

# Industry & Trade Summary

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**Builders Hardware**

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**USITC Publication 2757**

**March 1994**

**OFFICE OF INDUSTRIES  
U.S. International Trade Commission  
Washington, DC 20436**

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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## PREFACE

In 1991 the United States International Trade Commission initiated its current *Industry and Trade Summary* series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of the basic factors affecting trends in consumption, production, and trade of the commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.<sup>1</sup>

This report on builders hardware covers the period 1988 through 1992 and represents one of approximately 250 to 300 individual reports to be produced in this series during the first half of the 1990s. Listed below are the individual summary reports published to date on the minerals, metals and miscellaneous manufactures sector.

<i>USITC publication number</i>	<i>Publication date</i>	<i>Title</i>
2426	November 1991 .....	Toys and models
2475	July 1992 .....	Fluorspar and certain other mineral substances
2476	January 1992 .....	Lamps and lighting fittings
2504	November 1992 .....	Ceramic floor and wall tiles
2523	June 1992 .....	Prefabricated buildings
2587	January 1993 .....	Heavy Structural Steel Shapes
2623	April 1993 .....	Copper
2653	June 1993 .....	Glass containers
2692	November 1993 .....	Refractory ceramic products
2694	November 1993 .....	Flat glass and certain flat glass products
2738	February 1994 .....	Structural ceramic products
2742	March 1994 .....	Fiberglass products
2748	March 1994 .....	Brooms, brushes, and hair-grooming articles
2757	March 1994 .....	Builders hardware

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<sup>1</sup> The information and analysis provided in this report are for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.



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## INTRODUCTION

This summary report examines the significant changes that occurred in the U.S. builders hardware industry during 1988-92 and the industry's efforts to recapture its market share in a world market that is becoming more competitive. Over this period, the U.S. industry has been confronted with rising production costs, the influx of less expensive foreign products in its home market, and improved product quality from major competing countries.<sup>1</sup> The industry has responded to these challenges to its competitive edge through a continuation of innovative product improvements and substantial capital investment domestically and abroad.<sup>2</sup>

The most significant changes experienced by the U.S. builders hardware industry during 1988-92 will be examined in four broad sections of this report. This first section provides insights into the overall competitive posture of the builders hardware industry during the 5-year period. The second section examines the structure of the U.S. industry and identifies the operational changes undertaken to improve the industry's competitiveness. An examination of U.S. and foreign trade measures is provided in the third section and, lastly, a review of U.S. consumption, shipments, imports, and exports is presented.

Builders hardware encompasses a wide range of products that are largely used on the moving parts (doors, cabinets, and windows) of residential, commercial, industrial, and institutional buildings. The principal products constituting builders hardware are locks (padlocks, cabinet locks, and door locks), hinges, mountings and fittings, cabinet hardware, door closers, exit devices, and folding-door hardware. The products that account for the most significant share of U.S. production are locks, hinges, and mountings and fittings; these products also represent the bulk of U.S. imports (figures 1 and 2).

Profitability was marginal for the U.S. industry during 1988-92,<sup>3</sup> despite some restructuring involving consolidations and plant shutdowns, an improving trade balance, and a move to globalized manufacturing operations. The influx of relatively lower-priced foreign hardware products has captured additional market share and kept downward pressure on domestic prices as the industry faced significantly rising costs in zinc, copper, aluminum and both carbon and stainless steel. This price/cost squeeze, coupled with dampened demand because of the U.S. economic slowdown during 1988-92, hampered growth in industry profits. To improve profitability and increase market share, certain producers of builders hardware established production facilities abroad to capitalize on relatively

lower production costs. Other producers consolidated operations, relocated production facilities to relatively lower-cost production areas within the United States (such as the U.S. border areas of Texas and Arizona), and joined with well-established U.S. or foreign firms as a means of improving performance.

Although U.S. demand for builders hardware during the last 5 years was dampened by recessionary conditions, low-cost foreign competitors (Taiwan, Korea, and China) intensified efforts to gain a larger share of the U.S. market. Production cost advantages in those countries contributed to both a growing price advantage and market share for foreign products. Although the domestic industry's principal competitive strength continues to revolve around the reputation for producing reliable high-quality products, foreign competitors are improving product quality by upgrading raw materials and manufacturing equipment.<sup>4</sup>

Despite factors having a negative influence on industry performance and economic prospects, the U.S. foreign-trade position in builders hardware changed markedly during 1988-92; U.S. exports rose by 75 percent while imports increased by 34 percent. As a result, the trade deficit declined to \$98 million in 1992 from \$158 million in 1988.

## U.S. INDUSTRY PROFILE<sup>5</sup>

### Industry Structure

In terms of output, U.S. firms (including output from foreign affiliates) are reportedly the world's largest producers of builders hardware. U.S. dominance in the world market stems largely from the product warranties and aftersale services provided for a broad range of high-quality products. The U.S. firms also employ more advanced production technology than many foreign firms. U.S.- developed technology is characterized by faster and advanced automated equipment. The manufacturing equipment used by U.S. firms consists largely of punch-presses, stamping machinery, metal-forming dies, die-casting equipment, cold-heading machines, injection-molded plastic machines, and metal-cutting tools. The U.S. industry is also a leader in ongoing research and advancements in the composition of raw materials.

Most U.S. producers of builders hardware are vertically integrated operations that manufacture component parts which, when assembled, constitute the final product (figure 3). Vertically integrated producers tend to invest more in technology and manufacturing equipment and have a more diverse product line than nonintegrated producers. Because nonintegrated producers have limited manufacturing capabilities, they rely in large part on purchases of some manufactured parts from domestic and/or foreign

<sup>1</sup> U.S. industry officials, interviewed by USITC staff Oct. 5, 1991 and Mar. 7, 1994.

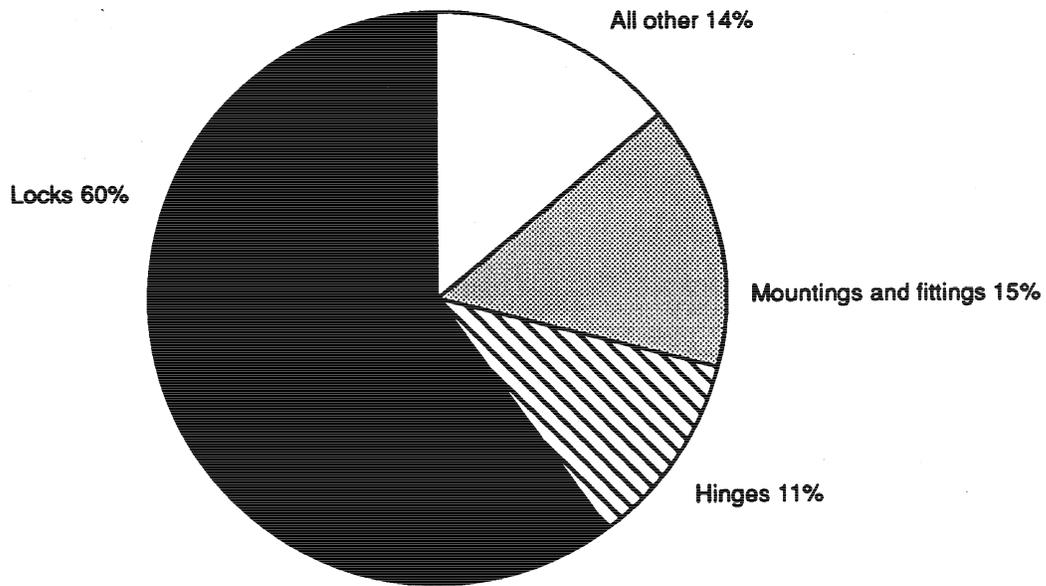
<sup>2</sup> Based on data presented by the U.S. Department of Commerce, Bureau of the Census, *Annual Survey of Manufactures*, new capital expenditures for the builders hardware industry totaled more than \$100 million annually during 1988-92.

<sup>3</sup> U.S. industry officials, interviewed by USITC staff Nov. 9 and 18, 1993.

<sup>4</sup> U.S. industry officials, interviewed by USITC staff Oct. 4, 1991 and Mar. 7, 1994.

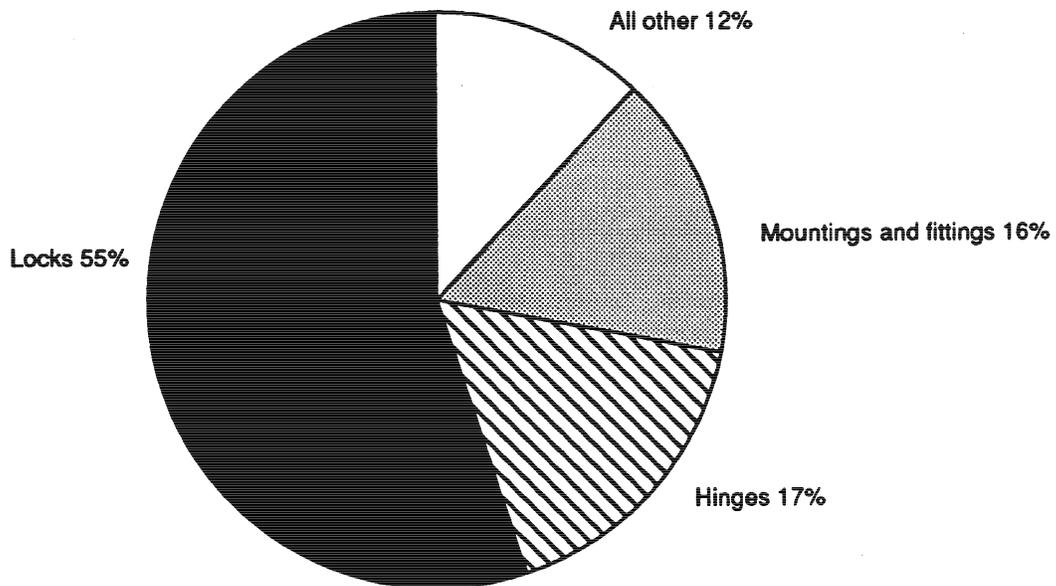
<sup>5</sup> The Standard Industrial Classification applicable to this industry is 3429(pt.), Hardware, Not Elsewhere Classified.

**Figure 1**  
**Builders hardware: Share of total U.S. shipments (\$3.1 billion), by product category, 1992**



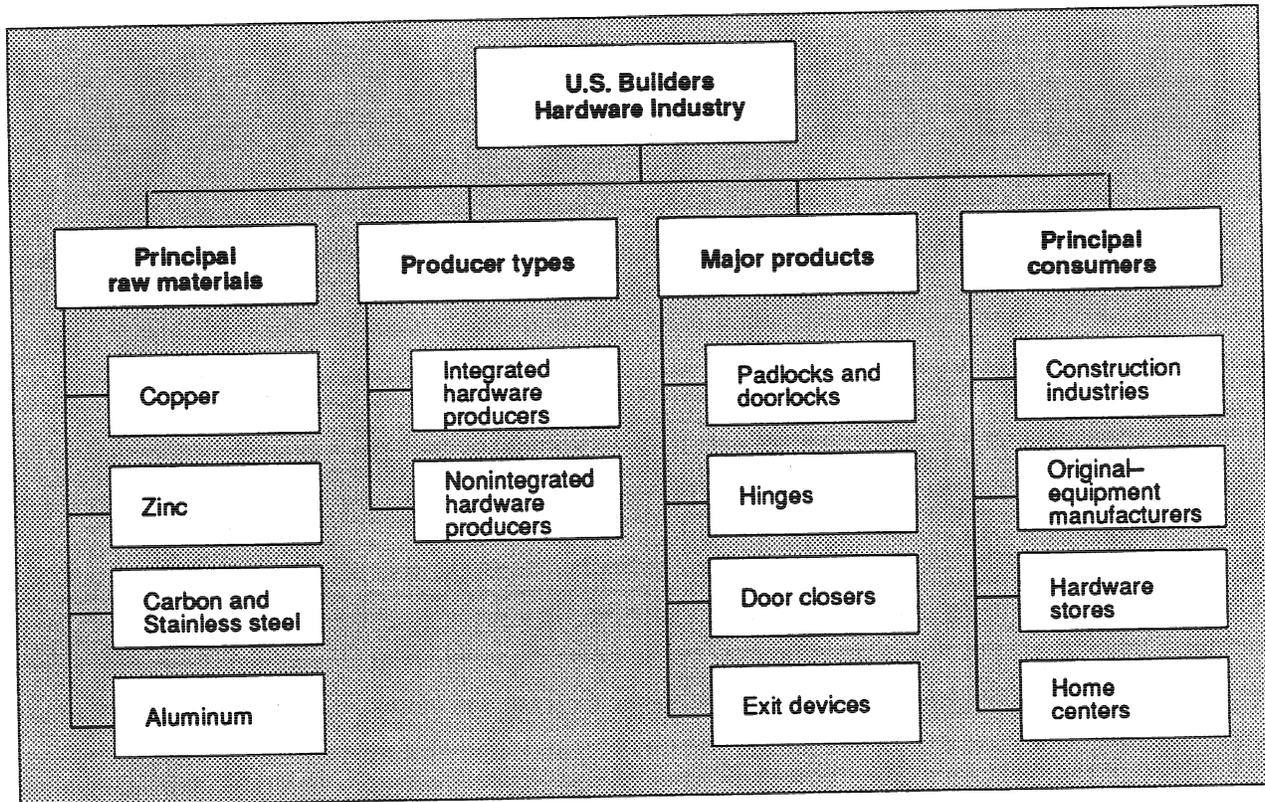
Source: Estimated from data provided by the U.S. Department of Commerce, Bureau of the Census, 1987 Census of Manufactures.

**Figure 2**  
**Builders hardware: Share of total U.S. Imports (\$594 million), by major product category, 1992**



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

**Figure 3**  
**Builders hardware: Principal raw materials, producer types, major products, and principal consumers**



Source: Compiled from information provided by the builders hardware industry.

suppliers. To meet certain price points in the U.S. market, however, both integrated and nonintegrated producers usually supplement their traditional product mix with relatively less expensive imported products.<sup>6</sup>

### *Plant Closings and Relocations*

A combination of increased foreign competition, escalating production costs, and recessionary conditions in the construction industry during 1988-92 resulted in consolidations, relocation of manufacturing facilities, and the closing of less efficient facilities within the builders hardware industry. The number of companies manufacturing builders hardware declined from about 180 in 1988 to 170 in 1992, and the number of production workers fell from about 50,000 workers to 47,000 workers.

The consolidations and plant closings and relocations during 1988-92 largely involved U.S. producers of door locks. Harlock Products Corporation was bought by Newman-Tonks of the United Kingdom in April 1989; Harlock closed its West Haven, CT,

<sup>6</sup> U.S. industry officials, interviewed by staff Oct. 5, 1991 and Mar. 6, 1994.

facility and established an assembly and packaging operation in Taylorsville, KY, in June 1989. Weiser/Falcon Lock Corp. closed its Huntington Beach, CA, plant in 1989 and opened smaller scale operations in Tucson, AZ. Schlage Lock Division closed its Rocky Mount, NC, plant in 1988, and expanded its California, Colorado, and Mexico operations.

### *Foreign Investment*

U.S. manufacturers of builders hardware have established affiliated operations in Mexico and Thailand, and are considering establishing operations in Malaysia and other relatively lower labor cost countries. In Mexico, where labor costs are a fraction of such costs in the United States,<sup>7</sup> maquiladora operations are being used to increase the price competitiveness in the U.S. market with lower priced products from Taiwan, Korea, and China. Under the

<sup>7</sup> The average hourly compensation cost for manufacturing employees in Mexico was \$2.35 in 1992 compared with \$16.17 in the United States. See U.S. Department of Labor, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1992*, Apr. 1993.

Maquiladora Program, Mexican and U.S. investors operate manufacturing plants in Mexico, where finished or semifinished goods are assembled for export to the United States.<sup>8</sup> Mexico permits duty-free entry of components and materials from the United States to maquiladora operations, provided that the output from these operations is exported (almost always to the United States).<sup>9</sup>

Labor costs in Thailand, which are also well below comparable costs in the United States, were a principal incentive for Weiser/Falcon Lock Corp. to establish a facility in that country to produce a certain type of lock. Recent measures by the Government of Thailand to restructure the country's import tax system, eliminate a number of trade-related investment requirements, and lower steel import duties,<sup>10</sup> have also enhanced the potential for U.S. investment.

Malaysia reportedly is also being seriously considered by U.S. firms as the country offers considerable investment opportunities.<sup>11</sup> In addition to Malaysia's low labor rates, the Malaysian Government published new equity guidelines in 1992 that permit new manufacturing investment projects to be 100 percent foreign-owned if they export between 50 and 80 percent of their output and the project either exceeds M\$50 million (US\$18 million) or guarantees a Malaysian value-added content of 50 percent or more. Foreign investment is vigorously encouraged and repatriation of profits and principal is freely permitted.

U.S. producers of builders hardware also have operations in Canada, New Zealand, Finland, and the United Kingdom (table 1). Although these operations primarily produce builders hardware for the local market, they also serve as a marketing arm for hardware produced by U.S. parent or affiliate firms.<sup>12</sup>

### *Product Distribution/Promotional Efforts*

The distribution system for builders hardware is multi-layered and closely resembles the system used by U.S. and foreign manufacturers of door locks (figure 4). In general, builders hardware is sold to retail consumers through hardware stores (mass merchandisers/home centers and other retail outlets), hardware wholesalers, contract hardware distributors, and original-equipment manufacturers (OEMs).

Trade fairs are regarded as one of the most effective means of promoting builders hardware in the

United States and abroad because they afford U.S. producers an opportunity to display or demonstrate their products before prospective purchasers and to address questions regarding product quality, reliability, and aftersale service. In addition, trade fairs provide an opportunity to make sales and examine new products offered by competitors. Brand-name recognition is also effective for marketing builders hardware, especially when the name is widely known and identified with quality products. Certain home centers and other large purchasers generally favor U.S. brand-name hardware for these reasons. Those U.S. retailers marketing foreign-produced builders hardware under the companies' brand name generally employ agents in supplying countries to monitor quality and appearance of the product.<sup>13</sup>

### *Pricing*

U.S. producers of builders hardware publish price lists which offer various discounts to purchasers, depending on the size of the order and the payment terms.<sup>14</sup> Advertising promotions and price concessions, which have been a standard practice in the domestic industry, are being offered on a more frequent basis in light of increasing import competition.

The prices of specific builders hardware products vary, depending on factors such as style, finish, decorative trim of products, and raw material quality. With respect to locks, price may be affected by the type of "keying" system<sup>15</sup> and special options such as saw-proof and panic-proof features. According to industry sources, the prices of certain door locks from Taiwan, China, and Korea may undersell comparable U.S. locks by margins of 20 percent or more at the retail level.

In assessing the impact of imports on prices in the U.S. market, a major domestic producer of builders hardware asserted that the inability of the U.S. industry to raise selling prices during recent periods has created a significant erosion in profit margins, as the costs of production increased dramatically during the last 5 years. Reportedly, prices for principal raw materials such as brass, bronze, and zinc increased steadily during the period.<sup>16</sup>

<sup>13</sup> U.S. industry officials, interviewed by USITC staff Oct. 5, 1991 and Mar. 7, 1994.

<sup>14</sup> Terms of domestic producers and importers are generally the same, i.e., 2-percent discount if payment is received within 10 days, or net payment thereafter within 30 days.

<sup>15</sup> A popular type of "keying" is master-keying, a system that has been perfected by domestic manufacturers. Due to the complexity of the system, it is not generally offered to U.S. purchasers by foreign lock manufacturers. Master-keying allows two or more differently keyed locks to be opened by a common separate key. Door locks can be master-keyed by adding a separate set of pins to those within the lock cylinder. The individual key will align only the regular pins to permit the cylinder to rotate, but the master-key will align the secondary pins in all of the locks in a particular system, which also enables the cylinder to rotate.

<sup>16</sup> U.S. industry officials, interviewed by USITC staff Oct. 5, 1991 and Mar. 7, 1994.

<sup>8</sup> USITC report *The Use and Economic Impact of TSUS Items 806.30 and 807.00*, publication 2053, Jan. 1988.

<sup>9</sup> See the section on U.S. Exports for a discussion of the effects of the North American Free-Trade Agreement on the Maquiladora Program.

<sup>10</sup> For further information, see USITC report *East Asia: Regional Economic Integration and Implications for the United States*, publication 2621, May 1993.

<sup>11</sup> U.S. industry official, interviewed by USITC staff Nov. 20, 1992.

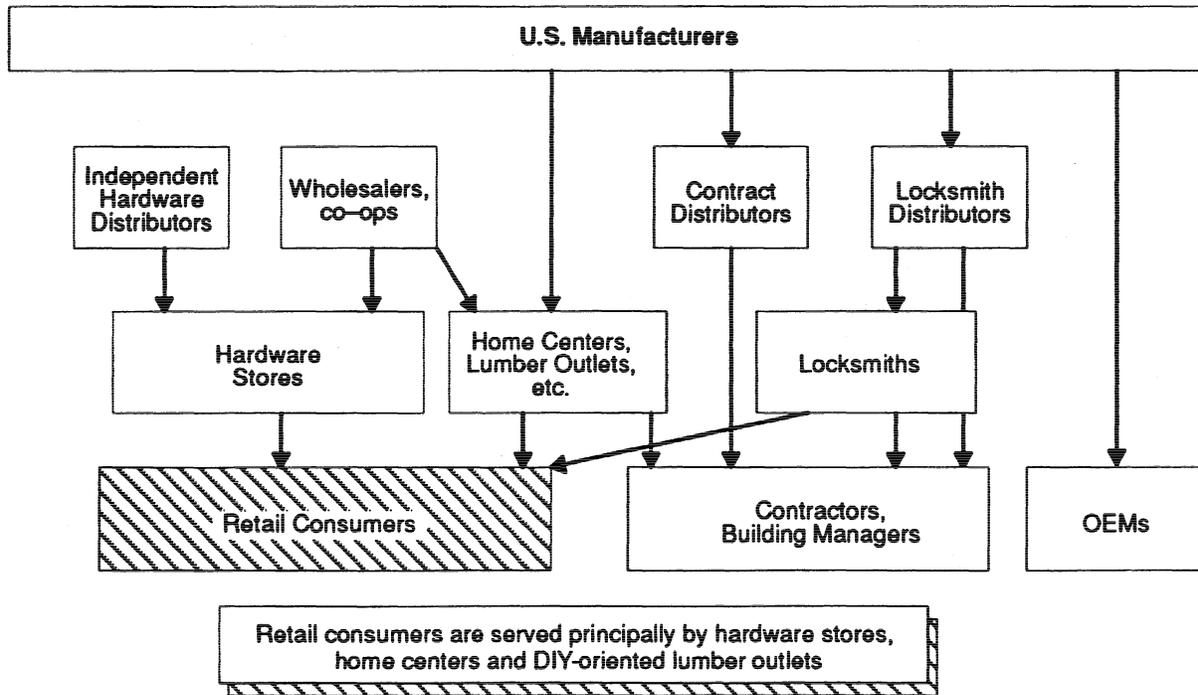
<sup>12</sup> Two of the U.S. producers are foreign-owned.

**Table 1**  
**Builders hardware: U.S. producers of locks, corporate ownership and nationality, and foreign plant locations**

Firm	Corporate ownership and nationality	Foreign plant location
Schlage Lock Corp .....	Ingersoll Rand (US)	New Zealand, Canada, Mexico
Weiser Lock Corp .....	Masco Corp. (US)	Thailand, Mexico
Weslock Corp .....	J.P. Industries (US)	Mexico
Simplex Security Systems .....	Unicam Security Systems Inc. (Canada)	Canada
Vingcard Systems, Inc .....	Wartsila, Inc. (US)	Finland
Yale Security, Inc .....	Yale Valor (UK)	United Kingdom

Source: Compiled from information submitted to the USITC staff.

**Figure 4**  
**Builder's hardware distribution channels**



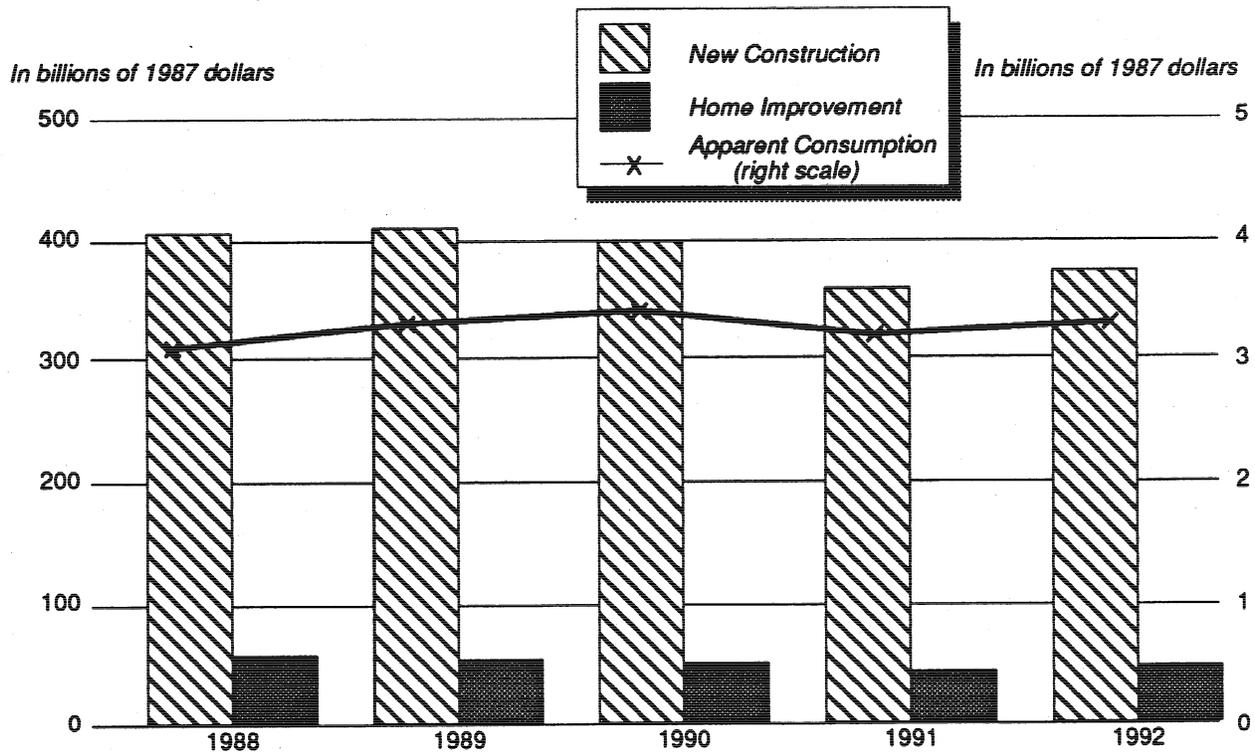
Source: *A Profile of the Retail Market for Door Locks*, National Retail Hardware Association.

### Consumer Characteristics and Factors Affecting Demand

Builders hardware is sold principally in three markets, the new construction market, the renovation (e.g., home improvement) market, and the replacement market. Demand is indirectly affected by the movement of interest rates, which can influence activity in the construction industry (especially single-family housing). An 8-percent decline in the

value of new construction and a 5-percent fall in the value of home improvement during 1988-92 resulted in slight growth in apparent U.S. consumption (a 3-percent increase) during the period (figure 5). Because of the need to obtain relatively high-quality, dependable products, the construction industries and other commercial end users depend heavily upon U.S. producers for the bulk of their hardware needs. On the other hand, retailers such as home centers, discount

**Figure 5**  
**New construction put in place, home improvement, and apparent U.S. consumption of builders' hardware, 1988-92**



Source: New construction and home improvement data are from official statistics of the U.S. Department of Commerce, Bureau of the Census. Apparent U.S. consumption is compiled from shipments estimated by the staff of the U.S. International Trade Commission and official trade data of the U.S. Department of Commerce.

department stores, and supermarkets are largely supplied by low-cost foreign producers.

## FOREIGN INDUSTRY PROFILE

### Canada

The Canadian hardware industry is comprised of approximately 135 companies that manufacture a broad range of primary hardware products, including builders hardware, handtools, and furniture, casket, and other miscellaneous hardware. Builders hardware accounts for approximately 35 percent of the total output of the Canadian hardware industry.<sup>17</sup> The Canadian door lock industry, which is the largest component of the builders hardware industry in that country, is comprised of approximately 5 large companies, each employing more than 100 workers. Several of the Canadian companies are owned by U.S. manufacturers. These companies maintain

<sup>17</sup> Derived from *The Locks and Latches Market in Canada*, prepared by Rita Cilia, U.S. Consulate General, Toronto, Apr. 1993.

Canadian warehouse distribution centers, which have local sales and technical support staff to provide training and support services to meet the needs and requirements of the Canadian market. In addition, these Canadian companies compete in the United States, especially in those markets which are relatively close to the Canadian border. The builders hardware industry in Canada is largely concentrated near distribution centers in British Columbia, Ontario, and Quebec.

The demand for builders hardware in Canada closely responds to the level of activity in the residential and non-residential construction industries and the "do-it-yourself" market. The economic recession that occurred in Canada during 1988-92 was the principal cause of the plant closings and bankruptcies experienced within the Canadian hardware industry during the period.<sup>18</sup> The prospects for near-term growth in the construction industries (which are the principal users of hardware products) are dim, and that construction will be among the last business sectors to benefit from the general economic recovery.<sup>19</sup>

<sup>18</sup> Ibid.  
<sup>19</sup> Ibid.

## Germany

Of the member states of the European Union, Germany is by far the largest manufacturer of builders hardware.<sup>20</sup> The German industry experienced significant growth in production, imports, and exports during 1988-92 and such growth is expected to continue through 1994. During 1990-92, the hardware producing facilities in Germany operated at nearly full capacity and both industry investment and employment increased significantly during the period.<sup>21</sup> Total sales increased about 10 percent to DM8 billion (\$5 billion). According to the German Association of the Locks and Fittings Industry, virtually all hardware manufacturers are planning extensive production investments through 1994.

Germany also made significant gains in hardware trade during 1988-92. German imports increased by about 20 percent to an estimated DM620 million, while exports rose by about 22 percent to DM734 million during the period. Exports to the United States increased by 44 percent to \$38 million in 1992. About 70 percent of German imports were shipped from Austria, Italy, Switzerland, and the Netherlands. The United States played a relatively smaller role as a supplier to Germany, with U.S. hardware exports to that country increasing by 68 percent to \$8.0 million in 1990 (from 1988) and falling by 30 percent to \$5.6 million (DM8.7 million) in 1992. In the lower-priced segments of the German market, U.S. products meet stiff competition from builders hardware produced in Singapore, China, and Taiwan.

## East Asia

The builders hardware industries in Taiwan, Korea, and China have become major competitors in the world market, largely due to relatively cheap labor in those countries. Although Japan is also a principal world supplier of builders hardware, the labor rates in that country have risen and are now higher than those in many developed countries. As a result, Japanese hardware manufacturers have reportedly established affiliated operations in Taiwan and are exploring investment opportunities in other developing countries. The bulk of the builders hardware shipped from East Asian countries (including Japan) consists largely of standard hardware products that appeal primarily to the "do-it-yourself" consumer largely because of price.

Of the East Asian countries producing builders hardware, Taiwan is the largest supplier to the United States and several other country markets. Its builders hardware industry reportedly comprises approximately 75 companies, which range from relatively small family-owned operations that specialize in a specific hardware product to large operations that produce an

<sup>20</sup> *Panorama of the EC, Metal Products, NACE 31, May 1993.*

<sup>21</sup> Derived from *The Security Locks and Fittings Market in Germany*, prepared by Renate Jaeger, American Embassy, Hamburg, June 1991.

array of hardware products. The door lock industry, reportedly the largest component of Taiwan's builders hardware industry, encompasses about 20 companies. Three of these companies, Tong Lung Metal Industry Co., LTD, Taiwan Fu Hsing Industry Co., LTD, and Posse Lock Manufacturing Co., LTD, reportedly account for three-fourths of door lock production in Taiwan. Tong Lung, the largest of the three door lock producers, reportedly has a monthly production capacity of more than 1 million units, which is comparable to the monthly production capacity of the largest door lock producer in the United States.<sup>22</sup>

Taiwan's builders hardware production is reported to be export oriented,<sup>23</sup> therefore, its hardware production level is influenced to some degree by the level of construction activity (including home improvement) in other major country markets. Although recessionary conditions slowed construction activity in Taiwan's two largest markets (the United States and Canada)<sup>24</sup> during 1988-92, Taiwan producers continued to increase sales in those markets due to the relatively low price of their products. In addition, Taiwan's shipments to Australia, Hong Kong, and Germany also grew during the 5-year period.

Imported builders hardware accounted for 6.2 percent (US\$98 million) of Taiwan's total sales of such products in 1990.<sup>25</sup> Builders hardware imported from the United States totaled US\$455 million and accounted for 19 percent of total sales (US\$2.5 billion) in 1990. The U.S.-produced hardware, which is largely used in office/commercial buildings, hotels, and luxury apartments, consisted primarily of various types of door locks, security systems, cabinet hardware, and hinges.

Taiwan's builders hardware industry has become a major force in the world market due to the concerted effort of its producers to become more proficient in production and marketing. For example, several large producers have installed U.S.-made computer-aided systems to enhance product quality, production techniques, and sales procedures. In addition, these producers aggressively research production and marketing techniques of their foreign counterparts (especially U.S. producers), routinely attend trade shows in the United States and Europe, and broaden their marketing base by diversifying into products other than builders hardware.<sup>26</sup>

<sup>22</sup> U.S. industry official, interviewed by USITC staff Dec. 21, 1993.

<sup>23</sup> A U.S. industry official interviewed by USITC staff on Nov. 17, 1993, stated that Taiwan exports 50 percent or more of its total production.

<sup>24</sup> The United States receives approximately 50 percent of Taiwan's total exports of builders hardware; Canada receives about 15 percent of such exports.

<sup>25</sup> U.S. Department of Commerce, International Trade Administration, Market Research Report, *Taiwan - Market for Building Supplies*, Apr. 24, 1991.

<sup>26</sup> U.S. industry officials, interviewed by USITC staff October 3, 1991 and Mar. 7, 1994.

The channels of distribution for builders hardware in Taiwan are similar to those used in the United States, i.e., manufactured products are generally sold through company agents or distributors to construction industries, original equipment manufacturers, wholesalers, and retailers.

## U.S. TRADE MEASURES

### Tariff Measures

Table 2 shows column 1 rates of duty, as of January 1, 1993, for the articles included in this summary (including both general and special rates of duty), and U.S. exports and imports in 1992<sup>27</sup>. The criteria used to classify the commodities covered in this summary are set forth in the General Rules of Interpretation of the Harmonized Tariff Schedule of the United States.

#### Uruguay Round

The recently completed (December 1993) GATT Uruguay Round of trade negotiations may result in further reductions in U.S. and foreign duties on the articles covered by this summary. The Uruguay Round schedule of U.S. concessions was not available when this summary was prepared.

#### NAFTA

The North American Free-Trade Agreement (NAFTA), as implemented by the North American Free-Trade Implementation Act (Public Law 103-182, approved December 8, 1993), provided for the elimination of U.S. duties, effective January 1, 1994, on the majority of builders hardware imported from Mexico. The NAFTA became effective for both the United States and Mexico on January 1, 1994.

### Nontariff Measures

There are no known nontariff measures that significantly influence the trade of products covered in this summary. Although provisions of the Buy American Act are applicable to foreign-made hardware products being considered for U.S. Government procurement, the act has not been a significant barrier to trade. According to U.S. industry representatives, importers of builders hardware distribute the bulk of their products to non-government consumers.

### U.S. Government Trade-Related Investigations

Certain residential door locks and parts thereof from Taiwan were the subject of an antidumping investigation in 1989. Although the U.S. Department of Commerce made an affirmative finding of dumping, the U.S. International Trade Commission made a negative injury determination. Therefore, no

<sup>27</sup> See app. A for an explanation of tariff and trade agreement terms.

antidumping order was issued and no antidumping duties were imposed.<sup>28</sup>

## FOREIGN TRADE MEASURES

With the exception of Germany, the principal trading partners of the United States during 1988-92 imposed rates of duty on builders hardware products that were generally higher than U.S. rates of duty on comparable products. The differences in these rates of duty (with respect to door locks) are shown in the tabulation below. The Commission is unaware of any non-tariff barriers that affect U.S. exports of builders hardware.<sup>29</sup>

(Percent)	
Country/region	1992 ad valorem tariff rate
United States .....	5.7
Canada .....	6.1
Mexico .....	20.0
Japan .....	20.0
Taiwan .....	12.5
Kore .....	20.0
Germany .....	5.6

Source: Compiled by Commission staff from various sources.

## U.S. MARKET

### Consumption

The United States is the world's largest market for builders hardware. The lack of growth in building construction and home improvement during most of 1988-92, however, slowed apparent U.S. consumption of builders hardware during the period. Although apparent consumption increased by 3 percent to \$3.2 billion in 1992 from \$3.1 billion in 1988 (table 3), the increase was to a large degree a reflection of escalating product prices. Import penetration rose by 5 percentage points to 19 percent of apparent consumption during the 5-year period, largely reflecting consumer preference for the relatively lower-priced imported products.

### Shipments

U.S. shipments of builders hardware increased by 5 percent to \$3.1 billion in 1992 from \$3.0 billion in 1988 (table 3). The increase in the value of shipments largely reflects an increase in prices of higher quality or "top-of-the-line" hardware products, related to rising raw material costs, rather than an increase in the volume of shipments.

<sup>28</sup> See USITC report, *Certain Residential Door Locks and Parts Thereof From Taiwan*, investigation No. 731-TA-433, publication 2253, Jan. 1990.

<sup>29</sup> However, the instructions accompanying most U.S. hardware products shipped to Canada must be in both English and French and comply with Canadian packaging and labeling requirements, as prescribed by the Canadian Department of Consumer and Corporate Affairs.

Table 2

Builders hardware: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1993; U.S. exports, 1992; and U.S. imports, 1992

HTS subheading	Description	Col. 1 rate of duty as of Jan. 1, 1993		U.S. exports, 1992	U.S. imports, 1992
		General	Special <sup>1</sup>		
<i>Thousand dollars</i>					
8301.10.20	Padlocks, (key, combination, or electrically operated), of base metal, not of cylinder or pin tumbler construction, not over 3.8 cm in width .....	2.3%	Free (E,IL,J) 1.6%	3,208	4,585
8301.10.40	Padlocks, (key, combination, or electrically operated), of base metal, not of cylinder or pin tumbler construction, over 3.8 cm but not over 6.4 cm in width .....	3.8%	Free (E,IL,J) 2.6% (CA)	2,406	5,925
8301.10.50	Padlocks, (key, combination, or electrically operated), of base metal, not of cylinder or pin tumbler construction, over 6.4 cm in width .....	4.6%	Free (A,E,IL,J) 3.2% (CA)	1,604	1,084
8301.10.60	Padlocks, (key, combination, or electrically operated), of base metal, of cylinder or pin tumbler construction, not over 3.8 cm in width .....	6.1%	Free (A,E,IL,J) 4.2% (CA)	4,010	7,406
8301.10.80	Padlocks, (key, combination, or electrically operated), of base metal, of cylinder or pin tumbler construction, over 3.8 cm but not over 6.4 cm in width .....	4.8%	Free (E,IL,J) 3.3% (CA)	1,604	15,219
8301.10.90	Padlocks, (key, combination, or electrically operated), of base metal, of cylinder or pin tumbler construction, over 6.4 cm in width .....	4.8%	Free (E,IL,J) 3.3% (CA)	3,208	3,894
8301.40.60	Locks of base metal, other than padlocks, luggage locks, or locks used for motor vehicles or furniture .....	5.7%	Free (A,E,IL,J) 3.9% (CA)	72,760	221,548
8301.50.00	Clasps and frames with clasps, incorporating locks, of base metal .....	6.2%	Free (A,E,IL,J) 4.3% (CA)	1,840	3,821
8301.60.00	Parts of padlocks, locks, clasps and frames with clasps, incorporating locks of base metal .....	5.7%	Free (A,B,E,IL,J) 3.9% (CA)	127,153	62,170
8301.70.00	Keys presented separately .....	5.7%	Free (A,B,CA,E,IL,J)	8,775	10,473
8302.10.60	Hinges, and parts thereof, of iron or steel, of aluminum or of zinc, not designed for motor vehicles .....	5.7%	Free (A,C,E,IL,J) 3.9% (CA)	70,000	89,635

See footnote at end of table.

Table 2—Continued

Builders hardware: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1993; U.S. exports, 1992; and U.S. imports, 1992

HTS subheading	Description	Col. 1 rate of duty as of Jan. 1, 1993		U.S. exports, 1992	U.S. imports, 1992
		General	Special <sup>1</sup>		
<i>Thousand dollars</i>					
8302.10.90	Hinges and parts thereof of base metal, other than those of iron or steel, of aluminum or of zinc .....	5.1%	Free (A,B,C,E,IL,J) 3.5% (CA)	4,118	19,012
8302.41.30	Door closers (except automatic door closers), and parts thereof .....	3.9%	Free (A,E,IL,J) 2.7% (CA)	13,899	18,913
8302.41.60	Mountings, fittings, and similar articles, nesi, and parts thereof, suitable for buildings, of iron or steel, of aluminum or of zinc .....	5.7%	Free (A,E,IL,J) 3.9% (CA)	21,612	55,009
8302.41.90	Mountings, fittings, and similar articles, nesi, and parts thereof, suitable for buildings, of base metal .....	5.1%	Free (A,E,IL,J) 3.5% (CA)	48,094	42,701
8302.50.00	Hat-racks, hat pegs, brackets and similar fixtures, and parts thereof .....	3.4%	Free (A,E,IL,J) 1.7% (CA)	17,612	22,429
8302.60.30	Automatic door closers of base metal .....	3.9%	Free (A,C,E,IL,J) 2.7% (CA)	70,755	4,097
8302.60.90	Parts of automatic door closers of base metal .....	3.9%	Free (A,E,IL,J) 2.7% (CA)	23,585	6,679

<sup>1</sup> Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" sub-column, are as follows: Generalized System of Preferences (A); Automotive Products Trade Act (B); Agreement on Trade in Civil Aircraft (C); United States-Canada Free-Trade Agreement (CA); Caribbean Basin Economic Recovery Act (E); United States-Israel Free Trade Area (IL); and Andean Trade Preference Act (J).

Source: U.S. exports and imports compiled from official statistics of the U.S. Department of Commerce.

**Table 3**  
**Builders hardware: U.S. shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1988-92**

Year	U.S. shipments <sup>1</sup>	U.S. exports	U.S. imports	Apparent U.S. consumption <sup>1</sup>	Ratio of imports to consumption <sup>1</sup>
			<i>Million dollars</i>		<i>Percent</i>
1988 .....	2,950	284	442	3,108	14
1989 .....	3,098	336	547	3,309	17
1990 .....	3,100	442	544	3,202	17
1991 .....	3,090	458	532	3,164	17
1992 .....	3,100	496	594	3,198	19

<sup>1</sup> Estimated by the staff of the U.S. International Trade Commission.

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

## Imports

Total U.S. imports increased by 34 percent to \$594 million during 1988-92 (table 4). Taiwan has consistently been the largest foreign supplier of builders hardware to the United States in recent years (accounting for 29 percent of total imports during 1992), followed by Mexico (16 percent), and Canada (9 percent). These countries are expected to remain major suppliers to the U.S. market, given the proximity of Mexico and Canada and the relatively inexpensive nature of products from Taiwan. U.S. imports of builders hardware entering the United States under the production sharing tariff provisions<sup>30</sup> totaled \$62 million in 1992, and accounted for 10 percent of total U.S. imports. These imports consisted primarily of various types of locks, hinges, and fittings and mountings shipped from affiliated operations in Mexico and Canada.

U.S. imports of locks, which accounted for 57 percent of total builders hardware imports in 1992, increased by 45 percent to \$336 million during 1988-92 (table 5). Taiwan and Mexico accounted for 29 percent and 26 percent, respectively, of total lock imports in 1992. With respect to other types of builders hardware, U.S. imports increased by 23 percent to \$257 million during the period (table 6). Taiwan was by far the largest U.S. supplier of this hardware, accounting for 29 percent of such imports in 1992.

U.S. importers of builders hardware consist largely of mass merchandisers and a variety of hardware wholesalers, cooperatives, and other distributors. A number of these importers maintain on-going relationships with principal foreign suppliers through company agents located in those countries.

<sup>30</sup> Under provision 9802.00.60 of the HTS, articles of metal (except precious metal) that have been manufactured or subjected to a process of manufacture in the United States, exported for processing abroad, and then returned to the United States for further processing, are upon entry subject to a duty only of the value of the foreign processing. Under provision 9802.00.80, imported articles that were assembled abroad using U.S.-manufactured components are upon entry subject to duty at their full entered value minus the value of the identifiable U.S.-origin components contained therein.

## FOREIGN MARKETS

### Foreign Market Profile

The demand for U.S. exports of builders hardware is generally tied to the level of construction in export markets. With respect to Mexico, the construction activity was at a relatively high level during 1988-92; consequently, U.S. exports to that country increased significantly during the period. Although the construction activity in Canada was slowed by the economic recession that occurred during the period, U.S. producers of builders hardware increased shipments to Canada to supplement production of affiliated operations in that country. In addition, the plant closings and bankruptcies precipitated by the Canadian recession stimulated exports as U.S. producers increased shipments to compensate for the market share loss by Canadian producers.

Canada and Mexico have historically been the major markets for U.S. exports of builders hardware, accounting for 73 percent of total U.S. exports in 1992. The major U.S. hardware producers (especially those producing door locks) have affiliated operations located in both countries that account for a significant share of the products consumed in those countries. The remaining U.S. exports are largely shipped to relatively smaller markets in the East Asia and Europe. Builders hardware from the United States generally consists of high quality products that are primarily used in office/commercial buildings, hotels, and apartments. With respect to the lower priced segment of the foreign markets, U.S. producers face rigid competition from East Asian producers of builders hardware.

### U.S. Exports

Exports have become increasingly important to U.S. producers of builders hardware (rising from 10 percent to 16 percent of shipments during 1988-92), as a means of balancing fluctuations in the domestic market and alleviating aggressive pricing practices in the home market through shipments to alternative foreign markets. U.S. exports of builders hardware rose by 75 percent during 1988-92, from \$284 million to

**Table 4**  
**Builders hardware: U.S. Imports for consumption, by principal sources, 1988-92**

*Value (1,000 dollars)*

Source	1988	1989	1990	1991	1992
Taiwan .....	135,187	153,799	147,706	148,110	171,400
Mexico .....	73,267	131,035	103,946	103,872	95,339
Canada .....	25,789	34,750	36,458	40,563	53,751
China .....	15,147	23,976	36,775	37,284	47,245
Germany .....	26,310	27,504	39,797	34,222	37,980
Japan .....	39,336	44,133	42,397	37,711	35,786
Austria .....	26,869	21,574	29,053	22,031	28,118
Italy .....	9,878	16,043	17,998	19,155	21,752
South Korea .....	16,724	14,759	15,170	14,204	13,551
United Kingdom .....	10,771	9,363	11,260	10,172	10,884
All other .....	62,487	70,507	63,046	64,789	77,794
<b>Total .....</b>	<b>441,765</b>	<b>547,442</b>	<b>543,606</b>	<b>532,113</b>	<b>593,600</b>

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

**Table 5**  
**Locks: U.S. Imports for consumption, by principal sources, 1988-92**

*Value (1,000 dollars)*

Source	1988	1989	1990	1991	1992
Taiwan .....	70,116	77,580	80,956	82,934	96,082
Mexico .....	68,769	98,743	99,328	98,755	88,074
China .....	11,704	17,876	27,488	26,878	33,768
Canada .....	14,503	19,857	19,081	21,054	27,643
Japan .....	10,459	13,351	12,079	15,273	15,211
Germany .....	6,118	6,613	8,787	8,217	11,940
South Korea .....	6,963	8,469	8,543	8,015	9,445
Spain .....	8,325	9,089	10,118	7,111	8,837
Malaysia .....	0	0	0	3,476	7,649
Italy .....	3,749	5,417	3,726	974	5,757
All other .....	30,909	27,566	30,974	27,386	31,718
<b>Total .....</b>	<b>231,617</b>	<b>284,560</b>	<b>301,079</b>	<b>304,075</b>	<b>336,124</b>

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

**Table 6**  
**Other hardware: U.S. Imports for consumption, by principal source, 1988-92**

*Value (1,000 dollars)*

Source	1988	1989	1990	1991	1992
Taiwan .....	65,071	76,219	66,750	65,175	75,319
Austria .....	26,854	21,559	29,044	21,998	28,116
Canada .....	11,285	14,893	17,377	19,509	26,108
Germany .....	20,192	20,891	31,010	26,005	26,040
Japan .....	28,876	30,782	30,318	22,438	20,575
Italy .....	6,129	10,626	14,272	14,181	15,995
China .....	3,443	6,100	9,288	10,407	13,477
United Kingdom .....	7,410	7,357	8,528	7,226	7,924
Mexico .....	4,498	32,293	4,618	5,117	7,265
Denmark .....	646	3,231	4,264	4,076	5,324
All other .....	35,744	38,931	27,057	31,905	31,363
<b>Total .....</b>	<b>210,147</b>	<b>262,882</b>	<b>242,526</b>	<b>228,037</b>	<b>257,476</b>

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

\$496 million (table 7). The substantial growth in exports largely reflects increased shipments of hardware products to Mexico and Canada, the principal export markets during 1988-92. U.S. exports to Mexico increased by 223 percent during the 5-year period, from \$62 million to \$199 million<sup>31</sup> and exports to Canada rose by 92 percent from \$85 million to \$164 million.

The NAFTA should enhance U.S. exports of builders hardware to Mexico by gradually increasing the amount of a maquiladora's production that can be sold to the domestic (Mexican) market. Beginning January 1, 1994, the maximum amount that a maquiladora operation can export to the domestic market (based on the value of its annual exports in the previous year) increases from 55 percent of production to 85 percent by the year 2000.<sup>32</sup> Beginning January 1, 2001, there will be no limitation on the amount of production that a maquiladora may sell in the domestic market.<sup>33</sup> In addition to the positive effects of NAFTA,

<sup>31</sup> Net exports to Mexico, i.e., exports to Mexico minus products imported from Mexico under provision 9802 of the HTS, totaled \$147 million in 1992.

<sup>32</sup> Restrictions on maquiladora operations were loosened in 1989, allowing up to 50 percent of a maquila's annual production to be sold in the Mexican market. However, several conditions had to be met to receive authorization to sell maquila products to the domestic market in Mexico. For example, the maquila product could not compete directly with a product made entirely in Mexico (using Mexican materials and parts), and the maquila product had to consist of at least 15-percent Mexican content. Under the NAFTA, these restrictions have been removed. Therefore, the increase in maquiladora access to the Mexican market will be much more significant than the 5-percentage point increase granted each year during 1994-2000.

<sup>33</sup> U.S. North American Free-Trade Agreement (NAFTA), Annex I, Jan. 1, 1994.

the demand for U.S. builders hardware should be strengthened by the current construction boom that is occurring in Mexico and the growing trend toward home improvement.

U.S. exports of builders hardware to Canada have benefited from the U.S.-Canada Free Trade Agreement, which provides for the gradual elimination of tariffs on products traded between the United States and Canada. The current duty rates are being reduced and are scheduled for elimination by January 1, 1998.

## U.S. TRADE BALANCE

Despite import growth of 34 percent from 1988 to 1992, a significant improvement occurred in the U.S. trade balance over the period, driven primarily by changing trade flows with Mexico and Canada (figure 6, table 8). The U.S. bilateral trade balance with Mexico shifted from an \$11 million deficit to a \$102 million surplus over the period, and the bilateral surplus with Canada almost doubled from \$59 million to \$110 million, largely reflecting increased exports of builders hardware to U.S. affiliated operations in those countries. Although these gains were somewhat offset by increasing deficits with Taiwan, China, and Germany, the overall U.S. trade deficit in builders hardware contracted from \$158 million in 1988 to \$98 million in 1992. The small trade surplus recorded with the United Kingdom reflects a growing demand in that country for relatively high-quality advanced security products from the United States.<sup>34</sup>

<sup>34</sup> U.S. industry official, interviewed by USITC staff Nov. 18, 1993.

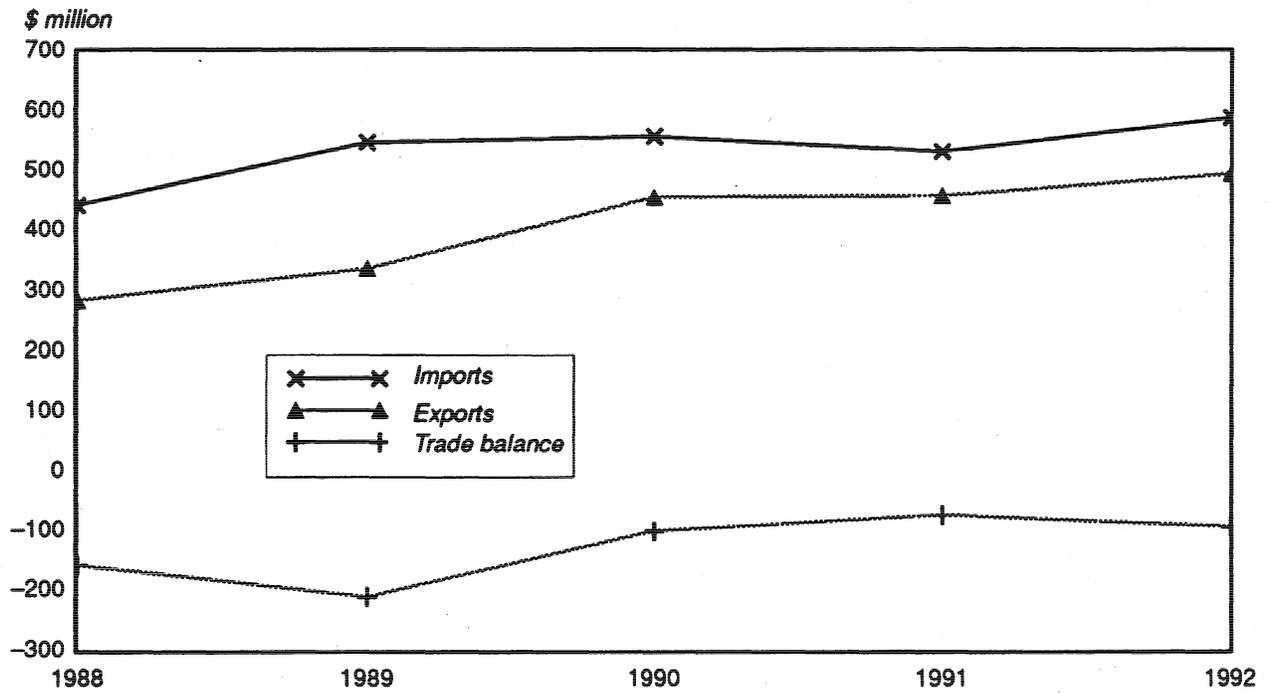
**Table 7**  
**Builders hardware: U.S. exports of domestic merchandise, by principal markets, 1988-92**

*Value (1,000 dollars)*

Market	1988	1989	1990	1991	1992
Mexico .....	61,636	141,053	183,525	187,748	198,973
Canada .....	85,103	78,747	137,715	147,552	163,674
United Kingdom .....	13,902	16,938	15,496	14,184	13,630
Saudi Arabia .....	2,830	4,555	3,659	7,460	7,043
Hong Kong .....	3,769	4,454	4,861	4,736	6,055
Germany .....	4,751	7,011	7,964	6,810	5,563
Peru .....	270	104	130	1,853	5,153
Singapore .....	2,463	4,025	3,848	4,314	5,014
Taiwan .....	3,160	2,283	4,978	3,815	4,978
South Korea .....	5,429	4,510	4,075	3,973	4,450
All other .....	64,577	84,826	40,460	82,990	69,979
<b>Total .....</b>	<b>283,841</b>	<b>336,095</b>	<b>442,239</b>	<b>457,682</b>	<b>496,243</b>

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

**Figure 6**  
**Builders hardware: U.S. Imports, exports, and trade balance, 1988-92**



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

**Table 8**  
**Builders hardware: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country group, 1988-92<sup>1</sup>**

(Million dollars)

Item	1988	1989	1990	1991	1992
<b>U.S. exports of domestic merchandise:</b>					
Mexico .....	62	141	182	188	199
Canada .....	85	79	129	148	164
Taiwan .....	3	2	5	4	5
China .....	0	1	0	0	0
Germany .....	5	7	8	7	6
Japan .....	6	7	7	5	4
Austria .....	0	0	0	0	0
Italy .....	2	3	3	4	4
United Kingdom .....	14	17	15	14	14
Korea .....	5	5	4	4	5
All other .....	101	75	89	84	95
<b>Total .....</b>	<b>284</b>	<b>336</b>	<b>442</b>	<b>458</b>	<b>496</b>
EC-12 .....	31	36	37	37	34
OPEC .....	6	7	8	13	14
ASEAN .....	7	8	25	10	12
CBERA .....	47	22	19	20	22
Eastern Europe .....	0	0	0	1	1
<b>U.S. imports for consumption:</b>					
Mexico .....	73	131	103	104	97
Canada .....	26	35	36	41	54
Taiwan .....	135	154	143	148	172
China .....	15	24	37	37	47
Germany .....	26	28	39	34	39
Japan .....	39	44	40	38	36
Austria .....	27	22	29	22	28
Italy .....	10	16	18	19	22
United Kingdom .....	11	9	11	10	11
Korea .....	17	15	14	14	14
All other .....	62	71	74	65	74
<b>Total .....</b>	<b>442</b>	<b>547</b>	<b>544</b>	<b>532</b>	<b>594</b>
EC-12 .....	71	82	99	86	98
OPEC .....	0	0	0	0	0
ASEAN .....	3	9	13	14	16
CBERA .....	0	1	1	1	1
Eastern Europe .....	0	1	0	1	0
<b>U.S. merchandise trade balance:</b>					
Mexico .....	-11	10	79	84	102
Canada .....	59	44	93	107	110
Taiwan .....	-132	-152	-138	-144	-167
China .....	-15	-23	-37	-37	-47
Germany .....	-21	-21	-31	-27	-33
Japan .....	-33	-37	-33	-33	-32
Austria .....	-27	-22	-29	-22	-28
Italy .....	-8	-13	-15	-15	-18
United Kingdom .....	3	8	4	4	3
Korea .....	-12	-10	-10	-10	-9
All other .....	39	4	15	19	21
<b>Total .....</b>	<b>-158</b>	<b>-121</b>	<b>-102</b>	<b>-74</b>	<b>-98</b>
EC-12 .....	-40	-46	-62	-49	-64
OPEC .....	6	7	8	13	14
ASEAN .....	4	-1	12	-4	-4
CBERA .....	47	21	18	19	21
Eastern Europe .....	0	-1	0	0	1

<sup>1</sup> Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export. U.S. trade with East Germany is included in "Germany" but not "Eastern Europe."

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



**APPENDIX A**  
**EXPLANATION OF TARIFF AND TRADE AGREEMENT TERMS**

## TARIFF AND TRADE AGREEMENT TERMS

The *Harmonized Tariff Schedule of the United States* (HTS) replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989. Chapters 1 through 97 are based upon the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chapters 98 and 99 contain special U.S. classification provisions and temporary rate provisions, respectively.

Rates of duty in the *general* subcolumn of HTS column 1 are most-favored-nation (MFN) rates; for the most part, they represent the final concession rate from the Tokyo Round of Multilateral Trade Negotiations. Column 1-general duty rates are applicable to imported goods from all countries except those enumerated in general note 3(b) to the HTS, whose products are dutied at the rates set forth in *column 2*. Goods from Albania, Armenia, Belarus, Bulgaria, the People's Republic of China, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Poland, Russia, Slovakia, Turkmenistan, and the Ukraine are currently eligible for MFN treatment. Among articles dutiable at column 1-general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the *special* subcolumn of HTS column 1. Where eligibility for special tariff treatment is not claimed or established, goods are dutiable at column 1-general rates.

The *Generalized System of Preferences* (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after January 1, 1976 and before July 4, 1993. Indicated by the symbol "A" or "A\*" in the special subcolumn of column 1, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 3(c)(ii) to the HTS.

The *Caribbean Basin Economic Recovery Act* (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984; this tariff preference program has no expiration date. Indicated by the symbol "E" or "E\*" in the special subcolumn of column 1, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 3(c)(v) to the HTS.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "IL" are applicable to products of Israel under the *United States-Israel Free Trade Area Implementation Act* of 1985 (IFTA), as provided in general note 3(c)(vi) of the HTS. Where no rate of duty is provided for products of Israel in the special subcolumn for a particular provision, the rate of duty in the general subcolumn of column 1 applies.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "CA" are applicable to eligible goods originating in the territory of Canada under the *United States-Canada Free-Trade Agreement* (CFTA), as provided in general note 3(c)(vii) to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn of column 1 followed by the symbol "J" or "J\*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the *Andean Trade Preference Act* (ATPA), enacted in title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 3(c)(ix) to the HTS.

Other special tariff treatment applies to particular *products of insular possessions* (general note 3(a)(iv)), goods covered by the *Automotive Products Trade Act* (APTA) (general note 3(c)(iii)) and the *Agreement on Trade in Civil Aircraft* (ATCA) (general note 3(c)(iv)), and

*articles imported from freely associated states* (general note 3(c)(viii)).

The General Agreement on Tariffs and Trade (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) is the multilateral agreement setting forth basic principles governing international trade among its 111 signatories. The GATT's main obligations relate to most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national (nondiscriminatory) treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, and other measures. Results of GATT-sponsored multilateral tariff negotiations are set forth by way of separate schedules of concessions for each

participating contracting party, with the U.S. schedule designated as Schedule XX.

Officially known as "The Arrangement Regarding International Trade in Textiles," the *Multifiber Arrangement* (MFA) provides a framework for the negotiation of bilateral agreements between importing and producing countries, or for unilateral action by importing countries in the absence of an agreement. These bilateral agreements establish quantitative limits on imports of textiles and apparel, of cotton and other vegetable fibers, wool, man-made fibers and silk blends, in order to prevent market disruption in the importing countries—restrictions that would otherwise be a departure from GATT provisions. The United States has bilateral agreements with many supplying countries, including the four largest suppliers: China, Hong Kong, the Republic of Korea, and Taiwan.



