

United States International Trade Commission

Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin

Investigation No. NAFTA-103-012
USITC Publication 3802
September 2005



U.S. International Trade Commission

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Final Report on Investigation No. NAFTA-103-012



Publication 3802

September 2005

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Abstract

This investigation provides the U.S. International Trade Commission's (Commission) advice on the probable effect of certain proposed modifications to the rules of origin contained in the North American Free Trade Agreement (NAFTA) as requested by the office of the U.S. Trade Representative (USTR). The Commission's advice is based on an impact assessment of whether a proposed rule modification would likely increase or decrease preferential trade flows of U.S. exports and imports in the NAFTA markets, and the resulting effect on total U.S. imports, exports, and production.

The Commission assessed each specific proposed modification to determine the probable effect on U.S. trade and on U.S. industries. The Commission first compared the rules incorporating the proposed modifications with the current rules using the available information to ascertain any changes in the application of the NAFTA rules of origin. If such changes were identified, the Commission then used qualitative and quantitative analyses to determine the probable effect of the modifications on the basis of the current USTR text. The Commission took into consideration production and sourcing patterns of the affected products in the NAFTA countries, product input sourcing patterns, overall levels of production and trade, as well as NAFTA and normal trade relations (NTR) duty rates. In cases where it was determined that the rule modification could result in a greater than negligible effect on U.S. industry, a partial equilibrium economic model was used to estimate the change in the NAFTA trade value for the affected products covered by the rule modification. Please refer to Chapter 2 for a detailed discussion of the Commission's analysis for determining NAFTA rules of origin probable effects.

The Commission reviewed proposed rules for 37 product groups and determined that 14 have no substantive change in the application of the rules of origin, resulting in no probable effect on total U.S. trade and production. For 2 groups, the effect could not be determined because of the wording of the modifications and the existing rule. For the remaining 21, the Commission determined that, while there were substantive changes in the application of the rules of origin, these changes resulted in a negligible effect on total U.S. trade and production. A negligible determination means that the value of U.S. trade or U.S. production for the affected product will likely change by less than 6 percent.

CONTENTS

	<i>Page</i>
Abstract	i
<hr/>	
Chapter 1: Introduction	1-1
<hr/>	
Scope	1-1
Approach	1-1
Organization	1-2
Chapter 2: NAFTA Rules of Origin Probable Effect Analysis	2-1
<hr/>	
Chapter 3: Advice on the Probable Effect of Certain Proposed Modifications to the Rules of Origin Contained in the North American Free Trade Agreement	3-1
<hr/>	
Cocoa and cocoa preparations	3-1
Cranberry juice	3-2
Ores, slag, and ash	3-3
Leather	3-4
Cork and articles of cork	3-8
Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	3-9
Glass and glassware	3-10
Copper	3-10
Nickel and articles thereof	3-11
Lead	3-13
Zinc and articles thereof	3-14
Tin	3-16
Other base metals	3-16
Televisions	3-18
Information technology agreement goods	3-22
Controls	3-29
Appendices	
<hr/>	
A. Request letter from the USTR	A-1
B. <i>Federal Register</i> notice	B-1
C. Organizations contacted	C-1
D. Positions of interested parties	D-1
E. Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico	E-1

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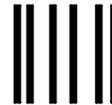
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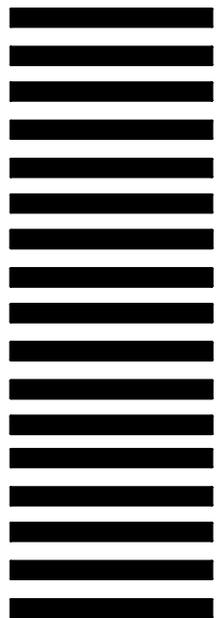
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CHAPTER 1

Introduction

Scope

Following receipt of a request on May 23, 2005, from the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313),¹ the U.S. International Trade Commission (Commission) instituted investigation No. NAFTA-103-012, *Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin*. As noted in USTR's request letter, U.S. negotiators reached agreement in principle with representatives of the Governments of Canada and Mexico concerning proposed modifications to the rules of origin for several product groups covered in Annexes 401 and 403. The proposed rule changes, if implemented, would apply only to U.S. imports from and exports to those NAFTA parties in agreement with the rule changes.

Approach

In response to the USTR request for probable effect advice of the proposed modifications to the NAFTA rules of origin, the Commission presents its advice in the form of product digests. The HTS numbers of the digests are the Harmonized Tariff Schedule numbers under which the applicable products are classified. The existing rules for these products were taken from the *Harmonized Tariff Schedule of the United States (2005)* and supplement 1, General Note 12 North American Free Trade Agreement, pp. GNp. 31-GNp. 168.² The proposed rules were provided by the USTR in its request letter dated May 23, 2005, and revision dated June 16, 2005. The probable effect advice is the result of the Commission's analysis of the proposed rule modification on U.S. trade and U.S. industries. The modification statement describes changes in the application of the NAFTA rules of origin as a result of the proposed rule compared with the existing rule, and the effect statement describes the Commission's assessment of the probable effect of the proposed rule on U.S. trade and U.S. industries resulting from changes to the rules of origin. To assist in the preparation of its probable effect advice, the Commission sought information and views of interested parties both officially through its Federal Register notice announcing this investigation and informally by directly contacting known industry representatives. The Normal Trade Relations (NTR) and the NAFTA tariff rates cited in the effect statements were taken from *The Harmonized Tariff Schedule of the United States (2005)*; Canada's *Schedule to the Customs Tariff*,

¹ Section 202(q) of the North American Free Trade Agreement Implementation Act (the Act) authorizes the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules of origin as are necessary to implement an agreement with one or more of the NAFTA countries pursuant to paragraph 2 of section 7 of Annex 300-B of the Agreement. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission.

² Found at <http://www.usitc.gov/tata/hts/index.htm>, retrieved June 5, 2005.

effective January 1, 2005;³ and Mexico's *Ley de los Impuestos Generales de Importacion y Exportacion* (*The Law of General Tariffs on Imports and Exports*) for 2004.⁴

Organization

A detailed explanation of the Commission's analysis for determining the probable effect of the proposed modifications of rules of origin on U.S. trade and U.S. industry is presented in Chapter 2. Included in this chapter is a description of the partial equilibrium economic model and the kind of information needed to estimate the change in the NAFTA trade value for those cases where it is determined that the rule modification could result in greater than negligible effect on U.S. trade and U.S. industry. Chapter 2 also provides a definition of the coding scheme used in Chapter 3 to indicate the probable effect on the level of U.S. imports, exports, and production. The Commission's advice is presented in Chapter 3. Appendix A presents the USTR request letter, revision, and complete list of proposed NAFTA rules of origin modifications for which the Commission was to provide probable effect advice; appendix B presents the Commission's Federal Register notice announcing the Commission's institution of this investigation and request for written submissions; appendix C presents the list of organizations the Commission contacted directly to assist in the preparation of its advice; appendix D presents a summary of positions of interested parties written submissions; and appendix E presents a compilation of applicable NAFTA and NTR tariff rates for each NAFTA member party.

³ Canada's *Schedule to the Customs Tariff*, found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2005/tablewithamendments-e.html>, retrieved June 5, 2005.

⁴ Mexico's *Ley de los Impuestos Generales de Importacion y Exportacion*, found at <http://www.economia-snci.gob.mx/>, retrieved June 6, 2005. Since June 6, 2005, the Government of Mexico posted an update to the tariff information, which were actualized as of July 8, 2005 and generally resulted in a 3 percentage point decrease. See the note at the end of Appendix E for a list of exceptions. This decrease in the Mexican NTR rates are likely to not have affected the Commission's probable effect finding.

CHAPTER 2

NAFTA Rules of Origin Probable Effect Analysis

The Commission's probable effect analysis involves an impact assessment of whether a proposed rule modification would likely increase or decrease preferential trade flows of U.S. exports and imports in the NAFTA markets as compared with the current NAFTA rules of origin, and the effect of the change on total U.S. imports, exports, and production. The analysis consists of two steps—first, a comparison of the rule containing the proposed modification with the current rule to ascertain if any substantive change in the terms or application of the NAFTA rules of origin will occur for any of the products covered by the rule, and second, if such a change is identified, a determination of the likely economic effect of the rule modification.

Each substantive rule modification is analyzed to determine if the modification would liberalize or restrict NAFTA eligibility as compared with the current rules.¹ If a proposed modification liberalizes NAFTA eligibility for the affected products (making it easier for NAFTA-origin status to be granted), the amount of NAFTA trade may either increase or decrease depending on the response to the expanded sourcing options resulting from the modification.²

For those modifications determined to have no substantive change in the legal standard utilized in the application of the rules of origin, **the effect on total U.S. trade and industry is listed as "None."** For those modifications determined to result in substantive changes in the coverage of individual rules of origin, further analysis is attempted to identify and take into consideration production and sourcing patterns of the affected products in the NAFTA countries, product input sourcing patterns, overall levels of production and trade, and NAFTA and normal trade relations (NTR) duty rates to the extent possible. If it was determined that the rule modification would likely result in negligible trade and production value changes, **the effect on total U.S. trade and production is listed as "Negligible."**³

For those rule modifications for which it is determined that a substantive change in the terms or application of the rules of origin could produce a greater than negligible effect on U.S. trade and production, further analysis is conducted using a partial equilibrium model to estimate the change in the NAFTA trade value for the affected products covered by the modification. To estimate the change in trade value, this model uses: (1) the difference in the NAFTA and non-NAFTA tariff rates; (2) an elasticity of substitution, an aggregate demand elasticity, and price elasticities of supply for domestic shipments and for imports; and (3) the

¹ Restrictions resulting from the proposed rule modifications are rare but in such cases, the Commission's analysis is essentially the same as for a liberalizing effect.

² It is difficult to predict the extent of liberalization or restriction that would occur with a substantive modification. In the analysis for a liberalization situation, it is assumed that the proposed rule modification would result in all trade from the two partners entering under NAFTA preferential tariff rates.

³ Negligible is used for expected trade or production value changes of less than 6 percent. See coding scheme definition on the following page.

value of preferential or non-preferential trade in the NAFTA markets for the affected products.⁴ The values used for the elasticities were designed to estimate the extreme effects of the proposed modification in a base case analysis.⁵ If this analysis resulted in a negligible effect on U.S. production for the affected products (i.e., a change in production of less than 6 percent), the analysis was concluded. If significant or greater effects were determined, then the elasticities were further researched and modified, if appropriate, to more closely reflect industry conditions.⁶

Tariff rates in effect on January 1, 2005 were used for Canada and the United States. For Mexico, 2004 tariff rates were used.⁷ Preferential imports are eligible for the NAFTA tariff rate in each NAFTA market, which is free in most cases.⁸ The non-NAFTA rate is assumed to be each country's external or NTR rate.⁹

The effect on U.S. industry is determined by relating the expected change in exports or imports to the amount of production. Increased exports would benefit the U.S. industry by allowing it to increase sales (and, therefore, U.S. production). Increased imports would have a negative effect on the U.S. industry by lowering sales (and, therefore, U.S. production); the size of the effect depends not only on the expected increase in imports but also the degree of substitutability between domestic and imported products.

In summary, Commission staff used the following coding scheme and definitions in Chapter 3 to indicate the probable effect on the level of total U.S. trade and production:

None:	No effect.
Negligible:	Trade or production value changes of less than 6 percent based on qualitative assessment or economic modeling of production, sourcing, trade patterns, and tariff rates.
Significant:	Trade or production value changes of 6 percent to 15 percent based on economic modeling.

⁴ Preferential trade includes U.S. imports from Canada and Mexico that enter under the provisions of the NAFTA and all Canadian and Mexican imports. Data distinguishing between NAFTA and non-NAFTA imports are not available for Canada and Mexico. Although U.S. production was estimated where appropriate, estimates were not available for Canadian and Mexican production.

⁵ These values included an elasticity of substitution of 4, an aggregate demand elasticity of -0.5, and a price elasticity of supply for imports of 100.

⁶ Based on the qualitative assessment, none of chapter 3 trade or production changes were determined to be significant or substantial.

⁷ Mexico's 2004 tariff rates were the latest year available when the Commission collected the tariff rate data, which was obtained from the Government of Mexico's Secretariat of the Economy's web site designated as the "Sistema de Informacion Arancelaria (SIAMI) or "System of Tariff Information." Subsequent to the Commission's collection of tariff data for this investigation, the Secretariat of the Economy posted 2005 tariff rates actualized as of July 8, 2005 and generally resulted in an average 3 percentage point decrease. See the note at the end of Appendix E for a list of exceptions. This decrease in the Mexican NTR rates are likely to not have affected the Commission's probable effect finding.

⁸ Certain Mexican NAFTA tariff rates are in the process of elimination by staged reductions.

⁹ Although the non-NAFTA rate could conceivably be, in the U.S. case, the column 2 rate (which is usually much higher than the NTR rate), virtually all U.S. imports qualify for the NTR rate based on WTO membership or presidential action.

Substantial: Trade or production value changes of more than 15 percent based on economic modeling.

In addition, modifier codes will be placed after the code "significant" and "substantial" as follows:

- + : Positive effect (i.e., U.S. export increase, U.S. import decrease, U.S. production increase)
- : Negative effect (i.e., U.S. export decrease, U.S. import increase, U.S. production decrease)

CHAPTER 3

Advice on the Probable Effect of Certain Proposed Modifications to the Rules of Origin Contained in the North American Free Trade Agreement

COCOA AND COCOA PREPARATIONS
PETITIONER: GOVERNMENT OF CANADA

HTS. No.	Existing rule	Proposed rule	Probable effect advice
1806.31-1806.90	A change to subheading 1806.31 from any other subheading.	A change to subheading 1806.31 through 1806.90 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
	A change to subheading 1806.32 from any other heading.		
	A change to subheading 1806.90 from any other subheading.		

Modification: The modification changes only the rule for subheading 1806.32. The new rule would liberalize the origin restriction for chocolate and other cocoa preparations in blocks, slabs, or bars, weighing 2 kg or less, not filled, by allowing a shift from any other subheading rather than from any other heading. The modification effectively would allow the use of non-originating upstream products, mainly sweetened cocoa powder (HTS subheading 1806.10) or bulk chocolate (HTS subheading 1806.20), in the production of smaller-sized, unfilled chocolate products (HTS subheading 1806.32) and claim NAFTA tariff status.

Effect: The modification likely would have a negligible effect on total U.S. trade and a negligible effect on U.S. production. U.S. production may increase as a result of increased exports to NAFTA partners. U.S. exports of unfilled chocolate and other cocoa preparations under HTS subheading 1806.32 to NAFTA partners likely will increase, as such products will benefit from duty savings of 6 percent ad valorem in Canada and 20 percent ad valorem plus 36 cents per kilogram of sugar content in Mexico. U.S. and multinational candy and confectionery firms have been shifting a significant portion of their production both to Canada and Mexico in recent years, largely in response to rising production costs in the United States and preferential duty rates under NAFTA. The modification likely would improve the competitiveness of the affected products produced in the United States and exported to NAFTA partner markets and would facilitate the integration of the North American chocolate and cocoa preparations industry.

CRANBERRY JUICE

PETITIONER: OCEAN SPRAY

HTS. No.	Existing rule	Proposed rule	Probable effect advice
2009.90	<p>A change to subheading 2009.90 from any other chapter; or</p> <p>A change to subheading 2009.90 from any other subheading within chapter 20, whether or not there is also a change from any other chapter, <u>provided</u> that a single juice ingredient or juice ingredients from one non-party to the NAFTA constitute in single strength form no more than 60 percent by volume of the good.</p>	<p>A change to subheading 2009.90 from any other chapter;</p> <p>A change to cranberry juice mixtures of subheading 2009.90 from any other subheading within Chapter 20, except from subheading 2009.11 through 2009.39 or cranberry juice of subheading 2009.80, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used; or</p> <p>A change to any other good of subheading 2009.90 from any other subheading within Chapter 20, whether or not there is also a change from any other chapter, provided that a single juice ingredient, or juice ingredients from a single non-Party, constitute in single strength form no more than 60 percent by volume of the good.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The primary modification would be to add a regional value content (RVC) standard for 100 percent non-citrus juice blends containing cranberry juice while still permitting some non-NAFTA content. The existing rule makes it difficult for domestic producers of cranberry juice blends to qualify for NAFTA duty rates because the “filler” juice (typically grape, apple, or pear) represents a high proportion of the overall juice volume, but not its value. For example, although the cranberry juice content of the product may only be 5 percent by quantity, it typically represents a much higher proportion of the value. In the manufacture of cranberry juice blends, the addition of the cranberry juice and bottling of the product adds most of the value because cranberry juice is more expensive than apple or grape juice, and bottling and packaging also contributes more value than do the apple and grape juice. The proposed rule requires that the product be manufactured and/or bottled as opposed to merely blended in a NAFTA country to eliminate possible circumvention of the rule by simply mixing foreign and domestic bulk juice. The existing rule restricts non-NAFTA content to 60 percent by volume. The proposed rule would require 60 percent originating content by value or 50 percent by net cost, whichever is less.

Effect: The proposed change is likely to have a negligible effect on U.S. production, imports, and exports of cranberry juice blend. The primary effect would be to allow the product to enter Canada from the United States free of duty instead of at a 6 percent duty rate. The Canadian government is unlikely to object because about 20 percent of the cranberries used to produce cranberry juice in the United States are grown in Canada. Non-Concord grape juice is the most common filler ingredient in the blend because it adds the sweetness needed to offset the tartness of the cranberry juice. While much of the grape juice is produced in California, a significant amount is also imported from Argentina and Chile. The proposed rule likely would have a negligible effect on demand for domestically produced and imported grape juice to be used as a filler. Manufacturers of cranberry juice blends would still have to pay the normal customs duties on grape juice because, if a good now qualifies for NAFTA benefits, no claim could be made for drawback for juice blends that are re-exported. Apple and pear juice, the other primary fillers, currently enter the United States free of duty. Increased demand for apple and pear juice resulting from the proposed rule should also be negligible.

It is possible that the proposed rule could benefit U.S. production of filler juice because the rule may lead to more exports of cranberry juice mixes to Canada and Mexico. This change could lead to increased demand for filler juices such as apple, grape, and pear juice that are upstream products, which are used to add sweetness and bulk to the mixtures containing cranberry juice. However, it is unlikely that this rule change would have more than a negligible effect on U.S. demand, production, or imports for filler juices given the small segment of the juice market represented by mixtures containing cranberry juice. There is a far larger demand for apple, grape, and pear juices for use as single juices as well as in mixtures of juices other than cranberry such as tropical juices, and for their many other uses such as in products including jams, jellies, ice creams, sherbets, bakery, and confectionery goods. Cranberry mixes of juice represent well under 1 percent of the total U.S. market for fruit juices. The proposed rule modification is likely to be of benefit to U.S. producers of cranberry juice, but of less benefit to the producers of the input products such as apple, pear, and grape juices because they represent a small portion of the value in the downstream product, and the downstream product represents a minor portion of the use of these other fruit juices.

HTS. No.	Existing rule	Proposed rule	Probable effect advice
2202.90	A change to subheading 2202.90 from any other chapter.	A change to cranberry juice mixtures of subheading 2202.90 from any other subheading, except from subheading 2009.11 through 2009.39 or cranberry juice of subheading 2009.80, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used; or A change to any other good of subheading 2202.90 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: While there are products other than cranberry juice mixes in subheading 2202.90 that would not be affected by the proposed rule, the proposed rule is liberalizing for cranberry juice drinks because it allows the processing (e.g., blending and/or packaging) of cranberry juice with certain other fortified juices from within heading 2202 as well as with certain unfortified and unfermented juices of heading 2009, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region. Unfortified and unfermented fruit juices of heading 2009 that the new rule excludes are citrus juices classified in subheadings 2009.11 through 2009.39 (e.g., orange, grapefruit, lemon, and lime juices) and cranberry juice of subheading 2009.80. The proposal for a shift at the chapter level would continue with regard to any other good of 2202.90.

Effect: The industry reports that there is currently little trade with Canada or Mexico in cranberry juice blends. Because the United States does not have an 8-digit provision for cranberry juice drink for either imports or exports, it is not possible to determine the value of trade for this specific juice drink. However, in 2004, the United States recorded a trade surplus of \$25.2 million for fruit juice drinks under tariff item 2202.90.37 (which includes cranberry juice drink), of which Canada accounted for \$18.7 million, and Mexico, \$1.2 million. The United States has had a trade surplus in fruit juice drinks for the past 5 years in terms of total trade, as well as with both Canada and Mexico. In 2004, Canada accounted for 98 percent of total U.S. imports of fruit juice drinks, there were no imports from Mexico, and the remaining 2 percent entered under the Caribbean Basin Economic Recovery Act (CBERA). Since 2002, 100 percent of global U.S. imports of fruit juice drinks entered free of duty. The 2005 U.S. NTR rate is 7.4 cents per liter.

The proposed change likely would have a negligible effect on U.S. production, imports, and exports of cranberry juice drink because most U.S. imports under tariff item 2202.90.37 already enter free of duty from Canada (the principal foreign supplier), and the United States is the world's largest producer of cranberries. The rule change may benefit U.S. processors of cranberry juice blends by enabling the use of fortified juices from within the same heading and allowing duty free exports to Mexico and Canada.

It is possible that the proposed rule could benefit U.S. production of filler juice because the rule may lead to more exports of cranberry drink mixes to Canada and Mexico. This change could lead to increased demand for filler juices such as apple, grape, and pear juice that are upstream products which are used to add sweetness and bulk to the mixtures containing cranberry juice. However, it is unlikely that this rule change would have more than a negligible effect on U.S. demand, production, or imports for filler juices given the small segment of the juice drink market represented by mixtures containing cranberry juice. There is a far larger demand for apple, grape, and pear juices for use as single juices and drinks as well as in mixtures of juices other than cranberry such as tropical drinks, and for their many other uses such as in products including jams, jellies, ice creams, sherbets, bakery, and confectionery goods. Cranberry drink mixes represent less than 1 percent of the total U.S. market for fruit drinks. The proposed rule modification is likely to be of benefit to U.S. producers of cranberry juice, but of less benefit to the producers of the input products such as apple, pear, and grape juice, because they represent a small portion of the value in the downstream product, and the downstream product represents a minor portion of the use of these other fruit juices.

ORES, SLAG, AND ASH

PETITIONER: GOVERNMENT OF THE UNITED STATES

HTS. No.	Existing rule	Proposed rule	Probable effect advice
2601-2621	A change to headings 2601 through 2621 from any other chapter.	A change to heading 2601 through 2621 from any other heading, including another heading within that group.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The proposed rule is liberalizing because it eliminates the requirement of a chapter change to confer origin, allowing for inputs from within the chapter to be added to various ores and concentrates. Under this proposed rule, NAFTA origin would be conferred on products of chapter 26 manufactured from ores, slag, and ash that undergo a heading shift.

Effect: The proposed change is likely to have a no effect on U.S. production, imports, and exports. The proposed rule is a technical change. It is not possible for ores and concentrates to undergo a heading shift without further processing. Any further processing of ores or concentrates changes their classification to another chapter. Slag, dross, and ash result from changes to base metals outside this chapter.

LEATHER

PETITIONER: GOVERNMENT OF CANADA

HTS. No.	Existing rule	Proposed rule	Probable effect advice
4104	A change to heading 4104 from any other heading, except from hides or skins of heading 4101 which have undergone a tanning (including pre-tanning) process which is reversible or from headings 4105 through 4115.	A change to heading 4104 from any other heading, except from heading 4107.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of bovine or equine animals that have undergone a tanning process which is reversible (pretanned) of heading 4101. The existing rule also excludes hides or skins of headings 4105 through 4115 from use as inputs in goods of this heading.</p> <p>The proposed rule would liberalize origin determination in that it opens up all of heading 4101, including pretanned hides or skins, as a source of inputs. In addition, the proposed rule appears to be more liberal in origin determination by allowing inputs to be used from any other heading, except from heading 4107. However, it should be noted that inputs into goods of heading 4104 (tanned or crust bovine or equine hides or skins) must be derived from bovine or equine animals. Thus, products of other enumerated headings would not be affected because they cover hides and skins of other animal species.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4105.10	A change to heading 4105 from heading 4102, tariff item 4105.10.10 or any other chapter, except from hides or skins of heading 4102 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4105.10 from heading 4102 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of sheep or lambs of heading 4102 which have undergone a tanning process which is reversible (pretanned). The existing rule also limits inputs to tariff item 4105.10.10 (wet blues of sheep or lambs).</p> <p>The proposed rule would break out the rule for subheading 4105.10 (tanned sheep or lambs in the wet state), resulting in both a liberalization and a restriction of origin determination for subheading 4105.10. In terms of liberalizing origin determination, the proposed rule would allow any goods of heading 4102, including pretanned sheep or lambs skins, to be used as inputs. In terms of restricting origin determination the proposed rule excludes the use of wet hides (both wet blues and other wet hides of 4105.10.10 and 4105.10.90, respectively) as inputs in goods of this subheading.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4105.30	A change to heading 4105 from heading 4102, tariff item 4105.10.10 or any other chapter, except from hides or skins of heading 4102 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4105.30 from heading 4102, subheading 4105.10 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of sheep or lambs of heading 4102 which have undergone a tanning process which is reversible (pretanned). The existing rule also limits the range of other chapter 41 eligible inputs to products falling in tariff item 4105.10.10 (wet blues of sheep or lambs).</p> <p>The proposed rule would break out the rule for subheading 4105.30 (sheep or lambs in the dry state), resulting in liberalizing origin determination for subheading 4105.30. This proposed rule would liberalize origin determination by allowing all goods of heading 4102 to be used as inputs, including pretanned hides. In addition, the proposed rule allows any goods of subheading 4105.10, including all sheep or lambs skins in the wet state, to be used as inputs.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			

HTS. No.	Existing rule	Proposed rule	Probable effect advice
4106.21	A change to subheadings 4106.21 through 4106.22 from heading 4103, tariff item 4106.21.10 or any other chapter, except from hides or skins of subheading 4103.10 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.21 from subheading 4103.10 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of goats or kids of heading 4103 which have undergone a tanning process which is reversible (pretanned). The existing rule also allows goods of tariff item 4106.21.10 (wet blues of goats or kids) to be used as inputs.</p> <p>The proposed rule would break out the rule for subheading 4106.21 (tanned goat or kid skins in a wet state), resulting in both a simplification and liberalization of origin determination for subheading 4106.21. The proposed rule would simplify origin determination by eliminating a previously recognized tariff change from wet blue hides (4106.21.10) to other wet hides (4106.21.90). Because these two products represent mutually exclusive alternative processes, the rule would be simplified by dropping a tariff change that would not occur in actual production. In terms of liberalizing origin determination, the proposed rule would allow all goods of subheading 4103.10, including pretanned goat or kid skins, to be used as inputs. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to those of subheading 4103.10. However, this is a technical change in that goods of subheading 4106.21 cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4106.22	A change to subheadings 4106.21 through 4106.22 from heading 4103, tariff item 4106.21.10 or any other chapter, except from hides or skins of subheading 4103.10 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.22 from subheading 4103.10 or 4106.21 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of goats or kids of heading 4103 which have undergone a tanning process which is reversible (pretanned). The existing rule also limits the range of other chapter 41 eligible inputs to products falling in tariff item 4106.21.10 (wet blues of goats or kids).</p> <p>The proposed rule would break out the rule for subheading 4106.22 (goat or kid skins in a dry state), resulting in a liberalization of origin determination for subheading 4106.22 by allowing all goods of subheading 4103.10, including pretanned goat or kid skins, to be used as inputs. In addition, the proposed rule opens up all of subheading 4106.21, including all goat or kid skins in the wet state, as a source of inputs for goods of 4106.22. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.10. However, this is a technical change in that goods of subheading 4106.22 cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4106.31	A change to subheadings 4106.31 through 4106.32 from heading 4103, tariff item 4106.31.10 or any other chapter, except from hides or skins of subheading 4103.30 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.31 from subheading 4103.30 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification:: The existing rule excludes the use of nonoriginating raw hides or skins of swine of heading 4103 which have undergone a tanning process which is reversible (pretanned). The existing rule also allows goods of tariff item 4106.31.10 (wet blues of swine) to be used as inputs.</p> <p>The proposed rule would break out the rule for subheading 4106.31 (swine skins in a wet state), resulting in both a simplification and liberalization of origin determination. The proposed rule would simplify origin determination by eliminating a previously recognized tariff change from wet blue hides (4106.31.10) to other wet hides (4106.31.90). Because these two products represent mutually exclusive alternative processes, the rule would be simplified by dropping a tariff change that would not occur in actual production. In terms of liberalizing origin determination, the proposed rule would allow all goods of subheading 4103.30 to be used as inputs, including pretanned skins of swine. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.30. However, this is a technical change in that goods of subheading 4106.31 cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			

HTS. No.	Existing rule	Proposed rule	Probable effect advice
4106.32	A change to subheadings 4106.31 through 4106.32 from heading 4103, tariff item 4106.31.10 or any other chapter, except from hides or skins of subheading 4103.30 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.32 from subheading 4103.30 or 4106.31 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of swine of heading 4103 which have undergone a tanning process which is reversible (pretanned). The existing rule also limits the range of other chapter 41 eligible inputs to products falling in tariff item 4106.31.10 (wet blues of swine).</p> <p>The proposed rule would break out the rule for subheading 4106.32 (swine skins in a dry state), resulting in a liberalization of origin determination for subheading 4106.32 by allowing all goods of subheading 4103.30 to be used as inputs, including pretanned swine skins. In addition, the proposed rule would allow all goods of subheading 4106.31, including all swine skins in the wet state, to be used as inputs. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.30. However, this is a technical change in that goods of subheading 4106.32 cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4106.40	A change to subheadings 4106.40 through 4106.92 from heading 4103 or from any other chapter, except from hides or skins of subheading 4103.20 or 4103.90 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40 from subheading 4103.20 or any other chapter; or A change to crust hides and skins of subheading 4106.40 from subheading 4103.20 or tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule, which applies to all goods falling in a group of named subheadings, excludes the use of nonoriginating reptilian raw hides or skins and other animal hides and skins not specified of heading 4103 which have undergone a tanning process which is reversible (pretanned). The existing rule also allows goods of subheading 4103.90, a residual or basket category including animal skins not elsewhere specified and does not apply to reptilian skins, to be used as inputs.</p> <p>The proposed rule would liberalize origin determination and would create separate rules for the various subheadings. Both parts of the proposed rule allow all goods of subheading 4103.20 to be used as inputs, including pretanned reptilian raw hides or skins for hides and skins in the wet and dry state. The second part of the proposed rule further liberalizes origin by allowing inputs of reptilian skins in the wet state to be used to produce dry skins. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.20. However, this is a technical change in that goods of subheading 4106.40 (tanned or dried reptilian skins) cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4106.91	A change to subheadings 4106.40 through 4106.92 from heading 4103 or from any other chapter, except from hides or skins of subheading 4103.20 or 4103.90 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.91 from subheading 4103.90 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule, which covers imported finished goods in this broad subheading encompassing tanned or crust skins of a wide range of animals (such as kangaroos, ostriches, camels, etc.) in the wet state, excludes the use of nonoriginating animal hides and skins of heading 4103 which have undergone a tanning process which is reversible (pretanned). Thus, inputs for goods of this subheading must be either other hides and skins of heading 4103 or goods of other tariff chapters (usually less advanced products or animals themselves).</p> <p>The proposed rule, which would apply only to goods of this subheading, would liberalize origin determination in that it allows all goods of subheading 4103.90 to be used as inputs, including pretanned raw hides or skins. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.90. However, this is a technical change in that goods of subheading 4106.91 (other animal hides and skins not elsewhere specified, in the wet state) cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			

HTS. No.	Existing rule	Proposed rule	Probable effect advice
4106.92	A change to subheadings 4106.40 through 4106.92 from heading 4103 or from any other chapter, except from hides or skins of subheading 4103.20 or 4103.90 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to subheading 4106.92 from subheading 4103.90 or 4106.91 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule, which covers imported finished goods in this broad subheading encompassing tanned or crust skins of a wide range of animals (such as kangaroos, ostriches, camels, etc.) in the dry state, excludes the use of nonoriginating other animal hides and skins not specified of heading 4103 which have undergone a tanning process which is reversible (pretanned). Thus, inputs for goods of this subheading must be either other hides and skins of heading 4103 or goods of other tariff chapters (usually less advanced products or animals themselves).</p> <p>The proposed rule, which would apply only to goods of this subheading, would liberalize origin determination in that it allows all goods of subheading 4103.90 to be used as inputs, including pretanned raw hides or skins. In addition, the proposed rule allows wet hides from subheading 4106.91 to be used as inputs in goods of 4106.92 and thus to obtain origin. The proposed rule appears to be narrower in scope than the existing rule in that it limits the range of eligible inputs from heading 4103 to goods of subheading 4103.90. However, this is a technical change in that goods of subheading 4106.92 (other animal hides and skins not elsewhere specified, in the dry state) cannot be derived from skins of other animal species that are covered under other subheadings of 4103.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4107	A change to heading 4107 from heading 4101 or from any other chapter, except from hides or skins of heading 4101 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to heading 4107 from heading 4101 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw hides or skins of bovine or equine which have undergone a tanning process which is reversible (pretanned) of heading 4101 as inputs in the bovine or equine leather of this heading.</p> <p>The proposed rule would liberalize origin determination by allowing all goods of heading 4101 to be used as inputs, including pretanned hides or skins.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4112	A change to heading 4112 from heading 4102, tariff item 4105.10.10 or any other chapter, except from hides or skins of heading 4102 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to heading 4112 from heading 4102, subheading 4105.10 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None
<p>Modification: The existing rule excludes the use of nonoriginating raw skins of sheep or lambs of heading 4102 which have undergone a tanning process which is reversible (pretanned). Further, the existing rule limits the range of other chapter 41 eligible inputs to goods of tariff item 4105.10.10 (tanned wet blues of sheep or lambs).</p> <p>The proposed rule would liberalize origin determination. The proposed rule allows all goods of heading 4102 to be used as inputs, including pretanned skins of sheep or lambs. In addition, the proposed rule allows all goods of subheading 4105.10, including goods of tariff item 4105.10.90 (other tanned sheep or lambs skins, in the wet state), to be used as inputs in the sheep or lamb leather of this heading.</p> <p>Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.</p>			
4113	A change to heading 4113 from heading 4103, tariff item 4106.21.10 or 4106.31.10 or any other chapter, except from hides or skins of heading 4103 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to heading 4113 from heading 4103, subheading 4106.21 or 4106.31, tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40, subheading 4106.91 or any other chapter.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The existing rule excludes the use of nonoriginating hides or skins of heading 4103 which have undergone a tanning process which is reversible (pretanned). Further, the existing rule limits the range of other chapter 41 eligible inputs to goods of tariff items 4106.21.10 and 4106.31.10 (wet blues of goats or kids and swine, respectively).

The proposed rule would liberalize origin determination. The proposed rule allows all goods of heading 4103 to be used as inputs, including pretanned hides or skins. In addition, the proposed rule allows all goods of subheadings 4106.21 and 4106.31, including all skins in the wet state, to be used in the leather of goats and swine of this heading. The proposed rule also introduces other types of eligible inputs, including wet skins of reptiles (4106.40) and of other animal species not elsewhere specified (4106.91); this is a technical change in that these animal species are covered under the text of heading 4113 but were not covered under the existing rule of origin. Thus, the proposed rule would achieve a better alignment of the rule with the heading scope.

Effect: See the "Effect" statement for all proposed leather modifications at the end of the leather product group.

4114-4115	A change to headings 4114 through 4115 from headings 4101 through 4103 or from any other chapter, except from hides or skins of headings 4101 through 4103 which have undergone a tanning (including pre-tanning) process which is reversible.	A change to heading 4114 from heading 4101 through 4103 or any other chapter, except from hides or skins of heading 4101 through 4103 which have undergone a tanning (including pre-tanning) process which is reversible.	U.S. total trade: Imports: None Exports: None U.S. production: None
		A change to subheading 4115.10 through 4115.20 from headings 4101 through 4103 or any other chapter.	

Modification: The existing rule covers headings 4114 and 4115 as a group, while the proposed rule would retain the current rule for heading 4114 (chamois, patent and metalized leather) and apply separate new rules for the two subheadings of heading 4115.

The proposed rule that covers heading 4115 (which is comprised of subheadings 4115.10, composition leather, and 4115.20, parings and other leather waste) is liberalizing by allowing pretanned hides and skins of headings 4101 through 4103 to qualify as eligible inputs.

Effect: The proposed changes are likely to have no effect on U.S. production, imports, and exports in the leather product group, because the proposed rule changes are technical in nature and are meant to make NAFTA rules easier to understand, apply, and or administer.

The Canadian government proposed the rule modifications for leather, contending that the current rules are too complex and unrealistic. According to the Canadian government, the current rules exclude changes that are not commercially feasible. Generally, the proposed rules will have the same effect on determining origin status as the current ones.

The proposed rule changes appear to be technical in nature. These proposed changes deal only with hides and skins that have undergone a tanning process which is reversible. Such hides and skins are considered an incomplete or intermediate product, and there is no international trade in these products.

CORK AND ARTICLES OF CORK

PETITIONER: GOVERNMENT OF THE UNITED STATES

HTS. No.	Existing rule	Proposed rule	Probable effect advice
4501-4504	A change to headings 4501 through 4502 from any other chapter.	A change to heading 4501 through 4504 from any other heading, including another heading within that group.	U.S. total trade: Imports: None Exports: None U.S. production: None
	A change to headings 4503 through 4504 from any heading outside that group.		

Modification: The new rule combines the two existing rules, and slightly liberalizes the origin standard for natural cork, headings 4501 and 4502, by according NAFTA origin status to goods incorporating inputs that change to those headings from other headings within chapter 45. Theoretically, it also liberalizes the origin restriction for headings 4503 and 4504 by according NAFTA origin status to goods incorporating inputs that change to those headings from other headings within the group, but because processed articles of either natural or agglomerated cork are not inputs for one another, practically speaking there is no change to the rule for those headings.

Effect: This change was submitted by the United States government and is intended to bring NAFTA and Central America Free Trade Agreement (CAFTA) rules of origin into conformity. Because the products in question are already free of duty for NAFTA partners and (except for one residual subheading) on an NTR basis, no effect is expected on U.S. NAFTA trade or U.S. total trade of cork and articles of cork.

The proposed rule likely will have no effect on U.S. production because there is no commercial production of natural cork in the United States and little if any manufacturing of articles of cork. The U.S. Census Bureau reported that 2002 U.S. shipments of cork products totaled \$93 million. However, an industry official reported that there were virtually no U.S. manufacturers of any natural cork products because the highest quality natural cork is used to make wine corks, and other products that use lower grade cork (e.g., flooring) are, in essence, by-products of the wine cork business. The U.S. Census Bureau indicates that cork products will be counted as U.S. shipments if the U.S. firm added any amount of value (e.g., labeling or packaging), even if the product was otherwise manufactured overseas and imported. Commercial cork production is largely confined to a relatively small geographic region in Europe.

The proposed rule likely will have no effect on total U.S. trade. In 2004, U.S. imports were \$231 million; Portugal and Spain accounted for 86 percent of all imports, and 68 percent of imports were wine corks. In 2004, U.S. exports were \$35 million, 80 percent of which were agglomerated cork products (e.g., bulletin boards). Because the NAFTA duty rate is free, the proposed rule will have no effect on trade with NAFTA partners. In 2004, Canada and Mexico accounted for 1 percent of U.S. imports and 21 percent of U.S. exports.

**PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FEATHERS OR OF DOWN; ARTIFICIAL FLOWERS;
ARTICLES OF HUMAN HAIR
PETITIONER: GOVERNMENT OF THE UNITED STATES**

HTS. No.	Existing rule	Proposed rule	Probable effect advice
6701	A change to tariff item 6701.00.30 from any other tariff item.	A change to heading 6701 from any other heading; or	U.S. total trade: Imports: None Exports: None
	A change to heading 6701 from any other chapter.	A change to a good of feather or down of heading 6701 from within that heading or any other heading.	U.S. production: None

Modification: The proposed rule modifies the language of the existing rule with regard to the production of articles of feather or down (6701.00.30) from third-country feathers, down, or skins with their feathers or down still attached (6701.00.60), but does not change the criteria or effect of the rule. The other modification confers origin if there is a change to (or within, for articles of) heading 6701 from any other heading instead of from any other chapter.

Effect: The proposed rule change is likely to have no effect on U.S. production, imports, and exports. Both the existing and proposed rules confer origin to articles of feather or down (item 6701.00.30) if third-country feathers, down, or skins with their feathers or down still attached (item 6701.00.60) are used in the manufacturing process. Although the proposed rule permits a change to heading 6701 from articles classified in headings 6702-6704, whereas the existing rule requires a change from another chapter, that liberalization is strictly theoretical. It is not possible to make down, feathers, bird skins, or articles of feathers or down (heading 6701) from artificial flowers or fruit, human hair, or wigs and parts of wigs (headings 6702-6704).

HTS. No.	Existing rule	Proposed rule	Probable effect advice
6702-6704	A change to heading 6702 from any other heading.	A change to heading 6702 through 6704 from any other heading, including another heading within that group.	U.S. total trade: Imports: None Exports: None U.S. production: None
	A change to heading 6703 from any other chapter.		
	A change to heading 6704 from any other heading.		

Modification: The proposed rule confers origin based on a change to heading 6703 from any other heading, whereas the existing rule requires that the change be made from another chapter. There are no changes to the rules for headings 6702 and 6704.

Effect: The proposed rule change is likely to have no effect on U.S. production, imports, and exports. Although the proposed rule permits a change to heading 6703 from headings 6702 and 6704, whereas the existing rule requires a change from another chapter, that liberalization is strictly theoretical. It is not possible to make processed human hair, or wool, other animal hair, or textile materials for use in making wigs (heading 6703) from artificial flowers or fruit (heading 6702) or from wigs or articles of human hair (heading 6704).

GLASS AND GLASSWARE

PETITIONER: GOVERNMENT OF THE UNITED STATES

HTS. No.	Existing rule	Proposed rule	Probable effect advice
7001-7002	A change to headings 7001 through 7002 from any other chapter.	A change to heading 7001 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None
		A change to subheading 7002.10 from any other heading.	
		A change to subheading 7002.20 from any other chapter.	
		A change to subheading 7002.31 from any other heading.	
		A change to subheadings 7002.32 through 7002.39 from any other chapter.	
<p>Modification: There was no substantive change to the proposed rule for subheading 7002.20 and subheadings 7002.32 through 7002.39.</p> <p>The proposed rules for 7001, 7002.10, and 7002.31 liberalize the origin standard for these products by allowing inputs to such goods from any other heading, rather than another chapter.</p> <p>Effect: The proposed change is likely to have no effect on U.S. imports, exports, and production. All products in 7001-7002 are already free of duty on an NTR basis for all NAFTA partners; therefore, no effect is expected on U.S. trade or production. The proposed rule change is a technical change to make these NAFTA rules of origin consistent with rules of origin found in subsequent trade agreements.</p>			

COPPER

PETITIONER: GOVERNMENT OF CANADA

HTS. No.	Existing rule	Proposed rule	Probable effect advice
7401-7403	A change to headings 7401 through 7402 from any other chapter.	A change to heading 7401 through 7403 from any other heading, including another heading within that group, except from heading 7404; or	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
	(A) A change to heading 7403 from any other chapter; or (B) A change to heading 7403 from headings 7401 or 7402 or tariff item 7404.00.30, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to heading 7401 through 7403 from heading 7404, whether or not there is also a change from any other heading, including another heading within that group, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	

Modification: The first part of the proposed rule liberalizes the origin standards on copper mattes and cement (precipitated) copper (heading 7401), copper anodes (heading 7402), and unwrought refined copper and copper alloys (heading 7403) by eliminating the requirement of a chapter change to confer origin, allowing these unrefined forms of copper to be produced from all other copper headings, except those of copper waste and scrap (heading 7404).

The second part of the proposed rule liberalizes the origin standard on copper mattes, cement, anodes, and unwrought refined copper or copper alloys by extending the origin benefit from spent anodes and high-grade waste and scrap (tariff item 7404.00.30) to all waste and scrap (heading 7404), when the regional value content requirement is achieved.

Effect: Either proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. The proposed rule allows copper mattes and cement (precipitated) copper (heading 7401), copper anodes (heading 7402), and unwrought refined copper and copper alloys (heading 7403) to be produced from imports of each such goods and thereby to obtain NAFTA origin. It also allows each to be produced from all waste and scrap (heading 7404), when the regional value content requirement is achieved, which is possible only from low-grade waste and scrap.

The United States maintains free NTR rates of duty on copper mattes, cement, anodes, and waste and scrap, and imposes an NTR tariff of 1 percent ad valorem on unwrought refined copper and alloys. As copper producers do not import refined copper or copper alloys into the United States for processing into a lower-grade form to export to NAFTA partners, there is no domestic economic-value issue with this proposed rule. Matte copper and refined copper and copper alloys are often produced from waste and scrap, but with a free NTR tariff rate on waste and scrap, there likely would be a negligible effect on U.S. imports.

Canada maintains free NTR rates on all headings covered by the rule change. Therefore, the proposed rule changes have no effect on U.S. exports to Canada.

Mexico imposes a 13 percent ad valorem tariff on all goods of these headings. Thus, U.S. exports to Mexico of copper mattes, cement (precipitated) copper, copper anodes, and unwrought refined copper and copper alloys that are derived from imports of each other or copper waste and scrap could theoretically obtain an advantage under the proposed rule. However, the U.S. copper low-grade (secondary) scrap refining industry has been closed since 2001; because only conversion of low-grade scrap could likely meet the regional value content requirement, and there is no U.S. refining of low-grade scrap, there is no effect on U.S. production for export to Mexico. Further, because most of the domestic copper smelting capacity has been closed, there is little capacity to import significant volumes of copper matte for smelter conversion. Very little cement copper is produced worldwide anymore; therefore, only the imports of unrefined copper anodes for refining and export to Mexico could be affected by this rule change. The United States does have excess (primary) copper refining capacity. However, less than 10 percent of U.S. refined production in 2004 was exported, and less than 25 percent of that went to Mexico. Thus, the liberalization will likely have a negligible effect on U.S. exports.

**NICKEL AND ARTICLES THEREOF
PETITIONER: GOVERNMENT OF CANADA**

HTS No.	Existing rule	Proposed rule	Probable effect advice
7501-7504	A change to headings 7501 through 7504 from any other chapter.	A change to heading 7501 through 7504 from any other heading, including another heading within that group.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The proposed rule is liberalizing because it eliminates the requirement of a chapter change to confer origin, allowing for processing of one form of nickel into another. Under these proposed new rules, NAFTA origin could be conferred on products manufactured from nickel that undergo a heading shift, allowing for the production of nickel mattes, oxide sinters flakes, waste and scrap from unwrought nickel.

Effect: The proposed rule is likely to have a no effect on U.S. production, imports, and exports because the NTR rate on these nickel products is free and the United States is not a significant producer of these nickel products.

HTS No.	Existing rule	Proposed rule	Probable effect advice
7505	A change to heading 7505 from any other heading.	A change to subheading 7505.11 through 7505.12 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None
		A change to subheading 7505.21 through 7505.22 from any other heading; or A change to subheading 7505.21 through 7505.22 from subheading 7505.11 through 7505.12, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.	

Modification: There is no change to the rules for subheadings 7505.11 through 7505.12 (bars, rods, and profiles of nickel).

The proposed rules for 7505.21 through 7505.22 would liberalize origin determination for nickel wire by allowing for the drawing of wire from nickel bars, rods, and profiles, unlike the existing rule, which requires a heading shift to confer origin. Under these proposed rules, NAFTA origin would be conferred on wire manufactured from nickel bars, rods, and profiles, as long as there is a reduction of the cross-sectional area by at least 50 percent.

Effect: The proposed rule is likely to have a negligible effect on U.S. imports, exports, and production. U.S. industry participants raised concern that bars and rods could be imported from third countries into Canada (where the NTR duty on bars and rods is free, unlike the United States where the NTR duty is 2.6 or 3 percent), drawn into wire, and sold into the United States. However, U.S. imports of nickel wire from Canada are less than 1 percent of all U.S. imports of nickel wire and the U.S. NTR tariff is low (2.6 or 3 percent). The United States is not a significant producer of nickel wire. In 2004, 90 percent of U.S. production of nickel wire was exported to non-NAFTA countries. Further, the potential production decrease resulting from increased imports from Canada is likely to be offset by a potential for increased exports to Mexico, because Mexican tariffs would decrease from the 13 percent NTR rate to free under the NAFTA rate.

HTS No.	Existing rule	Proposed rule	Probable effect advice
7507.11-7508.90	A change to headings 7507 through 7508 from any heading outside that group.	A change to subheading 7507.11 through 7508.90 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The proposed rule liberalizes origin determination for nickel tubes, pipes, and tube or pipe fittings (tariff items 7507.11.00 - 7507.20.00), and other articles of nickel (tariff items 7508.10.00 - 7508.90.50), by allowing inputs from any other subheading, including another subheading within that group.

Effect: Expanded sourcing options would likely have a negligible effect on U.S. imports and exports of this merchandise with its NAFTA partners. NAFTA tariff rates on this merchandise are free in the United States, Canada, and Mexico. Consumers would benefit because more of their products would be of NAFTA origin, as the proposed new rule expands options to consider non-NAFTA sources of inputs for this merchandise, while remaining eligible for duty-free entry under NAFTA.

The proposed rule would likely have a negligible effect on total U.S. trade, because it is not likely that many of the goods within these subheadings would be transformed into another subheading within this group. Canada and Mexico together accounted for 23 percent of U.S. imports and 44 percent of U.S. exports in 2004. The United States NTR rate is 2 to 3 percent, the Canadian NTR rate is free or 3 percent, and the Mexican NTR rate is 13 percent or 20 percent ad valorem.

The proposed rule would likely have negligible effect on U.S. production. The U.S. industry, although highly dependent on imports to meet its input requirements, derives most of its imports (77 percent in 2004) from sources other than its NAFTA partners.

LEAD

PETITIONER: GOVERNMENT OF CANADA

HTS No.	Existing rule	Proposed rule	Probable effect advice
7803-7806	<p>(A) A change to headings 7803 through 7806 from any other chapter; or</p> <p>(B) A change to headings 7803 through 7806 from any other heading within chapter 78, including another heading within that group, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to heading 7803 from any other heading; or</p> <p>A change to wire of heading 7803 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.</p> <p>A change to subheading 7804.11 through 7804.20 from any other subheading, including another subheading within that group; or</p> <p>A change to foil of a thickness not exceeding 0.15 mm (excluding backing) of subheading 7804.11 from within that subheading, whether or not there is also a change from any other subheading.</p> <p>A change to heading 7805 through 7806 from any other heading, including another heading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rules liberalize the origin standards on lead in the forms of bars, rods, profiles, and wire not drawn from bar or rod; plates, sheets, strip, and foil; powders and flakes; pipes, tubes, and fittings; and other articles of lead in North America by eliminating the requirement for a chapter change, and by eliminating the regional value content requirements accompanying a heading change. These are technical changes meant to conform the rules for lead to standard industry practice.

The first proposed rule, with the regional value content requirements replaced by a specific size-reduction requirement for the cross-sectional area, may or may not liberalize the origin standard on lead wire drawn from lead bar or rod (heading 7803). Although the degree of impact will likely be site-, process-, and contract-specific, wire drawing is generally much less expensive than the metal input; nevertheless, the effect will likely be a liberalization of the rule of origin.

The second proposed rule liberalizes the origin standard on lead in the forms of plates, sheets, strip and foil, and lead powders and flakes (heading 7804) by eliminating the requirement of a chapter change and allowing subheading changes, including subheadings from within that group, to confer origin. In the case of foil not exceeding 0.15 mm (excluding backing), the proposed rule extends origin to changes from within the same subheading regardless of changes from other subheadings.

The third proposed rule liberalizes the origin standard on lead pipes, tubes, and pipe fittings (heading 7805) and other articles of lead (heading 7806) by eliminating the chapter change, value, and net cost requirements and requiring only a heading change.

Note.—Foil is not defined in the HTS.

Effect: The proposed rule changes are likely to have a negligible effect on U.S. imports, exports, and production.

The wire drawing change will have minimal effect because, although the degree of effect will likely be site-, process-, and contract-specific, wire drawing is generally much less expensive than the metal input. Therefore, the proposed rule change would have a minor positive effect on NAFTA trade, likely extending NAFTA origin to wire products not previously meeting the regional value content hurdle.

NAFTA preference rates on wrought lead (including powder and flake) are zero for the United States, Canada, and Mexico. NTR tariffs on wrought lead are 0-3 percent in both the United States and Canada. The Mexican NTR tariff is 13 percent, but Mexico sources most of its lead domestically, and accounted for only 4 percent of all U.S. wrought lead imports in 2004. Only approximately \$11,000 (much less than 1 percent) of U.S. lead imports from NAFTA partners in 2004 did not receive the duty-free NAFTA preference rate, and were exclusively other articles of lead from Canada and lead powders and flakes from Mexico. The proposed rule changes would therefore have a negligible effect on U.S. imports.

U.S. exports of wrought lead are primarily to non-NAFTA partners (68 percent in 2004), and are primarily bars, rods, profiles, and wire derived from a strong domestic wrought lead industry that derives approximately 84 percent of its raw materials from recycled scrap (heading 7802) not covered by the proposed rule changes.

U.S. production of wrought lead products is increasing, with over 120 processing facilities by the end of 2004. These facilities primarily source recycled lead plates from used batteries, of which the United States is increasingly the largest generator, rather than primary domestic lead production, which has been declining. The proposed rule changes will have little effect on these two material sources for production.

ZINC AND ARTICLES THEREOF

PETITIONER: GOVERNMENT OF CANADA

HTS No.	Existing rule	Proposed rule	Probable effect advice
7901-7903	A change to headings 7901 through 7903 from any other chapter.	A change to heading 7901 through 7902 from any other chapter.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
		A change to subheading 7903.10 from any other chapter.	
		A change to subheading 7903.90 from any other heading.	
<p>Modification: The proposed rules liberalize the origin standard on powders and flakes (subheading 7903.90) by eliminating the chapter change requirement and extending it to any other heading to confer origin. The chapter change restriction is retained for unwrought zinc (heading 7901); waste and scrap (heading 7902); and dust (heading 7903.10).</p> <p>Effect: NAFTA tariff rates on zinc powder and flakes are free for the United States, Canada, and Mexico. U.S. NTR tariffs are 0.3 percent on powder and 3 percent on flakes. There were no U.S. imports of zinc powder and flake from Mexico in 2004. Such imports are not expected to grow, due to little or no zinc refining in Mexico, which has almost no natural zinc resources. Canada, however, is a major producer of zinc, although generally producing finished forms. Less than 4 percent of U.S. zinc imports in 2004 were in the form of powder and flakes, and less than 2 percent came from Canada, all of which received the NAFTA preference rate. Thus, the rule change should have a negligible effect on U.S. imports.</p> <p>Canada maintains no NTR tariff on either powders or flakes, whereas Mexico maintains a 13 percent NTR tariff. Despite NAFTA-preferred rates, U.S. exports of zinc powder and flake in 2004 were predominantly destined to non-NAFTA partners (78 percent of \$6 million). Thus, the rule change will likely have a negligible effect on U.S. exports.</p> <p>Therefore, with negligible import or export benefits, the effect on U.S. production will be negligible.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
7904-7907	<p>(A) A change to headings 7904 through 7907 from any other chapter; or</p> <p>(B) A change to headings 7904 through 7907 from any other heading within chapter 79, including another heading within that group, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to heading 7904 from any other heading; or</p> <p>A change to wire of heading 7904 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.</p> <p>A change to heading 7905 from any other heading; or</p> <p>A change to foil of a thickness not exceeding 0.15 mm (excluding backing) of heading 7905 from within that heading, whether or not there is also a change from any other heading.</p> <p>A change to heading 7906 through 7907 from any other heading, including another heading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: The proposed rules liberalize the origin standard on zinc in the forms of bars, rods, profiles, and wire (heading 7904); plates, sheets, strip, and foil (heading 7905); pipes, tubes, and fittings (heading 7906); and other articles (heading 7907) by eliminating the chapter change requirement and by eliminating the regional value requirement accompanying a heading change within the chapter to confer origin in North America.

More specifically, in the case of zinc wire drawn from zinc bar and rod, the regional value content is replaced with a cross-sectional size-reduction requirement, which may or may not be liberalizing. No heading change would be needed.

Similarly, in the case of zinc foil not exceeding 0.15 mm (excluding backing), the proposed rule extends origin to changes from within the same subheading regardless of changes from other headings.

Note.—Foil is not defined in the HTS.

Effect: The proposed rule change is likely to have a negligible effect on U.S. production, imports, and exports.

The wire drawing change will have a minimal effect because, although the degree of effect will likely be site-, process-, and contract-specific, wire drawing is generally much less expensive than the metal input. Therefore, the proposed rule change would have a negligible positive effect on NAFTA trade, likely extending NAFTA origin to wire products not previously meeting the regional value content hurdle.

NAFTA tariff rates on wrought zinc are free for the United States, Canada, and Mexico. U.S. NTR rates are 2.8-4.2 percent; Canadian NTR rates are 0-3 percent (3 percent only on other – non-household – zinc articles); and Mexican NTR rates are 13 percent (18 percent for other zinc articles).

U.S. imports of wrought zinc products were predominantly (73 percent) from non-NAFTA partners in 2004. Over 97 percent of the U.S. imports of wrought zinc products from NAFTA partners in 2004 received the duty-free NAFTA preference rate; those articles not receiving the preferred rate were predominantly household and other articles. Liberalizing the rule of origin restriction on these articles may allow Mexico to source intermediate products from other zinc-producing countries such as Peru, and sell downstream products to NAFTA partners at the preferred duty rate. However, the value of this trade is minor (\$1 million of the \$27 million in Mexican exports to the United States, and less than 2 percent of total U.S. imports of this product).

The proposed rule would likely result in no more than a negligible increase in U.S. wrought zinc exports. U.S. exports of wrought zinc products are predominantly to NAFTA partners (70 percent), dominantly to Mexico, which operates numerous manufacturing and assembly maquiladora facilities that have long-standing free-trade zone status. The U.S. industry has historically been the dominant supplier of both unwrought (75 percent in 2004) and wrought (69 percent in 2004) products to Mexico. The United States supplied 94 percent of Mexico's semi-finished wrought zinc goods (headings 7904-7906) in 2004, which, according to industry sources, entered Mexico duty-free. The products of headings 7906-7907 are largely finished products (for which further processing qualifying as a change to meet the proposed rule would likely place the article subject to another chapter's origin provision), and the U.S. share of Mexico's imports is declining in favor of Far East sources.

Therefore, with negligible import and export benefits, the effect on U.S. production would be negligible.

TIN

PETITIONER: GOVERNMENT OF CANADA

HTS No.	Existing rule	Proposed rule	Probable effect advice
8003	A change to headings 8003 through 8004 from any heading outside that group.	A change to heading 8003 from any other heading; or A change to wire of heading 8003 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The new rule liberalizes the origin determination for tin wire by allowing the drawing of tin wire from tin bars or rods subject to a reduction in the cross-sectional area of the bar or rod of at least 50 percent. No heading change would be needed.

Effect: The proposed rule would likely have a negligible effect on U.S. production, imports, and exports. The NAFTA tariff rate for each of the three partner countries is free. The U.S. NTR rate ranges from 2-3 percent ad valorem, Canada's NTR rate is free-3 percent, and Mexico's is 13-20 percent.

According to U.S. producers of tin wire, the proposed rule change appears to be narrow and not likely to significantly increase U.S. imports of tin wire. The United States derived most of its imports (62 percent) in 2004 from sources other than its NAFTA partners; Canada accounted for 37 percent that same year, and Mexico for about 1 percent. The increased imports from NAFTA countries that may result from the rule change would be more likely to displace non-NAFTA imports than U.S. production. The United States is not a significant exporter of tin wire and this situation is not likely to change as a result of the proposed rule. Thus, the effect on U.S. production would likely be negligible because of the negligible effect on U.S. imports and exports.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8004-8007	A change to heading 8003 through 8004 from any heading outside that group. A change to heading 8005 through 8007 from any heading outside that group.	A change to heading 8004 through 8007 from any other heading, including another heading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The proposed rule would liberalize origin determination by allowing inputs to be used from heading within headings 8004-8007.

Effect: The proposed rule would likely result in no more than a negligible effect on U.S. production, imports, and exports. U.S. producers of tin mill products purchase unwrought tin, which is currently free of duty, as their primary raw material. The Canadian, Mexican, and U.S. NAFTA rates are free for this product group; the Canadian NTR rates are free to 3 percent ad valorem, Mexico's NTR is 13 percent, and the U.S. NTR rates range from 2.1 to 3 percent.

The proposed rule would likely have no more than a negligible effect on U.S. imports because the United States derives most of its imports (95 percent in 2004) from sources other than its NAFTA partners. The proposed rule change is likely to somewhat benefit Canadian and U.S. exports to Mexico given the current high NTR rate of duty into Mexico. Some U.S. producers contacted regarded Mexico as a possible destination for U.S. exports of tin mill products.

OTHER BASE METALS

PETITIONER: GOVERNMENT OF CANADA

Note.—Because the 8101.10-8113.00 subheadings include a large number of disparate products, it is difficult to determine the universe of companies involved and their production and sourcing patterns. Therefore, the Commission is only able to analyze trade flows and tariff rates in making its assessment of the probable effect of the proposed modification, and upstream and downstream effects cannot be readily ascertained.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8101.10-8113.00	A change to subheadings 8101.10 through 8101.94 from any other chapter. A change to subheading 8101.95 from any other subheading. A change to subheadings 8101.96 through 8101.97 from any other chapter. A change to subheading 8101.99 from any other subheading. A change to subheadings 8102.10 through 8102.94 from any other chapter.	A change to subheading 8101.10 through 8113.00 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: Unknown Exports: Unknown U.S. production: Unknown

	A change to subheading 8102.95 from any other subheading.		
	A change to subheading 8102.96 from any other subheading, except from tariff item 8102.95.30.		
	A change to subheading 8102.97 from any other chapter.		
	A change to subheading 8102.99 from any other subheading.		
	A change to subheadings 8103.20 through 8103.30 from any other chapter.		
	A change to subheading 8103.90 from any other subheading.		
	A change to subheadings 8104.11 through 8104.30 from any other chapter.		
	A change to subheading 8104.90 from any other subheading.		
	A change to subheadings 8105.20 through 8105.30 from any other chapter.		
	A change to subheading 8105.90 from any other subheading.		
	A change to heading 8106 from any other chapter.		
	A change to subheadings 8107.20 through 8107.30 from any other chapter.		
	A change to subheading 8107.90 from any other subheading.		
	A change to subheadings 8108.20 through 8108.30 from any other chapter.		
	A change to subheading 8108.90 from any other subheading.		
	A change to subheadings 8109.20 through 8109.30 from any other chapter.		
	A change to subheading 8109.90 from any other subheading.		
	A change to heading 8110 from any other chapter.		
	A change to tariff item 8111.00.60 from any other tariff item.		
	A change to heading 8111 from any other chapter.		
	A change to heading 8112 through 8113 from any other chapter.		

Modification: There is no change to the rules for 8101.95, 8101.99, 8102.95, 8102.99, 8103.90, 8104.90, 8105.90, 8107.90, 8108.90, and 8109.90.

The proposed rule liberalizes origin determination for certain base metals by allowing inputs from within chapter 81, unlike the existing rules, which require all inputs to be from outside this chapter. Under the proposed new rule, NAFTA origin would be conferred on products manufactured from base metal inputs that undergo a subheading shift. This rule was meant to ensure consistency among the rules for all non-ferrous metals.

The proposed rule ensures that NAFTA origin is conferred on articles produced from certain base metals in chapter 81. Additionally, the proposed rule allows for NAFTA origin to be conferred if waste and scrap result from the production of unwrought metals, if wire is drawn from bars and rods, or if powder is produced from unwrought metal.

The proposed rule for tariff item 8111.00.60 is more restrictive in that it no longer allows articles of manganese produced from unwrought manganese to confer NAFTA origin.

Effect: The proposed rule for 8111.00.60 would change the existing, workable standard based on changes of 8-digit tariff item to a subheading-based standard that likely cannot operate as intended, given that the provision in question (8111.00) is a heading that has no HS 6-digit subheadings. As a result, the Commission cannot determine the effect of this proposed rule. However, there is no significant manganese production in the NAFTA region. Total U.S. imports and exports of manganese articles are minimal (less than \$2 million), and there is no U.S. trade with Canada and Mexico.

The proposed rule for other certain base metals (other than manganese rule discussed in the preceding paragraph) is likely to have a negligible effect on U.S. imports, exports, and production. Imports and exports from Mexico and Canada of other certain base metals and base metal products is only 13 percent and 11 percent of total trade of certain base metals, respectively. Further, 31 percent of certain base metals imported from Canada and Mexico entered free of duty under NAFTA in 2004. In addition, NTR duties on these products are low (ranging from 0-15 percent) and duties were paid on only 38 percent of imports in 2004. For example, unwrought cobalt, the largest imported product of this group in 2004, has an NTR rate of free. Finally, the United States is not a significant producer of many of these base metals.

TELEVISIONS

PETITIONER: DEVELOPED IN JOINT CONSULTATION WITH THREE PARTNER GOVERNMENTS AND NORTH AMERICAN INDUSTRY¹

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.12.bb	A change to tariff item 8528.12.bb (8528.12.28 or 8528.12.32) from any other heading, except from tariff items 8529.90.43, 8529.90.46, 8529.90.49, or 8540.11.10 or more than one of the following: (A) tariff item 7011.20.10, (B) tariff item 8540.91.15.	See modification statement.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: This modification eliminates from the HTS a rule that was superseded effective January 1, 1999.

Effect: There is no effect on U.S. imports, exports, and production. This modification eliminates from the HTS a rule no longer in effect, leaving in place the rule that became effective January 1, 1999.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.12.ff	A change to tariff item 8528.12.ff (8528.12.62, 8528.12.64, 8528.12.68 or 8528.12.72) from tariff items 8528.12.04 or 8528.12.08 or any other heading, except from tariff item 8529.90.53.	See modification statement.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

¹ With regard to proposed rule modifications for 8528.12.bb, 8528.12.ff, 8528.12.gg, 8528.21.bb, 8528.21.ff, 8528.21.gg, 8528.30.ff, and 8528.30.gg, the Commission requested supplemental information for use in its analysis of these proposed rules from USTR. The Commission prepared its advice utilizing information provided to it by U.S. Customs and Border Protection at the direction of USTR.

Modification: This modification eliminates from the HTS the rule that proscribes granting NAFTA origin to television receivers assembled in the NAFTA region with an imported flat panel screen. As a result, goods covered by the existing rule would now fall under rules covering a wider range of tariff provisions.

Effect: This modification would allow color television receivers with imported flat panel screens assembled in the NAFTA region to be considered of NAFTA origin. The proposed change is likely to have a negligible effect on U.S. production, imports, and exports.

Eliminating the 3.9- or 5-percent U.S. NTR duty on flat panel television receivers produced in Mexico likely would not lead to a significant increase in U.S. imports from Mexico, as flat panel television receivers are significantly more expensive than picture tube-based television receivers for a given screen size. However, it would encourage continued production in Mexico, and could lead firms to move assembly from Asia to Mexico, as noted in several submissions from consumer electronics manufacturers.

There is U.S. production of flat panel television receivers. Eliminating the rule would likely result in a negligible increase in U.S. production and exports of these goods. Under this rule, the high Mexican tariff (23 percent ad valorem) has made non-originating exports from the United States to Mexico prohibitively expensive. With this rule eliminated, U.S.-produced color television receivers with imported flat panel screens would be more competitive in the Mexican market. However, because of their high price even without the duty, it is unlikely that even a decrease in duty of 23 percent would significantly increase U.S. exports to Mexico. By avoiding the 3.5- to 5.5-percent duty, U.S. exports to Canada likely would increase Canadian demand modestly, but it is more likely that additional Canadian demand would be met by production from Mexico. Although the proposed rule would improve the competitive position of U.S. produced products within the domestic market, it likely would not be enough to displace imports from Mexico. It is more likely that the production and assembly operations in Mexico would be the greater beneficiary of the proposed rule change because of their relatively low labor costs, thereby making it possible for U.S. imports from Mexico to compete with U.S. imports from other low-cost producing countries.

Several bills have been introduced in the U.S. Congress (e.g. S.788, S.789, S.791, H.R.1732, and H.R.1734) that would suspend temporarily the duty on Liquid Crystal Display (LCD) flat panel assemblies used in the assembly of color television receivers. Industry sources note that without that duty suspension, current U.S. production of color television receivers incorporating LCD flat panel assemblies is likely to move to Mexico.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.12	A change to subheading 8528.12 from tariff items 8528.12.04 or 8528.12.08 or any other heading, provided there is a regional value content of not less than: (A) 60 percent where the transaction value method is used, or (B) 50 percent where the net cost method is used.	A change to subheading 8528.12 from tariff item 8528.12.gg (8528.12.04 or 8528.12.08) or any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: This modification removes any regional value requirement.

Effect: The proposed rule likely would lead to a negligible increase in U.S. production, imports, and exports. As domestic sources of certain major components dwindle, U.S. producers reportedly have found meeting the regional value content requirement increasingly difficult. For example, the picture tube glass capacity in the United States was significantly reduced in 2004. Without originating glass, it is very difficult to build an originating picture tube, and without an originating tube, it is virtually impossible to build an originating picture-tube based television receiver that meets the regional value content requirements.

The modification would encourage continued U.S. production of color television reception apparatus, including color television receivers, using imported components and subassemblies. However, it is unlikely that the modification would lead to a significant increase in U.S. production or exports, because U.S. production of much of the equipment within 8528.12 has already moved to Mexico.

In its submission, one producer of goods within 8528.12 other than color television receivers noted that removing the regional value requirement will increase U.S. exports to Canada because record keeping and compliance will be less time consuming and complex, thus less costly, and will increase efficiency and competitiveness.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.13	<p>A change to subheading 8528.13 from any other heading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19, 8529.90.23, 8529.90.29, 8529.90.33, 8529.90.36 or 8529.90.39</p> <p>(A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and</p> <p>(B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.</p>	A change to subheading 8528.13 from any other heading.	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>

Modification: The proposed rule would eliminate the need to use originating PCAs in order for a monochrome television receiver to be considered of NAFTA origin.

Effect: This modification would have no effect on U.S. trade or production, because there is no U.S. production of these receivers and staff has been unable to identify production in either remaining NAFTA partner country.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.21.bb	<p>A change to tariff items 8528.21bb (8528.21.34 or 8528.21.39) from tariff items 8528.21.05 or 8528.21.10 or any other heading, except from tariff item 8540.11.10 or more than one of the following:</p> <p>(A) tariff item 7011.20.10,</p> <p>(B) tariff item 8540.91.15</p>	See modification statement.	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>

Modification: This modification eliminates from the HTS a rule that was superseded effective January 1, 1999.

Effect: There is no effect on U.S. trade or production. This modification eliminates from the HTS a rule no longer in effect, leaving in place the rule that became effective January 1, 1999.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.21.ff	A change to tariff item 8528.21.ff (8528.21.55, 8528.21.60, 8528.21.65 or 8528.21.70) from tariff items 8528.21.05 or 8528.21.10 or any other heading, except from tariff item 8529.90.53.	See modification statement.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>

Modification: This modification eliminates from the HTS the rule that proscribed granting NAFTA origin to color video monitors assembled in the NAFTA region with an imported flat panel screen. Eliminating this rule would mean the monitors would be covered by the new rule for 8528.21 described below.

Effect: This modification would allow color video monitors with imported flat panel screens assembled in the NAFTA region to be considered of NAFTA origin. The proposed change is likely to have a negligible effect on U.S. production, imports, and exports.

Mexico is not currently a supplier of flat panel video monitors, although it is a supplier of flat panel television receivers. The technology to produce the monitors is no more complicated than that to produce the receivers, so it would not be difficult for Mexican firms to begin assembling flat panel video monitors. This modification could lead to the transfer of video monitor assembly from Asia to Mexico.

Eliminating the existing rule would likely result in a negligible increase in U.S. production and exports of flat panel video monitors. Under this existing rule, the high Mexican tariff (18 or 23 percent ad valorem) made exports of non-originating monitors from the United States to Mexico prohibitively expensive. With this rule eliminated, U.S.-produced color video monitors with imported flat panel screens would be more competitive in the Mexican market. However, because of their high price even without the duty, it is unlikely that even a decrease in duty of 23 percent would significantly increase U.S. exports to Mexico. The elimination of the 3.5- to 5.5-percent duty on U.S. exports to Canada could increase Canadian demand modestly, but it is more likely that additional Canadian demand would be met by imports from other sources. Although the proposed rule would improve the competitive position of U.S. produced products within the domestic market, it likely would not be enough to displace imports from Mexico. It is more likely that the production and assembly operations in Mexico would be the greater beneficiary of the proposed rule change because of their relatively low labor costs, thereby making it possible for U.S. imports from Mexico to compete with U.S. imports from other low-cost producing countries.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.21	A change to subheading 8528.21 from tariff items 8528.21.05 or 8528.21.10 or any other heading, provided there is a regional value content of not less than: (A) 60 percent where the transaction value method is used, or (B) 50 percent where the net cost method is used.	A change to subheading 8528.21 from tariff item 8528.21.gg (8528.21.05 or 8528.21.10) or any other heading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: This modification removes any regional value requirement.

Effect: The proposed rule is likely to have a negligible effect on U.S. production, imports, and exports. As domestic sources of certain major components dwindle, U.S. producers reportedly have found meeting the regional value content requirement increasingly difficult. For example, the picture tube glass capacity in the United States was significantly reduced in 2004. Without originating glass, it is very difficult to build an originating picture tube, and without an originating tube, it is virtually impossible to build a picture tube-based color video monitor that meets the regional value content requirements.

The modification would encourage continued U.S. production of color video monitors using imported components and subassemblies, but would be unlikely to lead to a significant increase in U.S. production or exports.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.22	A change to subheading 8528.22 from any other heading, provided that, with respect to printed circuit assemblies (PCAs) of tariff items 8529.90.01, 8529.90.03, 8529.90.06, 8529.90.09, 8529.90.13, 8529.90.16, 8529.90.19, 8529.90.23, 8529.90.29, 8529.90.33, 8529.90.36 or 8529.90.39: (A) except as provided in subparagraph (B), for each multiple of nine PCAs, or any portion thereof, that is contained in the good, only one PCA may be a non-originating PCA, and (B) if the good contains less than three PCAs, all of the PCAs must be originating PCAs.	A change to subheading 8528.22 from any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: The proposed rule would eliminate the need to use North American PCAs in the assembly of monochrome video monitors in order to be considered of NAFTA origin.

Effect: This modification would have no effect on U.S. trade or production. Staff has been unable to identify any North American production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.30.ff	A change to tariff items 8528.30.ff (8528.30.62, 8528.30.64, 8528.30.66 or 8528.30.68) from tariff items 8528.30.10 or 8528.30.20 or any other heading, except from tariff item 8529.90.53.	See modification statement.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: This modification eliminates from the HTS the rule that proscribes granting NAFTA origin to video projectors assembled in the NAFTA region with an imported flat panel screen. These goods will likely be subject to either existing tariff classification rule 92Q (see HTS general note 12 (t), rules for ch. 85) or by the new tariff classification rule for subheading 8528.30, that will be added (See below).

Effect: This modification would have no effect on U.S. trade or production. Staff has been unable to identify any North American production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8528.30	A change to subheading 8528.30 from tariff items 8528.30.10 or 8528.30.20 or any other heading, provided there is a regional value content of not less than: (A) 60 percent where the transaction value method is used, or (B) 50 percent where the net cost method is used.	A change to subheading 8528.30 from tariff items 8528.30.gg (8528.30.10 or 8528.30.20) or any other heading.	U.S. total trade: Imports: None Exports: None U.S. production: None

Modification: This modification removes any regional value requirement.

Effect: This modification would have no effect on U.S. trade or production. Staff has been unable to identify any North American production.

**INFORMATION TECHNOLOGY AGREEMENT GOODS
PETITIONER: GOVERNMENT OF CANADA²**

HTS No.	Existing rule	Proposed rule	Probable effect advice
8477.10	A change to subheading 8477.10 from any other subheading, except from tariff items 8477.90.15 or 8477.90.25 or more than one of the following: (A) tariff items 8477.90.35 or 8477.90.45, (B) subheading 8537.10.	A change to a good of subheading 8477.10 from within that subheading or any other subheading.	U.S. total trade: Imports: Unknown Exports: Negligible U.S. production: Unknown

² With regard to proposed rule modifications for 8504.40.aa, 8504.40.bb, 8543.89.aa, and 9009.99.aa, the Commission requested supplemental information for use in its analysis of these proposed rules from USTR. The Commission prepared its advice utilizing information provided to it by U.S. Customs and Border Protection at the direction of USTR.

Modification: The proposed rule is liberalizing because it would eliminate the requirement that, for injection-molding machines for working rubber or plastics to be of NAFTA-origin, certain components must have NAFTA origin. These components are either the base, bed, platen, clamp cylinder, ram, and injection castings, and weldments and fabrications, classified under tariff items 8477.90.15 or 8477.90.25; barrel screws classified under tariff items 8477.90.35 or 8477.90.45; and electronic boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 8535 or 8536 for switching or protecting electrical circuits, or for making connections to or in electrical circuits, classified under subheading 8537.10. Further, the modification would allow non-NAFTA originating injection-molding machines for working rubber or plastics to be imported into Canada or Mexico and have NAFTA-origin conferred with an unknown amount of further processing (the extent of transformation of the article required to confer origin is not defined by this rule).

Effect: The proposed rule likely would result in an unknown increase in U.S. imports of injection-molding machines (subheading 8477.10). The U.S. NTR tariff rate of 3.1 percent ad valorem is relatively low. Moreover, in 2004, U.S. dutiable imports from Canada accounted for \$10.3 million, or 2 percent of total U.S. dutiable imports, and U.S. dutiable imports from Mexico accounted for \$78,500, or less than one-half of 1 percent of total U.S. dutiable imports. The proposed rule would eliminate the requirement for injection-molding machines to incorporate certain NAFTA-originating parts. As a result, Canadian producers of these machines could reduce their costs by using lower-cost parts from other suppliers, such as China, and then assemble the machine in Canada. This likely would result in Canadian producers gaining U.S. market share relative to higher-cost U.S. and other foreign producers.

The effects of the proposed rule change with regard to U.S. imports are unknown largely because the proposed rule does not indicate what type of operations would be required to confer NAFTA origin with regard to changes to products of subheading 8477.10 from within that subheading. It is unclear if this would allow for minor operations to be performed on machines from non-NAFTA countries imported into Canada (Canada has a tariff rate of free on all machines classified under subheading 8477.10, with the exception of one narrowly- defined category of machines) or Mexico (Mexico has tariff rate of free), and then exported to the United States as a NAFTA-originating good. Because of the Canadian and Mexican tariff rates of free, the proposed rule likely would have a negligible increase on U.S. exports.

U.S. imports may increase to an unknown level and result in an unknown potential decrease in U.S. production, should U.S. imports displace some higher-priced U.S. imports as well as higher-cost U.S. production. Further, Canadian producers would likely rationalize their part production operations in Canada and the United States, because the proposed rule would require less manufacturing in North America and allow for more assembly of foreign components.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8477.90	A change to subheading 8477.90 from any other heading.	A change to a good of subheading 8477.90 from within that subheading or any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
<p>Modification: The proposed rule liberalizes origin determination for parts of machines working plastics or rubber or for the manufacture of these materials, classified under subheading 8477.90, by allowing inputs from within that subheading (i.e., 8477.90) or any other subheading. The proposed rule does not define what operations are required to confer NAFTA-origin with regard to a change to a good of subheading 8477.90 from within that subheading. The existing rule requires all inputs to be from outside the subheading (i.e., 8477.90).</p> <p>Effect: The proposed rule likely would result in a negligible increase in U.S. imports of parts classified under subheading 8477.90. Under the proposed rule, more or less complete parts could be imported into Canada without being subject to a duty (Canada has a tariff rate of free on imports of parts of plastics and rubber working machines classified under subheading 8477.90), and with minimal operations (not defined by the proposed rule), NAFTA-origin could be conferred. Such parts could then be exported to the United States free of duty, versus being subject to a 3.1-percent ad valorem duty. In 2004, Canadian imports of parts were valued at \$179.1 million, of which imports from the United States accounted for \$110.0 million, or 61 percent of the total. Canadian imports from the EU-25 totaled \$45.7 million, or 25 percent; and imports from China and Hong Kong totaled \$3.6 million, or 2 percent; the remaining \$19.8 million, or 11 percent were imports from other countries.</p> <p>The likely negligible increase in U.S. imports will result from the relatively low U.S. NTR tariff rate of 3.1 percent ad valorem and the fact that a significant amount of U.S. imports from Canada are likely replacement parts for existing Canadian-branded machinery already in operation in the United States. Dutiable U.S. imports from Canada accounted for \$4.4 million, 0.6 percent, of total dutiable U.S. imports of parts of \$450.9 million classified under subheading 8477.90 in 2004.</p> <p>There likely would be a negligible increase in U.S. imports from Mexico, as Mexico has a 10-percent ad valorem tariff on imported parts of machines for working rubber or plastics from major producing countries and a 3-percent tariff on such imports from the EU. Mexico's tariffs are likely to limit the importation of parts from non-NAFTA suppliers for conversion into NAFTA-originating parts.</p> <p>There likely would be a negligible increase in U.S. exports to Canada or Mexico, as well as to other destinations, because most exports are primarily replacement parts for U.S.-branded machinery already in operation.</p> <p>There is likely to be a negligible decrease in U.S. production as imports from Canada increase their marketshare as a result of the proposed rule, thus displacing other imports and some U.S. production. Further, Canadian producers would likely rationalize their part production operations in Canada and in the United States, as the proposed rule would require less manufacturing in North America and allow for more assembly of foreign components.</p> <p>A likely downstream effect would be a negligible increase in U.S. imports of machines for working rubber or plastics or for the manufacture of these materials as classified under subheadings 8477.10-8477.80. Under the proposed rule, parts could be imported into Canada and assembled into unfinished machines, and then exported to the United States as NAFTA-originating products under subheadings 8477.10-8477.80 or 8477.90 (as unfinished machines), in both instances free of duty, rather than being subject to a 3.1-percent ad valorem duty.</p>			

HTS No.	Existing rule	Proposed rule	Probable effect advice
8504.40-8504.50	A change to tariff item 8504.40bb (8504.40.40) from any other subheading.	A change to a good of any subheading 8504.40 through 8504.50 from within that subheading or any other subheading, including another subheading within that group.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
	A change to tariff items 8504.40aa (8504.40.60 or 8504.40.70) from any other subheading, except from subheading 8471.49.		

	<p>(A) A change to subheading 8504.40 from any other heading; or</p> <p>(B) A change to subheading 8504.40 from subheading 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>		
	<p>(A) A change to subheading 8504.50 from any other heading; or</p> <p>(B) A change to subheading 8504.50 from subheading 8504.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>		

Modification: The proposed rule would liberalize the origin standard for power supplies for automatic data processing machines, telecommunication apparatus, and all other applications by eliminating the regional value content requirement. Further, one of the many existing rules prevents the removal of power supplies from computer systems. The proposed rule will confer origin to power supplies obtained from the disassembly of automatic data processing machine systems (subheading 8471.49).

Effect: The proposed rule change is expected to have a negligible effect on total U.S. imports, exports, and production. U.S. imports of products currently classified under items 8504.40.60, 8504.40.70, 8504.40.85, 8504.50.40 and 8504.89.65 are already free of duty. With respect to U.S. imports of equipment classified under items 8504.40.40 and 8504.40.95, the current U.S. duty rate of 1.5 percent ad valorem is not a significant impediment to U.S. imports. The other dutiable tariff item, 8504.50.80, which currently has a 3-percent ad valorem U.S. tariff rate, would not likely experience a significant import increase, because imports from East Asian countries, principally China and Japan, are currently supplanting imports from Mexico. The proposed rule may prove to be beneficial for North American suppliers, because eliminating the regional value content requirements would allow companies to source a larger proportion of components (including PCAs) from lower-cost non-NAFTA sources. The NTR rates for Canada and Mexico are predominately free under this category. For dutiable tariff items, Canada's NTR rates range from 3 percent to 6.5 percent while Mexico's NTR rates range from 18 percent to 23 percent.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8533.10-8533.40	A change to subheadings 8533.10 through 8533.39 from any other subheading, including another subheading within that group.	A change to a good of any of subheading 8533.10 through 8533.40 from within that subheading or any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: Negligible U.S. production: Negligible
	A change to subheading 8533.40 from any other subheading, except from tariff item 8533.90.40.		

Modification: The new rule would liberalize the origin restriction for electrical resistors, other than heating resistors, by deleting the provision that excludes tariff item 8533.90.40, and by allowing origin to be conferred without a change of subheading.

Effect: All U.S. imports affected by this rule change already enter free of duty on an NTR basis. The proposed rule would therefore have no effect on U.S. imports. Mexico and Canada have been among the leading U.S. export destinations for this group of items for many years, as many of the leading resistor manufacturers are U.S. based and have customers in Mexico and Canada. In 2004, Mexico accounted for 32 percent of total U.S. exports, and Canada accounted for 11 percent. Given this well-established relationship between U.S. resistor producers and consumers based in Mexico and Canada, it is unlikely that this proposed rule will have more than a negligible effect on U.S. exports. The NTR duty rate in Canada is free. Despite the NTR duty rate in Mexico ranging from free to 18 percent ad valorem depending on each 8-digit tariff item within the group, U.S. exports to Mexico are likely to increase only if the market for the finished goods that the resistors are incorporated into in Mexico increases, not as a result of the proposed rule change. Thus, the effect on U.S. production would likely be negligible because of the minimal effect on U.S. trade.

Note.—Because the 8543.11-8543.89 subheadings include a large number of disparate products, it is difficult to determine the universe of companies involved and their production and sourcing patterns. Therefore, the Commission is only able to analyze trade flows and tariff rates in making its assessment of the probable effects of the proposed modifications, and upstream and downstream effects cannot be readily ascertained.

HTS No.	Existing rule	Proposed rule	Probable effect advice
8543.11-8543.89	(A) A change to subheadings 8543.11 through 8543.81 from any other heading; or	A change to a good of subheading 8543.11 from within that subheading or any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
	(B) A change to subheadings 8543.11 through 8543.81 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, (2) 50 percent where the net cost method is used.	(A) A change to subheading 8543.19 through 8543.20 from any other heading; or (B) A change to subheading 8543.19 through 8543.20 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	
	(A) A change to tariff item 8543.89.aa (8543.89.80) from any other subheading, except from subheading 8504.40 or tariff items 8543.90.15, 8543.90.64 or 8543.90.68; or (B) A change to tariff item 8543.89.aa (8543.89.80) from subheading 8504.40 or tariff items 8543.90.15, 8543.90.64 or 8543.90.68, whether or not there is also a change from any other subheading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to a good of subheading 8543.30 from within that subheading or any other subheading.	
	(A) A change to subheading 8543.89 from any other heading; or (B) A change to subheading 8543.89 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	(A) A change to subheading 8543.40 from any other heading; or (B) A change to subheading 8543.40 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	
	(A) A change to subheading 8543.89 from any other heading; or (B) A change to subheading 8543.89 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to a good of any subheading 8543.81 through 8543.89 from within that subheading or any other subheading, including another subheading within that group.	
	(A) A change to subheading 8543.89 from any other heading; or (B) A change to subheading 8543.89 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.	A change to a good of any subheading 8543.81 through 8543.89 from within that subheading or any other subheading, including another subheading within that group.	

Modification: The proposed rules for subheadings 8543.19-8543.20 and 8543.40 are restatements of the original rules, the only change being that the proposals break out the rules for these subheadings, whereas the existing rule covered a broader range of HTS subheadings.

The proposed rules for subheadings 8543.11, 8543.30, and 8543.81-8543.89 liberalize the origin standards for these products by eliminating the regional value content requirement when a change of heading does not occur, and by requiring a subheading-level tariff shift to confer NAFTA origin.

Effect: There is no effect for subheadings 8543.19-8543.20 and 8543.40 because these rules did not change.

U.S. imports of products classified in subheading 8543.11 have an NTR duty rate of free. The proposed rule would therefore have no effect on U.S. imports. The vast majority of U.S. exports are to countries other than Canada and Mexico; in 2004, Canada and Mexico accounted for less than 0.01 percent of total U.S. exports. No known shifts in production or sourcing are expected because of the proposed rule change. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.

The majority of U.S. imports under subheading 8543.30 (96 percent in 2004) from Canada and Mexico already enter the United States free of duty under NAFTA. Thus, the actual value of goods that may benefit from this rule change is likely to be a minimal share of total U.S. imports from Canada and Mexico (and an even smaller share of total U.S. imports from all sources). Therefore, the likely effect of this rule change on U.S. imports is negligible. Asia is the major U.S. export market for these items, especially electroplating machines that are used in the manufacture of semiconductors and other high technology products. The NTR duty rate in Mexico is free. The NTR duty rate in Canada is free to 4.5 percent ad valorem. U.S. exports to Canada are likely to increase only if the market for the products produced by the machines in Canada increases, not as a result of the proposed rule change. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.

Because all products in subheading 8543.81 (proximity cards and tags) are free of duty on an NTR basis for all NAFTA partners, the new rule will likely have no effect on U.S. NAFTA trade and U.S. total trade for that subheading.

The new rule for subheading 8543.89 (a residual category that covers a wide variety of disparate goods) will likely have a negligible effect on U.S. NAFTA trade and U.S. total trade. The U.S. NTR tariffs on these items are very low, ranging from free to 2.6 percent ad valorem. As such, U.S. imports are not likely to be affected by the new rule. With respect to U.S. exports, Mexico and Canada represent relatively small markets for goods under subheading 8543.89. As such, liberalizing the origin rules will likely not result in a significant decline in total U.S. exports or U.S. exports to NAFTA partners. The NTR duty rates in Canada for these items range from free to 6.5 percent ad valorem. The NTR duty rates in Mexico for these items range from free to 18.0 percent ad valorem.

HTS No.	Existing rule	Proposed rule	Probable effect advice
9009.11	A change to subheading 9009.11 from any other subheading.	A change to a good of subheading 9009.11 from within that subheading or any other subheading.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible

Modification: The proposed rule liberalizes the origin standards for direct process electrostatic photocopiers by allowing a change to a good of subheading 9009.11 from within that subheading. Under the proposed rule, unfinished copiers (classified under 9009.11) from outside the NAFTA region could be imported into a NAFTA country and further finished/assembled, thereby qualifying for NAFTA treatment if re-exported (under 9009.11) to a NAFTA partner. No particular type or level of processing is specified and a range of operations could be possible (limited by Customs' classification of goods as "unfinished photocopiers" or as other goods). The existing rule requires a change to subheading 9009.11 from another subheading.

Effect: The new rule is likely to have a negligible effect on U.S. NAFTA trade, U.S. total trade, and U.S. production. Photocopiers classified under 9009.11 are already free of duty on an NTR basis in the United States and Canada. As such, U.S. imports likely will not be affected. Further, Mexico (the only NAFTA market with NTR tariffs on products of subheading 9009.11) is not a large market for U.S. exports. Because of its likely small effects on U.S. trade, the proposed rule is also likely to have a negligible effect on U.S. production.

HTS No.	Existing rule	Proposed rule	Probable effect advice
9009.91-9009.99	A change to subheadings 9009.91 through 9009.93 from any subheading outside that group, except from tariff item 9009.99.80.	A change to a good of any subheading 9009.91 through 9009.99 from within that subheading or any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: None U.S. production: None
	A change to tariff item 9009.99aa (9009.99.40) from subheadings 9009.91, 9009.92 or 9009.93, tariff item 9009.99.80 or any other heading, provided that at least one of the components of such assembly named in chapter rule 3 to chapter 90 is originating.		
	A change to subheading 9009.99 from any other subheading.		
<p>Modification: The proposed rule liberalizes the origin standards for parts and accessories of photocopying apparatus by allowing a change to a good of any subheading 9009.91 through 9009.99 from within that subheading or any other subheading, including another subheading within that group. This rule would allow for the use of non-NAFTA parts in the production of NAFTA-qualifying accessories such as automatic document feeders, paper feeders, and sorters. The original rules require a subheading-level tariff shift, but the new rule would not require such a shift. No particular type or level of processing would be specified and a range of operations could be possible (limited by Customs' classification of goods as "unfinished parts and accessories of photocopying apparatus" or as other goods).</p> <p>Effect: Because all products in these subheadings are free of duty on an NTR basis for all NAFTA partners, the proposed rule likely would have no effect on U.S. NAFTA trade and U.S. total trade. Therefore, there would be no effect on U.S. production.</p>			

CONTROLS

PETITIONER: INVENSYS CORPORATION

HTS No.	Existing rule	Proposed rule	Probable effect advice
9032.20-9032.89	(A) A change to subheadings 9032.20 through 9032.89 from any other heading; or	A change to subheading 9032.20 through 9032.89 from any other heading; or	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible
	(B) A change to subheadings 9032.20 through 9032.89 from subheading 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:		
	(1) 60 percent where the transaction value method is used, or	(1) 45 percent where the transaction value method is used, or	
	(2) 50 percent where the net cost method is used.	(2) 35 percent where the net cost method is used.	

Modification: The first part of the proposed rule would result in no modifications to the rules of origin for automatic regulating or controlling instruments and apparatus (excluding thermostats) as covered under subheadings 9032.20-9032.89 because the language is the same as the language of the first part of the existing rule.

The second part of the proposed rule would liberalize origin standards by reducing the regional value content requirements.

Effect: The products of this industry group are generally of two basic types: those used by the automotive industry (classified under subheading 9032.89) and those used for home and industrial control systems (classified under subheading 9032.20-9032.89). U.S. imports of automatic regulating or controlling instruments and apparatus under subheadings 9032.20-9032.89 totaled \$2.7 billion in 2004, of which Mexico accounted for 45 percent and Canada for 7 percent. Just over one-half of total imports entered free of duty, of which Mexico and Canada accounted for 88 percent. The NTR rates for the United States range from 1.1 to 1.7 percent ad valorem.

The proposed rule will likely have a negligible effect on U.S. production and imports because many of the larger global producers of this product group, including U.S. producers, have already shifted production and assembly of parts to lower-cost producing countries such as Mexico, where they have access to relatively low labor input costs. By reducing the value content requirement, the proposed rule would allow these companies greater flexibility in choosing component suppliers because some components are reportedly no longer available from the U.S. market or, even for those that are available from the U.S. market, the firm cannot meet the existing 60/50 value content requirement to obtain NAFTA origin. Mexico is the dominant U.S. supplier of these goods, but accounted for only 8 percent of the dutiable imports and Canada for less than 1 percent in 2004. In the same year, Japan and Germany accounted for the dominant share of dutiable imports at 36 percent and 24 percent, respectively; most of these imports were designated for the automotive industry. Although dutiable imports from China have more than doubled in the past 5 years, their U.S. dutiable import share has remained at 4 percent during the past 3 years, much of which was designated for home and industrial appliances in 2004. Given the low U.S. NTR duty rate for this product group, it is unlikely that there would be more than a negligible increase in U.S. NAFTA imports as a result of the proposed rule, which could be offset by reduced imports from other countries if these products are diverted to Mexico for assembly.

This proposed rule would likely have a negligible effect on U.S. exports. The NAFTA rate in both partner countries for U.S. exports are free; Mexico's NTR rates are 13-30 percent ad valorem and Canada's are free to 4.5 percent ad valorem. Mexico and Canada report that the United States is their dominant import source for this product group, accounting for import shares of 75 percent and 77 percent, respectively. However, the United States is losing import share to other import suppliers in both countries despite the NAFTA duty-free treatment. In Mexico, a number of countries have improved their import shares including Germany, Japan, and, to a lesser extent, China. The reduction of NAFTA origin content in the proposed rule would likely improve the competitive position of U.S. produced products within the NAFTA region, particularly in Mexico where NTR rates are relatively high. However, production and assembly operations in Mexico will likely be the greater beneficiary of the proposed rule change because of their relatively low labor costs, thereby limiting any improvement in U.S. exports to its NAFTA partners. In Canada, Mexico is the distant second-largest import source after the United States, accounting for 9 percent of Canada's imports. However, Mexico's share of Canadian imports has grown steadily during the past 5 years, whereas the U.S. share has fluctuated downward. Although Germany's and Japan's shares of Canadian imports have remained relatively constant over the past 5 years for this product group (2 percent and 3 percent, respectively), their shipments have increased with total imports and they are among the top four suppliers. Although China's share of Canadian imports has grown during the past 5 years, it remains less than 0.3 percent.

Under the NAFTA provisions, the alternative method of computation of regional value content under Article 403 may apply to products of subheading 9032.89 if these products are used in a motor vehicle classified under HTS chapter 87. However, the Commission cannot comment on the proposed lower standard beyond this statement owing to insufficient availability of industry value data.

APPENDIX A
REQUEST LETTER

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

MAY 23 2005

DOCKET NUMBER
2431
Office of the Secretary Int'l Trade Commission

2005 MAY 23 PM 1:53
OFFICE OF THE SECRETARY
U.S. INTERNATIONAL TRADE COMMISSION

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Koplan:

Chapter Four and Annexes 401 and 403 of the North American Free Trade Agreement (NAFTA) set out rules of origin for applying the tariff provisions of the NAFTA. Our negotiators recently reached agreement in principle with representatives of the governments of Canada and Mexico on the proposed modifications to Annexes 401 and 403 contained in the attached document.

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

Under authority delegated by the President, and pursuant to section 103 of the Act, I request that the Commission provide advice on the probable effect of the modifications reflected in the enclosed proposals on U.S. trade under the NAFTA and on domestic industries. I request that the Commission provide this advice at the earliest possible date, but not later than September 26, 2005. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,


Rob Portman

Enclosure

NAFTA RULES OF ORIGIN LIBERALIZATION – TRACK TWO

Amendments to Annex 401, Specific Rules of Origin

Cocoa and Cocoa Preparations

Chapter 18, 1806.32: Delete the rule of origin applicable to subheadings 1806.31, 1806.32 and 1806.90 and replace with the following:

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

Cranberry Juice

Chapter 20, 2009.90: Delete the rules of origin applicable to subheading 2009.90 and replace with the following:

A change to subheading 2009.90 from any other chapter;

A change to cranberry juice mixtures of subheading 2009.90 from any other subheading within Chapter 20, except from subheading 2009.11 through 2009.39 or cranberry juice of subheading 2009.80, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used; or

A change to any other good of subheading 2009.90 from any other subheading within Chapter 20, whether or not there is also a change from any other chapter, provided that a single juice ingredient, or juice ingredients from a single non-Party, constitute in single strength form no more than 60 percent by volume of the good.

Chapter 22, 2202.90: Delete the rule of origin applicable to subheading 2202.90 and replace with the following:

A change to cranberry juice mixtures of subheading 2202.90 from any other subheading, except from subheading 2009.11 through 2009.39 or cranberry juice of subheading 2009.80, whether or not there is also a change

from any other chapter, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
- (b) 50 percent where the net cost method is used; or

A change to any other good of subheading 2202.90 from any other chapter.

Ores, Slag and Ash

Chapter 26, 26.01-26.21: Delete the rule of origin applicable to heading 26.01-26.21 and replace with the following:

26.01-26.21 A change to heading 26.01 through 26.21 from any other heading, including another heading within that group.

Leather

Chapter 41, 41.04-41.13, 41.15: Delete headings 41.04 through 41.15 and the rules of origin applicable thereto and replace with the following:

41.04 A change to heading 41.04 from any other heading, except from heading 41.07.

4105.10 A change to subheading 4105.10 from heading 41.02 or any other chapter.

4105.30 A change to subheading 4105.30 from heading 41.02, subheading 4105.10 or any other chapter.

4106.21 A change to subheading 4106.21 from subheading 4103.10 or any other chapter.

4106.22 A change to subheading 4106.22 from subheading 4103.10 or 4106.21 or any other chapter.

4106.31 A change to subheading 4106.31 from subheading 4103.30 or any other chapter.

4106.32 A change to subheading 4106.32 from subheading 4103.30 or 4106.31 or any other chapter.

- 4106.40 A change to tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40 from subheading 4103.20 or any other chapter; or
- A change to crust hides and skins of subheading 4106.40 from subheading 4103.20 or tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40 or any other chapter.
- 4106.91 A change to subheading 4106.91 from subheading 4103.90 or any other chapter.
- 4106.92 A change to subheading 4106.92 from subheading 4103.90 or 4106.91 or any other chapter.
- 41.07 A change to heading 41.07 from heading 41.01 or any other chapter.
- 41.12 A change to heading 41.12 from heading 41.02, subheading 4105.10 or any other chapter.
- 41.13 A change to heading 41.13 from heading 41.03, subheading 4106.21 or 4106.31, tanned hides and skins in the wet state (including wet-blue) of subheading 4106.40, subheading 4106.91 or any other chapter.
- 41.14 A change to heading 41.14 from heading 41.01 through 41.03 or any other chapter, except from hides or skins of heading 41.01 through 41.03 which have undergone a tanning (including pre-tanning) process which is reversible.
- 4115.10-4115.20 A change to subheading 4115.10 through 4115.20 from heading 41.01 through 41.03 or any other chapter.

Cork and Articles of Cork

Chapter 45, 45.01-45.02, 45.03-45.04: Delete headings 45.01-45.02 and 45.03-45.04 and the rules of origin applicable thereto and replace with the following:

- 45.01 - 45.04 A change to heading 45.01 through 45.04 from any other heading, including another heading within that group.

Filament Yarns of Viscose Rayon

Chapter 54, 54.08: Delete the rule of origin applicable to heading 54.08 and replace with the following:

54.08 A change to heading 54.08 from filament yarns of viscose rayon of heading 54.03 or any other chapter, except from heading 51.06 through 51.10, 52.05 through 52.06 or 55.09 through 55.10.

Tri-lobal Rayon Staple Fiber; Untextured Yarns of Nylon

Chapter 56, 56.01-56.09: Delete heading 56.01-56.09 and the rule of origin applicable thereto and replace with the following rules and footnote; and renumber subsequent footnotes:

56.01 A change to sanitary towels or tampons of subheading 5601.10 from tri-lobal rayon staple fiber (38 mm, 3.3 decitex) of subheading 5504.10 or any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11 or Chapter 54 through 55; or

A change to any other good of heading 56.01 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11 or Chapter 54 through 55.

56.02-56.05 A change to heading 56.02 through 56.05 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11 or Chapter 54 through 55.

56.06 A change to heading 56.06 from flat yarns¹ of subheading 5402.41 or any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, or Chapter 54 through 55.

56.07-56.09 A change to heading 56.07 through 56.09 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11 or Chapter 54 through 55.

Prepared Feathers and Down and Articles Made of Feathers or of Down; Artificial Flowers; Articles of Human Hair

¹ "Flat yarns" means, for purposes of this rule, 7 denier/5 filament, 10 denier/7 filament or 12 denier/5 filament, all of nylon 66, untextured (flat) semi-dull yarns, multifilament, untwisted or with a twist not exceeding 50 turns per meter, of subheading 5402.41.

Chapter 67, 67.01-67.04: Delete tariff item 6701.00.aa and headings 67.01 through 67.04 and the rules of origin applicable thereto and replace with the following:

- | | |
|---------------|---|
| 67.01 | A change to heading 67.01 from any other heading; or

A change to a good of feather or down of heading 67.01 from within that heading or any other heading. |
| 67.02 - 67.04 | A change to heading 67.02 through 67.04 from any other heading, including another heading within that group. |

Glass and Glassware

Chapter 70, 70.01-70.02: Delete heading 70.01-70.02 and the rule of origin applicable thereto and replace with the following:

- | | |
|-------------------|--|
| 70.01 | A change to heading 70.01 from any other heading. |
| 7002.10 | A change to subheading 7002.10 from any other heading. |
| 7002.20 | A change to subheading 7002.20 from any other chapter. |
| 7002.31 | A change to subheading 7002.31 from any other heading. |
| 7002.32 - 7002.39 | A change to subheading 7002.32 through 7002.39 from any other chapter. |

Non-ferrous Metals:

Copper

Chapter 74, 74.01-74.03: Delete heading 74.01-74.02 and 74.03 and the rules of origin applicable thereto and replace with the following:

- | | |
|-------------|---|
| 74.01-74.03 | A change to heading 74.01 through 74.03 from any other heading, including another heading within that group, except from heading 74.04; or

A change to heading 74.01 through 74.03 from heading 74.04, whether or not there is also a change from any other heading, including another heading within that group, provided there is a regional value content of not less than:

(a) 60 percent where the transaction value method is used, or
(b) 50 percent where the net cost method is used. |
|-------------|---|

Nickel and Articles Thereof

Chapter 75, 75.01-75.05, 75.07-75.08: Delete headings 75.01-75.04, 75.05 and 75.07-75.08 and the rules of origin applicable thereto and replace with the following:

- 75.01-75.04 A change to heading 75.01 through 75.04 from any other heading, including another heading within that group.

- 7505.11-7505.12 A change to subheading 7505.11 through 7505.12 from any other heading.

- 7505.21-7505.22 A change to subheading 7505.21 through 7505.22 from any other heading; or

A change to subheading 7505.21 through 7505.22 from subheading 7505.11 through 7505.12, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.

- 7507.11 - 7508.90 A change to subheading 7507.11 through 7508.90 from any other subheading, including another subheading within that group.

Lead

Chapter 78, 78.03-78.06: Delete heading 78.03-78.06 and the rules of origin applicable thereto and replace with the following:

- 78.03 A change to heading 78.03 from any other heading; or

A change to wire of heading 78.03 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.

- 7804.11-7804.20 A change to subheading 7804.11 through 7804.20 from any other subheading, including another subheading within that group; or

A change to foil of a thickness not exceeding 0.15 mm (excluding backing) of subheading 7804.11 from within that subheading, whether or not there is also a change from any other subheading.

78.05-78.06 A change to heading 78.05 through 78.06 from any other heading, including another heading within that group.

Zinc and Articles Thereof

Chapter 79, 79.01-79.03, 79.04-79.07: Delete headings 79.01-79.03 and 79.04-79.07 and the rules of origin applicable thereto and replace with the following:

- 79.01-79.02 A change to heading 79.01 through 79.02 from any other chapter.
- 7903.10 A change to subheading 7903.10 from any other chapter.
- 7903.90 A change to subheading 7903.90 from any other heading.
- 79.04 A change to heading 79.04 from any other heading; or
A change to wire of heading 79.04 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.
- 79.05 A change to heading 79.05 from any other heading; or
A change to foil of a thickness not exceeding 0.15 mm (excluding backing) of heading 79.05 from within that heading, whether or not there is also a change from any other heading.
- 79.06-79.07 A change to heading 79.06 through 79.07 from any other heading, including another heading within that group.

Tin

Chapter 80, 80.03-80.04, 80.05-80.07: Delete headings 80.03-80.04 and 80.05-80.07 and the rules of origin applicable thereto and replace with the following:

- 80.03 A change to heading 80.03 from any other heading; or
A change to wire of heading 80.03 from within that heading, whether or not there is also a change from any other heading, provided that, if bar or rod is used, the cross-sectional area of the bar or rod is reduced by at least 50 percent.

80.04-80.07 A change to heading 80.04 through 80.07 from any other heading, including another heading within that group.

Other Base Metals

Chapter 81, 8101.10-8101.94 - 81.12-81.13: Delete subheading 8101.10-8101.94 through heading 81.12-81.13 and the rules of origin applicable thereto and replace with the following:

8101.10-8113.00 A change to subheading 8101.10 through 8113.00 from any other subheading, including another subheading within that group.

Televisions

Chapter 85, 8528.12.bb: Delete the first rule applicable to tariff item 8528.12 bb and the Note immediately following which refers to “Commencing on January 1, 1999, ...”.

Chapter 85, 8528.12.ff, 8528.12: Delete tariff items 8528.12.ff and subheading 8528.12 and the rules of origin applicable thereto and replace with the following:

8528.12 A change to subheading 8528.12 from tariff item 8528.12.gg or any other heading.

Chapter 85, 8528.13: Delete the rule of origin applicable to subheading 8528.13 and replace with the following:

8528.13 A change to subheading 8528.13 from any other heading.

Chapter 85, 8528.21.bb: Delete the first rule applicable to tariff item 8528.21 bb and the Note immediately following which refers to “Commencing on January 1, 1999, ...”.

Chapter 85, 8528.21.ff, 8528.21: Delete tariff items 8528.21.ff and subheading 8528.21 and the rules of origin applicable thereto and replace with the following:

8528.21 A change to subheading 8528.21 from tariff item 8528.21.gg or any other heading.

Chapter 85, 8528.22: Delete the rule of origin applicable to subheading 8528.22 and replace with the following:

8528.22 A change to subheading 8528.22 from any other heading.

Chapter 85, 8528.30.ff, 8528.30: Delete tariff items 8528.30.ff and subheading 8528.30 and the rules of origin applicable thereto and replace with the following:

8528.30 A change to subheading 8528.30 from tariff item 8528.30.gg or any other heading.

Information Technology Agreement (ITA) Goods

Chapter 84, 8477.10: Delete the rule of origin applicable to subheading 8477.10 and replace with the following:

8477.10 A change to a good of subheading 8477.10 from within that subheading or any other subheading.

Chapter 84, 8477.90: Delete the rule of origin applicable to subheading 8477.90 and replace with the following:

8477.90 A change to a good of subheading 8477.90 from within that subheading or any other subheading.

Chapter 85, 8504.40-8504.50: Delete tariff items 8504.40.aa and 8504.40.bb, subheading 8504.40 and 8504.50 and the rules of origin applicable thereto and replace with the following:

8504.40-8504.50 A change to a good of any of subheading 8504.40 through 8504.50 from within that subheading or any other subheading, including another subheading within that group.

Chapter 85, 8533.10-8533.40: Delete subheadings 8533.10-8533.39 and 8533.40, and the rules of origin applicable thereto and replace with the following:

8533.10-8533.40 A change to a good of any of subheading 8533.10 through 8533.40 from within that subheading or any other subheading, including another subheading within that group.

Chapter 85, 8543.11, 8543.30, 8543.81-8543.90: Delete subheading 8543.11-8543.81, tariff item 8543.89.aa and subheading 8543.89 and the rules of origin applicable thereto and replace with the following:

8543.11 A change to a good of subheading 8543.11 from within that subheading or any other subheading.

8543.19-8543.20 A change to subheading 8543.19 through 8543.20 from any other heading; or

A change to subheading 8543.19 through 8543.20 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- (Formatting only – no change in intent)*

8543.30 A change to a good of subheading 8543.30 from within that subheading or any other subheading.

8543.40 A change to subheading 8543.40 from any other heading;
or

A change to subheading 8543.40 from subheading 8543.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 60 percent where the transaction value method is used,
or
 - (b) 50 percent where the net cost method is used.
- (Formatting only – no change in intent)*

8543.81-8543.89 A change to a good of any of subheading 8543.81 through 8543.89 from within that subheading or any other subheading, including another subheading within that group.

Chapter 90, 9009.11: Delete the rule of origin applicable to subheading 9009.11 and replace with the following:

9009.11 A change to a good of subheading 9009.11 from within that subheading or any other subheading.

Chapter 90, 9009.91-9009.99: Delete subheading 9009.91-9009.93, tariff item 9009.99.aa, subheading 9009.99 and the rules of origin applicable thereto and replace with the following:

9009.91-9009.99 A change to a good of any of subheading 9009.91 through 9009.99 from within that subheading or any other subheading including another subheading within that group.

Controls

Chapter 90, 9032.20-9032.89: Delete the rules of origin applicable to subheading 9032.20-9032.89 and replace with the following:

9032.20-9032.89² A change to subheading 9032.20 through 9032.89 from any other heading; or

A change to subheading 9032.20 through 9032.89 from subheading 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 45 percent where the transaction value method is used, or
- (b) 35 percent where the net cost method is used.

² If the good provided for in subheading 9032.89 is for use in a motor vehicle of Chapter 87, the provisions of Article 403 may apply.

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

JUN 16 2005

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Koplan:

On June 10, I sent a letter requesting an amendment to the scope of advice requested in the May 23, 2005 letter from U.S. Trade Representative Rob Portman to the U.S. International Trade Commission ("Commission").

That letter cited items for which the Commission has already provided advice in earlier reports, but inadvertently omitted one item. Please substitute that letter with the attached letter, which contains the correct list of items for which the Commission is asked to not provide advice.

Sincerely,



Carmen Suro-Bredie
Assistant U.S. Trade Representative
For Policy Coordination

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
JUN 17 11:11 AM '05

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

JUN 16 2005

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Chairman Koplan:

On May 23, 2005, U.S. Trade Representative Rob Portman sent a letter to the U.S. International Trade Commission ("Commission"), requesting the Commission's advice on the probable effect of proposed changes to the North American Free Trade Agreement ("NAFTA") rules of origin. That letter included an attachment containing the text of the proposed rule changes.

The proposed changes to the rules of origin included rules for filament yarns of viscose rayon, tri-lobal rayon staple fiber, and untextured yarns of nylon. Commission staff has subsequently pointed out that the Commission previously provided probable effect advice on these changes in its reports on Investigation Nos. NAFTA-103-7 (October 2004) and NAFTA-103-9 (December 2004).

In order to avoid duplication of earlier work, I have been instructed by Ambassador Portman to amend the scope of his earlier request for advice, and request that the Commission not provide probable effect advice on the rule of origin changes for these products.

Sincerely,



Carmen Suro-Bredie
Assistant U.S. Trade Representative
For Policy Coordination

OFFICE OF THE U.S. TRADE REPRESENTATIVE
JUN 17 11 11 AM '05

APPENDIX B
***FEDERAL REGISTER* NOTICE**

INTERNATIONAL TRADE COMMISSION

[Investigation No. NAFTA-103-012]

Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and request for written submissions.

EFFECTIVE DATE: June 3, 2005.

SUMMARY: Following receipt of a request on May 23, 2005 (as modified by a letter received on June 16, 2005), from the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313), the Commission instituted investigation No. NAFTA-103-012, Probable Effect of Certain Modifications to the NAFTA Rules of Origin.

FOR FURTHER INFORMATION

CONTACT:

Information may be obtained from Linda

White, Office of Industries (202-205-3427, linda.white@usitc.gov), or Judith-Anne Webster, Office of Industries (202-205-3489, judithanne.webster@usitc.gov). For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel (202-205-3091, william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819, margaret.olaughlin@usitc.gov).

Background: According to the USTR's letter, U.S. negotiators have recently reached agreement in principle with representatives of the governments of Canada and Mexico on proposed modifications to Annexes 401 and 403 of the NAFTA. Chapter 4 and Annexes 401 and 403 of the NAFTA set forth the rules of origin for applying the tariff provisions of the NAFTA to trade in goods. Section 202(q) of the NAFTA Implementation Act (the Act) authorizes

the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim

such modifications to the rules as may from time to time be agreed to by the NAFTA countries. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission. The USTR has requested that the Commission provide advice on the probable effect of the modifications on U.S. trade under the NAFTA and on domestic industries. The modifications concern rules of origin in NAFTA Annexes 401 and 403 for (1) Cocoa and cocoa preparations; (2) cranberry juice; (3) ores, slag and ash; (4) leather; (5) cork and articles of cork; (6) prepared feathers and down and articles made of feather or of down, artificial flowers, and articles of human hair; (7) glass and glassware; (8) copper; (9) nickel and articles thereof; (10) lead; (11) zinc and articles thereof; (12) tin; (13) other base metals; (14) televisions; (15) information technology agreement goods; and (16) controls.

A detailed list of the proposed modifications is available from the Office of the Secretary to the Commission or by accessing the electronic version of this notice at the Commission's Internet site (<http://www.usitc.gov>). This list was amended by the USTR, as conveyed in a letter dated June 16, 2005, from Assistant U.S. Trade Representative Carmen Suro-Bredie, to delete filament yarns of viscose rayon, tri-lobal rayon staple fiber, and untextured yarns of nylon, as the Commission had previously provided probable effect advice concerning modifications to rules of origin for these products in Investigation Nos. NAFTA-103-7 (October 2004) and NAFTA-103-9 (December 2004).

The U.S. NAFTA rules of origin can be found in General Note 12 of the 2005 Harmonized Tariff Schedule of the United States (see "General Notes" link at <http://www.usitc.gov/tata/hts/bychapter/index.htm>) and the most recent updates to the current U.S. NAFTA rules of origin can be found in Presidential Proclamation 7870 of February 9, 2005 (70 FR 7611). As requested, the Commission will

forward

its advice to the USTR by September 26, 2005.

Written Submissions: Interested parties are invited to submit written statements concerning the probable effect of the modifications. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436. To be assured of consideration by the Commission, written statements should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on August 3, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, from which the confidential business information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by section 201.8 of the

rules (see Handbook for Electronic Filing Procedures, http://hotdocs.usitc.gov/pubs/electronic_filing_handbook.pdf). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or edis@usitc.gov). Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will

be made available in the Office of the Secretary to the Commission for inspection by interested parties. The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR and the President. As requested by the USTR, the Commission will publish a public version of the report. However, in the public version, the Commission will not publish confidential business information in a manner that would reveal the operations of the firm supplying the information. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. By order of the Commission.

Issued: June 21, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-12570 Filed 6-23-05;
8:45 am]

BILLING CODE 7020-02-P

APPENDIX C
ORGANIZATIONS CONTACTED

ORGANIZATIONS CONTACTED

The Commission solicited comments on the proposed rule modifications by issuing a public notice which was published in the *Federal Register* (see appendix B). The organizations listed below were contacted directly for industry information and views on the proposed rule modifications.

American Electronics Association
American Wire Producers Association
Belmont Smelting and Refining
Canfield
Carpenter Technology
Chocolate Manufacturers Association
Collier Shannon Scott, PLLC on behalf of the Leather Industries of America
Consumer Electronics Association
Copper and Brass Fabricators Council
Copper Development Association
Copper & Brass Service Center Association
Electronic Industries Alliance
Falconbridge
Information Technology Industry Council
Institute of Scrap Recycling Industries, Inc.
Instrumentation, Systems, and Automation Society
Invensys Controls
Kester Solders
Kobold Instruments, Inc.
Measurement, Control & Automation Association
National Electrical Manufacturers Association
National Mining Association
National Glass Association
Ocean Spray
Power Sources Manufacturers Association
Semiconductor Equipment and Materials Institute
Society of the Plastics Industry
Welch's
Xerox

APPENDIX D
POSITIONS OF INTERESTED PARTIES

POSITIONS OF INTERESTED PARTIES

Carpenter Technology Corporation (HTS subheadings 7505.21 and 7505.22)¹

Carpenter Technology Corp. (Carpenter) is a U.S. manufacturer and distributor of specialty alloys, including stainless steel, high nickel and titanium alloys, and various engineered products made from metallic and ceramic materials. Carpenter does not support the proposed modifications to the NAFTA rules of origin regarding nickel and nickel alloy wire products. The company notes that wire is produced by cold drawing a rod or bar through a die. According to Carpenter, the present rule of origin for these wire products requires that the rod or bar be produced in a NAFTA country, whereas the revised rule does not, provided that the cold drawing operation reduces the rod or bar cross-sectional area by at least 50 percent. Carpenter claims that cold-drawing is a relatively minor operation and not of sufficient complexity to confer eligibility. Further, the company claims there is legal precedent established by the Court of International Trade that cold drawing is not a substantial transformation for tariff purposes, and that Customs rulings consistently adhere to this principle. According to Carpenter, the domestic industry would lose significant sales if the new rule was to be adopted.

Chocolate Manufacturers Association and National Confectioners Association (HTS subheading 1806.32)²

The Chocolate Manufacturers Association (CMA) and the National Confectioners Association (NCA) represent U.S. manufacturers of chocolate and chocolate products. The CMA/NCA support the proposed modifications to the NAFTA rules of origin. The CMA/NCA state that when the original NAFTA rules of origin were developed, commercial chocolate product manufacturing practices and processes, which involve substantial transformations, were not taken into account. As a result, the current NAFTA rules of origin prevent U.S. exports of unfilled chocolate products classified under HTS subheading 1806.32 from benefitting from reduced duties in Canada and Mexico under NAFTA, as such products are processed from cocoa preparations imported from non-NAFTA sources. The CMA/NCA also state that the proposed modifications harmonize the treatment for chocolate products under HTS subheading 1806.32 with that for HTS subheadings 1806.31 and 1806.90, and that the modifications would harmonize the rules of origin for these products under NAFTA with those included in other free trade agreements (FTAs), including the U.S.-Australia FTA and that pending with Central America.

¹ Laurence J. Lasoff, counsel, Collier Shannon Scott, on behalf of Carpenter Technology Corp., Aug. 10, 2005.

² Lawrence T. Graham, president, National Confectioners Association; Lynn Bragg, president, Chocolate Manufacturers Association, Aug. 1, 2005.

Consumer Electronics Association (HTS subheadings 8528.12, 8528.12.ff, 8528.21, 8528.21.ff, 8528.30, and 8528.30.ff)³

The Consumer Electronics Association (CEA) is a trade association that represents more than 2,000 companies within the U.S. consumer technology industry. CEA strongly supports the proposed changes to the rules of origin that affect flat panel televisions classified under HTS subheading 8528.12.ff, noting that the proposed changes would give companies with assembly and manufacturing plants in North America the economic incentive to transfer flat panel television assembly from Asia to North America. CEA asked for clarification of the proposed changes to HTS subheadings 8528.12.bb and 8528.21.bb, to confirm that the changes represent what CEA believes are nothing more than technical corrections to the NAFTA.

Echostar Technologies Corporation (HTS subheadings 8528.12)⁴

Echostar Communications Corporation (Echostar) is a publicly traded company that provides direct broadcast satellite (DBS) television products under the DISHnetwork brand name. Echostar supports the proposed modifications to the NAFTA rules of origin with respect to HTS subheading 8528.12, televisions. Echostar states that the removal of a regional value content test will benefit its exports of NAFTA-made products into Canada by making record keeping and compliance with respect to these exports less time consuming and complex, which will in turn make its products more competitive in the Canadian market and increase the efficiency and competitiveness of Echostar's Canadian trading partners.

JVC Americas Corp. (HTS 8528.12.ff)⁵

JVC Americas Corp. (JVC) is a U.S. importer of plasma color television receivers. JVC supports the proposed rule for HTS subheading 8528.12.ff. JVC states that the proposed rule would encourage JVC's subsidiary, JVC Industrial de Mexico, S.A. de C.V., to increase production of plasma color television receivers. Under the existing rule, JVC may decide that plasma television production in Mexico is not cost effective, decrease production in Mexico, and increase Asian production and imports from Asia of plasma televisions and other new and future television technologies.

³ Michael Petricone, vice president, Technology Policy, Consumer Electronics Association.

⁴ Frank Schuchat, attorney at law, Schuchat, Herzog & Brenman, LLC, Aug. 3, 2005.

⁵ Hiroshige Mizoo, vice president, JVC Americas Corp., July 28, 2005.

Ocean Spray Cranberries, Inc. (HTS subheadings 2009.90 and 2202.90)⁶

Ocean Spray Cranberries, Inc., (Ocean Spray) is an agricultural cooperative that processes and markets the fruit of its U.S. and Canadian members. Ocean Spray cranberry growers are primarily located in Massachusetts, New Jersey, Wisconsin, Oregon, and Washington, and in the Canadian provinces of British Columbia and Québec. Ocean Spray cranberry products are made at various U.S. manufacturing locations for the U.S. market and for export to Canada and Mexico. Ocean Spray supports the proposed modifications to the current NAFTA rules of origin for cranberry juice. Ocean Spray states that the proposed NAFTA rules of origin are liberalizing, and will better account for the value added in the United States to cranberry juice blends. Further, the modifications will reduce Ocean Spray's overall transaction costs for trade throughout NAFTA and result in continuing the cooperative's increasing sales of cranberry-based products internationally.

Samsung Electronics (HTS 8528.12.ff)⁷

Samsung Electronics (Samsung) is a U.S. importer of plasma color television receivers. Samsung supports the proposed rule for HTS subheading 8528.12.ff. Samsung states that the proposed rule would encourage Samsung's sister company, Samsung Mexicana, S.A. de C.V., to increase production of plasma color television receivers. Under the existing rule, Samsung may decide that plasma television production in Mexico is not cost effective, decrease production in Mexico, and increase Asian production and imports from Asia of plasma televisions and other new and future television technologies.

Sanyo Manufacturing Corp. (8528.12.ff)⁸

Sanyo Manufacturing Corp. (Sanyo) is a U.S. importer of plasma color television receivers. Sanyo supports the proposed rule for HTS subheading 8528.12.ff. Sanyo states that the proposed rule would encourage Sanyo's subsidiary, Sanyo Manufacturing, S.A. de C.V., to increase production of plasma color television receivers in the NAFTA region.

Sony Electronics, Inc. (HTS 8528.12)⁹

Sony Electronics, Inc. (Sony Electronics) is a major producer of televisions and other electronics in the United States and other countries. In general, Sony Electronics supports the proposed rule modifications, but has asked the Commission to clarify the proposed amendments for HTS subheadings 8528.12.bb and 8528.21.bb. Sony Electronics suggests

⁶ E. Lisa Hill, customs compliance manager, Ocean Spray Cranberries, Inc., July 27, 2005.

⁷ Geun Cheol Choi, vice president, Samsung International, Inc., July 20, 2005.

⁸ Naoki Nakamura, president, Sanyo Manufacturing Corp., July 28, 2005.

⁹ David Newman, director, Law Department, Sony Electronics, Inc., July 21, 2005.

that the proposed modifications be restated in terms of the actual text of General Note 12 of the HTS regarding the NAFTA rules of origin. Sony understands that the purpose of the proposed modifications is to remove “moot” text and leave the current tariff shift rules completely intact.¹⁰

The Society of the Plastics Industry, Inc. (HTS 8477.10 and 8477.90)¹¹

The Society of the Plastics Industry, Inc. (SPI) is a U.S. trade association that represents over 1,000 companies operating in every segment of the plastics industry supply chain, including processors, raw material suppliers, moldmakers, and machinery and equipment producers. SPI members represent the majority of the U.S. plastics machinery and equipment industry. SPI states that the proposed rules for HTS subheading 8477.10, injection-molding machines, and HTS subheading 8477.90, parts of machinery for working plastics or rubber, would potentially allow for the circumvention of the column-1 general rates of duty, which are 3.1 percent ad valorem, for machines and parts not already accorded duty-free treatment. SPI believes that the proposed change would allow non-NAFTA originating parts and components to be imported into a NAFTA partner, used to assemble a completed machine, and exported to the United States free of duty. SPI believes that a significant volume of parts are imported into Canada from China and Germany. Further, SPI notes that many U.S. machinery producers also manufacture parts and components that compete with non-NAFTA suppliers in the U.S. market.

¹⁰ For a description of the approach followed by the Commission, see footnote 1 in chapter 3.

¹¹ Karen Bland Toliver, senior director, International Trade and Industry Statistics, The Society of the Plastics Industry, Aug. 3, 2005.

APPENDIX E
COMPILATION OF APPLICABLE NAFTA TARIFF
RATES AND NTR TARIFF RATES FOR THE
UNITED STATES, CANADA, AND MEXICO

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Cocoa and Cocoa Preparations - Chapter 18						
1806.31	Free	Free	U.S. - Free NSRP - (Importer must have a letter specifying that the imported product did not receive benefits from The US Sugar Rexport program.) CA - Free	5.6% (See HTS 9903.02.45)	6%	For this product group, the NTR rate is a combination of a unit tariff rate and a percent ad valorem rate. The actual rate(s) were not provided.
1806.32	1806.32.01, Free 1806.32.04, CA - Free MX - NTR rate 1806.32.06, CA - NTR rate MX - Free or 1806.32.08, CA - NTR rate MX - Free 1806.32.14, CA - Free MX - NTR rate 1806.32.16, CA - NTR rate MX - Free	Free	U.S. - Free NSRP - (Importer must have a letter specifying that the imported product did not receive benefits from The US Sugar Rexport program.) CA - Free	1806.32.01, 5% 1806.32.04, 5% 1806.32.06, 37.2c/kg +4.3%, (See HTS 9904.18.09 - 9904.18.18) 1806.32.08, 52.8c/kg +4.3% 1806.32.14, 5% 1806.32.16, 37.2c/kg +4.3% (See HTS 9904.18.19 - 9904.18.30)	6%	For this product group, the NTR rate is a combination of a unit tariff rate and a percent ad valorem rate. The actual rate(s) were not provided.

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Cocoa and Cocoa Preparations - Chapter 18—Continued						
1806.32-Cont.	1806.32.18, CA - NTR rate MX - Free 1806.32.30, Free 1806.32.55, Free 1806.32.60, CA - Free MX - NTR rate 1806.32.70, CA - NTR rate MX - Free 1806.32.80, CA - NTR rate MX - Free 1806.32.90, Free			1806.32.18, 52.8c/kg + 4.3% (See HTS 9904.18.19 - 9904.18.30) 1806.32.30, 4.3% 1806.32.55, 7% 1806.32.60, 7%) 1806.32.70,37.2c/kg +6% (See HTS 9904.04.50 - 9904.05.01) 1806.32.80, 52.8c/kg + 6% (See HTS 9904.04.50 - 9904.05.01 1806.32.90, 6%)		
1806.90	1806.90.01, Free 1806.90.05, CA - Free MX - NTR rate 1806.90.08, CA - NTR rate MX - Free 1806.90.10, CA - NTR rate MX - Free 1806.90.15, CA - Free MX - NTR rate 1806.90.18, CA - NTR rate MX - Free 1806.90.20, CA - NTR rate MX - Free	Free (except HTS 1806.90.12, NTR rate)	U.S. - Free NSRP - (Importer must have a letter specifying that the imported product did not receive benefits from The US Sugar Rexport program.) CA - Free	1806.90.01, 3.5% 1806.90.05, 3.5% 1806.90.08, 37.2c/kg + 6% (See HTS 9904.04.50 - 9904.05.01) 1806.90.10, 52.8c/kg + 6% (See HTS 9904.04.50 - 9904.05.01) 1806.90.15, 3.5% 1806.90.18,37.2c/kg + 6% (See HTS 9904.18.09 - 9904.18.18) 1806.90.20, 52.8c/kg + 6% (See HTS 9904.18.09- 9904.18.18)	5 or 6% (HTS 1806.90.12, 265% but not less than \$1.15/kg)	For this product group, the NTR rate is a combination of a unit tariff rate and a percent ad valorem rate. The actual rate(s) were not provided.

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Cranberry Juice - Chapters 20 and 22						
2009.90	Free	Free	Free	0.2c/liter - 7.4c/liter	Free - 9.5%	23%
2202.90	2202.90.10, Free 2202.90.22, Free 2202.90.24, CA - Free MX - NTR rate 2202.90.28, CA - NTR rate MX - Free 2202.90.30, CA - Free MX - 1.06c/liter 2202.90.35, CA - Free MX - 1.8c/liter 2202.90.36, Free 2202.90.37, Free 2202.90.90, Free	Free (except HTS 2202.90.43, NTR rate)	Free	2202.90.10, 17% 2202.90.22, 17.5% 2202.90.24, 17.5% 2202.90.28, 23.5c/liter +14.9% (See HTS 9904.04.50 - 9904.05.01) 2202.90.30, 4.5c/liter 2202.90.35, 7.8c/liter 2202.90.36, rate applicable to the natural juice in heading 2009, which ranges from free - 7.9c/liter (for HTS item 2009.80.60, see HTS 9903.02.36) 2202.90.37, rate applicable to the natural juice in heading 2009, which ranges from free - 7.9c/liter (for HTS item 2009.80.60, or see HTS 9903.02.36) 2202.90.90, 0.2c/liter	7.5 - 11% (HTS 2202.90.43, 256% but not less than \$36.67/hlt)	10%

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Ores, Slag, and Ash - Chapter 26						
2601 - 2621	Free	Free	Free	Free - 37.5c/kg on metal content (Some HTS items. include additional % ad valorem. For HTS 2611.00.60, see HTS 9902.26.11)	Free	13%, except 2606.00.01, 3% 2609, 3% 2610.00.01, 3% 2614.00.01, 5% 2615.10.01, 3% 2619.00.01, 3%
Leather - Chapter 41						
4104	Free	Free	Free	Free - 5% (For several HTS items, see HTS 9903.41.05.)	Free - 5%	4104.11.01, 13% 4104.11.02, 5% 4104.11.03, 5% 4104.11.99, 13% 4104.19.01, 13% 4104.19.02, 5% 4104.19.03, 5% 4104.19.99, 13% 4104.41, 13% 4104.49, 13%
4105.10	Free	Free	Free	2% (See HTS 9903.41.05)	Free - 5%	4105.10.01, 13% 4105.10.02, 13% 4105.10.03, 3% 4105.10.99, 13%
4105.30	Free	Free	Free	2% (See HTS 9903.41.05)	Free - 5%	13%
4106.21	Free	Free	Free	2.4% (See HTS 9903.41.05)	Free or 2 %	4106.21.01, 13% 4106.21.02, 13% 4106.21.03, 3% 4106.21.99, 13%
4106.22	Free	Free	Free	2.4% (See HTS 9903.41.05)	Free - 2.5%	13%
4106.31	Free	Free	Free	4.2%	Free - 4%	13%
4106.32	Free	Free	Free	4.2%	Free - 4%	13%
4106.40	Free	Free	Free	Free	Free	13%
4106.91	Free	Free	Free	3.3%	Free or 3%	13%
4106.92	Free	Free	Free	3.3%	Free or 3%	13%

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Leather - Chapter 41—Continued						
4107	Free	Free	Free	Free - 5% (For several HTS items, see HTS 9913.41.05)	Free - 5%	13%
4112	Free	Free	Free	2% (See HTS 9903.41.05)	Free or 2%	13%
4113	Free	Free	Free	Free - 4.2% (for HTS 4113.10, see HTS 9903.41.05)	Free - 4%	13%
4114	Free	Free	Free	1.6% - 3.6%	Free - 3%	13%
4115.10-4115.20	Free	Free	Free	Free	Free	13%
Cork and Articles of Cork - Chapter 45						
4501 - 4504	Free	Free	Free	Free - 14%	Free	4501, 13% 4502, 18 % 4503.10, Free 4503.90, 18% 4504.10.01, 23% 4504.10.02, 18% 4504.10.03, 13% 4504.10.99, 18% 4504.90.99, 18%
Prepared Feathers and Down and Articles Made of Feathers or of Down; Artificial Flowers; and Articles of Human Hair - Chapter 67						
6701	Free	Free	Free	4.7%	4.5%	6701.00.02, 30% 6701.00.99, 23%
6702 - 6704	Free	Free	Free	Free - 17%	Free - 15.5%	6702, 30% 6703, 23% 6704, 30%
Glass and Glassware - Chapter 70						
7001	Free	Free	Free	Free - 3%	Free	13%
7002.10	Free	Free	Free	Free - 3.9%	Free	18%
7002.20	Free	Free	Free	Free - 6%	Free	7002.20.01, 13% 7002.20.02, 13% 7002.20.03, 13% 7002.20.04, 3% 7002.20.99, 18%

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Glass and Glassware - Chapter 70—Continued						
7002.31	Free	Free	Free	Free	Free	13% or 18%
7002.32 -7002.39	Free	Free	Free	6%	Free	18%
Copper - Chapter 74						
7401 - 7403	Free	Free	Free	Free - 1% (For HTS 7402, see HTS 9903.27.13)	Free	13%
Nickel and Articles of Nickel - Chapter 75						
7501 - 7504	Free	Free	Free	Free	Free	3%
7505.11 -7505.12	Free	Free	Free	2.5 - 3%	Free	13%
7505.21 -7505.22	Free	Free	Free	2.6 - 3%	Free	13%
7507.11-7508.90	Free	Free	Free	2 - 3%	Free or 3%	13 %, except 7508.10, 20% 7508.90.99, 20%
Lead - Chapter 78						
7803	Free	Free	Free	1.2%	3 or 2.5%	13%
7804.11 -7804.20	Free	Free	Free	Free - 3%	Free - 3%	13%
7805 - 7806	Free	Free	Free	2 - 3%	3%	7805, 13% 7806, 18%
Zinc and Articles of Zinc - Chapter 79						
7901 - 7902	Free	Free	Free	Free - 3%	Free	13%
7903.10	Free	Free	Free	0.5c/kg-0.7c/kg	Free	13%
7903.90	Free	Free	Free	7903.90.30: 0.5c/kg 7903.90.60: 3%	Free	13%
7904	Free	Free	Free	4.2%	Free	13%
7905	Free	Free	Free	2.8%	Free	13%
7906 - 7907	Free	Free	Free	3%	Free or 3%	7906, 13% 7907, 18%

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Tin - Chapter 80						
8003	Free	Free	Free	3%	Free or 3%	13%
8004 - 8007	Free	Free	Free	2.1 - 3%	Free - 3%	8004 - 8006, 13% 8007 - 23%
Other Base Metals - Chapter 81						
8101.10- 8113	Free	Free	Free	Free - 15% 8102.10: 9.1c/kg on metal content + 1.2% 8102.94: 13.9c/kg on metal content + 1.9% 8104.90: 14.8c/kg on metal content + 3.5% 8105.20.30: see HTS 9902.80.05 8108.90.60: see additional US note 2 to chapter 81	Free - 3%	13%, except 8105.20, 3% 8105.30, 3% 8108.90.01, 18%
Televisions - Chapter 85						
8528.12	Free	Free	Free	Free - 5%	3.5 -5.5%	8528.12.01, 30% 8528.12.02 - 8528.12.09, 23% 8528.12.10, 13% 8528.12.99 ,18%
8528.13	Free	Free	Free	5%	Free or 6%	30%
8528.21	Free	Free	Free	Free - 5%	3.5 or 6%	8528.21.01 - 8528.21.08, 23% 8528.21.99, 18%
8528.22	Free	Free	Free	5%	6%	8528.22.01, 23% 8528.22.02, 13% 8528.22.99 ,18%
8528.30	Free	Free	Free	Free - 5%	Free or 6%	8528.30.01 -8528.30.04 , 23% 8528.30.99 ,18%
Information Technology Agreement (ITA) Goods - Chapters 84, 85, and 90						
8477.10	Free	Free	Free	Free - 3.1%	Free - 3%	Free

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Information Technology Agreement (ITA) Goods - Chapters 84, 85, and 90—Continued						
8477.90	Free	Free	Free	Free - 3.1% HTS 8477.90.85; see HTS 9902.84.85, 9902.84.88, and 9902.84.89	Free	13%
8504.40 -8504.50	Free	Free	Free	Free - 3%	Free - 6.5%	Free, except 8504.40.01, 18% 8504.40.02, 18% 8504.40.10, 23% 8504.40.11, 18% 8504.40.13, 18% 8504.40.99, 18% 8504.50.01, 18% 8504.50.02, 18%
8533.10 -8533.40	Free	Free	Free	Free	Free	13 -18%, except 8533.40.05 Free
8543.11	Free	Free	Free	Free	Free	Free
8543.19 -8543.20	Free	Free	Free	1.9 - 2.6%	Free - 5%	Free, except 8543.20.02, 13% 8543.20.03, 3%
8543.30	Free	Free	Free	2.6%	Free or 4.5%	Free
8543.40	Free	Free	Free	2.6%	6.5%	18%
8543.81 -8543.89	Free	Free	Free	Free - 2.6% HTS 8543.89.96; see HTS 9902.85.43	Free - 6.5%	Free, except 8543.89.02, 3% 8543.89.03, 3% 8543.89.06, 13% 8543.89.07, 18% 8543.89.08, 13% 8543.89.09, 3% 8543.89.11, 18% 8543.89.13, 3% 8943.89.15, 3%
9009.11	Free	Free	Free	Free	Free	23%
9009.91 -9009.99	Free	Free	Free	Free	Free	Free

HTS No.	U.S. NAFTA RATE (Percent ad valorem)	CANADA NAFTA RATE (Percent ad valorem)	MEXICO NAFTA RATE (Percent ad valorem)	U.S. NTR RATE (Percent ad valorem)	CANADA NTR RATE (Percent ad valorem)	MEXICO NTR RATE (Percent ad valorem)
Controls - Chapter 90						
9032.20 -9032.89	Free	Free	Free	1.1 - 1.7%	Free or 4.5%	13 - 30%

Note.—The Government of Mexico posted an update to the NTR tariff rates, which was actualized as of July 8, 2005 and generally resulted in a 3 percentage point decrease. The exceptions are HTS numbers listed as 5 percent ad valorem under product groups Ores, Slag, and Ash and Leather, which remained at 5 percent ad valorem; HTS numbers listed as 30 percent under Prepared Feathers and Down..., Televisions, and Controls, which decreased by 10 percentage points to 20 percent ad valorem; and HTS numbers 7508.10 and 7508.90.99 under Nickel and Articles of Nickel, which decreased by 10 percentage points to 10 percent ad valorem. See tariff information, Sistema de Informacion Arancelaria Via Internet (SIAVI), or System of Tariff Information found at <http://www.economia-snci.gob.mx/>.

Source: *The Harmonized tariff Schedule of the United States (2005)*, found at <http://www.usitc.gov/tata/hts/index.htm>, retrieved June 5, 2005; *Schedule to the Customs Tariff for Canada* found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2005/tablewithamendments-e.html>, retrieved June 5, 2005; and *Ley de los Impuestos Generales de Importacion y Exportacion (The Law of General Tariffs on Imports and Exports)* for Mexico, found at <http://www.economia-snci.gob.mx/>, retrieved June 6, 2005.