24.9	26.8	30.8	39.4
Coats and jackets:				
U.S. producers' shipments	8,707	9,773	9,766	9,515
9802 imports	1,716	2,329	[2]2,312	2,649
Percentage share	19.7	23.8	23.7	27.8
Foundation garments (mainly brassieres):				
U.S. producers' shipments	26,769	26,185	29,101	32,859
9802 imports	17,789	19,942	[2]20,309	24,708
Percentage share	66.4	76.2	69.8	75.2
Underwear:				
U.S. producers' shipments	171,726	169,402	168,642	155,064
9802 imports	30,842	42,067	[2]55,994	82,854
Percentage share	18.0	24.8	33.2	53.4
Pajamas and other nightwear:				
U.S. producers' shipments	10,857	10,370	10,215	9,202
9802 imports	2,465	2,940	[2]3,086	3,767
Percentage share	22.7	28.4	30.2	40.9
Swimwear:				
U.S. producers shipments	4,672	4,996	4,441	4,302
9802 imports	457	555	[3]	903
Percentage share	9.8	11.1	[3]	21.0
Dresses:				
U.S. producers' shipments	13,508	14,781	16,542	17,235
9802 imports	728	897	[3]	1,969
Percentage share	5.4	6.1	[3]	11.4
Skirts:				
U.S. producers' shipments	7,860	7,943	8,036	7,262
9802 imports	1,193	1,136	[3]	1,664
Percentage share	15.2	14.3	[3]	22.9
Babies' apparel:				
U.S. producers' shipments	14,553	13,259	12,952	13,192
9802 imports	2,694	3,832	[3]	6,020
Percentage share	18.5	28.9	[3]	45.6

[1] Estimated by USITC staff based on data published by the U.S. Bureau of the Census in the Current Industrial Reports for apparel.
[2] Revises published data of the U.S. Department of Commerce, Bureau of the Census.
[3] Not available.

Source: U.S. Department of Commerce, Bureau of the Census, *Current Industrial Reports: Apparel Summary for 1995 (MQ23A),* Aug. 7,1996, and back issues, except as stated.

rose by 40 percent over the 1994 level, and had more than doubled since 1992, to $727 million, representing 66 percent of the total value of underwear entered under the *HTS* 9802 provisions.

Other apparel items showed significant U.S. content as well. Trousers and shorts are the single largest apparel item entered under the provisions of *HTS* 9802. Such imports of trousers and shorts totaled $2.6 billion in 1995, with the U.S. content accounting for 60 percent, or $1.6 billion, of the total.

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Transportation Equipment

Motor vehicles and related equipment are the leading products imported from Mexico under *HTS* 9802. U.S.-made parts totaling $4.8 billion accounted for over half the value of imports of automotive products and other transportation equipment[12] from Mexico under *HTS* provision 9802.00.80 in 1995. In contrast, U.S. components accounted for less than 5 percent of comparable imports from Japan, Korea, and Germany. The use of a substantial amount of U.S.-made parts in Mexican motor vehicle and component systems operations reflects the significant and growing integration of the U.S. and Mexican motor vehicle industries.

Much of Mexico's output of automotive products is produced by subsidiaries of U.S. firms and exported to the United States. The Mexican operations of the U.S. Big Three — General Motors, Ford, and Chrysler — shifted a considerable amount of their production intended for the local Mexican market in 1995 to export production in response to the peso devaluation and weak automotive market in Mexico. U.S. content of vehicles and related equipment imported from Mexico under the production-sharing tariff provisions remained significant, although U.S. content declined slightly in 1995 as the peso devaluation made certain Mexican automotive components more price competitive than comparable U.S.-made components. In addition, there is a shift toward importing motor vehicles from Mexico free of duty under NAFTA instead of entering them partially exempt from duty (U.S. content) under provision 9802.00.80. Industry sources representing foreign-based automakers with U.S. operations note that "with the implementation of NAFTA....many U.S. importers abandoned their *HTS* 9802 programs in Mexico in lieu of the more favorable and often less onerous regulatory requirements of NAFTA."[13] In addition, at least one of the U.S. Big Three automakers no longer imports products from its maquiladora suppliers under *HTS* 9802 in order to avoid paying the Customs user fee on the value of the U.S.-made components contained in parts imported duty free under NAFTA. Instead, the company consolidates shipments from Mexico at foreign-trade zones in the United States into a single entry for Customs purposes, thereby paying the $400 per entry user fee cap once instead of several times.[14]

Industry sources state that U.S. vehicle producers operating in Mexico have sought to develop local suppliers of parts for several years. The use of local suppliers by U.S. vehicle producers received an important boost when, pursuant to NAFTA, Mexico amended its maquiladora law to permit the assembly plants to sell a portion of their production to Mexican customers. Industry sources state that this change reduces transportation costs for the motor vehicle producers assembling finished vehicles and parts in Mexico and shrinks delivery times between plants assembling these products and their subassembly suppliers in the maquiladora industry.[15]

Motor Vehicles

The United States is the world's largest consumer and producer of motor vehicles.[16] In 1995, sales of motor vehicles in the United States totaled 15.1 million vehicles, accounting for nearly one-third of global vehicle sales.[17] U.S. motor vehicle production totaled 12.0 million vehicles in 1995, or 23 percent of global motor vehicle production.[18]

Japan, Germany, and Canada together accounted for 82 percent (by value) of total U.S. imports of motor vehicles in 1995. Whereas the use of U.S.-made parts in imports of Japanese and German motor vehicles is small, it is estimated that U.S.-made parts account for between one-quarter and one-third of the value of vehicles imported from Canada. However, most of the vehicles imported from Canada enter free of duty under NAFTA rather than *HTS* 9802. Mexico continued to account for a relatively low share (10 percent based on value) of total U.S. imports of motor vehicles in 1995, despite a rise in U.S. imports of cars and trucks from Mexico facilitated by the implementation of NAFTA and the peso devaluation. U.S. companies supply the bulk of the parts used in the assembly of vehicles imported from Mexico.

The use of *HTS* provision 9802.00.80 by the motor vehicle sector is part of the broader trend toward the internationalization of motor vehicle production. The U.S. motor vehicle industry has relied heavily on foreign manufacturing and assembly operations, in part because it is more cost effective to manufacture vehicles in its major markets, rather than to export

[12] "Transportation equipment" plus wiring harnesses; see table B-5.

[13] Association of International Automobile Manufacturers (AIAM), Inc., written statement to USITC, Sept. 20, 1996, p. 7. The association also stated that "*HTS* 9802.00.80 was severely underutilized during the period 1992 through 1995 ... despite the sharply rising use of U.S. components by many of AIAM's members and the potentially significant duty savings incentives." Reportedly, documentation requirements and the interpretations of U.S. Customs Service officials at ports of entry that are often inconsistent with each other and with those of U.S. Customs Service Headquarters, and customs rulings that prohibit the commingling of U.S. and foreign components in auto assembly plants, have caused some companies to terminate 9802 programs pending resolution of these differences. As a result, the use of U.S.-made motor-vehicle parts by producers in Japan, Korea, and several countries in Europe is greatly understated.

[14] USITC staff telephone interview with officials of Ford Motor Co., Altec Div., El Paso, TX, Jan. 31, 1997.

[15] Ibid.

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

[17] Max Pemberton and David Puckering, *Ward's World Auto Atlas and Directory - 1996* (Ward's Communications, 1996), p. 11.

[18] Ibid, p. 13.

vehicles from the United States. The U.S. Big Three—General Motors, Ford, and Chrysler—have major manufacturing facilities in Argentina, Australia, Austria, Belgium, Brazil, Canada, Germany, Mexico, Spain, and the United Kingdom, and also maintain smaller operations throughout the Asian region.

Recently, the U.S. industry has been developing its export capability, due in large part to U.S. exports from Japanese-affiliated manufacturers. During 1992-95, total U.S. exports of motor vehicles rose by 24 percent to $21.9 billion. U.S. exports of passenger cars from Japanese-affiliated plants grew by 164 percent during 1992-95, to 174,000 units.[19] Motor vehicle exports from the United States are principally passenger vehicles. U.S. exports of commercial vehicles (trucks and buses) have not been significant except to Canada primarily because of extensive tariff and nontariff barriers in foreign markets.

Total U.S. imports of motor vehicles rose by 40 percent during 1992-95, to $84.4 billion (table 3-3). However, production-sharing imports decreased by 32 percent to $18.7 billion (figure 3-4), which was primarily attributable to decreased motor vehicle production-sharing imports from Japan, down 70 percent during the period. Nevertheless, production-sharing imports accounted for 22 percent of total motor vehicle imports in 1995, and U.S.-origin components accounted for a $2.0 billion (11 percent) share of the motor vehicles imported from production-sharing operations.[20] Imports under *HTS* provision 9802.00.80 are principally made up of passenger cars, while duty-free content under *HTS* provision 9802.00.80 is highest for both light trucks and passenger cars.

[19] Japan Automobile Manufacturers Association, Inc., *The Japanese Automobile Industry: On the Move Toward Globalization*, Apr. 1996, p. 8.

[20] Motor vehicles accounted for 12 percent of total U.S. imports in 1995, 31 percent of imports under the production-sharing provisions of *HTS* heading 9802, and 9 percent of the U.S. components incorporated in imports under *HTS* 9802.

U.S. imports of all vehicles imported from Mexico have consistently had the highest amount of U.S. content under *HTS* provision 9802.00.80. In 1995, the U.S. content of motor vehicle imports from Mexico under *HTS* provision 9802.00.80 totaled $1.7 billion, accounting for 82 percent of the total U.S. content of motor vehicle imports under the provision (figure 3-5 and table 3-4). Mexico is not a major motor vehicle producer, ranking 14th in the world in terms of motor vehicle production in 1995.[21] Much of Mexico's motor vehicle output is produced by subsidiaries of U.S. firms and exported to the United States. The Mexican operations of the U.S. Big Three shifted a considerable amount of their production for the local market to export production in 1995 in response to the December 1994 peso devaluation and weak automotive market in Mexico; about 80 percent of the vehicles produced by the Big Three in Mexico in 1995 were for export, compared with 48 percent in 1994.[22] The significant and growing integration between the U.S. and the Mexican motor vehicle industries is reflected in the use of a substantial amount of U.S.-made parts in Mexican operations.

Primarily because of the Mexican peso devaluation, and, to a lesser extent, the strong U.S. market, total imports of motor vehicles from Mexico increased by 124 percent during 1992-95, with the largest increase, 44 percent, occurring between 1994 and 1995. Motor vehicle production-sharing imports from Mexico under *HTS* 9802 peaked at $4.6 billion in 1994, as did U.S. content at $1.8 billion before declining in 1995. Conversely, motor vehicle imports from Mexico entering the United States free of duty under NAFTA tariff provisions increased by 60 percent during 1994-95, from $4.7 billion to $7.5 billion.

[21] Pemberton and Puckering, p. 13.

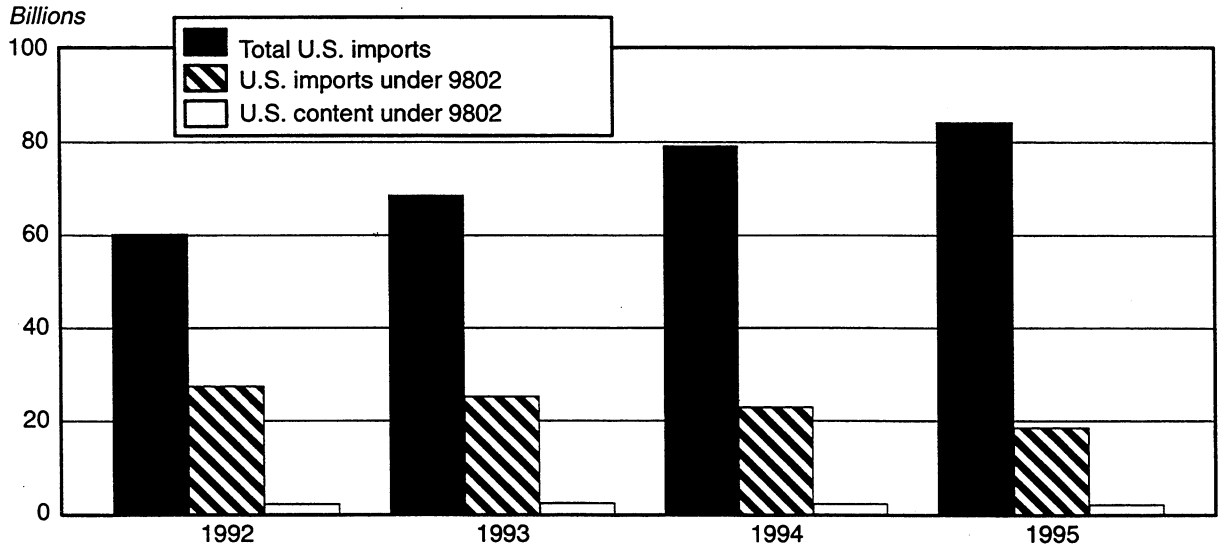
[22] Ferris, Deebe, "Mexico Beckons: NAFTA, Recession Give Foreign Suppliers the Edge," *Ward's Auto World*, July 1996, p. 69.

Table 3-3
Motor vehicles: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	60,376	27,565	2,190	46	8
1993	68,607	25,337	2,331	37	9
1994	79,240	23,095	2,234	29	10
1995	84,384	18,659	2,046	22	11

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

Figure 3-4
Automobiles, trucks, buses, and bodies and chassis: Total U.S. imports, U.S. imports under *HTS* 9802, and U.S. content under *HTS* 9802, 1992-95



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

Motor vehicle imports from Canada have been following the same pattern, increasing steadily during 1992-95, while *HTS* 9802 imports were dropping off and NAFTA imports were rising.[23]

NAFTA-only imports (for which U.S. content is unable to be derived) increased by 320 percent (table 3-5). U.S.-made parts are believed to continue to account for a significant portion of the total parts used in the assembly of vehicles in Canada and Mexico, even for those no longer entered under *HTS* 9802.

The value of U.S. content of motor vehicle imports from Germany under *HTS* provision 9802.00.80 surpassed that of Japan in 1995, accounting for 6 percent of total U.S. content, and rose by 32 percent from 1994 to $117.7 million in 1995. This rise can be attributed to two principal factors: (1) increased U.S. demand for German-made motor vehicles, reflected in a 25-percent increase in total U.S. motor vehicle imports from Germany in 1995; and (2) increased purchases of U.S. components by German motor vehicle manufacturers because of cost reduction demands, recessionary conditions, high labor costs in the German auto industry, and the relatively strong Deutsche mark. Also, the establishment of manufacturing plants in the United States by German automakers Mercedes Benz and BMW has increased the sourcing of U.S. parts for both their U.S. and German operations.[24] U.S. original equipment parts makers have doubled their share of the German import market, from 6 percent in 1994 to 12 percent in 1995.[25] German imports of U.S. parts rose by 66 percent in 1995, two-thirds of which were original equipment parts.[26] Higher manufacturing costs have also led many German auto parts manufacturers to invest in overseas plants, including in the United States.[27]

The value of the U.S. content in motor vehicle imports from Japan under *HTS* provision 9802.00.80 fell by 40 percent to $98 million in 1995, contributing to an overall decrease of 64 percent during 1992-95.[28] This trend is consistent with the continuing shift of Japanese motor vehicle production to North America. In 1995, Japanese transplants and joint ventures produced 1.9 million cars in the United States, compared with 1.4 million in 1992.[29] In addition, the

[23] Motor vehicle production-sharing imports from Canada had the third-highest U.S. content value in 1992 and the fourth-highest in 1995, but the U.S. content value of these imports has dropped by 66 percent in the 4-year period.

[24] U.S. Department of State cable, "U.S. Auto Parts Gain Substantial Market Share in Germany," message reference No. 004727, prepared by U.S. Consulate Frankfurt, May 1996.

[25] Ibid.

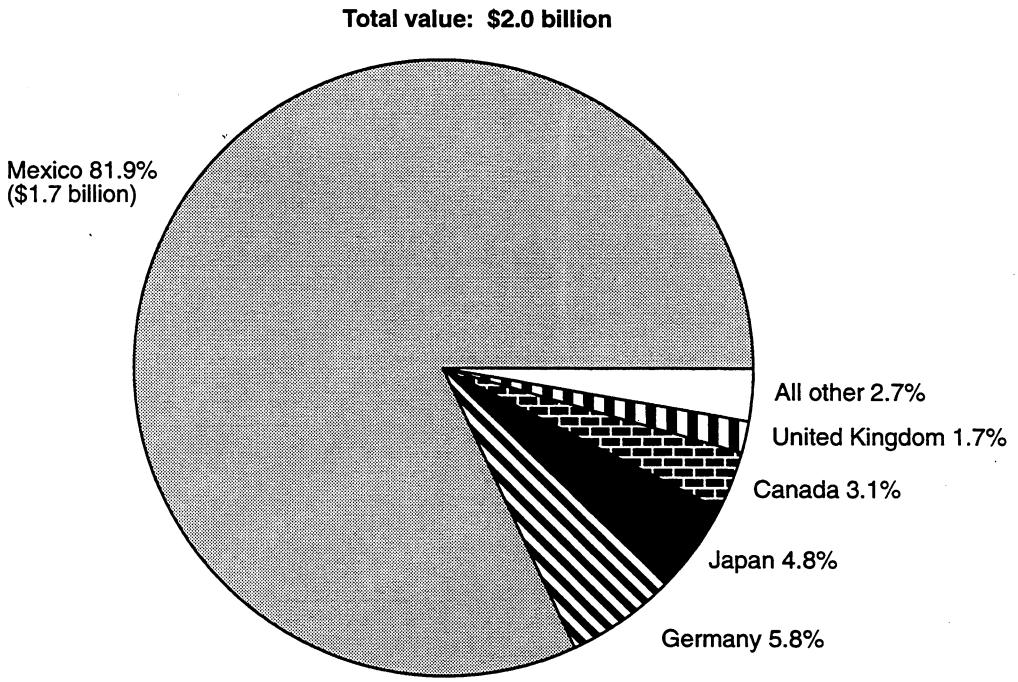
[26] Ibid.

[27] During 1992-95, employment in the German auto and parts industry fell by 12 percent. Koenig, Robert, "German Auto Industry Shifting Gears; More Foreign Output Planned," *Journal of Commerce*, Nov. 29, 1995.

[28] Along with the trend of transplant production replacing imports from Japan, the Association of International Automobile Manufacturers reports that several importers discontinued their 9802 programs during 1992-95 because of documentation requirements and inconsistent U.S. Customs Service officials' interpretations.

[29] Ward's Communications, *Ward's Automotive Yearbook*, 1996, p. 131.

Figure 3-5
Automobiles, trucks, buses, and bodies and chassis: U.S. content of imports under *HTS* 9802, 1995



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

Table 3-4
Motor vehicles: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	1,600	1,758	1,768	1,676
Germany	59	59	89	118
Japan	275	237	164	98
Canada	187	185	125	64
United Kingdom	15	31	34	35
All other	54	59	54	55
Total	2,190	2,331	2,234	2,046

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 3-5
Automobiles, trucks, buses, and bodies and chassis, U.S. imports from Mexico, 1994-95

(Million dollars)

Customs status	1994	1995
NAFTA and *HTS* 9802	3,655	3,005
NAFTA only	1,074	4,505
HTS 9802 only	903	432
All other	215	446
Total	5,847	8,388

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

appreciation in the value of the Japanese yen against the U.S. dollar in the first half of 1995, eroded the price competitiveness of, and hence the demand for, Japanese-manufactured motor vehicles in the United States.

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 intense political pressure to increase their purchases of U.S.-made parts for motor-vehicle assembly in Japan. However, the total value of U.S.-made parts imported into Japan grew by only 3 percent in 1995 because of a declining Japanese market that year.[30] There is no U.S.-based motor vehicle manufacturing in Japan; *HTS* 9802.00.80 production is entirely attributable to Japanese manufacturers.

Although light trucks do not account for a large portion of total *HTS* 9802.00.80 imports, it is important to note that diesel light trucks contained the largest share, and gasoline-powered light trucks the third-largest share, of U.S. content in motor vehicle imports under *HTS* provision 9802.00.80 in 1995. U.S. automakers, which account for most of the production of light trucks in Mexico, realize a significant duty advantage from *HTS* provision 9802.00.80 when exporting these trucks to the United States. The high value of U.S.-origin parts used in the assembly of these vehicles, which are not subject to duty under the *HTS* 9802.00.80 provision, results in a tariff rate significantly lower than the already reduced rate of 7.5 percent *ad valorem* for Mexico in 1995. By contrast, U.S. imports of light trucks from Japan, which generally contain few U.S. parts, are assessed a duty of 25 percent *ad valorem.*

[30] "Japan's Auto Makers Buy $21 Billion of U.S. Parts in Latest Fiscal Year," *The Autoparts Report*, Vol. 10, No. 15, Aug. 1, 1996, p. 1.

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Internal Combustion Engines

The U.S. internal combustion engine segment of the U.S. motor vehicle parts industry is highly concentrated, with the Big Three and transplant automakers accounting for the majority of production. The U.S. market for internal combustion engines was approximately $41 billion in 1995, with U.S. production also valued at approximately $41 billion, 21 percent of which was 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 1995.[31]

U.S. imports of internal combustion engines rose by 43 percent during 1992-95 to $8.9 billion (table 3-6). Production-sharing imports of these engines under *HTS* 9802, after declining by 6 percent during 1992-94, rose by 11 percent in 1995 to $858 million (1.4 percent of total imports under *HTS* 9802). The value of U.S.-origin components contained in *HTS* 9802 imports increased by 53 percent in 1995 to $272 million, accounting for 32 percent of the total value of internal combustion engines imported under production-sharing provisions. The surge in U.S. content of imports under *HTS* 9802 from Mexico and minor increases in such imports from most other countries more than offset the drop in U.S. content of production-sharing imports from Germany in 1995.[32]

Mexico was the leading supplier of internal combustion engine imports under *HTS* 9802 in 1995 with $628 million, and registered the highest level of U.S.-origin components with $253 million (tables 3-7, B-3, and B-5), or 93 percent of such imports. The value of U.S. content of engine imports from Mexico under the production-sharing provision, after rising by only 25 percent during 1992-94, increased by 75 percent in 1995, principally attributable to the actions of Ford and General Motors. Ford increased engine output at its Chihuahua plant, and supplied cylinder heads from its Cuautitlan facility for V-8 engines built in Ohio.[33] General Motors began supplying Toyota with engines from its Toluca, Mexico, plant for Toyota's U.S. forklift truck operations.[34] Germany was

[31] These 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.

[32] U.S. imports under *HTS* 9802 accounted for 39 percent of all engines imported from Mexico in 1995 and 19 percent of engines from Germany. U.S.-origin parts accounted for 40 percent of the value of *HTS* 9802 engines from Mexico in 1995, but just 7 percent of the value of HTS 9802 engines from Germany.

[33] "Ford to Up Mexico Engine Output," *Automotive News*, July 10, 1995, p. 6.

[34] "GM to Build Fork Lift Truck Engines for Toyota," *Machinery Outlook*, May 1995, p. 2.

Table 3-6
Internal combustion engines: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	5,847	822	145	14	18
1993	6,623	629	122	10	19
1994	7,798	771	177	10	23
1995	8,863	858	272	10	32

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

Table 3-7
Internal combustion engines: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	115	91	144	253
Germany	19	19	25	10
Japan	4	5	5	6
All other	7	6	2	2
Total	145	122	177	272

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

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

the second-leading source of internal combustion engine imports under *HTS* 9802, despite a 56-percent decline from the 1994 level to $147 million in 1995. The drop generated a similar decline in the import value of U.S.-origin components, which fell by nearly 60 percent in 1995 to $10 million, from a peak of nearly $25 million in 1994. The decline in the import values occurred in small to mid-size (1,000cc to 2,000cc) spark-ignition internal combustion engines, for which no U.S. content was reported in 1995.

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Ignition Wiring Harnesses[35]

The design, assembly, and consumption of ignition wiring harnesses (sets) are intrinsically related to the global design, production, and consumption of motor vehicles.[36] Over 90 percent of these devices are constructed for original-equipment manufacturer (OEM) applications, with the remainder being consumed in the automotive replacement market.[37]

Due to the highly complex nature of the final assembly process,[38] which requires relatively frequent product line changeovers, it is not economical or

[35] 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. Most motor vehicles contain a

[35]—*Continued*
number of harness assemblies, the most notable of which are those for the engine compartment and the instrument panel. Harnesses are also fabricated for door panels as well as for passenger compartment and rear light assembly applications.

[36] In addition to the 14.3 million cars and trucks that were produced in North America (the United States and Canada) in 1995, 16.3 million vehicles were produced in Europe, 16.8 million in the Asian Pacific region, and 3.1 million in Latin America (including Mexico).

[37] Although these assemblies may be utilized in aircraft or ships, such applications do not currently represent a significant portion of either U.S. industry shipments or international trade.

[38] The operations that are typically performed offshore 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. The U.S.-origin components

practical to automate these operations. Consequently, over 90 percent of the wiring sets consumed in the United States are assembled in low-labor cost locations (mainly in Mexico). The U.S. market for ignition wiring harnesses was between $3.6 billion and $3.9 billion in 1995.[39]

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

[38]—*Continued*
terminal and connector components, and jacketing that are most often consumed in the production of wiring harnesses are bulk electrical or signal wire, electrical materials (electrical tape and flexible conduit). Based principally upon information obtained by staff of the USITC as the result of tours of maquiladora facilities of major harness manufacturers conducted during Sept. 1996 in Juarez, Mexico.

[39] Although there is no precise accounting of the value of apparent U.S. consumption of wiring harnesses, as most of these items are consumed in the final assembly process for motor vehicles, a reasonable estimate of the value can be obtained by applying an average unit value of approximately $300 to $325 per vehicle to the annual U.S. motor-vehicle production total of 11.9 million units in 1995.

The growth in total U.S. imports of wiring harnesses for motor vehicles (both *HTS* 9802 and non-*HTS* 9802) slowed significantly in 1995, rising by $150 million (5 percent) over the 1994 level to $3.4 billion, in contrast to the 46-percent increase ($1.0 billion) that was registered in 1994 (table 3-8). Most of the import growth occurred in shipments under 9802.00.80, which rose by $152 million to $2.7 billion, accounting for 78 percent of total imports of ignition wiring sets. U.S.-origin components made up 60 percent ($1.6 billion) of the value of imports of harnesses entered under the production-sharing provisions in 1995 (table 3-9).

Mexico continued as the principal foreign assembly location for U.S. imports of ignition wiring harnesses under *HTS* 9802.00.80 in 1995, accounting for 89 percent ($2.4 billion) of total imports under the provision. Imports from Mexico under *HTS* 9802.00.80 rose by $124 million (5 percent), principally in response to increased U.S. motor vehicle sales. The U.S.-origin components portion of these imports rose by 11 percent to $1.5 billion in 1995 and accounted for 64 percent of the annual value of *HTS* 9802.00.80 entries from Mexico. Most Mexican harness assembly plants are wholly-owned subsidiaries of the major U.S. or foreign vehicle manufacturers and they serve as principal suppliers.

The Philippines and Thailand were the only other significant source countries for U.S. production-sharing imports of wiring harnesses in 1995. These countries have only recently emerged as important sources owing to the fact that major Japanese manufacturers of wiring harnesses have recently established facilities in these low-wage locales to supplement their U.S. and global operations. The emergence of Thailand as a supplier of ignition

Table 3-8
Ignition wiring harnesses: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	1,940	1,560	891	80	57
1993	2,252	1,690	952	75	56
1994	3,291	2,527	1,422	77	56
1995	3,441	2,679	1,607	78	60

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

Table 3-9
Ignition wiring harnesses: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	853	896	1,372	1,528
Philippines	19	32	29	54
Thailand	(1)	(1)	8	9
All other	19	23	13	15
Total	891	952	1,422	1,607

[1] Less than $500,000.

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

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

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 keep up with growing demand for vehicles there and in other Far Eastern and world 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, whose higher wage rates have diminished the global competitiveness of its wiring harness facilities.

According to industry sources, the use of low-wage-rate labor inputs in Mexico has enabled U.S. producers to maintain their price competitiveness with respect to imports from the countries noted above, as well as with Canada and China, the leading non-production-sharing suppliers of wiring harness imports to the U.S. market in 1995.[40] China's importance as a production-sharing source is also increasing. U.S. imports of wiring harnesses from China under *HTS* 9802.00.80 rose from zero in 1994 to $15 million ($4 million of which were of duty-free U.S. content) in 1995. Nevertheless, industry sources indicate that the ignition harness industry in China is not yet sufficiently developed to pose a significant competitive threat to U.S. suppliers.[41]

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Certain Motor-Vehicle Parts[42]

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 producing industry is in the midst of massive restructuring, in part the result of competitive pressures to improve productivity, cost, and quality. The U.S. motor-vehicle parts industry is also accelerating globalization to meet the changing international sourcing strategies of automakers.

The U.S. motor-vehicle parts producing industry, which recorded a trade surplus of $5.4 billion in 1995, consists of several thousand, mostly small, producers. The leading auto parts manufacturers are subsidiaries of the Big Three automotive producers, which produce parts mostly for captive use.[43] U.S. auto parts production totaled about $93 billion in 1995 and U.S. consumption amounted to approximately $88 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.

As automakers demand lower costs from their parts suppliers, production sharing has become integral to U.S. part makers' competitive strategy in lowering production costs. Although offshore production-sharing operations will likely remain important to the U.S. motor-vehicle parts manufacturing industry, the use of the *HTS* 9802.00.80 tariff provision will likely decline because of increased use of NAFTA provisions and the elimination of the Customs user fee.[44] Other industry developments, however, will likely be more

[40] USITC staff interviews with major producers of ignition wiring harnesses in Juarez, Mexico, during Sept. 1996.

[41] Ibid.

[42] 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

[42]—*Continued*
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, seats, fuel pumps, catalytic converters, meters, automotive storage batteries, lighting equipment, and ignition wiring harnesses. The parts covered by this analysis account for approximately 70 percent of all automotive parts production.

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

[44] 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

influential in determining the direction of operational strategies. These developments include improved productivity and cost effectiveness, capability to supply complete automotive systems, component commonality,[45] increased globalization and outsourcing by U.S. automakers, ability to take on functions such as financing and research and development, and technological innovation.

While U.S. imports of motor-vehicle parts rose by nearly 25 percent to $17.8 billion during 1992-95 (table 3-10), U.S. imports under *HTS* 9802 declined by 24 percent to $1.8 billion during the same period. U.S.-origin components accounted for 46 percent ($825 million) of the total value of auto parts imported under production-sharing provisions in 1995.[46] Safety seat belts, body stampings and other body parts, and certain brake components accounted for about 68 percent of the value of U.S. content of motor-vehicle parts imported under production sharing provisions in 1995.

[44]-*Continued*
provision, the U.S.-origin content of such imports is exempt from the Customs use fee. The financial incentive to import duty-free articles under provision 9802.00.80 was reduced somewhat on Oct. 1, 1990, when a $400 per entry cap was placed on the user fee. The fee was raised to 0.21 percent ad valorem on Jan. 1, 1995, and the maximum fee was increased to $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 the user fee of 0.19 percent ad valorem with a cap of $400 per entry until June 30, 1999, at which time the fee will be eliminated. See app. A for additional information about the Customs user fee.

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

[46] By comparison, U.S.-origin parts accounted for just 11 percent of the total value of assembled motor vehicles imported under *HTS* 9802 in 1995.

Mexico, the leading supplier of motor-vehicle parts imports under the production-sharing provisions, accounted for the largest decline in the value of U.S. content. Because of the peso devaluation, U.S. and foreign motor-vehicle parts manufacturers reportedly have greater incentive to source components locally. The U.S. motor vehicle industry, including parts assemblers, has been the leading sector in shifting from use of *HTS* 9802 to NAFTA. As a result, the value of production-sharing imports from Mexico under *HTS* 9802 fell by 6 percent in 1995 to $1.4 billion, and the value of U.S.-origin components contained in these imports declined by an even greater amount — 17 percent — to $811 million (table 3-11).

Despite this downturn, Mexico was by far the leading source of imports under *HTS* 9802 in terms of the value of U.S.-origin components used in the assembly process, accounting for 98 percent of the total in 1995 (tables B-3 and B-5). U.S. components accounted for 56 percent of the total value of sector imports from Mexico under *HTS* 9802.00.80 in 1995, with safety seat belts and miscellaneous parts and accessories[47] accounting for 83 percent of the total. TRW, Inc. and AlliedSignal 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 are sold in the replacement parts market.

France was the second-leading supplier of production-sharing auto-parts imports in 1995, despite a 38-percent decline from the 1994 level to $146 million. Less than $5 million of the value of these

[47] 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 3-10
Certain motor-vehicle parts: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
	Million dollars			*Percent*	
1992	14,294	2,367	1,092	17	46
1993	15,760	2,265	1,243	14	55
1994	17,387	2,023	1,005	12	50
1995	17,818	1,808	825	10	46

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

Table 3-11
Certain motor-vehicle parts: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	961	1,164	977	811
France	6	5	7	5
Canada	119	68	11	3
All other	5	6	9	6
Total	1,092	1,243	1, 005	825

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

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

imports represented U.S.-origin components, 94 percent of which were gear boxes for passenger vehicles and light trucks, and miscellaneous parts and accessories. Indicative of the increasingly 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. U.S. parts makers 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.[48]

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Electronic Products[49]

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 1995, total U.S. imports of electronic products increased by 22 percent, or by $31.4 billion, over the 1994 level to $177.1 billion. Electronic products accounted for 25 percent of total U.S. imports in 1995 and 31 percent of all imports under *HTS* provision 9802.00.80. Imports of electronic products under 9802.00.80 increased by 19 percent from $15.6 billion in 1994 to $18.6 billion in 1995. The U.S.-origin content of these imports under *HTS* 9802.00.80 rose by 18 percent to $8.3 billion during the period. The principal supplier countries of electronic products under provision 9802.00.80 were Mexico, Malaysia, the Philippines, and Korea, which together accounted for 75 percent of total U.S. sector imports under this provision in 1995.

The principal electronic products entered under the provisions of *HTS* 9802 are semiconductor devices, electrical circuit apparatus, television receivers, video monitors, and television picture tubes, which together accounted for 71 percent ($13.2 billion) of all electronic products imported under provision 9802.00.80 in 1995. These products combined to account for 31 percent ($55.5 billion) of total U.S. imports of electronic products in 1995. Both *HTS* 9802.00.80 imports as well as the U.S.-origin content of these devices rose by 20 percent or more between 1994 and 1995.

Asian countries were the principal suppliers of semiconductor devices under provision 9802.00.80 in 1995, with four Asian countries — Malaysia, the Philippines, Korea, and Thailand — accounting for 68 percent ($1.4 billion) of all U.S. imports under *HTS* 9802.00.80 in terms of the value of the U.S. components contained in the imported semiconductors. Although labor costs have increased moderately in these countries in recent years, the region continued to grow as a center for semiconductor production under *HTS* 9802.00.80 because of the following factors:

- ❑ Already existing semiconductor production facilities;
- ❑ Favorable foreign investment climate;
- ❑ Highly skilled workforce; and

[48] "Charting Passengers on the Global Express," *Ward's Auto World*, July 1995, pp. 39-41.

[49] Electronic products include office machines; telephone and telegraphic apparatus including optical fiber; microphones, loudspeakers, and audio amplifiers; tape recorders and players; video cassette recorders and compact disc players; recorded and unrecorded media; radio transmission and reception apparatus; television receivers (video monitors, cathode-ray tubes and other special purpose tubes); television apparatus (cameras, camcorders, and cables); electric sound and visual signaling apparatus and other electrical and electronic articles; computers; microelectronic products (semiconductors); electronic circuit apparatus (capacitors and resistors); photographic equipment and supplies; watches and clocks; balances, surveying/navigational instruments, and drawing/mathematical and calculating instruments; measuring and testing instruments (meters); and medical and optical goods.

- Modern airport and seaport infrastructure.

Mexico continued to be the principal location for production sharing under *HTS* 9802.00.80 for electrical circuit apparatus, television picture tubes, video monitors, and television receivers in 1995 although U.S. imports of these products from Mexico under provision 9802.00.80 remained practically unchanged from the 1994 level. The primary reason for the lack of growth under provision 9802.00.80 is explained by the subsequent 27 percent increase in imports, from $3.5 billion in 1994 to $4.4 billion in 1995, under NAFTA. As these numbers suggest, U.S. producers have continued to expand their use of assembly operations in Mexico since the implementation of NAFTA. Overall, Mexico is attractive to electronics manufacturers for several reasons:

- NAFTA rules of origin allow duty-free importation of qualifying picture tubes, while non-qualifying picture tubes are dutiable at 15 percent ad valorem;
- Continued investment in Mexico by Japanese and Korean electronics manufacturers to take advantage of NAFTA rules as well as labor costs that remain below those of alternative locations;
- Proximity to the electronics, computer, and glass industries located in California and the Midwest;
- Improvements in the skill levels and productivity of Mexican workers; and
- Reduced labor costs in Mexico following the peso devaluation in December 1994-January 1995.

Semiconductor Devices

The United States is one of the world's largest producers and consumers of semiconductor devices. U.S. production in 1995 was approximately $41 billion with a domestic market of approximately $53 billion.[50] Semiconductors are integral components in computers, telecommunications equipment, automobiles, consumer electronics, appliances, and industrial machinery. Semiconductors can be classified into one of three groups, including integrated circuits (ICs), discretes, and hybrids, with ICs making up nearly 90 percent of the value of U.S. production.[51]

Most major U.S. producers indicate that they engage in production sharing because it is well suited to the varied, easily delineated stages in the semiconductor-manufacturing process. The most capital-intensive, high-skilled stages of the manufacturing process are conducted in the United States, including computer-aided design and fabrication.[52] At the conclusion of the fabrication process the silicon wafers are transported abroad for the lower skill, lower value-added steps loosely termed assembly. Assembly includes sawing the silicon wafers into individual ICs, attaching leads, packaging the ICs in plastic or ceramic, and testing for defects. U.S. producers have become reliant upon production sharing as evidenced by the United States accounting for less than 10 percent of world IC assembly yet nearly a quarter of world IC fabrication.[53]

Imports to the United States of semiconductor devices under the *HTS* 9802.00.80 production-sharing provisions increased by 38 percent in 1995 over the total for 1994, rising to $8.6 billion and accounting for 22 percent of total U.S. imports under 9802.00.80 in 1995 (table 3-12).[54] Of this, $4.3 billion was U.S. content. The increase in production sharing imports lagged the 50 percent increase in overall U.S. semiconductor imports for 1995 over the previous year and resulted in the continued decline of production-sharing imports as a percentage of total semiconductor imports. This decline is largely reflective of the increasing demand in the United States for certain semiconductor memory devices of which it is no longer a leading producer. U.S. imports of memory devices, primarily from South Korea, Japan, and Taiwan, increased by 71 percent in 1995 over 1994, rising to $14.1 billion.

Most of the major participating countries engaged in semiconductor production-sharing arrangements are located in East Asia. Chief among these are Malaysia, Philippines, and Korea, with Malaysia accounting for nearly 30 percent of the total (table 3-13). The largest shifts in imports under the production-sharing provisions from 1994 to 1995 occurred in trade with Hong Kong and Singapore. Hong Kong's production-sharing exports to the United States in terms of the value of the U.S. components contained in the assembled semiconductor devices increased by over 150 percent in 1995, reflecting in part Motorola Corp.'s additions to its existing Hong Kong capacity.[55] The U.S. content of Singapore's exports to the United States declined by approximately

[50] Yearbook of World Electronics Data, 1996, Volume 2-America, Japan and Asia Pacific, Elsevier Science Ltd., Apr. 1996, pp. 229-236.

[51] World Semiconductor Forecast, 1996-1999, Semiconductor Industry Association, May 1996, pp. 26.

[52] Fabrication entails the repeated use of expensive lithography and implantation equipment to transfer numerous identical copies of microscopic circuits, or ICs, to different locations on a circular silicon wafer. Each wafer can hold hundreds of separate but identical ICs.

[53] Mid-Term 1996 Status and Forecast of the IC Industry, Integrated Circuit Engineering Corporation, Aug. 1996, pp. 5-37.

[54] Most semiconductors enter the United States free of duty. The principal incentive for entering semiconductors under *HTS* 9802.00.80 is to receive exemption from the Customs user fee of 0.21 percent ad valorem on the value of the U.S. content. See appendix A for an explanation of the Customs user fee. Some companies that are eligible to enter imports of semiconductors under *HTS* 9802.00.80 reportedly do not do so because the amount of savings from the Customs user fee exemption does not compensate for the costs of complying with the *HTS* 9802 documentation requirements.

[55] Motorola Corp. official, telephone interview by USITC staff, Aug. 26, 1996.

Table 3-12
Semiconductor devices: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	15,449	4,354	2,234	28	51
1993	19,466	5,051	2,715	26	54
1994	26,020	6,243	3,311	24	53
1995	39,168	8,613	4,302	22	50

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

Table 3-13
Semiconductor devices: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Malaysia	600	783	954	1,303
Philippines	307	421	576	700
Korea	383	396	426	560
Thailand	105	200	306	410
Taiwan	231	282	326	371
Mexico	165	224	257	326
Hong Kong	111	116	122	310
Singapore	271	230	270	178
Japan	28	35	45	69
Indonesia	31	25	24	51
All other	2	3.	6	23
Total	2,234	2,715	3,311	4,302

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

one third, as government policies encouraged the movement of low value-added industry to neighboring Malaysia and Indonesia in favor of higher value-added industry such as semiconductor fabrication.[56]

The semiconductor assembly industry has largely been shifting to East Asia since the 1970s. Initially, U.S. semiconductor manufacturers shipped unfinished products to these countries to take advantage of lower labor costs in a relatively labor-intensive assembly process. Over time, the assembly of semiconductors has become increasingly automated, with labor comprising increasingly lower percentages of assembly costs. Despite increased automation and rising labor costs in East Asia, the semiconductor assembly industry has remained in part because the industrial infrastructure, technology, and experience labor are strongly in place. U.S. producers rely upon this expertise and the existing infrastructure to keep overall production costs down and retain competitiveness.

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Electrical Circuit Apparatus

These products, often referred to as passive components, include capacitors, coils, resistors, switches, printed circuit assemblies, and other circuit devices. The United States is a global leader in the production and consumption of passive components. The U.S. market for these devices was approximately $34.5 billion in 1995 and production amounted to approximately $33 billion. Passive devices are important components in nearly all industrial, consumer, and military electronics products.

[56] Center for Research on Information Technology and Organizations, Asia Computer Report, http://www.crito.uci.edu/pubs/asiacomp.htm, Sept. 4, 1996.

Electrical circuit apparatus covers a wide variety of mature products. The technology and technical ability to manufacture these items is widely available domestically and internationally. Successful production and sale of these items is contingent on price competition, and therefore the ability to minimize production costs.[57] U.S. producers of passive components have come to rely upon production sharing as a means of minimizing these costs.[58] The initial stages in the production process occur in the United States and are often relatively capital intensive. The value of labor input usually does not account for a large share of the overall U.S.-based manufacturing costs. However, the conclusion of the manufacturing process does require relatively more labor-intensive assembly stages. These assembly stages are performed by affiliates in production-sharing countries with lower labor costs. Though some of the assembly processes are automated, labor-intensive operations such as manually fitting and inserting parts are often required.

The U.S. content, totaling $1.3 billion, of passive component imports under the *HTS* 9802.00.80 production-sharing provisions remained high at 62 percent in 1995, reflecting the relatively "finished" state of the products when shipped to production-sharing destinations. The value of U.S. production-sharing imports in 1995 increased by 5 percent to nearly $2.1 billion (table 3-14). However, total imports of passive components increased by 17 percent in 1995 to $10.4 billion, resulting in a decline of production-sharing imports as a share of the total.

Mexico accounted for over 90 percent of imports under *HTS* 9802.00.80 in 1995 in terms of the value of the U.S. content contained in the assembled passive components (table 3-15), with most of the assembly performed by the maquiladora industry. Imports from Mexico grew by 11 percent in 1995 over 1994, to $2.1 billion, with 86 percent entering under 9802.00.80. The experience and existing industrial infrastructure of the maquiladoras have continued to attract U.S. passive-component companies to establish production-sharing ties and in many cases directly invest in this region. In addition, Mexico offers tariff benefits under NAFTA, lower wages than many of the competing East Asian electronics manufacturing countries, and proximity to the United States, which affords easier supervision and quicker response than assembly plants in Asia.[59] The U.S. content of Canadian exports to the United States under the production-sharing provisions of *HTS* 9802.00.80 declined by 38 percent in 1995. This decline in the use of the production-sharing provisions may not completely reflect the level of actual U.S.-Canadian production sharing in passive components. Under the provisions of the United States-Canada Free Trade Agreement (CTFA), most Canadian electrical circuit apparatus enter the United States free of duty and in 1994, the Customs user fee on Canadian exports to the United States was completely phased out. The result has been that Canadian production-sharing exporters now have little incentive to use *HTS* 9802.00.80.

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Television Receivers[60]

The United States is one of the world's largest producers and markets for television receivers (TVS), video monitors, and cathode-ray tubes. U.S. shipments of these products in 1995 totaled $7.9 billion, of which television receivers accounted for 66 percent.[61]

[57] Industry official, interview by USITC staff, Oct. 6, 1996.

[58] Ibid.

[59] Ibid.

[60] Also includes video monitors, picture tubes, and other cathode-ray tubes.

[61] Some double counting exists in that some of the picture tubes produced in the United States are consumed in the production of television receivers in the United States.

Table 3-14
Electrical circuit apparatus: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	6,467	1,317	807	20	61
1993	7,435	1,508	922	20	61
1994	8,855	1,985	1,219	22	61
1995	10,407	2,089	1,285	20	62

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

Table 3-15
Electrical circuit apparatus: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	713	811	1,092	1,164
Dominican Republic	37	50	65	57
El Salvador	14	15	15	16
Ireland	4	6	7	10
All other	38	41	41	38
Total	807	922	1,219	1,285

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

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

The U.S. industry producing TVS consists of 15 companies with 7 affiliates or subsidiaries that produce television picture tubes (PTs). Prior to the mid-1980s, the major U.S. producers were U.S.- owned. However, within the last decade, all U.S. TV and PT producers were purchased by European or Asian companies.

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 maquiladora plants just south of the U.S.-Mexico border.[62] U.S. producers continue to assemble higher 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 affording the Mexican product with a considerable duty advantage over similar Asian products, which generally do not contain North American tubes.[63] Mexico has only one picture tube producer, although Samsung, a Korean-based corporation, recently began building a picture tube and television receiver plant in Mexico. 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 the relocation 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 from all sources increased by 6 percent in 1995 to $5.7 billion (table 3-16). Mexican affiliates have been the largest suppliers of these products to the United States for a number of years, and thus, Mexico accounted for 56 percent of total imports and 97 percent of imports under *HTS* 9802.00.80. While total imports of televisions and similar monitors and tubes from Mexico rose by 7 percent in 1995 to $3.2 billion, imports under 9802.00.80 dropped by 5 percent to $2.4 billion as some importers gained confidence in NAFTA importing procedures and documentation requirements, and stopped entering production-sharing imports under *HTS* 9802.00.80. U.S. content totaling $819 million accounted for 33 percent of sectoral imports under provision 9802.00.80 in 1995 (table 3-17). Mexico supplied virtually all of the 1995 imports of these products under *HTS* 9802.00.80. The picture tube represents an increasing percentage of the value of a TV, and the majority of televisions imported from Mexico incorporate U.S.-made picture tubes. However, television assembly remains the sector of the maquiladora industry most reliant on parts imported from Asia.[64]

[62] Television receivers and related equipment accounted for 10 percent of total U.S. imports from Mexico under *HTS* 9802.00.80 in 1995 and 28 percent of the *HTS* 9802 imports of electronic products from Mexico.

[63] 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.

[64] Consequently, most Japanese- and Korean-owned television assembly plants are located in Tijuana and elsewhere in Baja California. Asian-made television components are usually brought to the maquiladora operations in sealed containers via the Port of Long Beach, CA. Zenith, RCA, and Philips are less reliant on components from Asia and their assembly plants are located across the border from Texas, with good interstate access to sister plants in Missouri, Illinois, Indiana, and Tennessee.

Table 3-16
Television receivers: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars		*Percent*	
1992	4,290	1,943	558	45	29
1993	4,529	2,256	701	50	31
1994	5,323	2,582	839	49	32
1995	5,656	2,466	819	44	33

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

Table 3-17
Television receivers: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	547	676	829	800
Italy	(1)	18	8	18
Canada	4	1	(1)	1
Brazil	4	2	2	1
All other	3	3	(1)	(1)
Total	558	701	839	819

[1] Less than $500,000.

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

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

Of 1995 imports from Canada and Mexico, 86 percent were eligible for reduced duty rates or duty-free treatment under the NAFTA and 72 percent for duty-free treatment under *HTS* 9802.00.80.

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Medical Goods

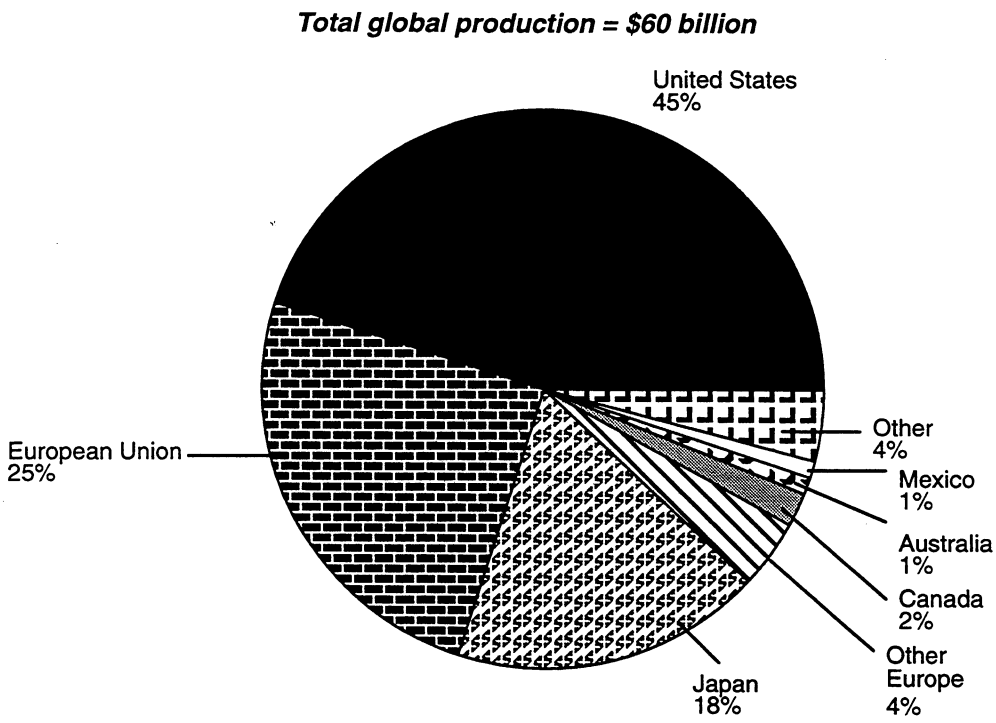
The United States is the world's largest producer of medical goods. In 1995, U.S. manufacturers accounted for $27.0 billion, or 45 percent of world output of medical goods (figure 3-6). The U.S. industry is very competitive globally, as evidenced by a trade surplus that reached $4.0 billion in 1995, an increase of 12 percent over the previous year. During 1992-95, U.S. exports of medical goods increased by 29 percent to $9.0 billion, while U.S. imports of medical products increased by 24 percent to $5.0 billion.

In addition to serving overseas markets through exports, a number of U.S. medical goods producers maintain production and assembly facilities throughout the world. Intracompany shipment of components, subassemblies, and finished goods among the various worldwide facilities of many of these companies has enabled them to take advantage of production-sharing provisions to reduce their total tariff costs. Increasing price pressures in the U.S. health care market in recent years have led a growing number of U.S. producers to increase the amount of their assembly of high-volume, commodity hospital products in Mexico and the Caribbean to take advantage of relatively low wage rates in those locations.[65]

Production-sharing imports of medical goods under *HTS* 9802.00.80 increased by $212 million (34 percent) from 1994 to $829 million in 1995 (table 3-18). Mexico was the leading supplier of such imports, contributing $450 million (54 percent) of total U.S. production-sharing imports under this category in 1995. The duty-free, or U.S.-origin content of *HTS* 9802.00.80 imports from Mexico amounted to $249 million, or 58 percent of the total (table 3-19). Although 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

[65] U.S. industry representatives, telephone interviews by USITC staff, Aug. 6-8, 1996.

Figure 3–6
Medical goods: Global production, 1995



Source: Estimated by staff of the U.S. International Trade Commission based on official statistics of the U.S. Department of Commerce and on information from the Health Industry Manufacturers Association.

duty-free provisions for medical goods now available under NAFTA, most importers continued to enter assembled medical goods under *HTS* 9802.00.80 in 1995. Imports from Mexico under the production-sharing tariff provision rose by $92 million (26 percent) in 1995 and accounted for 83 percent of total imports of medical goods from Mexico that year.[66] Mexico is likely to continue to be an attractive production-sharing location for U.S. producers due to its relatively low wage costs, proximity to the United States, and growth in its own health care market.

The Dominican Republic was the second-leading supplier of U.S. production-sharing imports, in terms of U.S.-origin content, in 1995, accounting for one-third of the total that year. Total production sharing imports from that country more than doubled from 1994 to $187 million. The U.S.-origin content of such imports amounted to $143 million, or 77 percent of the total. Some of the types of products imported included blood and plasma transfusion products, blood collection sets, solution administration sets, and sterile feeding tubes.[67] The significant growth in production-sharing imports from the Dominican Republic resulted from expansion of existing facilities of several major U.S.-based producers and from establishment of new facilities by several other smaller firms.[68]

The use of production-sharing facilities by U.S.-based medical goods companies in the Dominican Republic received a stimulus in 1990[69] when that

[66] Some U.S. companies continued to import products assembled in Mexico at reduced duties 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 rules of origin. Other 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 January 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, and Aug. 26-29, 1996.

[67] Representatives of Dominican Republic subsidiaries of U.S. companies, telephone interviews by USITC staff, Aug. 27-29, 1996.

[68] Several of the larger companies manufacture and assemble higher end components and subassemblies in Puerto Rico subsidiaries and then have labor-intensive final assembly and packaging completed in lower wage CBERA countries. U.S. industry representatives, telephone interviews by USITC staff, Dec. 6-8, 1995.

[69] Major U.S. producers first established assembly facilities in the Dominican Republic in the late 1980s to take advantage of preferential tax treatment provided

Table 3-18
Medical goods: U.S. imports for consumption, total, under the production-sharing provisions of *HTS* 9802, U.S. content, and percentage shares, 1992-95

Year	Total U.S. imports	*HTS* 9802 imports	U.S. content under *HTS* 9802	*HTS* 9802 share of total imports	U.S. content share of total under *HTS* 9802
		Million dollars			*Percent*
1992	3,997	584	286	15	49
1993	4,381	595	303	14	51
1994	4,405	617	290	14	47
1995	4,951	829	428	17	52

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

Table 3-19
Medical goods: U.S. content of imports to the United States under the production-sharing provisions of *HTS* 9802, by principal sources, 1992-95

(Million dollars)

Source/Country	1992	1993	1994	1995
Mexico	205	208	198	249
Dominican Republic	51	64	63	143
Netherlands	15	13	10	12
Costa Rica	(1)	3	6	8
Canada	5	7	6	7
All other	10	8	7	9
Total	286	303	290	428

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

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

country enacted a law significantly expanding incentives and simplifying regulations for foreign manufacturers to assemble goods in designated free zones.[70] These incentives include: total exemption from import duties for all goods utilized for producing export goods; total exemption from payment of taxes for periods of 15 to 20 years; freedom to repatriate profits obtained in the free zones; options to sell a portion of production in the local market; and plentiful, low-priced labor.[71]

The relatively more limited level of U.S. production-sharing imports (and $12 million of U.S. content) of medical goods from the Netherlands reflects 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 and other electromedical equipment, parts, and accessories.[72] The increased U.S. content of production-sharing imports from Costa Rica to the United States ($8.3 million in 1995, an increase of 39 percent) was primarily due to a shift of labor-intensive assembly of commodity hospital products by the largest U.S. producer from its operations in Singapore.[73] An

69—*Continued*
under Section 936 of the Internal Revenue Code. That provision provided incentives for U.S. producers with Puerto Rican manufacturing operations to establish assembly facilities in CBERA countries to promote development there. The Puerto Rican subsidiaries perform the more capital-intensive functions in the manufacture of medical instruments and appliances, then send the semifinished goods and components to Dominican Republic subsidiaries for final assembly.

70 Dominican Republic Law 8-90, Jan. 1990. This law consolidated in one document the legal framework for the handling, organization, incentives, rights and obligations of the industrial free zone companies and park operators. At present, there are 30 parks in the country and another 10 under construction. Over 400 firms are in operation, mostly from the United States, Canada, Europe, Taiwan, Korea, and Japan.

71 Counselor for Economic Affairs, Embassy of the Dominican Republic, letter dated Aug. 30, 1996, and telephone interview by USITC staff; and Central Bank of the Dominican Republic, "Free Zones as a Development Model in the Dominican Republic," 1996, pp. 19-24.

72 Representatives of U.S. and European medical equipment manufacturers, telephone interviews by USITC staff, Dec. 11-13, 1995.

73 Telephone interview by USITC staff, Aug. 29, 1996.

increase in the relative value of the Singapore dollar[74] versus the U.S. dollar has increased relative wage and other operating costs in Singapore for U.S. companies, making it a less attractive location for production sharing of price-sensitive, commodity medical products.[75] Costa Rica has the comparative advantages of proximity to the United States and lower labor costs.

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[74] The Singapore dollar appreciated by 19 percent against the U.S. dollar between 1990 and 1995. International Monetary Fund, *International Financial Statistics*, Aug. 1996.

[75] U.S. industry representatives, telephone interviews by USITC staff, Aug. 27 and 29, 1996.

CHAPTER 4
Changes in the Maquiladora Industry Since the Implementation of NAFTA

The maquiladora sector in Mexico is an important and growing source of export earnings and employment for the country, accounting for roughly 70 percent of Mexico's total exports of manufactured goods in 1996 and 37 percent of Mexico's exports of all products to the United States. Growth in the sector has accelerated following the entry into force of NAFTA on January 1, 1994, and the devaluation of the peso in December 1994. NAFTA and the devaluation of the peso have also led to numerous changes in the maquiladora industry such as sharply increased use of sewing operations in Mexico by the U.S. apparel industry, a shift in production from Asia to Mexico in the electronics sector, and greater use of U.S.-made components by Asian-owned maquiladoras. This chapter will examine these developments, as well as emergence of intra-maquiladora trade, changes in manufacturing practices in the maquiladora industry, and a rise in the number of maquiladoras setting up operations farther from the U.S.-Mexico border.

Mexico's maquiladora industry provides U.S. and other foreign manufacturers with numerous production advantages such as low labor costs, proximity to the U.S. market, and industrial parks with modern, comprehensive services. Mexico's Decree for the Development and Operation of the Maquiladora Export Industry (the Maquiladora Decree), which was initiated in 1965, also provides trade advantages by allowing companies to import components into the maquiladora sector free of duty, provided that they export the resulting assembled products. Firms involved in the maquiladora industry, both Mexican firms performing contract assembly operations and subsidiaries of foreign manufacturers, must obtain a permit from Mexico's Commerce Ministry (SECOFI) to operate as a maquiladora facility and benefit from the program's preferential customs treatment. The Maquiladora Decree was amended pursuant to NAFTA to allow an increasing portion of production from the maquiladoras to be sold directly into the Mexican market, subject to the applicable tariffs on imported inputs.

By the close of 1996, 2,465 maquiladoras employing 811,376 persons were established in Mexico, with the maquiladora sector accounting for one-third of total manufacturing employment in Mexico. Approximately two-thirds of the maquiladoras are located along the U.S.-Mexico border. The remaining one-third operate closer to the interior of Mexico, including interior regions of border states such as Chihuahua, Nuevo Leon, and Sonora (figure 4-1). U.S. firms reportedly owned 37 percent of the maquiladora plants; another 42 percent were Mexican-owned companies performing assembly operations under service contracts, almost exclusively with U.S. customers; and 13 percent had joint U.S.-Mexican ownership. Only 2 percent were owned by Japanese companies and 6 percent by companies based in other foreign countries.[1]

The maquiladora industry had expanded rapidly in the 1980's following Mexico's debt crisis and subsequent peso devaluations. Growth in the maquiladora industry slowed in 1992 and 1993, however, as the gap between wages in the United States and Mexico narrowed.[2] The rate of expansion quickened again in 1994-95 following the implementation of NAFTA and the devaluation of the peso. Resurgent growth in the assembly industry continued unabated in 1996 despite a number of major economic, financial, and political setbacks.[3]

Total U.S. trade with Mexico has grown by 63 percent since the implementation of NAFTA, to $129 billion in 1996 compared with $79 billion in 1993, with imports from Mexico rising by 92 percent to $74 billion and exports to Mexico increasing by 36 percent to $55 billion.[4] Reflecting the growth in the

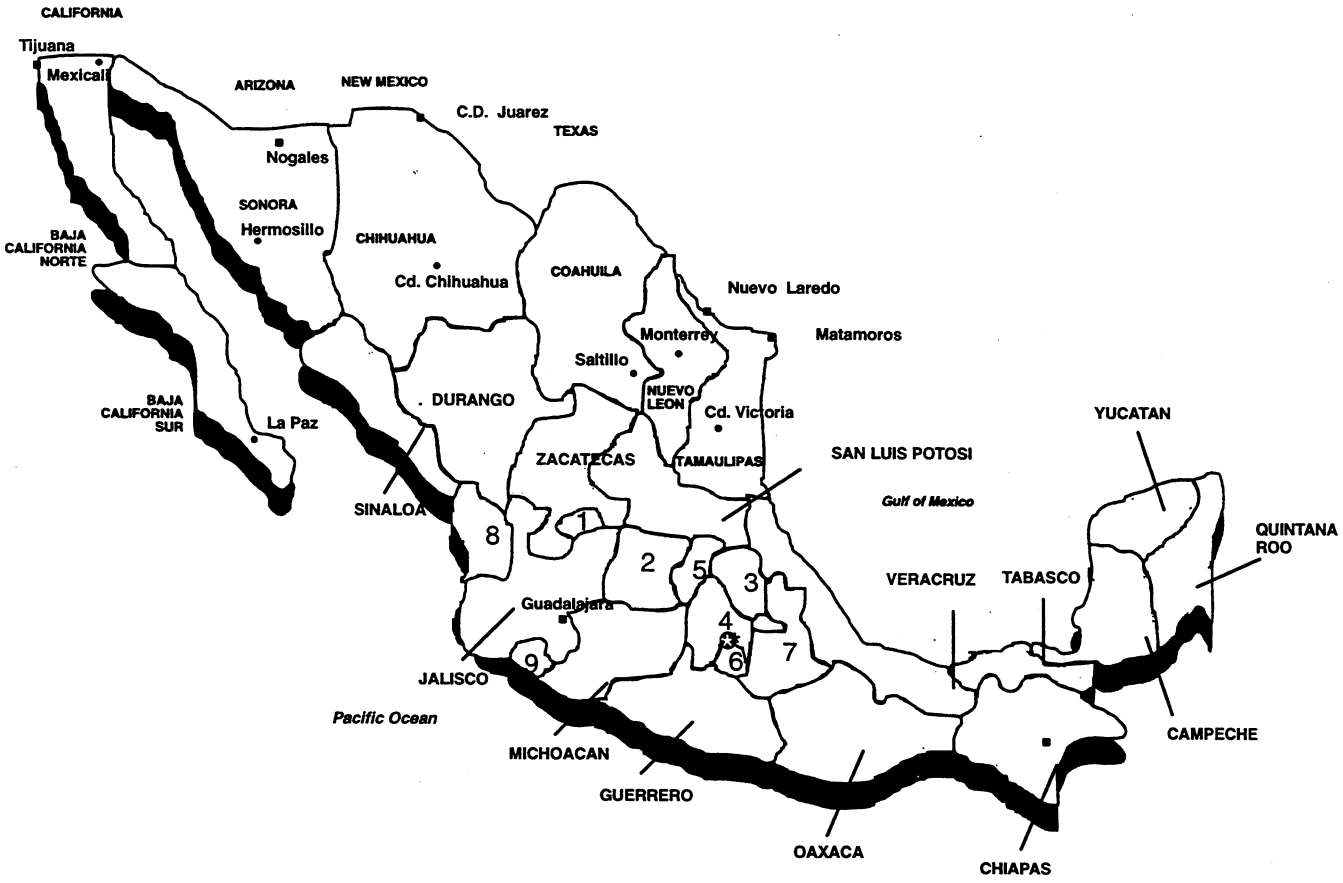
[1] U.S. Department of Commerce,"Selling to Maquiladoras,"*Industry Sector Analysis,* Sept. 1, 1996, p.3.

[2] For more information on historical trends in the maquiladora industry, see Ralph Watkins, "Origins and Growth of the Maquiladora Industry," *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Provisions 9802.00.60 and 9802.00.80, 1989-92*, USITC Pub. 2729, Feb. 1994.

[3] This growth can also be attributed to greater productivity in Mexican maquilas due to increased capitalization of production and continued improvement in the skill level of the maquiladora workforce.

[4] The shift in the U.S. bilateral merchandise trade balance with Mexico from a surplus of $1.6 billion in 1993 to a deficit of $19 billion in 1996 principally reflected the strong U.S. economy during the period, the effects of the devaluation of the peso, which reduced labor costs in Mexico while making U.S. exports relatively more expensive, and significant inflows of U.S. investment into Mexico, particularly in the maquiladora industry. The $2.7 billion expansion in the U.S. trade deficit with Mexico in 1996 over 1995 was one-half the growth in the trade deficit with Canada in 1996 ($5.6 billion); one-third the size of the rise in the trade deficit with the European Union ($7.2 billion); and smaller than the increase in the trade deficit with Venezuela ($3.1 billion).

Figure 4-1
Map of Mexican states: number of plants and employment in the maquiladora industry



1. AGUASCALIENTES
2. GUANAJUATO
3. HIDALGO
4. ESTADO DE MEXICO
5. QUERETARO
6. MORELOS
7. TLAXCALA
8. NAYARIT
9. COLIMA
* DISTRITO FEDERAL (Mexico City)

Totals

	No. of Maquilas[1]	No. of Employees[2]
Total for border	1,607	666,140
Total for interior	858	145,236
Total plants and employment	2,465	811,376

[1] As of Aug. 1996.
[2] As of Nov. 1996

Source: Map reprinted by permission of Mike Patten, Managing Editor, *Twin Plant News.* Not all major cities are listed. Data are derived from the Mexican Commerce Ministry (SECOFI).

Table 4-1
The Mexican maquiladora industry: Number of establishments and employees, and average hourly compensation costs in Mexico and the United States, 1990-96

Year	Number of:		Average hourly compensation for manufacturing workers	
	Maquiladoras	Employees	Mexico	United States
			U.S. dollars	
1990	1,920	446,258	1.64	14.91
1991	2,013	486,723	1.95	15.60
1992	2,129	511,339	2.35	16.17
1993	2,195	541,233	2.40	16.40
1994	2,064	600,229	2.47	17.10
1995	2,241	680,209	1.51	17.61
1996	[1]2,465	[2]811,376	1.23	Not available

[1] As of Aug. 1996. "Maquiladora Scoreboard," *Twin Plant News,* Jan. 1997.
[2] As of Nov. 1996. "Maquiladora Employment Rose 20.3% in November," *Journal of Commerce,* Jan. 31, 1997.

Sources: Number of maquiladoras and maquiladora employment from U.S. Department of State message reference No. 010371, R091833Z, "Mexican Maquiladoras - Still Growing After All These Years," prepared by U.S. Embassy: Mexico City, Mexico, Aug. 9, 1996, except as noted. Average hourly compensation costs from U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, various reports.

Table 4-2
Mexican maquiladora exports to the United States

Year	Total exports	Maquila exports	Maquila share of total	Annual growth in maquila exports
	(Millions of dollars)		*Percent*	
1990	40.7	13.9	34	([1])
1991	42.7	15.8	37	14
1992	46.2	18.7	40	18
1993	51.9	21.9	42	17
1994	60.9	26.3	43	20
1995	79.5	31.1	39	18
1996[2]	45.5	16.9	37	15

[1] Not available.
[2] Jan.-June, preliminary.

Source: Bank of Mexico.

maquiladora industry following the implementation of NAFTA and the devaluation of the peso, U.S. imports from Mexico under the production sharing tariff provisions (*HTS* 9802) rose by 47 percent during 1993-96 to $28 billion, while U.S. exports to these assembly operations in Mexico grew by 55 percent to $15 billion.

Between 1993, the year before NAFTA entered into force, and 1996, employment in the maquiladora industry grew by 50 percent (table 4-1), while exports from the maquiladora industry rose by an estimated 54 percent to $33.8 billion[5] (table 4-2). The devaluation of the peso lowered labor costs in Mexico for the maquiladora industry. It also led to a contraction in the Mexican economy and a reduction in demand for goods and services, hampering the efforts of companies that had invested in Mexico to supply the local market.

[5] The $33.8 billion figure was derived by annualizing the Bank of Mexico report of $16.9 billion during Jan.-June 1996 (table 4-2).

NAFTA and the Maquiladora Industry

The Maquiladora Program, which simultaneously provides duty-free entry of parts into licensed assembly plants in Mexico but restricts the portion of the plant's production that can be sold in the Mexican market, will be eliminated on January 1, 2001. Despite the Maquiladora Program's impending termination, certain

aspects of NAFTA have provided incentives for investment in the maquiladora industry.

- Duty- and quota-free treatment of apparel and other textile products sewn in Mexico from U.S.-formed and -cut fabric (*HTS* 9802.00.90) encouraged the expansion of sewing operations in Mexico. U.S. apparel firms with sewing operations in the maquiladora industry saw them as a favorable alternative to importing from Asia where quota restrictions are tight and labor costs are rising. The creation of 9802.00.90 has also benefitted U.S. textile producers who supply fabric to U.S. apparel firms with assembly plants in Mexico, but who were essentially shut out of the apparel-production markets in Asia by regional fabric suppliers.

- NAFTA rules-of-origin requirements have encouraged a number of Asian producers of consumer electronics and related products to set up or expand facilities in Mexico to assemble goods for the North American market and to increase their use of U.S.-made parts in order to minimize the customs portion of their total costs of bringing their products to the U.S. market.[6] Many of the rules for specific electronic articles require that products imported into the United States from Mexico or Canada contain North American- origin content accounting for a specified portion of the products' value. Other rules specify that certain critical components or subassemblies be of North-American origin to qualify for preferential treatment under NAFTA.[7] Some of these companies have moved their production of components from Asia to the United States, purchased existing U.S. parts manufacturers, or insisted that their Asian suppliers establish production facilities in North America.[8]

- The expiration of Mexico's Maquiladora Program on January 1, 2001, as agreed to under NAFTA, has also provided an incentive for Asian and European-owned maquiladoras to encourage their non-North American suppliers to shift production from Asia to the United States and Mexico. Components for Mexico's export-assembly that currently enter Mexico free of duty will become dutiable upon entry in Mexico if they are made in countries other than the United States or Canada.[9]

- The staged access of products from the maquiladora industry into the Mexican domestic market, as agreed to in NAFTA, has permitted companies with maquiladora operations to sell directly into the Mexican market and to other maquiladora operations instead of shipping products to the United States for export back to Mexico.[10] Refer to

[6] Don Nibbe, "Defending NAFTA," *Twin Plant News,* Jan. 1996, p. 7.

[7] For example, televisions must contain North American-made picture tubes in order to qualify for entry into the United States under NAFTA. Several Asian producers of televisions with assembly plants in Mexico have responded to NAFTA's rules of origin by purchasing U.S. picture tube manufacturers to supply their maquiladoras, shifted from traditional Asian sources of picture tubes to U.S. producers, or built picture tube factories in the United States and Mexico.

[8] For example, Japanese-based Sony makes picture tubes in San Diego for use in assembling small-sized televisions and monitors in Tijuana and larger-sized televisions in San Diego. LG Electronics (of Korea) purchased the television operations of Zenith and will continue to assemble Zenith brand televisions from parts made in LG's newly acquired component and picture tubes facilities in the United States. Acer (of Taiwan) has purchased the lap top computer operations of Texas Instruments and will expand its production facilities in

[8]—*Continued*
El Paso, TX. Mitsubishi (of Japan) has expanded its printed circuit board production facilities in Mexicali, transferring all remaining production of pc boards for large screen televisions from Asia to Mexico. Screens will be made in Japan and the pc boards in Mexicali, with final assembly in Santa Ana, CA. Samsung and Daewoo, both of Korea, are building picture tube plants in Tijuana and Mexicali, respectively, transferring production from Asia to Baja California, Mexico. Samsung, Asahi Glass (Japan), and Corning Glass (U.S.) have a joint venture to build a glass plant in Baja California that will make glass for the computer and television monitors. Most glass currently used by Japanese and Korean television producers at their assembly plants in Tijuana is imported from Asia. GumSung (Korea) is building a plant in Mexicali to make frames for televisions and computer monitors. Delta Products (Taiwan) is constructing a plant in Nogales, Sonora, where it will assemble battery packs for computers, transferring production from China and Thailand to Mexico. Several of these and other examples are reported by Joel Millman, in "Asian Investment Floods Into Mexican Border Region: Access to U.S. Market Draws Makers to Televisions, Toys—and Shabu-Shabu," *The Wall Street Journal,* Sept. 6, 1996, as well as various issues of *Twin Plant News,* and *Latin Trade.*

[9] Lucinda Vargas, "The Changing Dynamics of the Maquiladora Industry," *Business Frontier,* El Paso Branch-Federal Reserve Bank, Dec. 1994, pp. 1-3.

[10] Since Jan. 1, 1994, maquiladoras have been permitted to gradually increase sales to the Mexican market, by increments of 5 percent annually. The total amount of domestic sales (finished products) permitted depends on the value of the maquila's exports in the previous year. Moreover, any maquiladora close to the maximum of permitted domestic sales may increase its future sales by expanding export sales in the current year to enable its domestic sales to increase the following year. However, several factors have impeded the growth of access to the Mexican market for maquiladora plants. First, and not surprisingly, maquiladoras must pay the applicable Mexican import duties on imported raw materials used in the production of the finished products for the Mexican market, depending on their specific tariff classifications and customs value, and any other applicable charges or taxes. Second, Mexican Customs (Aduana)

the Schedule of Mexico to Annex 1 "Reservations for Existing Measures and Liberalization Commitments" of NAFTA under the "Manufacture of Goods" Sector, Subsector, the "Maquiladora Industry." The revised Maquila Decree, which implements this section of NAFTA, will also bolster U.S. exports of components used in the assembly of auto parts in Mexico. Under the Maquila Decree, maquiladoras that supply the Mexican motor vehicle sector[11] will be considered Mexican suppliers for purposes of complying with local content requirements. Additionally, principal auto-motive producers with assembly plants in Mexico are likely to encourage parts suppliers located in the Far East and Europe to move to Mexico and be recognized as domestic suppliers to the Mexican industry.[12]

Devaluation of the Mexican Peso Reinvigorates the Maquila Industry in Mexico

Prior to the devaluation of the Mexican peso in late December 1994, the number of maquiladora establishments had decreased by 2.4 percent to 2,064 from the number in 1993, and the average hourly compensation in the maquiladora industry had risen to a record $2.47 per hour (table 4-1).[13]

A number of firms in the industry were reluctant to commit to any new manufacturing investment in Mexico and were exploring other possibilities, including investing in assembly in other regions or contracting out production to Asian suppliers. However, many of these same maquila firms were expanding existing plant capacity to benefit from new domestic market access rules permitting access to the Mexican market.

A 50-percent drop in the value of the peso vis-a-vis the U.S. dollar greatly improved the price competitiveness of maquiladora exports in the United States and other foreign markets as average hourly labor costs in Mexico decreased in dollar terms to $1.51 per hour (table 4-1).[14] Maquiladora exports grew by 18 percent in 1995 and by 15 percent in the first half of 1996, compared with the first half of 1995 (table 4-2). Likewise, by the end of 1996, employment in the maquiladora industry had grown by almost one-quarter since the December 1994 devaluation and an additional 224 maquila plants had been established.

The devaluation of the peso and concurrent reduction in labor costs came at a time when labor costs in Asia were continuing to rise. Mexico's post-devaluation labor costs are regarded by the U.S. industry as highly competitive with other low-wage nations such as Thailand and Malaysia. Although most of the components used by the maquila plants in Mexico are made in the United States, competing production-sharing operations in Southeast Asia are believed to purchase most of their components and materials from Asian sources. Consequently, the use of assembly operations in Mexico is likely to support more employment in the United States when the alternative is to import from low-cost suppliers in Asia or to shift production to Asia.

By 1995, a total of 118 Asian, European, and Canadian maquiladoras operated in Mexico's six northern border States (figure 4-2, table 4-3), compared with 1,656 maquiladoras affiliated with U.S.-based companies.[15] U.S. subsidiaries of several large Korean and Japanese firms are responsible for a large amount of foreign direct investment entering Mexico.[16] The leading factors influencing these

[10]—*Continued*
requires that separate documentation be kept for imported components and machinery used to make goods for the Mexican market and for such components and machinery used to make goods for export. According to Don Michie of the University of Texas at El Paso, most maquiladoras find it easier to ship products to customers in Mexico from the distribution centers of their parent companies in the United States than to maintain the two sets of documents and related records required by Aduana. The most serious threat to shipping directly from maquiladora plants to Mexican customers was created by the new Maquiladora Decree of Oct. 23, 1996. Under the new regulations, an existing maquiladora's authorization to sell into the Mexican market can be revoked (and a new company's request for such authorization can be denied) if a Mexican person or company claims that it will be harmed by such authorization. According to Michie, such uncertainty has had a chilling effect on U.S. companies planning to sell directly into Mexico from their maquiladora facilities. Telephone conversation with Professor Don Michie, University of Texas at El Paso, Jan. 13, 1997.

[11] These maquiladoras must be independent of the major auto producers to which they direct their sales.

[12] For example, Pioneer Electric Corp. (Japan) invested $30 million in 1995 to build a plant in Mexico to manufacture audio equipment, with sales targeted at the U.S. Big Three automobile manufacturers and their affiliated maquiladora operations in Mexico.

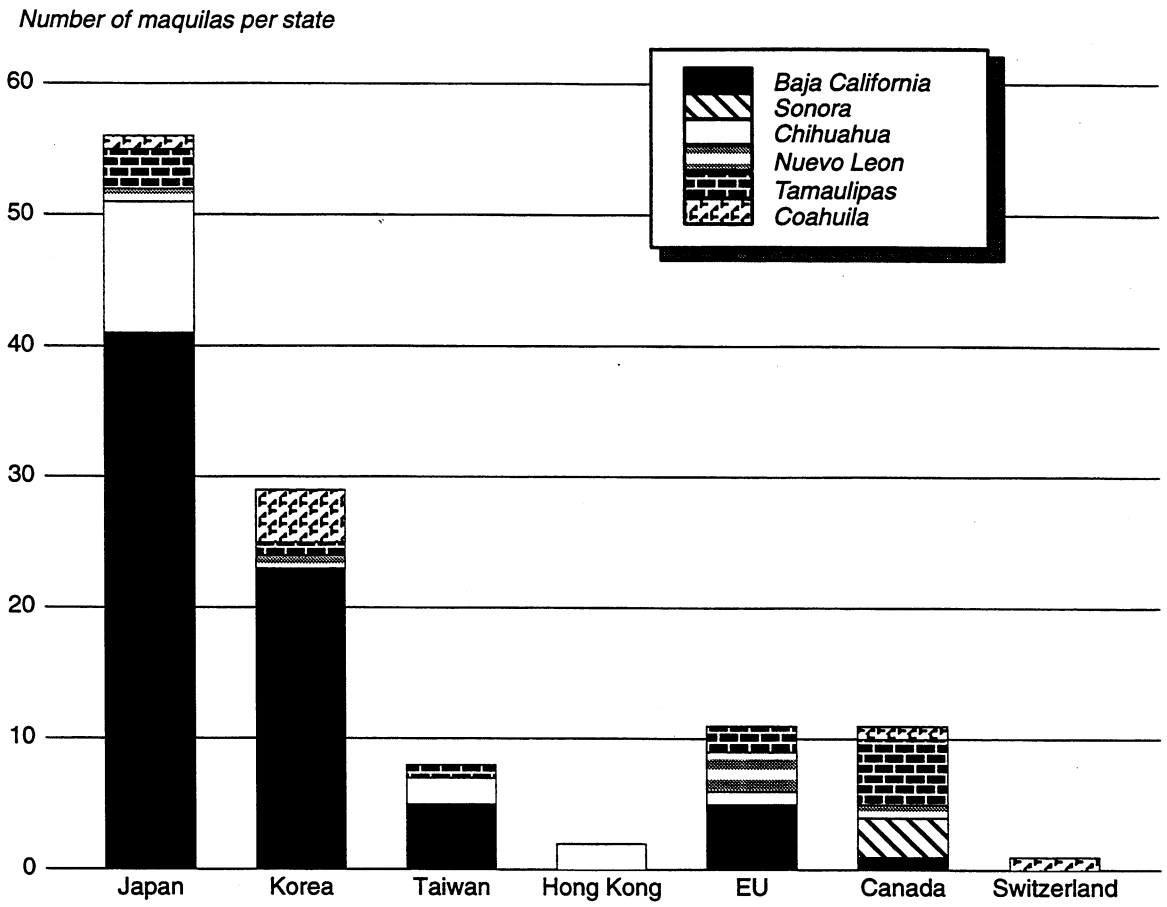
[13] U.S. Department of State cable reference No. 01371, R091833Z, "Mexican Maquiladoras - Still Growing After All These Years," prepared by U.S. Embassy, Mexico City, Aug. 9, 1996.

[14] Though wages for maquiladora workers average about $1 per hour, these jobs include many fringe benefits, and are considered full employment jobs that make workers eligible for health, retirement, and housing benefits from the Mexican Social Security Institute (Fondo Nacional de la Vivienda Para Los Trabajadores).

[15] Avelardo Jimenez, Production/Research Department, Solunet, based in El Paso, TX, by facsimile to Commission staff, Jan. 13, 1997.

[16] Joel Millman, "Asian Investment Floods Into Mexican Border Region: Access to U.S. Markets Draws Makers of Televisions, Toys—and Shabu-Shabu," *The Wall Street Journal*, Sept. 6, 1996, p. 10.

Figure 4-2
Sources of non–U.S. foreign investment in maquiladoras in Mexican border states, 1995



Source: Solunet, based in El Paso, Texas.

Table 4-3
Sources of non-U.S. foreign investment in maquiladoras in Mexican border states, 1995

(Number of plants)

Country	Baja California	Sonora	Chihuahua	Nuevo Leon	Tamaulipas	Coahuila	Total
Japan	41	-	10	1	3	1	56
Korea	23	-	-	1	1	4	29
Taiwan	5	-	2	-	1	-	8
Hong Kong	-	-	2	-	-	-	2
EU	5	-	1	3	2	-	11
Canada	1	3	-	1	5	1	11
Switzerland	-	-	-	-	-	1	1
Total	75	3	15	6	12	7	118

Source: Solunet, based in El Paso, Texas.

companies to establish or expand maquiladora operations were the devaluation of the peso, rising labor costs in Asia, NAFTA's rules-of-origin requirements, and the global tendency to move production or final assembly close to principal markets.

Most of these Asian-owned maquilas are building assembly plants in the western border cities of Tijuana, Mexicali, and San Luis Rio Colorado, Sonora (near Yuma, Arizona) to more easily obtain components from suppliers in California, Arizona, and the North Central United States, and to benefit from multilingual Asian population centers. For example, Delta Products (Taiwan), which assembles computer battery packs in Nogales, Sonora, typically makes use of multilingual managers to communicate with customers in English, suppliers in Chinese, and laborers in Spanish. Baja California also offers Asian maquiladoras proximity to the ports of Los Angeles and Long Beach, with their important air and sea links to Asia.[17] Furthermore, some maquiladora plants situated along the western U.S. border have established relationships with Japanese-owned banks situated in Southern California to meet their growing financial needs.[18]

The lower labor costs in Mexico resulting from the devaluation of the peso have led some companies to shift production from the United States to Mexico. For example, French-owned Thomson Consumer Electronics[19] plans to close its television assembly plant in Bloomington, Indiana, in April 1998 and consolidate all of its television assembly for the North American market in Juarez, Mexico. Thomson will continue to make parts for televisions in Bloomington and other U.S. locations. Thomson's owner, the Government of France, reportedly is shifting the last of Thomson's U.S. television assembly to Mexico to make Thomson Consumer Electronics more attractive to potential buyers in France's efforts to privatize the company. Buyers reportedly are reluctant to bid for Thomson because of relatively high U.S. labor costs and the expense that would have been required to modernize the aging Bloomington assembly plant.[20]

A Shift in Production Methods

The recent influx of Asian and EU manufacturers and their suppliers along the U.S.-Mexico border has coincided with a modernization of maquiladora production methods and a shift from lower-skilled, labor-intensive assembly to production methods that require more highly skilled workers.[21] Forces leading to increased use of sophisticated manufacturing processes and more highly skilled labor in the maquiladora industry include:[22]

- ❑ Efforts to attain world-class manufacturing efficiencies.
- ❑ Advances in computer-assisted manufacturing that have encouraged automation of tasks previously performed manually, and advances that have become integral to production processes such as surface mount technology, dual-wave television testing equipment, and computer-controlled machinery. This trend is most evident in the assembly of electronic products. French-owned Thomson Electronics Corp. purchased General Electric's U.S. consumer products operations (including RCA, GE, and ProScan brands) in 1992.[23]
- ❑ Competitive advantages in adhering to world-class quality standards (ISO 9000).
- ❑ Labor shortages in areas surrounding industrial parks in the border region that require steps to improve productivity (output per worker).

[17] Dan McCosh, "Assembly Plant Industry Keeps Growing," *El Financiero International Edition,* Feb. 3-9, 1997, p. 10.

[18] Ibid.

[19] Thomson purchased General Electric's U.S. consumer products operations (including RCA, GE, and ProScan brands) in 1992. The purchase included a television assembly plant in Juarez, Mexico, that had been in operation since 1965.

[20] Steve, Kukolla, "French Firm to Close Bloomington, Ind., Television Assembly Plant," *The Indiana Star and News,* Feb. 14, 1997.

[21] Although the creation of *HTS* 9802.00.90 in conjunction with NAFTA boosted use of sewing operations by the U.S. apparel industry, which generally employs lower-skilled workers earning minimum wage or slightly above; this trend did not alter the movement toward use of more sophisticated manufacturing processes and higher skilled labor in the maquiladoras assembling electronic products, auto parts, and household appliances.. The share of total *HTS* 9802 imports from Mexico accounted for by apparel and other textile products (measured in terms of the value of the U.S.-origin content) rose from 10 percent ($725 million) in 1993 to 16 percent ($2.0 billion) in 1995.

[22] See Bureau of National Affairs, "A Shift in Production Methods," *International Trade Reporter,* Aug. 2, 1995, p. 1330, and "Delphi Tech Center: Juarez Facility Expands," *Twin Plant News,* Jan. 1997, p. 37.

[23] Thomson Consumer Products currently makes use of more than 400 computers situated throughout its production line of RCA televisions in Juarez, Mexico, to generate real-time data that are transmitted simultaneously to the company's headquarters in Bloomington, Indiana. Engineers at both the Juarez and Bloomington facilities can obtain instant readings on production, including the status of any individual product on any production line. A large portion of the assembly line employees in Juarez monitor machines that insert electronic components into printed circuit boards, as an increasing share of employee tasks have shifted from manual insertion to quality control and machine operation.

- Significant increases in logistics cost for high-value electronics products that were previously produced in the Far East. [24]

- Efforts to achieve a just-in-time (JIT) manufacturing connection between the supplier and the factory,[25] particularly among automotive producers and suppliers to their assembly operations in Mexico.[26] This has already spurred growth in the injection molding and tool and die industries in San Diego, El Paso, Laredo, and Brownsville.

Shifts to automated production methods that make use of multipurpose machines, multi-skilled labor, and sophisticated test equipment is becoming increasingly common among electronics producers throughout the maquiladora industry.[27] The use of such advanced production technologies has been made possible by the corresponding growth in Mexico's pool of skilled labor. Several maquiladora operations along the U.S.-Mexico border (e.g., Delphi Electronics and Philips Electronics) have assisted Mexican universities and technical institutes in acquiring equipment and developing study programs to produce the kinds of employees required to staff their facilities.[28]

According to industry sources, the Government of Mexico is also trying to position Mexican firms to be competitive with Asian manufacturers by improving education and training for maquiladora employees and managers. The underlying intent is to make the Mexican labor pool a source for the assembly and production of electronic products and auto parts for markets throughout both North and South America. For example, in conjunction with General Motors' Delphi Electronics, the Government of Mexico is planning to establish a network of technical centers throughout Mexico; the recently inaugurated Ciudad Juarez Technical Center will employ approximately 1,000 Mexican engineers who will make use of state-of-the-art machinery to design certain automotive parts.[29]

The Maquiladora Industry Begins to Change Sources of Suppliers

Unlike major production-sharing competitors in Southeast Asia, Mexico's maquiladora sector has had difficulty developing local sources of supply from the national industry.[30] Officials estimate that only 2 percent of the supplies used by the assembly industry in 1996 were made in Mexico,[31] with the bulk of the parts coming from producers and parts distributors in cities on the U.S. side of the border, such as San Diego, Tucson, El Paso, San Antonio, Laredo, and Brownsville. Companies in San Diego are reported to annually supply almost $2 billion of raw materials to firms in Tijuana, Mexico, with 90 percent of these supplies channeled to the maquiladora sector.[32]

This cross-border sourcing by Mexican maquiladoras is partially attributable to the smaller size of Mexican companies; diseconomies of scale contribute to higher costs and poor quality of components.[33] Moreover, U.S.-based suppliers have

[24] USITC staff telephone interview with officials of Philips Consumer Electronics, June 28, 1996.

[25] JIT systems permit firms to minimize plant inventory by more effective coordination with production schedules. The JIT system requires a linkage and coordination of computers, people, and a highly reliable transportation system to meet high-tech scheduling demands and quality control requirements. As more maquiladoras shift to JIT manufacturing, more suppliers are likely to locate within 300 to 500 miles from either side of the border to achieve maximum efficiencies. See David Henricks, *Maquilas Creating New Business Opportunities,* San Antonio Express, Oct. 1, 1996.

[26] Delphi Automotive Systems, a major supplier of component products to original equipment producers (providing automotive components, modules, and systems to 20 vehicle makers worldwide), relies extensively on a JIT delivery system. In 1996, Delphi Automotive Systems had approximately 50 production facilities in Mexico. USITC staff interview with Public Affairs Officials of General Motors' El Paso, Texas branch office, Sept. 5, 1996.

[27] Mike Patten, "High-Tech Advancements," *Twin Plant News*, Oct. 1995, pp. 27-30.

[28] Information in paragraph is based on U.S. Department of State message reference No. 010371, R091833Z, "Mexican Maquiladoras–Still Growing After All These Years," prepared by U.S. Embassy, Mexico City, Aug. 9, 1996.

[29] "Looking Ahead—What's Next for the Maquila Industry," *Twin Plant News,* Aug. 1996, p. 78.

[30] According to an official of Philips Consumer Electronics interviewed by Commission staff on Jan. 11, 1997, Mexico lacks the technological infrastructure among domestic suppliers to support the high-volume requirements for leading electronic products such as television and computer monitor tubes. However, Mexican producers of heavy, bulky automotive products such as car engines and electrical motors can increasingly obtain key components and services (i.e., block castings and machining) in major industrial cities such as Chihuahua and Monterrey.

[31] According to Barbara Belejack in "Thirty Years of Maquiladoras," *El Financiero International Edition,* Feb. 3-9, 1997, p. 10, "The integration of Mexico's domestic industry with its maquiladora industry . . . remains one of the nation's greatest economic challenges."

[32] USITC staff telephone interview with officials of the San Diego Economic Development Corp., Nov. 19, 1996.

[33] See for example, Clare Goldsberry, "U.S. Electronics Plants Stay Competitive in a Changing World," *Twin Plant News,* Jan. 1994, p. 29, and Julia Scheeres, "Maquilas Seek Nuts and Bolts," *El Financiero International Edition,* June 10-16, 1996, p. 9. The bulk of Mexican suppliers are either small or medium-sized companies that are not able to meet internationally recognized ISO-9000 quality assurance standards. Meeting these standards is essential if the supplier is to be recognized as an acceptable source to multinational companies operating in the maquiladora industry. The global trend to adopt ISO quality standards is discussed in

certain financing advantages.[34] Logistics also present stumbling blocks to development of Mexican supplier relationships. Unlike U.S. suppliers, whose warehousing, distribution, and transportation activities make an important contribution to the border economies,[35] many Mexican suppliers are in the interior of Mexico and often face transportation logjams in servicing their maquiladora customers along the border. Because the majority of Mexican firms do not have warehouse facilities along the border, special orders from interior suppliers can delay production schedules.

The "cluster" concept of production also has an impact on supplier relationships. In this arrangement, a manufacturing facility is a complete manufacturing entity with the principal factory physically surrounded by independent vendor/supplier factories capable of the most complex high-technology processes. In order to achieve economies of scale cost savings, a major maquila or multinational producer commonly activates a cluster system by setting up a supplier assistance program whereby the manufacturer agrees to purchase a certain quantity of products, components, or raw materials. In addition, the vendor/supplier firms are assisted in attaining internationally-recognized quality control standards.

In Northern Mexico, the cluster concept is used by Asian and European maquilas who build manufacturing facilities and then invite their suppliers to establish independent subsidiaries or joint ventures nearby. The largest EU-based producer making use of the maquila cluster system is Philips Corp. of North America (a subsidiary of Philips, based in Eindhoven, The Netherlands), with five maquila facilities in Ciudad Juarez, Mexico.[36] The effort to develop manufacturing clusters has been complemented by the rising cost of freight transportation from the Far East and by NAFTA rules-of-origin provisions that have made it more desirable to purchase these leading components from major suppliers located along the U.S.-Mexico border.[37]

In an effort to increase the share of total sales by Mexican suppliers to the maquiladora industry, the Government of Mexico began in 1996 to offer tax cuts of up to 100 percent if potential suppliers to maquilas relocated from the interior of Mexico to industrial zones in Northern Mexico and in Central Mexico.[38] Presently, Mexican States and local development industrial corporations commonly sponsor trade shows to match maquiladora manufacturers with local suppliers.

SECOFI also announced a series of changes aimed at increasing maquiladora supplier opportunities for Mexican firms.[39] The changes give maquila suppliers status as "submaquiladoras" or "indirect exporters," permitting these firms access to certain financing and customs preferences. For example, these suppliers will be allowed to import foreign inputs and raw materials duty-free for sale to maquiladora companies. Other incentives include exempting Mexican suppliers from sales taxes and reducing the taxes on foreign companies that use local suppliers.[40] These changes by the Government of Mexico are intended to increase the amount of domestic components used by the maquiladora industry from approximately 2 percent of total sector inputs to 4 percent over the next few years.[41]

In addition to the Government of Mexico's incentives to use local suppliers, NAFTA's rules-of-origin requirements also encourage maquiladoras to maximize their use of North American-origin components by making it possible for the entire value of the assembled products (components plus labor and overhead) to be exported to the United States duty-free, as long as the assembled product can be certified to be of North American origin. A product need not contain 100 percent North American components and materials to receive duty-free

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[33]—*Continued*
Danna Blattmann, "Emerging Focus on Quality Systems Registration Enhances Market Prospects for the U.S. Instruments Industry," in USITC, *Industry Trade and Technology Review*, Oct. 1994.

[34] Typical Mexican business protocol requires advanced deposits of half of the contract price.

[35] Components made throughout the United States are often warehoused in cities on the U.S. side of the border. Some firms aggregate components into kits at these warehouses prior to shipment to Mexico for assembly.

[36] Philips' chief U.S. subsidiary, Philips Consumer Electronics, was a pioneer in development of regional supplier companies used in support of its consumer electronics facilities. Company officials have stated that this procurement program has led Philips to shift from obtaining a significant portion of its business and consumer electronics components, such as picture tubes for televisions and computer monitors, from the Far East to purchasing components from local suppliers. Despite an effort to use Mexican-made components whenever possible at its Mexican assembly plants, Philips continues to primarily use U.S. suppliers or their afiliaes in the maquiladora industry for the bulk of their component needs. The company obtains a very small portion of its television components from suppliers in the EU. USITC staff interview with Philips Consumer Elctronics official, Jan. 11, 1997

[37] U.S. Department of Commerce, "Selling to Maquiladoras," *Industry Sector Analysis*, Sept. 1, 1996, p. 5.

[38] Except for the city of Monterrey in Northern Mexico and in the major cities in Central Mexico, such as Mexico City, Guadalajara, and Puebla. U.S. Department of State, message reference No. 1680, R292120z, "Mexican Maquildadora Reforms Preparing for 2000," prepared by the U.S. Embassy, Mexico City, Nov. 29, 1996.

[39] Ibid. Also, see World Trade Executive, Inc.,"Maquiladoras Change Rules," North American Free Trade & Investment Report, Oct. 31, 1996, pp. 3-4.

[40] World Trade Executive, Inc., *Ibid.*

[41] Bureau of National Affairs, "A Shift in Production Methods," *International Trade Reporter, Aug. 2, 1995, p. 1330.*

treatment; it only needs to meet certain North American content percentages or undergo certain manufacturing processes established by the NAFTA's rules of origin provisions.[42]

These NAFTA-related incentives have been instrumental in increasing the amount of maquiladora investment by Asian firms since 1994 and that has, in turn, increased sales of U.S.-made components. Asian-owned maquiladoras as a group have traditionally used a relatively small amount of North American components. Prior to 1994, the North American content in electronic products (e.g., television sets and audio equipment) produced by most Asian maquilas would not have met the post-1994 NAFTA rules-of-origin requirements since the bulk of the components used originated in the Far East.[43] NAFTA did not immediately alter the tariff treatment for maquiladoras using non-North American parts. However, the accord does provide an inducement to increase the use of North American-made parts or to upgrade manufacturing practices to meet rules of origin provisions/substantial transformation standards and thus qualify for duty-free treatment under NAFTA. Firms that do not adapt to NAFTA rules are at a disadvantage when compared with those companies whose Mexican-made products are eligible under the accord.

To remain competitive in an increasingly price-sensitive electronics market, and to maintain consistent quality standards in a high-volume environment, major maquila producers are increasingly requiring their Asian component suppliers to establish production facilities in North America, principally along the U.S.-Mexico border.[44] For example, Taisho Electric Industries and Murata Manufacturing of Japan have established facilities in Juarez, Mexico, to supply components to major television producers in the United States and Mexico.[45] Japanese television producers with assembly plants in Baja California at present can bring foreign parts into Mexico's assembly plants duty-free (in-bond), provided that the resulting products are exported. This practice of exempting foreign inputs and raw materials from duty if they are destined for export-processing operations will end January 1, 2001, giving these companies another incentive to switch to suppliers that make their components in the United States or Mexico.

The largest in a series of recent Asian maquila investments along the U.S.-Mexico border that are viewed as likely to increase U.S. exports of electronic components to the maquiladora industry include investments made by Samsung Corp. and Daewoo Inc., of Korea. Samsung will invest an estimated $795 million facilities in Tijuana that will make televisions, picture tubes, and VCRs, and has begun construction of a $1.3 billion semiconductor manufacturing plant in Austin, Texas. The picture tubes to be made in Tijuana will replace tubes currently being supplied from Asia. The decision to begin North American production of these products can be attributed to NAFTA content provisions that require that television sets larger than 14 inches incorporate picture tubes made in North America to receive eligibility for preferential tariff treatment under NAFTA.[46] Samsung plans to make use of eight supplier companies as part of its cluster concept for sourcing components and parts. The vertically integrated facility will make it easier for Samsung Corp. to sell its products in North America. Initially, three units of the Korean manufacturing giant—Samsung Electronics, Samsung Display Devices, and Samsung Electro-Mechanics—will manufacture/assemble television sets, computer monitors, VCRs, and microwave ovens, as well as other products.[47]

Korean electronics producer Daewoo plans to invest $240 million in a new picture tube and computer monitor maquila complex, to be completed in May 1997 in San Luis de Colorado, Sonora (near Yuma, Arizona). Daewoo officials indicated that production will amount to approximately 4 million television picture tubes and computer display monitors annually. Daewoo currently has two additional television maquilas in operation in nearby Sonora State.[48] To benefit from NAFTA rules of origin provisions in the year 2001, Daewoo will encourage supplier/vendor firms in Asia to relocate component production in Baja California or northern Sonora. Unlike rival Japanese maquila producers such as Sony, JVC, and Matsushita, which have located their manufacturing facilities in Mexico and their engineering and support facilities in Southern California, Korean maquila producers such as Samsung and Daewoo are building vertically integrated, stand-alone facilities, in either the United States or Mexico.[49]

[42] Only certain products have a 50-percent regional content requirement to comply with NAFTA rules of origin. For other products, additional rules apply to determine substantial transformation.

[43] Elsie Echeverri-Carroll, *North American Free Trade Agreement: The Impact on U.S. and Japanese Maquiladoras*, The University of Texas Press, 1994, p. 177-78.

[44] Bureau of National Affairs, "NAFTA Plays Lead Role in New Investment," *International Trade Reporter,* Aug. 2, 1995, p. 1330.

[45] USITC staff interview with officials of Murata Electronica, Mexicana, S.A., Oct. 23, 1996.

[46] Roger Renstrom, "Industry in High Gear in San Diego & Baja California," *Twin Plant* News, Sept. 1994, pp. 30-31.

[47] Kevin G. Hall, "Samsung Goes High-Tech South of the Border," *Journal of Commerce,* Mar. 29, 1996.

[48] Sallie Hughes, "A Desert Oasis—San Luis Colorado in Sonora is Mexico's New Magnet for Maquiladoras," *Mexico Business,* July./Aug. 1996, pp. 28-30.

[49] U.S. Department of State, "Daewoo Joins Expansion of Electronics in California," R 081455z, May 1996.

Maquiladora Industry Begins to Expand to the Interior of Mexico

Since 1994, the Government of Mexico, with State government support, has been promoting the establishment of new maquiladoras away from the U.S.-Mexico border. Construction of new housing, schools, transportation systems, medical facilities, and sanitation systems has not kept up with the growth in population attributable to the maquiladora industry.[50] People from the interior of Mexico are attracted to the border in hope of finding employment, but are often unable to locate housing within commuting distance of the industrial parks. The shortage of housing near the maquiladora plants reportedly causes a high employee turnover rate in the maquiladora factories while there are large numbers of unemployed and underemployed persons, often migrants from the interior of Mexico, seeking work. It is anticipated that by encouraging foreign investors to locate new maquiladoras farther away from the border, the Government of Mexico will be able to create employment opportunities in the interior of the country, decrease migration to the border, ease pressure on infrastructure in border cities, and avoid some of the social problems associated with concentrations of unemployed people who have been removed from their families and local cultural institutions.[51]

A number of companies in the apparel, home appliance, and motor vehicle sectors established maquiladora operations in the interior of Mexico in 1993 and 1994 in response to provisions of NAFTA that made it easier for the companies to supply both the U.S. and Mexican markets from a single assembly plant. The devaluation of the peso, however, greatly reduced the ability of Mexican consumers to purchase the products assembled in these new maquiladora operations. Industry sources report that having made significant investments, several of the companies modified their initial strategy and exported finished goods back to the United States for distribution because of the weakened Mexican market. As the Mexican market gradually recovers from the peso crisis, these U.S. companies expect to sell more of their products in Mexico, with a commensurate reduction in Mexican exports to the United States. The experience of these companies has discouraged more companies from establishing facilities in the interior of Mexico to supply both the U.S. and Mexican markets.[52] Several U.S. firms also expected to be able to take advantage of Mexico's trade agreements with other Latin American nations to supply those markets from the company's plants in Mexico.[53] These operations were expected to make products sold by U.S. companies more competitive in Latin America with products from Asia and Europe and lead to further expansion of U.S. exports of components to these assembly plants in Mexico.

Industry sources report that while the peso crisis frustrated expectations of companies wanting to supply the Mexican market from maquiladoras in the interior of the country, the devaluation lowered labor costs and created opportunities for companies whose target market continues to be the United States. Several nonborder cities[54] have been successful in attracting maquiladora operations in the following industry sectors: agriculture,[55] apparel, furniture, metalworking, petrochemical derivatives, and the assembly of machinery and precision equipment.[56] The majority of these interior Mexican cities have successfully recruited maquiladora operations by assisting new firms in complying with documentation and other legal requirements of local and State governments, and at times extending attractive financial, employee training, and relocation packages.[57] Some of these incentives include 3 months of free labor[58] and exemption from paying local payroll taxes. Typically, maquila operations seeking to relocate to Mexico's interior are involved with the production of labor-intensive articles that do not require advanced labor skills and are searching for a more stable labor supply than the workforce in those Mexican cities bordering the United States.[59] Turnover rates on the border often reach 20 percent per month, in contrast to the interior cities where there is less competition for workers, and

[50] See for example, Mike Patten, "Is the Border Too Crowded?" *Twin Plant News,* Aug. 1996, pp. 31-34.

[51] U.S. Department of Commerce, "Selling to Maquiladoras," *Industry Sector Analysis,* Sept. 1, 1996, p. 4.

[52] USITC staff telephone interview with Don Michie, University of Texas at El Paso, Jan. 13, 1997.

[53] Whirlpool Corp., for example, is moving production of its small refrigerators from Evansville, IN, to Monterrey, Mexico. The small refrigerators are aimed at the Central American market and production in Monterrey will allow Whirlpool to take advantage of Mexico's trade agreements with countries in that region. Whirlpool officials stated that no employment will be lost in Evansville because the plant will be revamped to produce a more advanced line of refrigerators.

[54] Examples of cities away from the border that have been successful in attracting new investment in maquiladoras include Gomez Palacio, Durango; Torreon, Cohuila; Merida, Yucatan; Guadalajara, Jalisco; and Hermosillo, Sonora.

[55] The U.S. agricultural products and meat that are sent to Mexico for processing and returned to the United States are not eligible for entry under *HTS* 9802.

[56] U.S. Department of Commerce, *Selling to Maquiladoras*, Sept. 1, 1996, p. 3.

[57] Mike Patten, "Is the Border Too Crowded?," *Twin Plant News,* Aug. 1996, pp. 31-34.

[58] Some cities have agreed to pay the equivalent of one minimum wage position for each person employed for the first 90 days after the maquiladora plant commences operations.

[59] Bureau of National Affairs, "NAFTA Breathes New Life Into Maquiladoras," *International Trade Reporter,* Aug. 3, 1995, p. 1330.

local unions frequently allow greater flexibility in performing different tasks.[60]

As a measure of the success of incentives for companies to relocate from the border region to the interior of Mexico, SECOFI reported a 59-percent increase (from 273 to 465) in the number of new maquiladoras commencing operations outside the U.S.-Mexico border in 1995 compared with 1994. The number of maquiladoras located in Mexico's interior in 1995 totaled 781 plants, employing 219,639 persons.[61] However, the number of maquila firms opting to set up operations away from the U.S.-Mexico border is still relatively small (34 percent) due in part to complications with transportation and communications infrastructure.

Conclusions

Recent developments in Mexico's maquiladora industry appear to have changed the landscape within which companies operate without having a detrimental impact on the growing trend of exports of U.S. components to the assembly industry in Mexico. Principal developments include:

- An expansion of existing assembly plants as well as some new investments along the border because of the devaluation of the peso, particularly in the automotive, electronic products, and machinery sectors.
- A significant increase in new investment in assembly plants farther away from the border in cities with good highway links to the United States, such as Monterrey and Chihuahua, chiefly because of problems associated with border maquiladoras, including high worker turnover, and strained infrastructure because of overdevelopment. Most of the plants are subsidiaries of U.S. motor vehicle and electronic products producers, with some of the plants having moved from older facilities along the border. Several of these maquiladoras are taking advantage of increased access to the Mexican market under NAFTA to supply the motor vehicle plants in Mexico with auto parts, and maquiladoras assembling electronic products with subassemblies. Like border plants, use of these plants is also growing because of lower labor costs following the peso devaluation.
- Some investment in plants much closer to the interior of Mexico to make auto parts, appliances, and other products for sale throughout Latin America, as well as back to the United States. These companies are taking advantage of both NAFTA and Mexico's trade agreements with other countries in Latin America to make Mexico an export platform for specific products assembled in Mexico from U.S.-made parts. Although some assembly has been moved from the United States to Mexico, officials of the companies involved reportedly hope to improve their access to Latin American markets and expect that increased U.S. employment in the manufacture of parts will offset job losses in assembly.
- Increased investment by Japanese, Korean, and Taiwanese companies in plants assembling televisions, appliances, and other electronic products because of NAFTA, rising labor costs in Asia, and the desire to produce goods near market destinations. This has resulted in the transfer of jobs from Asia to North America. The Asian owners of these maquiladoras have shifted some sourcing of parts to supply these assembly plants from Asia to the United States.
- The ability to use a U.S. vendor supply base has been a major consideration for firms shifting their manufacturing operations from Asia to Mexico. At the same time, many suppliers are building new facilities at various points along the U.S.-Mexico border to accommodate major producers that have moved assembly operations from Asia to Mexico.
- Many U.S. apparel companies have established or expanded their sewing operations in Mexico following NAFTA's creation of HTS provision 9802.00.90 allowing duty-free and quota-free entry of apparel from Mexico, as long as the apparel is sewn from U.S.-made and -cut fabric. A number of U.S. companies are shifting production from Asia, where the apparel is sewn from fabric made in Asia, to assembly in Mexico. Some U.S. apparel companies that might otherwise have expanded their Caribbean sewing operations in response to rising labor costs in certain Asian countries and tight quotas on apparel imports from the region have invested in Mexico's maquiladora industry instead.

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[60] Union activity along the U.S.-Mexico border varies by industrial park, industry, and region. The apparel and motor vehicle industries are more heavily unionized than other sectors of the maquiladora industry. Also, unions tend to be more assertive in Matamoros and Reynosa than in many other cities in Mexico. According to the respective maquiladora industry associations in Matamoros and Chihuahua, 65 percent of the maquiladoras in Matamoros, across the Rio Grande from Brownsville, TX, are unionized, whereas in Chihuahua, about 200 miles south of El Paso, only 38 percent of the maquiladora plants are unionized.

[61] U.S. Department of State cable reference No. 01371, R091833Z, "Mexican Maquiladoras—Still Growing After All These Years," prepared by U.S. Embassy, Mexico City, Aug. 9, 1996.

APPENDIX A
The Customs Treatment of Certain American Goods Returned (*HTS* 9802.00.5010, 9802.00.60, 9802.00.80, and 9802.00.90)

The goods eligible for duty treatment under the tariff provisions discussed in this appendix are those exported from the United States and returned to the customs territory after being advanced in value or improved in condition abroad by assembly or particular processing operations. Goods for which conditional duty reductions or exemptions are claimed in chapter 98 remain classifiable in the appropriate legal categories in chapters 1 through 97 of the *Harmonized Tariff Schedule of the United States (HTS)*; 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 the legal text of these provisions can be found in the *HTS*. Reference should also be made to current regulations of the United States Customs Service. (19 C.F.R. 10.11-10.24) The customs treatment available to goods resulting from qualifying Caribbean Basin assembly and processing, the trade agreement status of the four chapter 98 provisions and their relation to preferential tariff programs, and the special access program are briefly discussed below; an update on the merchandise processing (user) fee is likewise included.

Caribbean Basin Assembly or Processing

Section 222 of the Customs and Trade Act of 1990 established U.S. note 2(b) to subchapter II of *HTS* chapter 98. The note provides the tariff and country-of-origin treatment available to U.S.-fabricated components, materials, or ingredients that are exported for assembly or processing in a designated Caribbean Basin Economic Recovery Act (CBERA) beneficiary country. 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 subheadings of chapters 1 through 97 because (1) no substantial transformation in the beneficiary country is found to have occurred, or (2) inadequate value is added in or attributable to the beneficiary country, or (3) the goods otherwise are considered preference-ineligible.[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; though this language effectively would seem to require by implication that they have domestic (U.S.) origin, Customs regulations do not so provide.[2] Second, the note provides that these goods are not subject to duty upon entry into the U.S. customs territory.[3] Having duty treatment set forth in a note, rather than the rate of duty columns of a tariff heading, has proven somewhat confusing and has caused significant administrative difficulties. To help Customs carry out the note, because the rate of duty it accords is "free" instead of the duty rates[4] enacted by Congress for the tariff provisions covered by this report, a nonlegal 10-digit statistical category (numbered 9802.00.8040) was created under heading 9802.00.80 to capture trade in assembled goods entered by importers under the terms of the U.S. note. A complementary statistical category (numbered 9802.00.5010) was created under subheading 9802.00.50 to capture trade in goods that were processed (but not assembled) in whole from materials or ingredients (other than water) that are the product of the United States and entered by importers under the terms of U.S. note 2(b). Congress has considered proposals to create a separate tariff

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[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] See 19 C.F.R. 12.130(c)(1).

[3] No blanket duty exemption for goods of U.S. origin—even those imported by or for most U.S. Government agencies—is afforded elsewhere in the *HTS*; and duties must generally be paid on such goods each time they are entered unless the *HTS* specifies another tariff treatment. See general note 1 to the *HTS*.

[4] Goods described in heading 9802.00.80 are partially dutiable, to the extent that the pertinent tariff provision in chapters 1 through 97 provides for a duty rate other than "free," but no duty is payable on the U.S. content.

category for these goods, to clarify the requirements and to simplify administration; to date no such category has been enacted.

Trade Agreement Status and Special Tariff Treatment

The general rates of duty in column 1 for subheadings 9802.00.5010 and 9802.00.60 and headings 9802.00.80 and 9802.00.90, unlike most general rates in headings of *HTS* chapters 1 through 97, are not "bound" concession rates under schedule XX to the General Agreement on Tariffs and Trade (known as GATT 1994).[5] Nor does schedule XX impose on the United States a legal obligation to maintain these two tariff provisions. Moreover, because they fall in chapter 98—not part of the nomenclature structure of the Harmonized Commodity Description and Coding System (HS)—the international convention establishing the HS structure does not require them and they are unique to the United States. Thus, with certain exceptions, these tariff provisions could be amended or repealed, even though such an action could amount to an effective duty increase on goods now allowed entry thereunder. The exceptions are found in two U.S. free-trade agreements (FTAs), one with Israel[6] and the other with Canada and Mexico (the North American Free Trade Agreement or NAFTA), and in the Automotive Products Trade Act (APTA). These measures require the United States to continue current duty treatment for eligible goods in some fashion, however reflected in the *HTS*. Accordingly, various Presidential proclamations have included preferential duty rates in the "special" rate subcolumn for the four production sharing provisions of chapter 98 to carry out these U.S. obligations.

For goods not eligible for tariff preferences, the general duty rates from the applicable permanent tariff categories in chapters 1 through 97 must be paid on the declared foreign value, including costs of labor. In other cases, for preference-eligible goods, the special subcolumn of the "Rates of Duty 1" column of the *HTS* for these chapter 98 tariff provisions states that, if such goods are accorded entry thereunder, the duty payable would be computed by applying the otherwise applicable rate to the foreign value. In most instances, the rate provided in chapters 1 through 97 in the special subcolumn for the eligible preference programs is "Free" and no duty advantage would appear possible. The designated preference programs, as indicated above, are the APTA, the Agreement on Trade in Civil Aircraft, the NAFTA, and the U.S.-Israel FTA, under the terms of applicable general notes to the *HTS*. In the case of the NAFTA, however, the special subcolumn in chapters 1 through 97 may state a rate of duty other than "free." If a good is eligible for a tariff preference under the terms of general note 12 as an originating good and qualifies to be marked under Customs regulations as a good of Canada or of Mexico, it would appear from the *HTS* that importers may be able to claim that the appropriate NAFTA tariff rate on foreign content from the normal tariff category would apply to the goods in question. If Customs rules that the goods so qualify, then that special duty rate, if other than "free," could be applied to the non-U.S.-origin part of the shipment's value, while the U.S. value would be free of duty. However, many goods that originate in the NAFTA region—even goods that are wholly obtained in the NAFTA region—likely do not qualify to be marked as goods of Canada or of Mexico, and the general rate of duty (rather than the NAFTA rate) would therefore be assessed on the foreign content.

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[5] Pursuant to 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 giving bindings on individual 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 provision, other parties may initiate dispute settlement, undertake limited retaliation, or request compensation. U.S. tariff bindings and other concessions are enumerated in schedule XX; other numbered GATT schedules list the bindings and concessions of other contracting parties.

[6] The FTA with Israel specifies that all goods described by and imported under these two *HTS* provisions should be admitted free of duty, along with all other products of Israel as provided in *HTS* general note 8.

Special Access Program

Pursuant to 7 U.S.C. 1854 and pertinent regulations, under the legal umbrella of the multilateral Agreement Regarding Trade in Textiles,[7] the United States has negotiated bilateral agreements with various countries to impose quantitative limitations and monitoring requirements on imports of enumerated textile and apparel products. The combined product scope found in these agreements as of the date of enactment of the CBERA has been determined to define the range of the statutory exclusion from duty-free entry under that Act for textile and apparel goods from beneficiary countries, so that most goods of cotton, of wool/fine animal hair, of man-made fibers or of blends thereof cannot enter free of duty. 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. Despite the exclusion from duty-free entry under the CBERA, a partial relaxation of otherwise applicable quota and related restrictions has been accorded by the United States under specified circumstances.

Statistical reporting number 9802.00.8010 was adopted to identify imports of "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)."[8] 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 only to designated CBERA beneficiary countries that have bilateral textile agreements with the United States;[9] 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.[10]

SAP bilateral agreements have contained two categories of restraints: guaranteed access levels (GALs) for apparel assembled in the particular CBERA country from U.S.-formed-and-cut fabric, and regular quota limits for apparel of the applicable MFA categories but not of such fabric. In general terms, a GAL is negotiated for each MFA category covered by a SAP bilateral agreement, along with a specific limit (SL) or a designated consultation level (DCL) for regular quotas. It has been possible to increase the GALs upon exporter request unless market disruption occurs, while SLs are subject to agreed allowable annual percentage increases and DCLs are raised only after bilateral consultation. GAL shipments under heading 9802.00.80 generally have duties assessed only on the value added overseas.[11] Special CBI[12] Export Declarations must be filed at the time the U.S.-formed-and-cut

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[7] Commonly called the Multi-fiber Arrangement or MFA. Under the Agreement on Textiles and Clothing of GATT 1994, MFA quantitative restraints must be eliminated as of Jan. 1, 2005, fully integrating this sector into GATT 1994 and its disciplines. As restrictions are gradually removed under this Agreement, the SAP and other preferential regimes also lose their previous access advantages.

[8] See *HTS* chapter 98, subchapter II, for the legal text of the provisions and applicable notes, and Customs regulations at 19 C.F.R. 12.130-131. The Office of Textiles and Apparel of the U.S. Department of Commerce can be consulted for further information.

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

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

[11] Ibid., pp. 1-2. Reimportations of apparel that were assembled in CBERA countries from U.S. components and were also bleached, permapressed, stonewashed, acidwashed, or dyed following assembly may not receive this duty benefit. These finishing processes have not been considered permissible incidental operations under heading 9802.00.80, regardless of the country involved, so that such goods may be excluded from the heading and thus from the SAP. It should be noted that administrative practices may change because of Customs' implementation on July 1, 1996, of new rules of origin based largely on specified principles, as required by the Uruguay Round Agreements Act. No such changes have yet been announced.

[12] Caribbean Basin Initiative.

fabric parts are exported from the customs territory, and Customs can request documentary proof concerning such garment 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.

The program has not undergone significant changes in the year covered by this report. However, effective as of September 23, 1996, certain tailored suit jackets and suit-type jackets falling in specified MFA categories that contain interlining fabrics that were cut in the United States but not formed here would be eligible for inclusion in the GAL/SAP program on a temporary basis, provided that the interlinings together with minor trimmings and findings do not exceed 25 percent of the appraised value of each article. (61 F.R. 49439). This change applies by date of export to women's and girls' jackets through June 22, 1997, and to men's and boys' jackets through September 22, 1997.

User Fees

Initially enacted in 1986 as a temporary revenue measure and set at 0.22 percent ad valorem on imported goods, the so-called user fee has been continued to help defray costs of Customs Service operations. Customs regulations treat the fee—properly known as the merchandise-processing fee—as a customs duty; it is applied to the dutiable value or cost (the foreign value added) of imports under the four production sharing provisions of *HTS* heading 9802, but not to the nondutiable portion of value attributable to domestic materials. 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.[13] They reflect a merchandise-processing fee for formal entries of 0.21 percent ad valorem for formal entries, 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 percent ad valorem with a maximum fee of $400 per entry.[14] A $3 surcharge is added to each entry processed manually; informal entries are assessed fees of from $2 to $8 each; and 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 extended by the NAFTA Implementation Act 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*."[15] Goods of Mexico can be assessed the ordinary fee until June 30, 1999, as of which date no such fee 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

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[13] Section 612 of Uruguay Round Agreement Act.

[14] 19 C.F.R. sec. 24.23.

[15] 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 as such) 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 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 (when it includes content or inputs from non-NAFTA countries).

Customs regulations provide separately the user-fee status of other classes of goods, such as agricultural products of the United States that are processed and packed in a U.S. foreign-trade zone. Goods from most non-NAFTA 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[1], 1970-95
(Million dollars)

Year	Total value			Dutiable value			U.S. content value		
	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	55,437.6	56,441.0	406.5	40,676.5	41,083.0	596.9	14,761.1	15,358.0
1993	836.6	56,526.4	57,363.0	280.3	39,522.7	39,803.0	556.3	17,003.7	17,560.0
1994	600.3	58.709.7	59.310.0	219.2	39,573.8	39,793.0	381.2	19,135.8	19,517.0
1995	503.4	60.376.6	60.880.0	126.6	38,643.4	38,770.0	376.8	21,733.2	22,110.0

[1] *HTS* 9802.00.80 includes *HTS* 9802.00.90 and 9802.00.5010.

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 the production-sharing provisions of *HTS* 9802: Total imports; imports under 9802; and U.S. content, by principal sources, 1992-95

Source	1992					
	Total imports	Imports under 9802	U.S. content	Total imports	Imports under 9802	U.S. content
	Million dollars			*Percent*		
Japan	93,878	17,689	535	18.5	31.3	3.5
Germany	26,353	5,340	90	5.2	9.5	0.6
Canada	93,243	3,591	1,181	18.4	6.4	7.7
France	14,125	925	61	2.8	1.6	0.4
United Kingdom	18,341	742	75	3.6	1.3	0.5
Sweden	4,476	326	14	0.9	0.6	0.1
Netherlands	4,796	236	56	0.9	0.4	0.4
Ireland	2,094	189	59	0.4	0.3	0.4
Australia	3,386	154	3	0.7	0.3	(1)
Italy	11,801	133	22	2.3	0.2	0.1
Austria	1,249	58	20	0.2	0.1	0.1
Belgium	4,128	46	8	0.8	0.1	0.1
All other	14,161	35	7	2.8	0.1	(1)
Total, developed countries	292,033	29,464	2,131	57.5	52.2	13.9
Mexico	32,446	16,502	8,692	6.4	29.2	56.6
Korea	16,358	1,583	443	3.2	2.8	2.9
Malaysia	8,074	1,375	611	1.6	2.4	4.0
Dominican Republic	2,293	1,272	873	0.5	2.3	5.7
Singapore	10,971	1,206	344	2.2	2.1	2.2
Taiwan	24,199	908	304	4.8	1.6	2.0
Philippines	4,257	823	368	0.8	1.5	2.4
Costa Rica	1,386	502	355	0.3	0.9	2.3
Hong Kong	9,328	354	133	1.8	0.6	0.9
Guatemala	1,059	323	162	0.2	0.6	1.1
Thailand	7,403	320	165	1.5	0.6	1.1
Brazil	7,254	319	19	1.4	0.6	0.1
China	25,102	308	43	4.9	0.5	0.3
Honduras	775	249	181	0.2	0.4	1.2
Jamaica	580	225	172	0.1	0.4	1.1
Colombia	2,779	204	109	0.5	0.4	0.7
El Salvador	380	148	94	0.1	0.3	0.6
Indonesia	4,415	124	39	0.9	0.2	0.3
Haiti	105	76	56	(1)	0.1	0.4
All other	56,883	157	63	11.2	0.3	0.4
Total, less developed countries	216,047	26,977	13,227	42.5	47.8	86.1
Grand total	508,080	56,441	15,358	100.0	100.0	100.0

See notes at end of table.

Table B-2—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802: Total imports; imports under 9802; and U.S. content, by principal sources, 1992-95

Source	1993					
	Total imports	Imports under 9802	U.S. content	Total imports	Imports under 9802	U.S. content
	Million dollars			*Percent*		
Japan	104,314	14,185	489	18.7	24.7	2.8
Germany	26,855	4,586	87	4.8	8.0	0.5
Canada	105,121	3,035	1,124	18.9	5.3	6.4
United Kingdom	19,907	1,009	93	3.6	1.8	0.5
Sweden	4,146	955	29	0.7	1.7	0.2
France	14,319	810	84	2.6	1.4	0.5
Belgium	4,910	654	11	0.9	1.1	0.1
Netherlands	4,797	261	65	0.9	0.5	0.4
Italy	12,775	129	34	2.3	0.2	0.2
Ireland	2,368	82	24	0.4	0.1	0.1
Australia	3,038	68	5	0.5	0.1	(1)
Spain	2,864	51	6	0.5	0.1	(1)
Austria	1,360	41	15	0.2	0.1	0.1
All other	12,401	40	8	2.2	0.1	(1)
Total, developed countries	319,173	25,916	2,074	57.3	45.2	11.8
Mexico	36,989	18,992	9,887	6.6	33.1	56.3
Malaysia	10,361	1,669	794	1.9	2.9	4.5
Korea	16,809	1,664	478	3.0	2.9	2.7
Dominican Republic	2,590	1,531	1,041	0.5	2.7	5.9
Singapore	12,411	1,461	353	2.2	2.5	2.0
Philippines	4,796	1,049	485	0.9	1.8	2.8
Taiwan	24,636	961	337	4.4	1.7	1.9
Costa Rica	1,519	575	399	0.3	1.0	2.3
Guatemala	1,163	426	220	0.2	0.7	1.3
China	31,166	405	52	5.6	0.7	0.3
Thailand	8,455	397	238	1.5	0.7	1.4
Hong Kong	8,995	338	130	1.6	0.6	0.7
Honduras	909	337	236	0.2	0.6	1.3
Jamaica	678	321	254	0.1	0.6	1.4
Brazil	7,675	272	16	1.4	0.5	0.1
Colombia	2,881	223	116	0.5	0.4	0.7
El Salvador	477	203	118	0.1	0.4	0.7
Bahamas	331	155	149	0.1	0.3	0.8
Indonesia	5,326	146	35	1.0	0.3	0.2
Haiti	153	108	73	(1)	0.2	0.4
India	4,513	53	10	0.8	0.1	0.1
Al other	54,944	172	64	9.9	0.3	0.4
Total, less developed countries	237,776	31,458	15,486	42.7	54.8	88.2
Grand total	556,949	57,363	17,560	100.0	100.0	100.0

See notes at end of table.

Table B-2—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802: Total imports; imports under 9802; and U.S. content, by principal sources, 1992-95

Source	1994					
	Total imports	Imports under 9802	U.S. content	Total imports	Imports under 9802	U.S. content
	Million dollars			*Percent*		
Japan	115,727	10,534	500	18.2	17.8	2.6
Germany	30,342	5,877	128	4.8	9.9	0.7
Canada	122,081	1,663	688	19.2	2.8	3.5
United Kingdom	23,148	1,212	110	3.6	2.0	0.6
Belgium	6,016	1,021	18	0.9	1.7	0.1
Sweden	4,779	859	17	0.8	1.4	0.1
France	15,586	710	80	2.4	1.2	0.4
Netherlands	5,335	161	40	0.8	0.3	0.2
Spain	3,399	117	18	0.5	0.2	0.1
Ireland	2,414	66	17	0.4	0.1	0.1
Austria	1,680	60	24	0.3	0.1	0.1
Italy	14,232	69	12	2.2	0.1	0.1
Australia	2,988	41	3	0.5	0.1	(1)
All other	13,746	66	11	2.2	0.1	0.1
Total, developed countries	361,475	22,457	1,666	56.7	37.9	8.5
Mexico	46,661	23,067	11,608	73.2	388.9	594.8
Malaysia	13,699	1,938	968	21.5	32.7	49.6
Korea	19,363	1,724	480	30.4	29.1	24.6
Dominican Republic	2,995	1,707	1,109	4.7	28.8	56.8
Philippines	5,621	1,378	640	8.8	23.2	32.8
Singapore	14,869	1,231	336	23.3	20.8	17.2
Taiwan	26,232	1,127	371	41.2	19.0	19.0
Costa Rica	1,625	623	411	2.6	10.5	21.1
China	38,280	603	74	60.1	10.2	3.8
Thailand	10,177	594	353	16.0	10.0	18.1
Honduras	1,082	452	325	1.7	7.6	16.7
Guatemala	1,270	451	219	2.0	7.6	11.2
Jamaica	726	380	306	1.1	6.4	15.7
Hong Kong	9,187	329	135	14.4	5.6	6.9
El Salvador	604	322	175	0.9	5.4	9.0
Colombia	3,020	252	146	4.7	4.3	7.5
Indonesia	6,390	205	47	10.0	3.5	2.4
Brazil	8,565	147	17	13.4	2.5	0.9
India	5,261	50	4	8.3	0.8	0.2
Haiti	56	35	25	0.1	0.6	1.3
All other	59,905	236	101	94.0	4.0	5.2
Total, less developed countries	275,589	36,852	17,852	43.3	62.1	91.5
Grand total	637,063	59,310	19,517	100.0	100.0	100.0

See notes at end of table.

Table B-2—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802: Total imports; imports under 9802; and U.S. content, by principal sources, 1992-95

Source	1995					
	Total imports	Imports under 9802	U.S. content	Total imports	Imports under 9802	U.S. content
	Million dollars			*Percent*		
Germany	35,739	6,526	153	5.0	10.7	0.7
Japan	120,486	6,069	360	16.8	10.0	1.6
United Kingdom	25,018	1,628	120	3.5	2.7	0.5
Canada	137,492	1,539	605	19.2	2.5	2.7
Sweden	5,922	1,375	21	0.8	2.3	0.1
Belgium	5,697	812	35	0.8	1.3	0.2
France	15,741	431	72	2.2	0.7	0.3
Italy	15,911	129	30	2.2	0.2	0.1
Spain	3,659	174	27	0.5	0.3	0.1
Netherlands	5,704	151	34	0.8	0.2	0.2
Ireland	3,745	73	18	0.5	0.1	0.1
Austria	1,891	73	32	0.3	0.1	0.1
All other	19,367	99	18	2.7	0.2	0.1
Total, developed countries	396,371	19,078	1,525	55.3	31.3	6.9
Mexico	59,220	24,962	12,833	8.3	41.0	58.0
Malaysia	17,116	2,778	1,313	2.4	4.6	5.9
Dominican Republic	3,302	1,965	1,278	0.5	3.2	5.8
Korea	23,773	1,798	600	3.3	3.0	2.7
Philippines	6,918	1,749	785	1.0	2.9	3.6
Taiwan	28,497	1,193	424	4.0	2.0	1.9
Singapore	18,012	958	194	2.5	1.6	0.9
China	44,982	872	109	6.3	1.4	0.5
Thailand	11,234	786	461	1.6	1.3	2.1
Costa Rica	1,819	707	472	0.3	1.2	2.1
Honduras	1,427	676	480	0.2	1.1	2.2
Hong Kong	9,739	637	323	1.4	1.0	1.5
Guatemala	1,475	521	259	0.2	0.9	1.2
El Salvador	806	497	276	0.1	0.8	1.3
Jamaica	810	456	369	0.1	0.7	1.7
Indonesia	7,305	410	75	1.0	0.7	0.3
Colombia	3,676	272	169	0.5	0.4	0.8
Brazil	8,814	178	20	1.2	0.3	0.1
Haiti	120	79	54	0.0	0.1	0.2
India	5,653	38	4	0.8	0.1	(1)
Hungary	539	32	5	0.1	0.1	(1)
All other	64,932	236	82	9.1	0.4	0.4
Total, less developed countries	320,169	41,802	20,585	44.7	68.7	93.1
Grand total	716,540	60,880	22,110	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 the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1992 Total imports	1992 Imports under *HTS* 9802	1992 U.S. content	1993 Total imports	1993 Imports under *HTS* 9802	1993 U.S. content
Agricultural products	31,969,207	15,129	2,054	32,534,186	37,063	1,279
Forest products	18,698,329	73,236	44,532	21,393,721	65,613	31,942
Chemical, coal, petroleum, natural gas, and related products:						
Fabricated plastic and rubber products	9,281,736	131,524	80,366	10,140,902	121,181	79,799
Other energy and chemical products	81,557,538	46,792	13,128	83,548,123	175,964	156,794
Total	90,839,275	178,316	93,494	93,689,024	297,146	236,593
Textiles, apparel, and footwear:						
Textiles and textile products	7,855,810	238,756	138,296	8,502,227	261,986	149,958
Medical apparel	436,060	204,708	136,197	434,718	195,195	134,529
Men's and boys' suits, and sports coats	662,319	89,451	55,013	663,834	101,460	54,277
Men's and boys' coats and jackets	1,285,412	34,099	14,763	1,562,679	51,444	22,499
Men's and boys' trousers	2,674,813	907,225	620,942	2,797,164	1,078,870	718,055
Women's and girls' trousers	3,341,890	549,099	328,763	3,354,366	628,304	344,768
Shirts and blouses	9,172,902	667,583	396,083	10,041,821	889,550	542,384
Women's and girls' suits, skirts and coats	3,011,375	427,458	213,888	3,243,974	516,825	275,935
Women's and girls' dresses	1,010,779	77,134	32,913	1,081,726	89,084	41,453
Robes, nightwear, and underwear	1,563,003	478,257	335,240	1,908,669	606,773	415,445
Hosiery	178,071	25,001	21,366	230,548	98,185	92,060
Foundation garments	557,481	423,117	281,887	639,049	484,473	324,309
Gloves, including gloves, for sports	1,123,979	32,677	20,604	1,349,071	43,141	22,771
Headwear	687,408	28,067	15,353	778,419	28,082	15,947
Other wearing apparel and accessories	5,866,163	189,567	108,360	6,162,081	236,385	131,988
Footwear and parts	10,140,717	1,003,602	146,742	11,105,366	1,134,499	193,746
Total	49,568,183	5,375,799	2,865,411	53,855,714	6,444,248	3,480,122
Minerals and Metals:						
Steel mill products	7,932,014	111,859	77,286	8,669,505	164,998	108,707
Copper and related products	1,907,986	47,610	33,146	2,067,968	61,475	47,276
Aluminum mill products	1,014,625	256,620	213,256	1,095,666	246,042	201,433
Builders' hardware	589,600	61,701	38,692	646,832	46,209	28,152
Gas stoves and other articles of base metal	2,668,919	189,587	86,843	2,935,620	292,792	128,805
Other metal products	28,251,125	121,784	56,898	30,831,144	143,858	64,230
Total	42,364,268	789,160	506,119	46,246,736	954,373	578,602
Miscellaneous Manufactures:						
Luggage, handbags, and flat goods	2,436,989	68,798	38,068	2,584,443	68,051	34,283
Jewelry	3,326,912	70,419	63,055	3,775,881	71,597	61,343
Motor vehicle and other furniture	5,554,705	141,366	61,984	6,298,062	120,557	64,900
Lamps and lighting fixtures	1,499,019	56,832	33,868	1,712,479	66,826	41,827
Other miscellaneous manufactured articles	16,434,075	281,626	118,423	18,271,968	317,988	124,810
Total	29,251,700	619,042	315,397	32,642,833	646,019	327,163
Machinery and equipment:						
Air conditioning equipment	2,824,025	205,694	92,596	3,055,031	212,590	97,067
Commercial machinery	890,008	69,704	20,895	963,986	75,741	25,863
Household appliances, including heating and drying equipment	3,373,161	391,140	168,914	3,570,430	374,072	187,993

See notes at end of table.

Table B-3—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1992			1993		
	Total imports	Imports under *HTS* 9802	U.S. content	Total imports	Imports under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*						
Centrifuges, filtering and purifying equipment, and pumps for liquids	1,944,376	114,136	41,354	2,183,827	87,940	42,967
Semiconductor equipment, robots, and other equipment	5,242,124	275,989	90,794	6,130,904	270,389	89,520
Taps, cocks, valves, and similar devices	2,056,953	226,296	138,794	2,175,278	285,283	194,650
Electric motors, generators, and related equipment	2,658,134	498,647	278,955	2,973,568	586,346	333,990
Electrical transformers, static converters, and inductors	2,129,712	502,555	235,425	2,466,743	566,470	230,541
Powered handtools and parts thereof	850,780	29,334	7,931	920,421	43,266	14,311
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	882,386	146,719	75,895	964,530	123,833	73,230
Wiring harnesses for motor vehicles and other insulated electrical conduits	3,153,612	1,834,805	1,051,800	3,563,535	1,978,836	1,122,425
Miscellaneous machinery and equipment	12,723,236	350,932	83,746	14,273,445	359,942	87,234
Total	38,728,506	4,646,950	2,287,099	43,241,697	4,964,707	2,499,791
Transportation equipment:						
Aircraft engines and gas turbines	6,184,975	276,151	57,793	5,734,721	276,927	50,954
Internal combustion piston engines	5,847,068	822,289	146,142	6,622,894	629,484	121,751
Construction, mining, and industrial vehicles	2,428,106	251,970	56,988	3,020,124	359,319	65,623
Certain motor-vehicle parts	14,294,166	2,366,561	1,092,181	15,760,073	2,265,430	1,242,933
Primary cells and batteries, and electric storage batteries	946,568	134,363	77,905	1,079,066	151,548	79,012
Ignition starting, lighting, and other electrical equipment	1,295,922	247,546	144,828	1,494,814	283,331	167,913
Rail locomotives and rolling stock	743,739	66,240	18,816	728,936	63,621	27,401
Automobiles, trucks, buses, and bodies and chassis of the foregoing	60,375,814	27,565,183	2,190,111	68,607,283	25,337,208	2,330,576
Aircraft, spacecraft, and related equipment, except engines	7,261,920	815,223	302,566	6,254,837	710,891	298,390
Ships, tugs, pleasure boats, and similar vessels	378,334	32,208	6,520	1,019,201	84,400	10,128
Motorcycles and miscellaneous vehicles and transportation related equipment	1,955,966	71,787	35,316	2,341,732	95,932	53,250
Total	101,712,578	32,649,519	4,128,166	112,663,680	30,258,091	4,447,932
Electronic products:						
Office machines	4,578,022	107,875	19,001	5,052,011	164,321	35,610
Telephone and telegraph apparatus, including optical fiber	5,690,854	149,178	56,071	6,232,535	166,378	71,621
Microphones, loudspeakers, audio amplifiers, and combinations thereof	1,241,155	93,549	30,692	1,473,156	111,812	36,136
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	5,444,024	97,503	22,369	5,445,325	103,280	13,948
Records, tapes, compact discs, computer software, and other media, whether or not recorded	2,250,795	92,207	31,477	2,544,224	100,881	33,973

See notes at end of table.

Table B-3—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1992			1993		
	Total imports	Imports under *HTS* 9802	U.S. content	Total imports	Imports under *HTS* 9802	U.S. content
Electronic products—*Continued*						
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	6,403,787	423,157	104,822	6,828,611	513,920	129,176
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	4,469,362	1,942,644	558,428	4,696,668	2,256,972	701,244
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	2,236,254	117,587	34,792	2,536,417	200,769	54,318
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	2,001,123	142,124	48,313	2,248,188	164,431	54,677
Electrical circuit apparatus	6,467,095	1,316,710	806,596	7,434,846	1,508,351	922,367
Semiconductor devices	15,449,469	4,353,788	2,234,368	19,465,816	5,050,585	2,715,496
Automated data processing machines (computers)	31,563,558	1,907,199	557,921	37,905,881	1,693,052	451,696
Photographic equipment and supplies	3,437,269	202,002	75,346	3,825,683	246,106	98,180
Medical and optical goods, including ophthalmic goods	6,095,207	592,199	289,011	6,562,014	602,406	307,240
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	833,734	10,108	3,702	748,724	54,951	11,416
Watches, clocks and timing devices, and arms and ammunition	2,782,444	99,699	34,535	3,129,616	112,463	33,430
Measuring, testing, controlling, and analyzing instruments	4,013,638	447,105	208,219	4,552,740	646,515	285,615
Total	104,947,791	12,094,633	5,115,664	120,682,464	13,697,192	5,956,141
Grand total	508,079,837	56,440,785	15,357,935	556,949,046	57,363,462	17,559,565

See notes at end of table.

Table B-3—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1994			1995		
	Total imports	Imports under *HTS* 9802	U.S. content	Total imports	Imports under *HTS* 9802	U.S. content
Agricultural products	35,049,304	27,190	1,342	37,806,506	7,503	1,637
Forest products	24,037,462	86,122	45,343	29,154,780	83,280	42,002
Chemical, coal petroleum, natural gas, and related products:						
Fabricated plastic and rubber products	11,639,350	136,545	87,302	12,955,349	157,175	85,854
Other energy and chemical products	89,382,918	53,961	38,048	99,832,855	111,309	70,903
Total	101,022,268	190,506	125,351	112,788,204	268,483	156,757
Textiles, apparel, and footwear:						
Textiles and textile products	9,352,247	283,998	150,171	10,190,513	336,592	198,435
Medical apparel	436,644	194,687	131,979	475,512	223,342	157,601
Men's and boys' suits, and sports coats	747,665	138,295	78,309	850,473	146,899	76,715
Men's and boys' coats and jackets	1,772,918	55,894	28,291	1,692,303	75,786	44,226
Men's and boys' trousers	3,144,823	1,330,623	824,422	3,755,379	1,700,119	1,022,948
Women's and girls' trousers	3,582,689	732,857	417,421	3,670,148	929,616	544,827
Shirts and blouses	10,839,910	1,134,936	731,314	11,986,425	1,692,681	1,095,159
Women's and girls' suits, skirts and coats	3,260,820	484,281	237,236	3,547,993	600,374	279,104
Women's and girls' dresses	1,259,893	117,475	52,882	1,442,954	181,836	75,730
Robes, nightwear, and underwear	2,196,518	768,530	521,122	2,672,815	1,104,736	726,623
Hosiery	291,268	137,960	129,088	362,928	163,666	153,279
Foundation garments	750,987	558,807	375,250	926,720	685,945	463,852
Gloves, including gloves, for sports	1,499,020	58,274	29,286	1,733,310	51,939	28,838
Headwear	821,213	40,360	20,623	842,213	40,624	22,420
Other wearing apparel and accessories	6,617,209	277,392	161,854	6,050,859	384,193	230,987
Footwear and parts	11,713,987	1,142,819	167,580	12,095,267	1,397,721	158,191
Total	58,287,810	7,457,189	4,056,829	62,295,814	9,716,069	5,278,935
Minerals and Metals:						
Steel mill products	12,434,672	184,567	124,285	11,785,730	236,494	176,568
Copper and related products	2,655,256	87,018	66,551	3,401,325	78,064	63,241
Aluminum mill products	1,446,111	50,432	37,534	2,048,034	14,617	9,738
Builders' hardware	708,643	85,409	47,617	762,571	96,896	51,044
Gas stoves and other articles of base metal	3,502,426	378,134	200,758	3,824,221	404,000	172,637
Other metal products	36,031,255	148,680	66,183	41,201,888	172,303	78,435
Total	56,778,363	934,241	542,928	63,023,770	1,002,373	551,663
Miscellaneous Manufactures:						
Luggage, handbags, and flat goods	3,008,291	66,775	33,998	3,332,378	81,133	45,293
Jewelry	4,091,534	85,868	76,058	4,135,631	92,013	83,608
Motor vehicle and other furniture	7,637,556	640,127	170,452	8,423,237	604,115	112,567
Lamps and lighting fixtures	1,956,291	65,294	40,359	2,198,137	93,921	59,401
Other miscellaneous manufactured articles	18,652,399	359,005	103,325	20,493,557	378,309	94,356
Total	35,346,072	1,217,068	424,193	38,582,940	1,249,491	395,225

See notes at end of table.

Table B-3—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1994 Total imports	1994 Imports under *HTS* 9802	1994 U.S. content	1995 Total imports	1995 Imports under *HTS* 9802	1995 U.S. content
Machinery and equipment:						
Air conditioning equipment	3,666,077	257,434	134,200	4,129,220	293,680	140,329
Commercial machinery	1,081,931	67,051	23,713	1,191,025	55,527	20,064
Household appliances, including heating and drying equipment	3,858,075	414,122	197,017	4,073,901	433,448	206,527
Centrifuges, filtering and purifying equipment, and pumps for liquids	2,844,277	359,270	270,912	3,296,188	327,620	212,760
Semiconductor equipment, robots, and other equipment	8,121,102	270,636	77,952	9,711,154	247,639	78,311
Taps, cocks, valves, and similar devices	2,600,291	359,512	247,336	2,931,255	386,309	260,472
Electric motors, generators, and related equipment	3,457,321	717,143	426,336	3,879,726	780,214	474,953
Electrical transformers, static converters, and inductors	2,713,076	495,773	202,220	3,537,228	590,903	233,561
Powered handtools and parts thereof	1,039,842	99,045	40,723	1,142,444	135,973	50,436
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	1,030,232	153,252	85,910	1,097,119	188,194	88,791
Wiring harnesses for motor vehicles and other insulated electrical conduits	4,810,413	2,858,020	1,617,283	5,398,336	3,079,857	1,842,862
Miscellaneous machinery and equipment	17,217,043	218,183	52,520	19,832,645	332,824	68,296
Total	52,439,681	6,269,441	3,376,123	60,220,241	6,852,189	3,677,361
Transportation equipment:						
Aircraft engines and gas turbines	5,824,895	202,422	32,132	5,285,140	295,031	78,105
Internal combustion piston engines	7,797,600	770,651	177,141	8,863,010	858,442	272,099
Construction, mining, and industrial vehicles	4,417,020	348,484	54,033	4,771,442	420,737	87,802
Certain motor-vehicle parts	17,386,522	2,023,337	1,004,628	17,818,184	1,807,615	824,647
Primary cells and batteries, and electric storage batteries	1,440,956	190,404	90,266	1,636,963	230,107	83,545
Ignition starting, lighting, and other electrical equipment	1,699,067	128,144	62,459	1,832,824	184,406	107,985
Rail locomotives and rolling stock	1,161,012	222,656	74,501	1,291,549	258,216	87,088
Automobiles, trucks, buses, and bodies and chassis of the foregoing	79,240,132	23,095,296	2,233,981	84,384,110	18,658,744	2,046,011
Aircraft, spacecraft, and related equipment, except engines	6,430,591	314,886	90,952	6,135,254	75,289	23,285
Ships, tugs, pleasure boats, and similar vessels	653,064	65,175	12,481	919,399	87,410	16,447
Motorcycles and miscellaneous vehicles and transportation related equipment	2,394,652	132,896	76,919	2,670,388	199,739	107,810
Total	128,445,512	27,494,350	3,909,493	135,608,263	23,075,736	3,734,822
Electronic products:						
Office machines	5,780,790	93,388	8,806	6,365,708	52,537	12,542
Telephone and telegraph apparatus, including optical fiber	7,552,039	294,810	110,532	7,896,564	194,800	102,835
Microphones, loudspeakers, audio amplifiers, and combinations thereof	1,826,649	183,938	56,705	2,000,815	218,701	69,010

See notes at end of table.

Table B-3—*Continued*
U.S. imports for consumption under the production-sharing provisions of *HTS* 9802, by commodity groups, 1992-95

(Thousand dollars)

Commodity group	1994			1995		
	Total imports	Imports under *HTS* 9802	U.S. content	Total imports	Imports under *HTS* 9802	U.S. content
Electronic products—*Continued*						
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	6,283,068	141,711	23,407	6,732,859	124,736	23,730
Records, tapes, compact discs, computer software, and other media, whether or not recorded	2,698,670	33,308	11,994	2,852,806	40,126	15,836
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	8,201,980	456,410	151,156	9,050,516	706,735	167,581
Television receivers, video monitors cathode ray tubes, and other special purpose tubes	5,537,198	2,606,391	849,904	5,930,226	2,510,787	835,294
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	3,265,361	359,603	117,284	3,881,372	505,761	157,606
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	2,713,469	230,506	82,951	3,211,070	271,453	89,553
Electrical circuit apparatus	8,854,642	1,984,795	1,218,641	10,407,171	2,088,683	1,285,230
Semiconductor devices	26,019,660	6,242,568	3,311,390	39,167,784	8,613,018	4,301,684
Automated data processing machines (computers)	46,160,941	1,306,873	390,196	56,308,251	1,372,105	404,800
Photographic equipment and supplies	4,097,371	173,703	69,839	4,496,485	109,868	45,139
Medical and optical goods, including ophthalmic goods	6,790,037	620,657	291,875	7,771,407	836,709	433,022
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	820,077	125,113	21,090	991,664	174,784	23,938
Watches, clocks and timing devices, and arms and ammunition	3,327,712	97,728	22,092	3,329,730	91,373	20,780
Measuring, testing, controlling, and analyzing instruments	5,727,246	681,922	297,919	6,665,280	712,706	282,919
Total	145,656,909	15,633,425	7,035,780	177,059,709	18,624,882	8,271,498
Grand total	637,063,382	59,309,532	19,517,382	716,540,226	60,880,007	22,109,900

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 the production-sharing provisions of *HTS* 9802, by principal sources, 1995

Source	Total value		Duty-free value	
	Value	Percent of total	Value	Percent of total
	Million dollars		*Million dollars*	
Grand total	60,880	100.0	22,110	100.0
Top 10 sources, total	50,389	82.8	18,069	81.7
Mexico	24,962	41.0	12,833	58.0
Germany	6,526	10.7	153	0.7
Japan	6,069	10.0	360	1.6
Malaysia	2,778	4.6	1,313	5.9
Dominican Republic	1,965	3.2	1,278	5.8
Korea	1,798	3.0	600	2.7
Philippines	1,749	2.9	785	3.6
United Kingdom	1,628	2.7	120	0.5
Canada	1,539	2.5	605	2.7
Sweden	1,375	2.3	21	0.1
All other	10,491	17.2	4,041	18.3

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

Table B-5
U.S. imports for consumption from Mexico under NAFTA and the production-sharing provisions of *HTS* 9802, by commodity groups, 1995
(Thousand dollars)

Commodity group	Entered under					Total NAFTA	Total 9802	U.S. content under 9802
	Total	NAFTA and 9802	NAFTA only	9802 only	All other			
Agricultural products	4,435,771	23	3,043,710	738	1,391,300	3,043.733	761	364
Forest products	786,331	62,081	458,030	3,942	262,278	520,111	66,023	34,627
Chemicals, coal, petroleum natural gas, and related products:								
Fabricated plastic and rubber products	646,977	90,993	476,429	28,797	50,758	567,422	119,790	72,619
Other energy and chemical products	7,317,232	1,578	6,471,428	5,896	838,330	6,473,006	7,474	3,576
Total	7,964,209	92,571	6,947,857	34,693	889,088	7,040,429	127,264	76,195
Textiles, apparel, and footwear:								
Textiles and textile products	822,124	178,165	533,595	84,244	26,121	711,760	262,409	178,662
Medical apparel	222,784	64,724	3,701	153,384	976	68,425	218,107	154,571
Men's and boys' suits and sports coats	37,247	6,856	27,168	2,479	744	34,024	9,335	6,076
Men's and boys' coats and jackets	25,264	14,097	3,136	7,961	70	17,233	22,057	14,730
Men's and boys' trousers	678,349	47,792	11,881	618,232	443	59,674	666,024	411,986
Women's and girls' trousers	446,902	74,341	24,583	347,161	818	98,923	421,502	290,956
Shirts and blouses	670,579	156,889	92,216	418,841	2,633	249,105	575,730	464,431
Women's and girls' suits, skirts and coats	74,117	17,428	3,096	50,774	2,819	20,524	68,203	46,784
Women's and girls' dresses	68,860	9,168	2,740	44,707	12,245	11,908	53,875	31,947
Robes, nightwear, and underwear	211,018	75,218	29,270	106,029	501	104,488	181,247	136,089
Hosiery	21,693	1,175	20,240	18	260	21,415	1,193	922
Foundation garments	177,764	94,095	6,853	76,563	252	100,949	170,658	120,943
Gloves, including gloves, for sports	41,456	8,883	25,997	5,250	1,326	34,881	14,133	11,802
Headwear	49,721	22,320	14,489	12,427	486	36,808	34,746	18,635
Other wearing apparel and accessories	156,449	28,866	37,434	83,084	7,065	66,300	111,951	81,946
Footwear and parts	236,556	37,797	135,090	52,146	11,523	172,888	89,943	66,165
Total	3,940,884	837,815	971,489	2,063,299	68,281	1,809,304	2,901,115	2,036,645
Minerals and Metals:								
Steel mill products	864,588	80,344	694,877	131	89,236	775,221	80,475	60,617
Copper and related products	483,801	344	326,616	39	156,803	326,959	383	340
Aluminum mill products	33,216	2,416	30,470	0	329	32,886	2,416	1,724
Builders' hardware	115,001	95,707	15,982	1,154	2,158	111,689	96,861	51,015
Gas stoves and other articles of base metal	605,698	332,918	254,586	6,031	12,164	587,504	338,949	147,663
Other metal products	2,054,880	85,602	1,161,242	10,023	798,012	1,246,845	95,625	48,639
Total	4,157,183	597,331	2,483,773	17,378	1,058,702	3,081,104	614,708	309,998

See notes at end of table.

Table B-5—*Continued*
U.S. imports for consumption from Mexico under NAFTA and the production-sharing provisions of *HTS* 9802, by commodity groups, 1995
(Thousand dollars)

Commodity group	Entered under					Total NAFTA	Total 9802	U.S. content under 9802
	Total	NAFTA and 9802	NAFTA only	9802 only	All other			
Miscellaneous manufactures:								
Luggage, handbags, and flat goods	86,688	42,736	12,415	25,333	6,204	55,152	68,069	41,700
Jewelry	108,397	14,257	89,481	967	3,692	103,738	15,224	13,557
Motor vehicle and other furniture	1,196,423	460,870	586,100	141,151	8,301	1,046,970	602,021	111,280
Lamps and lighting fixtures	196,751	83,984	104,818	5,604	2,345	188,801	89,588	57,984
Other miscellaneous manufactured articles	907,363	97,751	439,838	89,363	280,411	537,589	187,114	69,744
Total	2,495,622	699,598	1,232,652	262,419	300,953	1,932,250	962,016	294,266
Machinery and equipment:								
Air conditioning equipment	604,021	245,446	284,724	12,230	61,621	530,170	257,676	132,116
Commercial machinery	125,377	35,822	87,831	722	1,001	123,653	36,544	17,033
Household appliances, including heating and drying equipment	601,419	227,125	285,750	57,449	31,095	512,875	284,574	183,043
Centrifuges, filtering and purifying equipment, and pumps for liquids	375,767	137,261	77,982	150,940	9,584	215,243	288,201	199,951
Semiconductor equipment, robots, and other equipment	297,883	201,794	83,173	282	12,635	284,967	202,076	68,236
Taps, cocks, valves, and similar devices	429,366	273,587	111,066	39,494	5,219	384,653	313,081	229,012
Electric motors, generators, and related equipment	880,134	677,128	128,344	36,959	37,703	805,472	714,087	457,436
Electrical transformers, static converters, and inductors	917,089	369,947	379,284	132,413	35,445	749,231	502,360	217,326
Powered handtools and parts thereof	102,588	77,746	8,053	15,043	1,746	85,799	92,789	42,349
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	185,939	103,772	36,861	34,545	10,761	140,633	138,317	76,771
Wiring harnesses for motor vehicles and other insulated electrical conduits	3,327,023	1,819,586	446,071	947,542	113,824	2,265,657	2,767,128	1,757,523
Miscellaneous machinery and equipment	234,554	19,231	107,123	626	107,575	126,354	19,857	12,756
Total	8,081,161	4,188,444	2,036,262	1,428,246	428,209	6,224,705	5,616,689	3,393,551
Transportation equipment:								
Aircraft engines and gas turbines	60,426	28,764	4,480	2,956	24,226	33,244	31,721	27,555
Internal combustion piston engines	1,606,020	218,536	732,652	409,252	245,581	951,187	627,788	252,866
Construction, mining, and industrial vehicles	156,518	0	137,048	0	19,470	137,048	0	0
Certain motor-vehicle parts	2,202,662	1,169,601	632,638	271,140	129,283	1,802,239	1,440,741	811,088
Primary cells and batteries, and electric storage batteries	264,529	120,608	45,950	87,668	10,303	166,558	208,276	75,730
Ignition starting, lighting, and other electrical equipment	334,998	18,502	119,923	148,461	46,112	138,425	166,963	105,332

See notes at end of table.

Table B-5—*Continued*
U.S. imports for consumption from Mexico under NAFTA and the production-sharing provisions of *HTS* 9802, by commodity groups, 1995
(Thousand dollars)

Commodity group	Total	Entered under: NAFTA and 9802	Entered under: NAFTA only	Entered under: 9802 only	Entered under: All other	Total NAFTA	Total 9802	U.S. content under 9802
Transportation equipment—*Continued*								
Rail locomotives and rolling stock	65,688	0	37,958	0	27,730	37,958	0	0
Automobiles, trucks, buses, and bodies and chassis of the foregoing	8,385,784	3,004,025	4,504,500	431,615	445,644	7,508,525	3,435,640	1,676,121
Aircraft, spacecraft, and related equipment, except engines	21,427	11	211	5,273	15,931	222	5,284	2,358
Ships, tugs, pleasure boats, and similar vessels	6,339	50	6,033	0	256	6,083	50	38
Motorcycles and miscellaneous vehicles and transportation related equipment	224,096	154,864	40,662	0	28,569	195,526	154,864	94,480
Total	13,328,486	4,714,962	6,262,055	1,356,365	995,104	10,977,017	6,071,327	3,045,568
Electronic products:								
Office machines	256,256	3,356	168,254	35,110	49,535	171,610	38,466	10,215
Telephone and telegraph apparatus, including optical fiber	517,951	66,698	438,991	4,190	8,072	505,689	70,888	26,062
Microphones, loudspeakers, audio amplifiers, and combinations thereof	290,469	74,669	92,592	116,642	6,565	167,262	191,311	58,640
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	265,678	90,765	104,861	33,615	36,438	195,626	124,380	23,579
Records, tapes, compact discs, computer software, and other media, whether or not recorded	276,909	7,342	207,676	24,614	37,277	215,018	31,956	14,214
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	1,285,383	379,340	570,192	293,906	41,946	949,532	673,246	155,839
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	3,240,093	2,044,051	724,282	377,387	94,373	2,768,333	2,421,438	814,013
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	805,047	401,030	355,524	43,752	4,740	756,554	444,782	149,290
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	270,150	167,251	41,668	48,300	12,930	208,920	215,552	75,968
Electrical circuit apparatus	2,132,565	1,443,298	228,353	399,877	61,038	1,671,650	1,843,175	1,163,839
Semiconductor devices	739,063	4,497	374	594,855	139,338	4,871	599,352	325,679
Automated data processing machines (computers)	1,917,892	79,491	375,562	716,211	746,627	455,053	795,702	281,350
Photographic equipment and supplies	88,324	11,876	72,409	1,206	2,833	84,285	13,082	2,572
Medical and optical goods, including ophthalmic goods	592,552	378,667	92,378	76,760	44,746	471,045	455,427	253,283
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	27,990	5,424	4,269	511	17,785	9,693	5,935	3,399

See notes at end of table.

Table B-5—*Continued*
U.S. imports for consumption from Mexico under NAFTA and the production-sharing provisions of *HTS* 9802, by commodity groups, 1995
(Thousand dollars)

Commodity group	Entered under					Total NAFTA	Total 9802	U.S. content under 9802
	Total	NAFTA and 9802	NAFTA only	9802 only	All other			
Electronic products—*Continued*								
Watches, clocks and timing devices, and arms and ammunition	33,347	17,132	14,242	140	1,834	31,373	17,271	11,529
Measuring, testing, controlling, and analyzing instruments	1,290,319	353,297	182,201	306,904	447,917	535,498	660,201	272,008
Total	14,029,987	5,528,184	3,673,828	3,073,980	1,753,996	9,202,011	8,602,163	3,641,477
Grand total	59,219,634	16,721,009	27,109,655	8,241,060	7,147,910	43,830,664	24,962,069	12,832,691

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 Germany, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	726,787	(1)	(1)
Forest products	614,280	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	734,961	(1)	(1)
Other energy and chemical products	4,481,601	22,687	13,630
Total	5,216,562	22,687	13,630
Textiles, apparel, and footwear:			
Textiles and textile products	416,734	76	41
Medical apparel	12,525	(1)	(1)
Men's and boys' suits, and sports coats	8,940	78	13
Men's and boys' coats and jackets	1,410	(1)	(1)
Men's and boys' trousers	1,617	(1)	(1)
Women's and girls' trousers	6,660	(1)	(1)
Shirts and blouses	12,498	(1)	(1)
Women's and girls' suits, skirts and coats	45,122	(1)	(1)
Women's and girls' dresses	5,749	(1)	(1)
Robes, nightwear, and underwear	2,052	262	195
Hosiery	4,429	(1)	(1)
Foundation garments	214	(1)	(1)
Gloves, including gloves, for sports	3,066	(1)	(1)
Headwear	2,275	(1)	(1)
Other wearing apparel and accessories	31,584	(1)	(1)
Footwear and parts	72,394	111	5
Total	629,291	528	254
Minerals and metals:			
Steel mill products	900,642	3	3
Copper and related products	203,506	390	133
Aluminum mill products	158,292	336	150
Builders' hardware	44,201	(1)	(1)
Gas stoves and other articles of base metal	228,973	(1)	(1)
Other metal products	1,472,728	7,823	2,820
Total	3,008,341	8,552	3,106
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	19,616	(1)	(1)
Jewelry	27,008	(1)	(1)
Motor vehicle and other furniture	151,250	(1)	(1)
Lamps and lighting fixtures	48,536	(1)	(1)
Other miscellaneous manufactured articles	465,978	1,283	110
Total	712,388	1,283	110
Machinery and equipment:			
Air conditioning equipment	348,690	8,144	286
Commercial machinery	117,137	(1)	(1)
Household appliances, including heating and drying equipment	258,153	1,339	177
Centrifuges, filtering and purifying equipment, and pumps for liquids	617,680	482	43
Semiconductor equipment, robots, and other equipment	1,453,092	8,491	725
Taps, cocks, valves, and similar devices	362,084	(1)	(1)
Electric motors, generators, and related equipment	336,781	36	14
Electrical transformers, static converters, and inductors	198,931	5	1
Powered handtools and parts thereof	147,092	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	87,879	93	29
Wiring harnesses for motor vehicles and other insulated electrical conduits	81,467	195	145
Miscellaneous machinery and equipment	4,361,656	36,037	1,780
Total	8,370,642	54,820	3,201

See notes at end of table.

Table B-6—*Continued*
U.S. imports for consumption from Germany, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Transportation equipment:			
Aircraft engines and gas turbines	476,782	21	12
Internal combustion piston engines	757,132	146,886	10,344
Construction, mining, and industrial vehicles	379,751	58	7
Certain motor-vehicle parts	959,473	4,910	106
Primary cells and batteries, and electric storage batteries	20,928	(1)	(1)
Ignition starting, lighting, and other electrical equipment	170,365	1,384	612
Rail locomotives and rolling stock	33,310	(1)	(1)
Automobiles, trucks, buses, and bodies and chassis of the foregoing	7,661,577	6,264,944	117,690
Aircraft, spacecraft, and related equipment, except engines	365,109	619	595
Ships, tugs, pleasure boats, and similar vessels	12,792	(1)	(1)
Motorcycles and miscellaneous vehicles and transportation related equipment	145,240	(1)	(1)
Total	10,982,459	6,418,822	129,364
Electronic products:			
Office machines	102,560	6	1
Telephone and telegraph apparatus, including optical fiber	128,407	3,446	1,160
Microphones, loudspeakers, audio amplifiers, and combinations thereof	31,031	(1)	(1)
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	31,583	(1)	(1)
Records, tapes, compact discs, computer software, and other media, whether or not recorded	196,609	(1)	(1)
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	25,857	384	118
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	61,860	299	239
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	4,249	(1)	(1)
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	80,944	169	49
Electrical circuit apparatus	781,847	1,286	142
Semiconductor devices	631,981	70	22
Automated data processing machines (computers)	786,617	60	21
Photographic equipment and supplies	315,273	4,267	557
Medical and optical goods, including ophthalmic goods	1,266,614	5,398	362
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	45,746	(1)	(1)
Watches, clocks and timing devices, and arms and ammunition	175,090	(1)	(1)
Measuring, testing, controlling, and analyzing instruments	811,558	3,731	456
Total	5,477,826	19,115	3,126
Grand total	35,738,576	6,525,807	152,791

[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, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	390,190	1	1
Forest products	464,542	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	2,116,743	182	36
Other energy and chemical products	5,492,521	27	26
Total	7,609,264	208	62
Textiles, apparel, and footwear:			
Textiles and textile products	509,314	103	74
Medical apparel	70,060	(1)	(1)
Men's and boys' suits, and sports coats	958	(1)	(1)
Men's and boys' coats and jackets	889	(1)	(1)
Men's and boys' trousers	2,439	(1)	(1)
Women's and girls' trousers	11,861	(1)	(1)
Shirts and blouses	2,153	10	6
Women's and girls' suits, skirts and coats	14,469	(1)	(1)
Women's and girls' dresses	1,067	(1)	(1)
Robes, nightwear, and underwear	1,118	(1)	(1)
Hosiery	9,502	(1)	(1)
Foundation garments	23	(1)	(1)
Gloves, including gloves, for sports	6,415	292	243
Headwear	22,114	(1)	(1)
Other wearing apparel and accessories	35,657	(1)	(1)
Footwear and parts	3,599	(1)	(1)
Total	691,8	405	322
Minerals and metals:			
Steel mill products	1,539,793	(1)	(1)
Copper and related products	181,571	27,125	15,397
Aluminum mill products	103,570	7,688	4,644
Builders' hardware	44,693	(1)	(1)
Gas stoves and other articles of base metal	401,344	31	(1)
Other metal products	2,697,461	51	35
Total	4,968,452	34,895	20,076
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	5,104	(1)	(1)
Jewelry	80,416	(1)	(1)
Motor vehicle and other furniture	176,771	(1)	(1)
Lamps and lighting fixtures	22,573	(1)	(1)
Other miscellaneous manufactured articles	2,320,586	1,619	211
Total	2,605,451	1,620	212
Machinery and equipment:			
Air conditioning equipment	860,975	(1)	(1)
Commercial machinery	157,547	(1)	(1)
Household appliances, including heating and drying equipment	360,237	117	1
Centrifuges, filtering and purifying equipment, and pumps for liquids	628,327	(1)	(1)
Semiconductor equipment, robots, and other equipment	2,674,653	12	9
Taps, cocks, valves, and similar devices	468,105	712	33
Electric motors, generators, and related equipment	932,268	2,386	984
Electrical transformers, static converters, and inductors	519,272	74	59
Powered handtools and ports thereof	324,463	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	200,250	(1)	(1)
Wiring harnesses for motor vehicles and other insulated electrical conduits	243,076	1,000	623

See notes at end of table.

Table B-7—*Continued*
U.S. imports for consumption from Japan, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*			
Miscellaneous machinery and equipment	4,935,845	6,180	777
Total	12,325,018	10,461	2,466
Transportation equipment:			
Aircraft engines and gas turbines	190,616	(1)	(1)
Internal combustion piston engines	3,106,805	61,107	6,003
Construction, mining, and industrial vehicles	1,586,200	172,731	44,274
Certain motor-vehicle parts	4,801, 63	112,966	2,185
Primary cells and batteries, and electric storage batteries	820, 09	5,197	401
Ignition starting, lighting, and other electrical equipment	775,281	780	69
Rail locomotives and rolling stock	75,981	32,625	2,280
Automobiles, trucks, buses, bodies and chassis of the foregoing	28,994,915	4,946,350	98,426
Aircraft, spacecraft, and related equipment, except engines	472,882	127	105
Ships, tugs, pleasure boats, and similar vessels	130,225	(1)	(1)
Motorcycles and miscellaneous vehicles and transportation related equipment	1,357,617	1,458	3
Total	42,312,695	5,333,342	153,745
Electronic products:			
Office machines	3,417,992	3	(1)
Telephone and telegraph apparatus, including optical fiber	1,751,068	18,085	4,571
Microphones, loudspeakers, audio amplifiers, and combinations thereof	341,597	79	22
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	2,200,406	(1)	(1)
Records, tapes, compact discs, computer software, and other media, whether or not recorded	916,232	22	2
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	1,478,553	899	153
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	1,204,014	(1)	(1)
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	2,376,819	36,070	3,812
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	826,678	3	(1)
Electrical circuit apparatus	2,846,499	5,974	830
Semiconductor devices	10,674,578	148,246	68,734
Automated data processing machines (computers)	14,824,596	430,364	102,292
Photographic equipment and supplies	1,794,931	33	24
Medical and optical goods, including ophthalmic goods	1,897,571	33,232	1,563
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	189,858	574	416
Watches, clocks and timing devices, and arms and ammunition	830,829	8,346	726
Measuring, testing, controlling, and analyzing instruments	1,546,314	6,165	259
Total	49,118,536	688,096	183,405
Grand total	120,465,87	6,069,049	360,307

[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-8
U.S. imports for consumption from Malaysia, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	196,137	(1)	(1)
Forest products	198,046	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	77,146	81	61
Other energy and chemical products	529,668	3	1
Total	606,814	84	62
Textiles, apparel, and footwear:			
Textiles and textile products	64,513	(1)	(1)
Medical apparel	46	(1)	(1)
Men's and boys' suits, and sports coats	120	(1)	(1)
Men's and boys' coats and jackets	73,688	468	145
Men's and boys' trousers	62,669	(1)	(1)
Women's and girls' trousers	47,492	(1)	(1)
Shirts and blouses	299,989	9,627	376
Women's and girls' suits, skirts and coats	56,815	324	38
Women's and girls' dresses	37,874	(1)	(1)
Robes, nightwear, and underwear	24,510	(1)	(1)
Hosiery	16	(1)	(1)
Foundation garments	4,260	(1)	(1)
Gloves, including gloves, for sports	523,369	(1)	(1)
Headwear	6,191	(1)	(1)
Other wearing apparel and accessories	61,567	(1)	(1)
Footwear and parts	6,725	103	16
Total	1,269,844	10,521	575
Minerals and metals:			
Steel mill products	8,116	(1)	(1)
Copper and related products	23,334	(1)	(1)
Aluminum mill products	21,373	(1)	(1)
Builders' hardware	8,537	(1)	(1)
Gas stoves and other articles of base metal	12,729	(1)	(1)
Other metal products	162,670	(1)	(1)
Total	236,760	(1)	(1)
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	11,028	(1)	(1)
Jewelry	34,868	(1)	(1)
Motor vehicle and other furniture	326,005	(1)	(1)
Lamps and lighting fixtures	25,376	(1)	(1)
Other miscellaneous manufactured articles	321,652	(1)	(1)
Total	718,928	(1)	(1)
Machinery and equipment:			
Air conditioning equipment	102,854	(1)	(1)
Commercial machinery	3,920	(1)	(1)
Household appliances, including heating and drying equipment	78,971	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	2,066	(1)	(1)
Semiconductor equipment, robots, and other equipment	8,089	(1)	(1)
Taps, cocks, valves, and similar devices	1,844	(1)	(1)
Electric motors, generators, and related equipment	72,233	352	174
Electrical transformers, static converters, and inductors	106,443	2,227	448
Powered handtools and ports thereof	927	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	2,706	306	101
Wiring harnesses for motor vehicles and other insulated electrical conduits	33,539	(1)	(1)

See notes at end of table.

Table B-8—*Continued*
U.S. imports for consumption from Malaysia, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*			
Miscellaneous machinery and equipment	4,430	(1)	(1)
Total	12,325,018	10,461	2,466
Transportation equipment:			
Aircraft engines and gas turbines	879	(1)	(1)
Internal combustion piston engines	698	(1)	(1)
Construction, mining, and industrial vehicles	395	(1)	(1)
Certain motor-vehicle parts	8,844	(1)	(1)
Primary cells and batteries, and electric storage batteries	19,908	(1)	(1)
Ignition starting, lighting, and other electrical equipment	1,290	91	72
Rail locomotives and rolling stock	292	(1)	(1)
Automobiles, trucks, buses, and bodies and chassis of the foregoing	32	(1)	(1)
Aircraft, spacecraft, and related equipment, except engines	205	(1)	(1)
Ships, tugs, pleasure boats, and similar vessels	6,157	4,032	668
Motorcycles and miscellaneous vehicles and transportation related equipment	8,203	(1)	(1)
Total	46,902	4,122	740
Electronic products:			
Office machines	143,841	(1)	(1)
Telephone and telegraph apparatus, including optical fiber	758,063	1,666	342
Microphones, loudspeakers, audio amplifiers, and combinations thereof	124,588	(1)	(1)
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	1,516,402	(1)	(1)
Records, tapes, compact discs, computer software, and other media, whether or not recorded	5,958	(1)	(1)
Radio transmission and reception apparatus, navigational aid radar and related apparatus	1,632,438	5,647	161
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	301,377	7	1
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	20,633	7	4
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	123,799	30,797	4,813
Electrical circuit apparatus	128,335	3,165	1,206
Semiconductor devices	5,123,165	2,715,534	1,303,224
Automated data processing machines (computers)	3,277,581	319	128
Photographic equipment and supplies	177,264	(1)	(1)
Medical and optical goods, including ophthalmic goods	23,263	452	193
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	564	(1)	(1)
Watches, clocks and timing devices, and arms and ammunition	23,453	(1)	(1)
Measuring, testing, controlling, and analyzing instruments	43,411	2,694	821
Total	13,424,135	2,760,289	1,310,892
Grand total	17,115,590	2,777,902	1,312,992

[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. Deportment of Commerce.

Table B-9
U.S. imports for consumption from the Dominican Republic, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	353,491	53	27
Forest products	4,643	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	43,865	193	156
Other energy and chemical products	6,068	330	181
Total	49,933	523	338
Textiles, apparel, and footwear:			
Textiles and textile products	27,546	6,910	4,387
Medical apparel	9,162	300	44
Men's and boys' suits, and sports coats	79,787	67,523	49,924
Men's and boys' coats and jackets	11,390	9,222	6,336
Men's and boys' trousers	519,483	513,146	295,939
Women's and girls' trousers	165,399	158,299	99,466
Shirts and blouses	202,691	140,180	94,279
Women's and girls' suits, skirts and coats	171,889	169,304	107,656
Women's and girls' dresses	7,404	5,986	3,841
Robes, nightwear, and underwear	273,629	247,503	148,064
Hosiery	4	(1)	(1)
Foundation garments	186,298	185,574	134,944
Gloves, including gloves, for sports	170	169	5
Headwear	50,080	1,710	1,095
Other wearing apparel and accessories	75,898	66,308	47,375
Footwear and parts	247,183	54,019	36,604
Total	2,028,012	1,626,151	1,029,958
Minerals and metals:			
Steel mill products	1,614	(1)	(1)
Copper and related products	5,530	(1)	(1)
Builders' hardware	7,773	(1)	(1)
Gas stoves and other articles of base metal	19,258	6,363	4,994
Other metal products	146,649	133	95
Total	180,823	6,496	5,089
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	29,063	1,928	1,204
Jewelry	121,970	27,240	25,660
Motor vehicle and other furniture	5,642	(1)	(1)
Lamps and lighting fixtures	94	(1)	(1)
Other miscellaneous manufactured articles	25,546	11,583	2,153
Total	182,314	40,751	29,017
Machinery and equipment:			
Air conditioning equipment	4	(1)	(1)
Commercial machinery	492	(1)	(1)
Household appliances, including heating and drying equipment	57	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	28	(1)	(1)
Semiconductor equipment, robots, and other equipment	536	(1)	(1)
Electric motors, generators, and related equipment	54	37	17
Electrical transformers, static converters, and inductors	12,306	10,234	4,792
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	2	(1)	(1)
Wiring harnesses for motor vehicles and other insulated electrical conduits	5,670	2,797	2,196
Miscellaneous machinery and equipment	653	(1)	(1)
Total	19,803	13,068	7,005

See notes at end of table.

Table B-9—*Continued*
U.S. imports for consumption from the Dominican Republic, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Transportation equipment:			
Aircraft engines and gas turbines	6	[1]	[1]
Internal combustion piston engines	25	[1]	[1]
Construction, mining, and industrial vehicles	2	[1]	[1]
Certain motor-vehicle parts	3	[1]	[1]
Primary cells and batteries, and electric storage batteries	125	[1]	[1]
Ignition starting, lighting, and other electrical equipment	5,453	[1]	[1]
Aircraft, spacecraft, and related equipment, except engines	15	[1]	[1]
Motorcycles and miscellaneous vehicles and transportation related equipment	5	[1]	[1]
Total	5,633	[1]	[1]
Electronic products:			
Office machines	41	[1]	[1]
Telephone and telegraph apparatus, including optical fiber	6,672	13	8
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	3	[1]	[1]
Records, tapes, compact discs, computer software, and other media, whether or not recorded	21	[1]	[1]
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	520	5	4
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	1	[1]	[1]
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	2	[1]	[1]
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	46,550	6,779	4,427
Electrical circuit apparatus	135,890	78,653	57,299
Semiconductor devices	1,210	[1]	[1]
Automated data processing machines (computers)	1,984	8	1
Photographic equipment and supplies	32	[1]	[1]
Medical and optical goods, including ophthalmic goods	279,190	187,285	143,392
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instrument	4	[1]	[1]
Watches, clocks and timing devices, and arms and ammunition	224	[1]	[1]
Measuring, testing, controlling, and analyzing instruments	5,222	4,820	1,239
Total	477,567	277,563	206,369
Grand total	3,302,219	1,964,605	1,277,803

[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-10
U.S. imports for consumption from Korea, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	181,196	(1)	(1)
Forest products	155,108	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	560,984	46	26
Other energy and chemical products	424,492	(1)	(1)
Total	985,476	46	26
Textiles, apparel, and footwear:			
Textiles and textile products	737,020	1,700	224
Medical apparel	281	(1)	(1)
Men's and boys' suits, and sports coats	19,845	1,707	6
Men's and boys' coats and jackets	223,946	813	18
Men's and boys' trousers	40,565	2,678	14
Women's and girls' trousers	96,006	12,797	57
Shirts and blouses	665,769	15,378	186
Women's and girls' suits, skirts and coats	253,451	37,779	1,077
Women's and girls' dresses	66,677	17,017	292
Robes, nightwear, and underwear	32,549	(1)	(1)
Hosiery	30,787	9	7
Foundation garments	2,007	(1)	(1)
Gloves, including gloves, for sports	33,742	130	88
Headwear	55,099	(1)	(1)
Other wearing apparel and accessories	330,531	3,071	167
Footwear and parts	515,456	247,210	10,346
Total	3,103,732	340,288	12,462
Minerals and metals:			
Steel mill products	578,271	(1)	(1)
Copper and related products	11,134	2	(1)
Aluminum mill products	3,924	(1)	(1)
Builders' hardware	23,414	(1)	(1)
Gas stoves and other articles of base metal	106,162	21	9
Other metal products	523,180	42	13
Total	1,246,084	64	22
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	245,749	2,279	15
Jewelry	162,035	319	81
Motor vehicle and other furniture	43,121	(1)	(1)
Lamps and lighting fixtures	35,567	(1)	(1)
Other miscellaneous manufactured articles	556,151	4,401	731
Total	1,042,624	6,999	827
Machinery and equipment:			
Air conditioning equipment	133,752	(1)	(1)
Commercial machinery	15,636	(1)	(1)
Household appliances, including heating and drying equipment	468,846	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	45,968	20,962	8,124
Semiconductor equipment, robots, and other equipment	27,129	(1)	(1)
Taps, cocks, valves, and similar devices	68,122	(1)	(1)
Electric motors, generators, and related equipment	57,655	597	32
Electrical transformers, static converters, and inductors	130,377	1,737	334
Powered handtools and parts thereof	1,920	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	68,719	4,720	1,141

See notes at end of table.

Table B-10—*Continued*
U.S. imports for consumption from Korea, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*			
Wiring harnesses for motor vehicles and other insulated electrical conduits	15,084	[1]	[1]
Miscellaneous machinery and equipment	161,283	143	35
Total	1,194,495	28,158	9,667
Transportation equipment:			
Aircraft engines and gas turbines	36,745	[1]	[1]
Internal combustion piston engines	14,025	53	1
Construction, mining, and industrial vehicles	215,903	5,038	1,296
Certain motor-vehicle ports	144,453	[1]	11
Primary cells and batteries, and electric storage batteries	50,762	[1]	[1]
Ignition starting, lighting, and other electrical equipment	25,459	1,402	143
Rail locomotives and rolling stock	18,752	[1]	[1]
Automobiles, trucks, buses, and bodies and chassis of the foregoing	1,651,257	354,690	14,039
Aircraft, spacecraft, and related equipment, except engines	40,107	[1]	[1]
Ships, tugs, pleasure boats, and similar vessels	4,610	123	49
Motorcycles and miscellaneous vehicles and transportation related equipment	23,801	[1]	[1]
Total	2,225,873	361,306	15,529
Electronic products:			
Office machines	52,502	[1]	[1]
Telephone and telegraph apparatus, including optical fiber	461,384	412	151
Microphones, loudspeakers, audio amplifiers, and combinations thereof	177,136	1,029	14
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	640,468	[1]	[1]
Records, tapes, compact discs, computer software, and other media, whether or not recorded	260,356	[1]	[1]
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	307,655	[1]	[1]
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	79,578	[1]	[1]
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	136,070	[1]	[1]
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	101,815	[1]	[1]
Electrical circuit apparatus	186,098	6	2
Semiconductor devices	7,080,406	1,053,357	560,306
Automated data processing machines (computers)	3,830,888	6,037	769
Photographic equipment and supplies	63,379	[1]	[1]
Medical and optical goods, including ophthalmic goods	160,662	728	150
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	6,792	[1]	[1]
Watches, clocks and timing devices, and arms and ammunition	39,923	[1]	[1]
Measuring, testing, controlling, and analyzing instruments	52,963	[1]	[1]
Total	13,638,076	1,061,569	561,392
Grand total	23,772,662	1,798,429	599,945

[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. Deportment of Commerce.

Table B-11
U.S. imports for consumption from the Philippines, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	674,008	(1)	(1)
Forest products	124,596	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	47,740	(1)	(1)
Other energy and chemical products	29,662	(1)	(1)
Total	77,402	(1)	(1)
Textiles, apparel, and footwear:			
Textiles and textile products	68,243	3,952	1,131
Medical apparel	453	(1)	(1)
Men's and boys' suits, and sports coats	14,549	(1)	(1)
Men's and boys' coats and jackets	99,409	199	3
Men's and boys' trousers	108,298	922	29
Women's and girls' trousers	116,565	4,822	39
Shirts and blouses	376,854	6,131	64
Women's and girls' suits, skirts and coats	157,870	13,366	154
Women's and girls' dresses	119,959	3,329	104
Robes, nightwear, and underwear	80,053	11,478	539
Hosiery	935	12	0
Foundation garments	71,643	36,679	16,719
Gloves, including gloves, for sports	123,721	13,221	552
Headwear	61,471	100	31
Other wearing apparel and accessories	301,922	8,907	298
Footwear and parts	86,275	7,690	350
Total	1,788,221	110,810	20,012
Minerals and metals:			
Steel mill products	6,088	(1)	(1)
Copper and related products	350	(1)	(1)
Builders' hardware	795	(1)	(1)
Gas stoves and other articles of base metal	12,864	(1)	(1)
Other metal products	73,023	(1)	(1)
Total	93,119	(1)	(1)
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	123,250	25	0
Jewelry	8,148	(1)	(1)
Motor vehicle and other furniture	166,839	(1)	(1)
Lamps and lighting fixtures	43,538	(1)	(1)
Other miscellaneous manufactured articles	135,919	140	73
Total	477,693	165	73
Machinery and equipment:			
Air conditioning equipment	1,235	(1)	(1)
Commercial machinery	159	(1)	(1)
Household appliances, including heating and drying equipment	944	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	787	(1)	(1)
Semiconductor equipment, robots, and other equipment	2,673	(1)	(1)
Taps, cocks, valves, and similar devices	6,265	(1)	(1)
Electric motors, generators, and related equipment	1,215	(1)	(1)
Electrical transformers, static converters, and inductors	9,805	82	3
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	10,628	(1)	(1)
Wiring harnesses for motor vehicles and other insulated electrical conduits	287,513	147,556	54,206
Miscellaneous machinery and equipment	3,185	(1)	(1)
Total	324,409	147,637	54,208

See notes at end of table.

Table B-11—*Continued*
U.S. imports for consumption from the Philippines, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Transportation equipment:			
Aircraft engines and gas turbines	6,415	[1]	[1]
Internal combustion piston engines	240	[1]	[1]
Construction, mining, and industrial vehicles	473	[1]	[1]
Certain motor-vehicle parts	12,675	[1]	[1]
Primary cells and batteries, and electric storage batteries	7,785	[1]	[1]
Ignition starting, lighting, and other electrical equipment	137	[1]	[1]
Rail locomotives and rolling stock	32	[1]	[1]
Automobiles, trucks, buses, and bodies and chassis of the foregoing	76	[1]	[1]
Aircraft, spacecraft, and related equipment, except engines	1,088	62	31
Ships, tugs, pleasure boats, and similar vessels	25	[1]	[1]
Motorcycles and miscellaneous vehicles and transportation related equipment	1,113	[1]	[1]
Total	30,060	62	31
Electronic products:			
Office machines	4,608	[1]	[1]
Telephone and telegraph apparatus, including optical fiber	155,681	32	23
Microphones, loudspeakers, audio amplifiers, and combinations thereof	35,336	[1]	[1]
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	9,724	[1]	[1]
Records, tapes, compact discs, computer software, and other media, whether or not recorded	1,620	[1]	[1]
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	244,698	2,882	2,747
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	6,897	[1]	[1]
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	77,434	[1]	[1]
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	94,095	4,700	578
Electrical circuit apparatus	26,557	112	8
Semiconductor devices	2,008,658	1,422,255	700,009
Automated data processing machines (computers)	339,938	828	239
Photographic equipment and supplies	60,600	[1]	[1]
Medical and optical goods, including ophthalmic goods	27,988	[1]	[1]
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	1,305	[1]	[1]
Watches, clocks and timing devices, and arms and ammunition	164,885	59,406	7,213
Measuring, testing, controlling, and analyzing instruments	68,642	255	150
Total	3,328,667	1,490,469	710,968
Grand total	6,918,175	1,749,143	785,292

[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-12
U.S. imports for consumption from United Kingdom, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	958,179	(1)	(1)
Forest products	690,035	32	10
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	411,183	118	38
Other energy and chemical products	5,989,323	46,129	35,625
Total	6,400,506	46,246	35,663
Textiles, apparel, and footwear:			
Textiles and textile products	348,130	1,472	222
Medical apparel	6,802	(1)	(1)
Men's and boys' suits, and sports coats	5,550	(1)	(1)
Men's and boys' coats and jackets	8,598	(1)	(1)
Men's and boys' trousers	1,537	(1)	(1)
Women's and girls' trousers	4,575	(1)	(1)
Shirts and blouses	24,575	107	1
Women's and girls' suits, skirts and coats	19,880	77	1
Women's and girls' dresses	11,834	(1)	(1)
Robes, nightwear, and underwear	9,039	(1)	(1)
Hosiery	7,247	(1)	(1)
Foundation garments	1,566	(1)	(1)
Gloves, including gloves, for sports	1,812	(1)	(1)
Headwear	8,892	(1)	(1)
Other wearing apparel and accessories	73,958	89	(1)
Footwear and parts	120,156	(1)	(1)
Total	654,152	1,745	223
Minerals and metals:			
Steel mill products	450,398	355	94
Copper and related products	60,341	(1)	(1)
Aluminum mill products	60,024	(1)	(1)
Builders' hardware	13,196	(1)	(1)
Gas stoves and other articles of base metal	84,919	(1)	(1)
Other metal products	1,333,217	4,183	3,084
Total	2,002,095	4,538	3,178
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	5,326	(1)	(1)
Jewelry	18,272	27	9
Motor vehicle and other furniture	145,898	(1)	(1)
Lamps and lighting fixtures	12,330	217	169
Other miscellaneous manufactured articles	1,142,566	91	82
Total	1,324,393	335	261
Machinery and equipment:			
Air conditioning equipment	186,218	(1)	(1)
Commercial machinery	34,806	(1)	(1)
Household appliances, including heating and drying equipment	71,662	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	231,332	7,007	1,801
Semiconductor equipment, robots, and other equipment	432,435	1,011	230
Taps, cocks, valves, and similar devices	175,767	18	4
Electric motors, generators, and related equipment	192,549	32,380	5,974
Electrical transformers, static converters, and inductors	89,893	456	240
Powered handtools and ports thereof	58,339	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	24,705	(1)	(1)
Wiring harnesses for motor vehicles and other insulated electrical conduits	39,724	240	22

See notes at end of table.

Table B-12—*Continued*
U.S. imports for consumption from United Kingdom, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*			
Miscellaneous machinery and equipment	1,254,724	36,661	6,444
Total	2,792,155	77,774	14,715
Transportation equipment:			
Aircraft engines and gas turbines	1,295,507	1,111	472
Internal combustion piston engines	385,587	63	50
Construction, mining, and industrial vehicles	408,199	5,929	1,359
Certain motor-vehicle ports	347,011	40,187	1,822
Primary cells and batteries, and electric storage batteries	20,332	(1)	(1)
Ignition starting, lighting, and other electrical equipment	34,115	294	111
Rail locomotives and rolling stock	7,450	(1)	(1)
Automobiles, trucks, buses, and bodies and chassis of the foregoing	1,563,630	1,374,909	35,003
Aircraft, spacecraft, and related equipment, except engines	863,413	6,824	2,853
Ships, tugs, pleasure boats, and similar vessels	39,397	7,875	1,353
Motorcycles and miscellaneous vehicles and transportation related equipment	44,345	2,290	135
Total	5,008,987	1,439,462	43,157
Electronic products:			
Office machines	200,029	(1)	(1)
Telephone and telegraph apparatus, including optical fiber	152,053	974	785
Microphones, loudspeakers, audio amplifiers, and combinations thereof	75,307	13	9
Tape recorders, tape players, video cassette recorders turntables, and compact disc players	42,418	2	2
Records, tapes, compact discs, computer software, and other media, whether or not recorded	115,464	(1)	(1)
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	160,008	1,113	349
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	49,443	264	96
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	23,267	530	49
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	246,932	143	34
Electrical circuit apparatus	279,939	1,805	968
Semiconductor devices	622,008	65	41
Automated data processing machines (computers)	1,773,610	13,528	4,146
Photographic equipment and supplies	310,134	32,649	15,319
Medical and optical goods, including ophthalmic goods	288,162	545	92
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	134,995	668	304
Watches, clocks and timing devices, and arms and ammunition	63,728	(1)	(1)
Measuring, testing, controlling, and analyzing instruments	647,636	5,231	1,017
Total	5,187,154	57,530	23,209
Grand total	25,017,655	1,627,684	120,416

[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. Deportment of Commerce.

Table B-13
U.S. imports for consumption from Canada, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	7,212,242	377	132
Forest products	19,860,360	16,237	6,943
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	3,302,331	25,320	6,960
Other energy and chemical products	21,406,237	11,841	4,670
Total	24,708,569	37,161	11,849
Textiles, apparel, and footwear:			
Textiles and textile products	1,081,843	23,076	5,418
Medical apparel	37,022	298	288
Men's and boys' suits, and sports coats	149,676	(1)	(1)
Men's and boys' coats and jackets	24,780	70	2
Men's and boys' trousers	80,389	188	87
Women's and girls' trousers	81,477	173	39
Shirts and blouses	175,106	713	346
Women's and girls' suits, skirts and coats	62,192	2,224	1,103
Women's and girls' dresses	23,450	159	60
Robes, nightwear, and underwear	23,401	453	326
Hosiery	26,573	78	44
Foundation garments	10,502	5,145	1,955
Gloves, including gloves, for sports	18,966	190	118
Headwear	36,404	312	82
Other wearing apparel and accessories	179,757	10,681	6,687
Footwear and parts	97,429	(1)	(1)
Total	2,108,966	43,759	16,554
Minerals and metals:			
Steel mill products	2,441,836	155,525	115.746
Copper and related products	1,451,609	48,627	46,360
Aluminum mill products	920,099	3,983	3,047
Builders' hardware	94,529	35	29
Gas stoves and other articles of base metal	1,017,808	58,107	19,693
Other metal products	9,101,748	22,928	5,589
Total	15,027,629	289,205	190,464
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	25,092	4,664	201
Jewelry	100,611	285	94
Motor vehicle and other furniture	2,442,047	765	511
Lamps and lighting fixtures	90,582	3,543	1,197
Other miscellaneous manufactured articles	615,269	9,075	1,043
Total	3,273,600	18,331	3,046
Miscellaneous manufactures:			
Air conditioning equipment	187,946	6,625	1,752
Commercial machinery	214,628	15,555	2,773
Household appliances, including heating and drying equipment	304,066	72,226	17,738
Centrifuges, filtering and purifying equipment, and pumps for liquids	508,711	9,614	2,522
Semiconductor equipment, robots, and other equipment	2,410,266	29,539	8,057
Taps, cocks, valves, and similar devices	300,526	3,194	1,708
Electric motors, generators, and related equipment	430,450	1,803	390
Electrical transformers, static converters, and inductors	290,874	1,814	443
Powered handtools and parts thereof	19,679	1,099	223
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	96132	42,542	10,014
Wiring harnesses for motor vehicles and other insulated electrical conduits	403,119	9,169	5,683

See notes at end of table.

Table B-13—*Continued*
U.S. imports for consumption from Canada, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Miscellaneous manufactures—*Continued*			
Miscellaneous machinery and equipment	2,421,850	146,141	38,574
Total	7,588,246	339.319	89,876
Transportation equipment:			
Aircraft engines and gas turbines	1,023,409	257,079	45,556
Internal combustion piston engines	1,828,629	970	527
Construction, mining, and industrial vehicles	550,867	19,134	7,835
Certain motor-vehicle parts	6,537,424	9,549	2,734
Primary cells and batteries, and electric storage batteries	40,734	12,467	5,527
Ignition starting, lighting, and other electrical equipment	139,143	99	21
Rail locomotives and rolling stock	687,061	163,180	76,396
Automobiles, trucks, buses, and bodies and chassis of the foregoing	33,276,870	105,612	64,012
Aircraft, spacecraft, and related equipment, except engines	1,482,078	5,420	4,217
Ships, tugs, pleasure boats, and similar vessels	477,010	15,501	3,533
Motorcycles and miscellaneous vehicles and transportation related equipment	579,909	37,529	12,555
Total	46,823,134	646,539	222,912
Electronic products:			
Office machines	169,528	3,457	260
Telephone and telegraph apparatus, including optical fiber	1,342,051	42,057	26,389
Microphones, loudspeakers, audio amplifiers, and combinations thereof	71,980	25,319	10,244
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	3,198	60	39
Records, tapes, compact discs, computer software, and other media, whether or not recorded	267,848	29	19
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	517,987	9,576	6,089
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	124,368	2,177	969
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	56,278	3	0
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	255,507	2,701	514
Electrical circuit apparatus	966,165	27,929	7,828
Semiconductor devices	1,694,759	379	171
Automated data processing machines (computers)	4,057,420	3,387	690
Photographic equipment and supplies	253,532	65	62
Medical and optical goods, including ophthalmic goods	198,090	19,314	7,303
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	86,370	6,435	1,262
Watches, clocks and timing devices, and arms and ammunition	58,218	412	134
Measuring, testing, controlling, and analyzing instruments	765,846	5,237	1,697
Total	10,889,146	148,535	63,669
Grand total	137,491,891	1,539,464	605,446

[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-14
U S. imports for consumption from Sweden, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Agricultural products	223,915	(1)	(1)
Forest products	195,687	(1)	(1)
Chemicals, coal, petroleum, natural gas, and related products:			
Fabricated plastic and rubber products	62,260	(1)	(1)
Other energy and chemical products	444,448	(1)	(1)
Total	506,708	(1)	(1)
Textiles, apparel, and footwear:			
Textiles and textile products	18,615	1,105	991
Medical apparel	245	(1)	(1)
Men's and boys' suits, and sports coats	1	(1)	(1)
Men's and boys' coats and jackets	72	(1)	(1)
Men's and boys' trousers	100	(1)	(1)
Women's and girls' trousers	675	(1)	(1)
Shirts and blouses	874	(1)	(1)
Women's and girls' suits, skirts and coats	85	(1)	(1)
Women's and girls' dresses	154	(1)	(1)
Robes, nightwear, and underwear	843	(1)	(1)
Hosiery	419	(1)	(1)
Foundation garments	27	(1)	(1)
Gloves, including gloves, for sports	174	(1)	(1)
Headwear	4,976	(1)	(1)
Other wearing apparel and accessories	4,163	(1)	(1)
Footwear and parts	938	(1)	(1)
Total	32,360	1,105	991
Minerals and metals:			
Steel mill products	311,333	(1)	(1)
Copper and related products	50,847	(1)	(1)
Aluminum mill products	27,199	(1)	(1)
Builders' hardware	5,243	(1)	(1)
Gas stoves and other articles of base metal	35,649	(1)	(1)
Other metal products	214,281	(1)	(1)
Total	644,552	(1)	(1)
Miscellaneous manufactures:			
Luggage, handbags, and flat goods	587	(1)	(1)
Jewelry	178	(1)	(1)
Motor vehicle and other furniture	63,463	(1)	(1)
Lamps and lighting fixtures	3,974	(1)	(1)
Other miscellaneous manufactured articles	49,767	(1)	(1)
Total	117,969	(1)	(1)
Machinery and equipment:			
Air conditioning equipment	18,249	(1)	(1)
Commercial machinery	20,517	(1)	(1)
Household appliances, including heating and drying equipment	138,776	(1)	(1)
Centrifuges, filtering and purifying equipment, and pumps for liquids	111,327	(1)	(1)
Semiconductor equipment, robots, and other equipment	141,850	6	6
Taps, cocks, valves, and similar devices	23,377	(1)	(1)
Electric motors, generators, and related equipment	32,187	(1)	(1)
Electrical transformers, static converters, and inductors	24,633	6	4
Powered handtools and parts thereof	100,794	(1)	(1)
Flashlights and other similar electric lights, light bulbs and fluorescent tubes; arc lights	439	(1)	(1)
Wiring harnesses for motor vehicles and other insulated electrical conduits	21,339	(1)	(1)

See notes at end of table.

Table B-14—*Continued*
U S. imports for consumption from Sweden, total and under the production-sharing provisions of *HTS* 9802, by commodity groups, 1995

(Thousand dollars)

Commodity group	Total imports	Total under *HTS* 9802	U.S. content
Machinery and equipment—*Continued*			
Miscellaneous machinery and equipment	380,733	923	234
Total	1,014,222	935	244
Transportation equipment:			
Aircraft engines and gas turbines	88,974	(1)	(1)
Internal combustion piston engines	100,566	99	9
Construction, mining, and industrial vehicles	186,244	41,619	560
Certain motor-vehicle parts	149,668	11,502	29
Primary cells and batteries, and electric storage batteries	11,347	(1)	(1)
Ignition starting, lighting, and other electrical equipment	4,831	(1)	(1)
Rail locomotives and rolling stock	31,392	24,213	1,962
Automobiles, trucks, buses, and bodies and chassis of the foregoing	1,795,222	1,290,695	17,132
Aircraft, spacecraft, and related equipment, except engines	102,204	(1)	(1)
Ships, tugs, pleasure boats, and similar vessels	12,887	(1)	(1)
Motorcycles and miscellaneous vehicles and transportation related equipment	6,608	(1)	(1)
Total	2,490,164	1,368,128	19,712
Electronic products:			
Office machines	19,648	46	4
Telephone and telegraph apparatus, including optical fiber	43,926	23	7
Microphones, loudspeakers, audio amplifiers, and combinations thereof	2,883	(1)	(1)
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	2,703	(1)	(1)
Records, tapes, compact discs, computer software, and other media, whether or not recorded	7,942	(1)	(1)
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	193,066	2,861	219
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	226	(1)	(1)
Television apparatus (except receivers and monitors), including cameras, camcorders, and cable apparatus	414	(1)	(1)
Electric sound and visual signaling apparatus, and other miscellaneous electrical and electronic articles	7,180	(1)	(1)
Electrical circuit apparatus	72,742	(1)	(1)
Diodes transistors integrated circuits and similar Semiconductor devices	34,750	2	2
Automated data processing machines (computers)	86,160	5	4
Photographic equipment and supplies	22,806	(1)	(1)
Medical and optical goods, including ophthalmic goods	98,323	(1)	(1)
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	12,669	(1)	(1)
Watches, clocks and timing devices, and arms and ammunition	5,650	1,725	209
Measuring, testing, controlling, and analyzing instruments	85,510	13	12
Total	696,599	4,674	458
Grand total	5,922,177	1,374,843	21,405

[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 9802.00.60, by country and commodity, 1995

(Thousand dollars)

Monitoring Group	Canada	Mexico	Japan	Germany	Russia	All other	Total
Steel mill products	152,677	80,071	(1)	3	(1)	347	233,098
Copper and related products	47,662	(1)	27,125	(1)	(1)	1,432	76,219
Other metal products	1,533	3,664	6	7,798	7,369	11,200	31,570
Aircraft engines and gas turbines	5	22,933	(1)	(1)	(1)	858	23,796
Certain motor-vehicle parts	764	42,564	(1)	5	(1)	10	43,343
All other	10,677	47,835	7,645	20,487	749	5,302	92,695
Total	213,318	197,067	34,776	28,293	8,118	19,149	500,721

[1] Less than $500.

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

Table B-16
U.S. imports for consumption under *HTS* provision 9802.00.90 from Mexico, by commodity, 1994 and 1995

(Thousand dollars)

Monitoring Group	1994	1995
Forest products	51	[1]
Chemicals, coal, petroleum, natural gas, and related products:		
Fabricated plastic and rubber products	2,341	2,339
Other energy and chemical products	3	[1]
Textiles, apparel, and footwear:		
Textiles and textile products	42,172	108,855
Medical apparel	114,340	211,104
Men's and boys' suits, and sports coats	6,796	2,255
Men's and boys' coats and jackets	12,973	19,386
Men's and boys' trousers	418,044	652,009
Women's and girls' trousers	237,514	385,486
Shirts and blouses	338,874	554,894
Women's and girls' suits, skirts and coats	27,062	54,907
Women's and girls' dresses	17,009	27,315
Robes, nightwear, and underwear	123,015	168,928
Hosiery	[1]	1,193
Foundation garments	101,085	127,531
Gloves, including gloves, for sports	1,947	5,334
Headwear	7,130	16,057
Other wearing apparel and accessories	51,510	95,940
Footwear and parts	501	[1]
Miscellaneous manufactures:		
Luggage, handbags, and flat goods	11,559	42,272
Motor vehicle and other furniture	5,631	7,016
Other miscellaneous manufactured articles	[1]	58
Transportation equipment:		
Aircraft, spacecraft, and related equipment, except engines	24	[1]
Electronic products:		
Medical and optical goods, including ophthalmic goods	29	58
Total	1,519,611	2,482,936

[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-17
Duty savings from use of production-sharing provisions of *HTS* 9802, by monitoring group, 1995

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars			*Percent*		*Thousand dollars*
Agricultural products	7,503	1,637	78	11	9	178
Forest products	83,280	42,002	50	5	2	1,932
Fabricated plastics and rubber products	157,175	85,854	45	4	2	3,778
Other energy and chemicals products	111,309	70,903	36	4	2	3,049
Textiles and textile products	336,592	198,435	41	6	3	12,501
Medical apparel	223,342	157,601	29	6	2	8,668
Men's and boys' suits and sports coats	146,899	76,715	48	23	11	17,568
Men's and boys' coats and jackets	75,786	44,226	42	17	7	7,386
Men's and boys' trousers	1,700,119	1,022,948	40	19	8	198,452
Women's and girls' trousers	929,616	544,827	41	20	8	107,876
Shirts and blouses	1,692,681	1,095,159	35	24	8	260,648
Women's and girls' suits skirts and coats	600,374	279,104	54	20	11	55,263
Women's and girls' dresses	181,836	75,730	58	15	9	11,435
Robes, nightwear, and underwear	1,104,736	726,623	34	14	5	100,274
Hosiery	163,666	153,279	6	17	1	25,904
Foundation garments	685,945	463,852	32	18	6	84,421
Gloves, including gloves, for sports	51,939	28,838	45	17	7	4,816
Headwear	40,624	22,420	45	7	3	1,547
Other wearing apparel and accessories	384,193	230,987	40	16	6	36,496
Footwear and parts	1,397,721	158,191	89	15	13	23,254
Steel mill products	236,494	176,568	25	7	2	11,477
Copper and related products	78,064	63,241	19	4	1	2,719
Aluminum mill products	14,617	9,738	33	4	1	409
Builders' hardware	96,896	51,044	47	5	3	2,756
Gas stoves and other articles of base metal	404,000	172,637	57	4	2	6,905
Other metal products	172,303	78,435	55	5	3	3,765
Luggage, handbags, and flat goods	81,133	45,293	44	17	8	7,836
Jewelry	92,013	83,608	9	7	1	5,685
Motor vehicles and other furniture	604,115	112,567	81	3	2	2,927
Lamps and lighting fixtures	93,921	59,401	37	7	3	4,158
Other miscellaneous manufactured articles	378,309	94,356	75	5	4	4,718
Air conditioning equipment	293,680	140,329	52	2	1	3,228
Commercial machinery	55,527	20,064	64	3	2	622
Household appliances including heat and drying equipment	433,448	206,527	52	4	2	7,641
Centrifuges, filtering and purifying equipment, and pumps for liquids	327,620	212,760	35	3	1	6,383
Semiconductor equipment, robots, and other equipment	247,639	78,311	68	2	2	1,879
Taps, cocks, valves, and similar devices	386,309	260,472	33	4	1	9,637
Electric motors, generators, and related equipment	780,214	474,953	39	4	2	19,948

See notes at end of table.

Table B-17—*Continued*
Duty savings from use of production-sharing provisions of *HTS* 9802, by monitoring group, 1995

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars		*Percent*			*Thousand dollars*
Electrical transformers, static converters, and inductors	590,903	233,561	61	3	2	7,240
Powered handtools and parts thereof	135,973	50,436	63	2	1	1,009
Flashlights and other similar electric lights, lights bulbs and fluorescent tubes; arc lights	188,194	88,791	53	4	2	3,285
Wiring harnesses for motor vehicles and other insulated electrical conduits	3,079,857	1,842,862	40	5	2	92,143
Miscellaneous machinery and equipment	332,824	68,296	80	3	2	1,776
Aircraft engines and gas turbines	295,031	78,105	74	5	3	3,671
Internal combustion piston engines	858,442	272,099	68	3	2	7,347
Construction, mining, and industrial vehicles	420,737	87,802	79	2	1	1,493
Certain motor-vehicle parts	1,807,615	824,647	54	3	2	24,739
Primary cells and batteries, and electric storage batteries	230,107	83,545	64	5	3	3,843
Ignition starting, lighting, and other electrical equipment	184,406	107,985	41	3	1	2,916
Rail locomotives and rolling stock	258,216	87,088	66	14	9	11,844
Automobiles, trucks, buses, and bodies and chassis of the foregoing	18,658,744	2,046,011	89	5	4	98,209
Aircraft, spacecraft, and related equipment, except engines	75,289	23,285	69	4	2	815
Ships, tugs, pleasure boats, and similar vessels	87,410	16,447	81	2	1	247
Motorcycles and miscellaneous vehicles and transportation related equipment	199,739	107,810	46	3	1	2,695
Office machines	52,537	12,542	76	2	2	288
Telephone and telegraph apparatus, including optical fiber	194,800	102,835	47	7	3	7,404
Microphones, loudspeakers, audio amplifiers, and combinations thereof	218,701	69,010	68	5	3	3,381
Tape recorders, tape players, video cassette recorders, turntables, and compact disc players	124,736	~3,730	81	4	3	831
Records, tapes, compact discs, computer software, and other media, whether or not recorded	40,126	15,836	61	3	2	538
Radio transmission and reception apparatus, navigational aid radar, and related apparatus	706,735	167,581	76	4	3	6,703

See notes at end of table.

Table B-17—*Continued*
Duty savings from use of production-sharing provisions of *HTS* 9802, by monitoring group, 1995

Monitoring group	Total value	U.S. content	Percent dutiable	Nonimal rate[1]	Effective rate[2]	Duty savings
	Thousand dollars			*Percent*		*Thousand dollars*
Television receivers, video monitors, cathode ray tubes, and other special purpose tubes	2,510,787	835,294	67	5	3	42,600
Television apparatus (except receivers and monitors), including cameras, camcorders and cable apparatus	505,761	157,606	69	3	2	5,201
Electric sound and visual signaling apparatus, and and other miscellaneous electrical and electronic articles	271,453	89,553	67	3	2	2,597
Electrical circuit apparatus	2,088,683	1,285,230	39	6	2	71,973
Semiconductor devices	8,613,018	4,301,684	50	([3])	([3])	([3])
Automated data processing machines (computers)	1,372,105	404,800	71	1	1	4,858
Photographic equipment and supplies	109,868	45,139	59	3	2	1,264
Medical and optical goods, including ophthalmic goods	836,709	433,022	48	4	2	18,620
Balances, surveying/navigational instruments, and drawing/mathematical and calculating and measuring instruments	174,784	23,938	86	6	5	1,317
Watches, clocks and timing devices, and arms and ammunition	91,373	20,780	77	8	6	1,600
Measuring testing, controlling, and analyzing instruments	712,706	282,919	60	4	2	9,902
Total	60,880,007	22,109,900	64	6	4	1,510,488

[1] Trade-weighted average rate of duty applicable to the products imported under provision 9802.00.80 for each monitoring group. This is the 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.

APPENDIX C
Federal Register Notice
Requesting Comments

earliest practical date and should be received no later than the close of business on August 1, 1996. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436.

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

By order of the Commission.

Issued: May 7, 1996.

Donna R. Koehnke,

Secretary.

[FR Doc. 96–12182 Filed 5–14–96; 8:45 am]

BILLING CODE 7020–02–P

[Investigations Nos. 731–TA–726, 727, and 729 (Final)]

Polyvinyl Alcohol from China, Japan, and Taiwan

Determinations

On the basis of the record [1] developed in the subject investigations, the Commission determines,[2] pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured or threatened with material injury by reason of imports from China, Japan, and Taiwan of polyvinyl alcohol (PVA),[3] provided for in subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States,[4] that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).[5]

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Chairman Watson, Vice Chairman Nuzum, and Commissioner Rohr dissenting.

[3] The imported product subject to these investigations is PVA, which is a dry, white to cream-colored, water-soluble synthetic polymer. This product consists of PVA hydrolyzed in excess of 85 percent, whether or not mixed or diluted with defoamer or boric acid. Excluded from the scope of the investigations is PVA covalently bonded with acetoacetylate, carboxylic acid, or sulfonic acid uniformly present on all polymer chains in a concentration equal to or greater than two mole percent, and PVA covalently bonded with silane uniformly present on all polymer chains in a concentration equal to or greater than one-tenth of one mole percent. PVA in fiber form is not included in the scope of these investigations.

[4] Prior to Jan. 1996, PVA was provided for in subheading 3905.20.00 of the Harmonized Tariff Schedule of the United States.

[5] Commissioner Newquist and Commissioner Bragg, who find that an industry in the United States is threatened with material injury, further determine pursuant to 19 U.S.C. § 1673d(b)(4)(B), that they would not have found material injury but for the suspension of liquidation of entries of the merchandise under investigation.

Background

The Commission instituted these investigations effective October 5, 1995, following preliminary determinations by the Department of Commerce that imports of PVA from China, Japan, and Taiwan were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of November 9, 1995 (60 FR 56614). The hearing was held in Washington, DC, on March 26, 1996, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on May 6, 1996. The views of the Commission are contained in USITC Publication 2960 (May 1996), entitled "Polyvinyl Alcohol from China, Japan, and Taiwan: Investigations Nos. 731–TA–726, 727, and 729 (Final)."

By order of the Commission.

Issued: May 9, 1996.

Donna R. Koehnke,

Secretary.

[FR Doc. 96–12184 Filed 5–14–96; 8:45 am]

BILLING CODE 7020–02–P

[Investigation 332–237]

Production Sharing: Use of U.S. Components and Materials in Foreign Assembly, 1992–95 (U.S. Imports Under Production Sharing Provisions of Harmonized Tariff Schedule Heading 9802)

AGENCY: United States International Trade Commission.

ACTION: Opportunity to submit written statements in connection with the 1996 report, and retitling of investigation.

EFFECTIVE DATE: May 6, 1996.

SUMMARY: The Commission has prepared and published annual reports on production sharing under this series since 1986. The Commission plans to publish the next report in December 1996, which will cover U.S. import data on production sharing for the years 1992–95.

FOR FURTHER INFORMATION CONTACT: Questions about the production sharing report may be directed to the project leader, Adam Topolansky, Office of Industries (202–205–3394) or the assistant project leader, Ms. Jennifer Rorke, Office of Industries (202–205–3489). For information on legal aspects, please contact Mr. William Gearhart, Office of General Counsel (202–205–3091). The media should contact Ms. Margaret O'Laughlin, Office of Public Affairs (202–205–1819). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202–205–1810).

Background

The initial notice of institution of this investigation was published in the **Federal Register** of September 4, 1986 (51 FR 31729). The report has been published in the current series under investigation No. 332–237 annually since December 1986. The report, originally entitled "Imports Under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1982–85," has undergone a number of changes in the title to reflect adoption of the Harmonized Tariff Schedule (HTS) and modification to the provisions in heading 9802 of that schedule. HTS provision 9802.00.60 involves tariff treatment for metal of U.S. origin processed in a foreign location and returned to the United States for further processing; provision 9802.00.80 involves tariff treatment for imported goods that contain U.S.-made components.

As in past years, the report will provide an analysis of developments in U.S. imports under the production sharing provisions of tariff heading 9802 focusing on shifts in trade and product mix, and trends by principal country sources and industry groups. The report will also assess U.S. production generated as a result of foreign assembly, the use of production sharing by foreign manufacturers, the effect of the North American Free-Trade Agreement (NAFTA) on U.S. parts producers, and developments in the global integration of specific industries. The report will also provide information on how companies involved in production sharing in Mexico have changed their operations in response to NAFTA.

Written Submissions

No public hearing is planned. However, interested persons are invited to submit written comments concerning the 1996 report. Commercial or financial information which a submitter desires the Commission to treat as confidential must be provided on separate sheets of paper, each clearly marked "Confidential Business Information" at

the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). All written submissions, except for confidential business information, will be made available in the Office of the Secretary of the Commission for inspection by interested persons. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on September 30, 1996. All submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436.

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

List of Subjects

Production sharing, Foreign assembly, Infrastructure, Globalization, Apparel, NAFTA.

Issued: May 9, 1996.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 96–12181 Filed 5–14–96; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Notice of Lodging of Settlement Agreement Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act

In accordance with Department policy, 28.C.F.R. 50.7, notice is hereby given that a proposed Settlement Agreement in *In re AM International, Inc., et al.*, Case No. 82–B–04922 (Bktcy. N.D. Ill.) and *In re AM International, Inc., et al.*, Case No. 93–582 (Bktcy. Del.), was lodged on April 29, 1996 with the United States Bankruptcy Court for the District of Delaware. The proofs of claim in these actions seek to recover, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. 9601 et seq., response costs incurred and to be incurred by U.S. Environmental Protection Agency ("EPA") at the Solvents Recovery Service of New England, Inc. Superfund Site located in the Town of Southington, Connecticut ("Site").

The proposed Settlement Agreement embodies as agreement with AM International, Inc. to reimburse EPA for a portion of its past and future response costs at the Site. Of the $450,555 generated by the settlement, $157,694 will be paid to the Hazardous Substances Superfund for reimbursement of EPA's past response costs at the Site, and $292,861 will be deposited into a trust account to be used for the partial funding of future remedial actions at the Site. The proposed Settlement Agreement also provides for AM International, Inc. to pay the U.S. Department of the Interior ("DOI") $10,000 to resolve potential claims for damages to natural resources under the trusteeship of DOI.

The proposed Settlement Agreement also provides AM International, Inc. with a release for civil liability for EPA's past and future CERCLA response costs and natural resource damages at the Site for resources under the trusteeship of the Secretary of the Interior and the Secretary of Commerce, through the National Oceanic and Atmospheric Administration.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed Settlement Agreement. Comments should be addressed to the Assistant Attorney General for the Environment and Natural Resources Division, Department of Justice, P.O. Box 7611, Ben Franklin Station, Washington, D.C. 20044–7611, and should refer to *In re AM International, Inc., et al.*, DOJ Ref. No. 90–7–1–23D.

The proposed Settlement Agreement may be examined at the Office of the United States Attorney, Chemical Bank Plaza, 1201 Market Street, Suite 1100, Wilmington, Delaware 19899–2046; the New England Office of the Environmental Protection Agency, EPA–New England Records Center, 90 Canal Street, First Floor, Boston, MA 02203; and at the Consent Decree Library, 1120 G Street, N.W., Fourth Floor, Washington, D.C. 20005, (202) 624–0892. A copy of the proposed Settlement Agreement may be obtained in person or by mail from the Consent Decree Library, 1120 G Street, Fourth Floor, N.W., Washington, D.C. 20005. In requesting a copy, please refer to the referenced case and enclose a check in the amount of $2.00 (25 cents per page reproduction costs), payable to the Consent Decree Library.

Joel Gross,

Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. 96–12112 Filed 5–14–96; 8:45 am]

BILLING CODE 4410–01–M

Notice of Lodging of Consent Decree Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. 9601 to 9675

Notice is hereby given that a proposed consent decree in *United States* v. *David B. Fisher, et al.*, Civil Action No. S92–00636M, was lodged on April 23, 1996 with the United States District Court for the Northern District of Indiana, South Bend Division. The proposed consent decree resolves the United States' claims against five of twelve defendants, as well as one third-party defendant, the U.S. Army, for unreimbursed past costs incurred in connection with the Fisher-Calo Superfund Site located in Kingsbury, Indiana in return for a payment of $345,000.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General for the Environment and Natural Resources Division, Department of Justice, Washington, D.C. 20530, and should refer to *United States* v. *David B. Fisher, et al.*, DOJ Ref. #90–11–2–549A.

The proposed consent decree may be examined at the office of the United States Attorney, 1000 Washington Street, 203 Federal Building, Bay City, Michigan 48707; the Region 5 Office of the Environmental Protection Agency, 77 West Jackson Boulevard, Chicago, Illinois 60604; and at the Consent Decree Library, 1120 G Street, N.W., 4th Floor, Washington, D.C. 20005, (202) 624–0892. A copy of the proposed consent decree may be obtained in person or by mail from the Consent Decree Library, 1120 G Street, N.W., 4th Floor, Washington, D.C. 20005. In requesting a copy please refer to the referenced case and enclose a check in the amount of $7.00 (25 cents per page reproduction costs), payable to the Consent Decree Library.

Joel M. Gross,

Chief, Environment and Natural Resources Division.

[FR Doc. 96–12114 Filed 5–14–96; 8:45 am]

BILLING CODE 4410–01–M

Other Recent ITC Publications

Annual Statistical Report on U.S. Imports of Textiles and Apparel: 1995 (Inv. No. 332-343, USITC Publication 2987, August 1996). This report is the fourth in a series of annual statistical reports on imports of textiles and apparel. The first three reports contained statistics on U.S. imports of textiles and apparel covered by the Multifiber Arrangement (MFA), a multilateral agreement negotiated under the General Agreement on Tariffs and Trade. The MFA was replaced by the Uruguay Round Agreement on Textiles and Clothing, which provides for the liberalization and eventual elimination of quotas on textiles and apparel over a 10-year transition period ending on January 1, 2005. **(Also available on the ITC Internet server; see address below.)**

Advice on Providing Temporary Duty-Free Entry for Certain Suits and Suit-Type Jackets from Mexico (Inv. 332-373, USITC Publication 3012, January 1997). Provides advice on the probable effect of providing temporary duty-free entry for certain suits and suit-type jackets from Mexico containing certain imported interlining fabrics, provided that the fabrics have been cut in the United States and the garments otherwise meet the criteria of HTS heading 9802.00.90. The U.S. Trade Representative requested that the Commission provide advice as to the probable effect of such action on affected segments of the U.S. textile and apparel industries, workers in these industries, and consumers of affected goods. The proposed action would be on a temporary basis to allow domestic firms time to develop and test the interlining fabrics. A recent loss of domestic supply of certain interlining fabrics used in the assembly of these suits and suit-type jackets in Mexico has precluded U.S. firms from importing the garments under the HTS provision, which provides for duty- and quota-free entry for apparel and other textile goods assembled in Mexico from fabric wholly made and cut in the United States. U.S. textile and apparel industry officials asked that the President authorize temporary duty-free entry for these suits and suit-type jackets from Mexico until such interlining could be made in the United States. **(Also available on the ITC Internet server; see address below.)**

The Year in Trade 1995 (USITC Publication 2971, August 1996). One of the government's most comprehensive reviews of U.S. trade-related activities, covering major multilateral, regional and bilateral developments during the year. This year's edition provides an overview of the New Trans-Atlantic Agenda for strengthening U.S.-European Union commercial ties and reviews the Osaka Action Agenda for achieving free trade and investment in the Asia-Pacific region by the year 2020. Progress on establishing the World Trade Organization and in continuing multilateral negotiations on services is reviewed, and new bilateral agreements with Japan, Korea, and China area described. Actions taken under U.S. trade law and imports under U.S. tariff preferences are also featured. **(Also available on the ITC Internet server; see address below.)**

General Agreement on Trade in Services (GATS): Examination of South American Trading Partners' Schedules of Commitments (Inv. 332-367, USITC Publication 3007, December 1996). Examines the GATS commitments scheduled by Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Peru, Uruguay, and Venezuela. **(Also available on the ITC Internet server; see address below.)**

Shifts in U.S. Merchandise Trade in 1995 (Inv. 332-345, USITC Publication 2992, September 1996). Reviews U.S. trade performance in 1995, focusing on changes in imports, exports, and trade balances of key agricultural and manufactured products and on changes in U.S. bilateral trade with major trading partners. The report also profiles the U.S. industry and market for nearly 300 industry and commodity groups, providing estimated data for 1991-1995 on domestic consumption, production, employment, trade, and import penetration. **(Also available on the ITC Internet server; see address below.)**

U.S. Trade Shifts in Selected Industries: Services (Inv. 332-345, USITC Publication 2969, June 1996). Expands the scope of earlier annual ITC reports on trade shifts in selected industries, affording more comprehensive coverage of U.S. services trade performance. This report presents a statistical overview of U.S. trade in services and a discussion of major trends, followed by industry-specific analyses focused on trends in exports, imports, and trade balances during 1993-94. This year's report concludes with a discussion of the World Trade Organization's General Agreement on Trade in Services, which entered into force on January 1, 1995. **(Also available on the ITC Internet server; see address below.)**

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Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers, Eleventh Report, 1995 (Inv. 332-227, USITC Publication 2994, September 1996). This publication highlights developments under the Caribbean Basin Economic Recovery Act (CBERA), which lowers duties for most products imported from designated Caribbean countries. The report is the primary government source of data on U.S. trade with the Caribbean and Central American region, providing product-by-product import data, identifying U.S. industries likely to face import competition from Caribbean suppliers, and analyzing investment in the region as an indicator of future trade flows. **(Also available on the ITC Internet server; see address below.)**

Annual Report on the Impact of the Andean Trade Preference Act on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution (Inv. 332-352, USITC Publication 2995, September 1996). The Andean Trade Preference Act was signed into law in December 1991 as part of the United States' "war on drugs" to promote broad-based economic development, stimulate investment in nontraditional industries, and diversify the export base of the four countries in the Andean mountain region of South America -- Bolivia, Colombia, Ecuador, and Peru -- that cultivate the coca plants from which most of the world's cocaine is produced. ATPA reduces or eliminates tariffs for over 6,000 Andean products. This is the ITC's third annual report in this series. **(Also available on the ITC Internet server; see address below.)**

Global Competitiveness of U.S. Environmental Technology Industries: Air Pollution Prevention and Control (Inv. 332-361, USITC Publication 2974, June 1996). Examines the global competitiveness of U.S. industries that supply goods and services for air pollution control and prevention for stationary sources (such as electric power producers and industrial manufacturers) and for mobile sources (such as cars, buses, and trucks); the report also examines the air pollution control equipment and services industries of Japan and Germany. **(Also available on the ITC Internet server; see address below.)**

For additional copies of *Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations, 1992-1995:*

Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations, 1992-1995 (USITC Publication 3032, April 1997) is available for downloading on the ITC's Internet server (see below). The report will also be available at federal depository libraries in the United States. To order a printed copy, write to The Secretary, U.S. International Trade Commission, 500 E Street, SW, Washington, DC 20436, or call 202-205-1809. Requests may be faxed to 202-205-2104.

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