United States
International Trade Commission

Generalized System of Preferences: Possible Modifications, 2017 Review

Publication Number: 4827
Investigation Number: 332-567
September 2018

United States International Trade Commission

Commissioners

David S. Johanson, Chairman

Irving A. Williamson

Meredith M. Broadbent

Rhonda K. Schmidtlein

Jason E. Kearns

Catherine DeFilippo
Director, Office of Operations

Jonathan Coleman
Director, Office of Industries

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

United States International Trade Commission

Generalized System of Preferences: Possible Modifications, 2017 Review

Publication Number: 4827
Investigation Number: 332-567
September 2018

This report was prepared principally by the Office of Industries

Project Leader
Sabina Neumann
sabina.neumann@usitc.gov

Deputy Project Leader
Mark Brininstool, mark.brininstool@usitc.gov

Technical Advisor
Marin Weaver, marin.weaver@usitc.gov

Principal Contributors
Office of Industries: Renee Berry, Raymond Cantrell, Jennifer Catalano, Samantha DeCarlo, John Giamalva, David Guberman, Robert Ireland, Gregory LaRocca, Angelica Marrero, Daniel Matthews, Elizabeth Nesbitt, Sarah Oliver, Jessica Pugliese, Christopher Robinson, Sarah Scott, Karl Tsuji, Dan Kim

Office of Economics: Gregory Taylor, David Riker

Content Review
Philip Stone, Office of Industries, Wen Jin "Jean" Yuan, Office of Economics
Janis Summers, Office of Tariff Affairs and Trade Agreements

Editorial Review
Judy Edelhoff and Peg Hausman, Office of Analysis and Research Services

Statistical Review
Russell Duncan, Office of Analysis and Research Services

Special Assistance
Ryan Kane, Office of Tariff Affairs and Trade Agreements
David Lundy, and Laura Thayn, Office of Analysis and Research Services
Gwenetta Duvall and Monica Sanders, Office of Industries

Under the Direction of
Joanna Bonarriva, Chief, Agriculture and Fisheries Division

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE UNITED STATES TRADE REPRESENTATIVE ON SEPTEMBER 7, 2018. ALL CONFIDENTIAL NATIONAL SECURITY INFORMATION AND CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***)

Table of Contents

Chapter 1 Introduction 15
Chapter 2 Addition: Certain Fresh Pears (Beneficiary Developing Countries) 23
Description and Uses 23
Profile of U.S. Industry and Market, 2013–17 23
GSP Import Situation, 2017 24
U.S. Imports and Exports 25
Positions of Interested Parties 27
Bibliography 28
Chapter 3 Addition: Certain Melon and Citrus Fruit Peel (Beneficiary Developing Countries) 29
Description and Uses 29
Profile of U.S. Industry and Market, 2013–17 30
GSP Import Situation, 2017 31
U.S. Imports and Exports 32
Positions of Interested Parties 34
Bibliography 35
Chapter 4 Addition: Cottonseed (Beneficiary Developing Countries) 37
Description and Uses 37
Profile of U.S. Industry and Market, 2013–17 38
GSP Import Situation, 2017 39
U.S. Imports and Exports 40
Positions of Interested Parties 42
Bibliography 43
Chapter 5 Addition: Crude Sunflower-seed Oil and Safflower Oil (Beneficiary Developing Countries) 45
Description and Uses 45
Profile of U.S. Industry and Market, 2013–17 46
GSP Import Situation, 2017 46
U.S. Imports and Exports 48
Positions of Interested Parties 50
Bibliography 51
Chapter 6 Addition: Certain Prepared or Preserved Apples (Beneficiary Developing Countries) 53
Description and Uses 53
Profile of U.S. Industry and Market, 2013–17 54
GSP Import Situation, 2017 55

U.S. Imports and Exports 57
Positions of Interested Parties 58
Bibliography 59

Chapter 7 Addition: *p*-Anisic Acid, Clofibrate, and 3-Phenoxybenzoic Acid (Beneficiary Developing Countries) 61

Description and Uses 61
Profile of U.S. Industry and Market, 2013–17 61
GSP Import Situation, 2017 62
U.S. Imports and Exports 63
Positions of Interested Parties 64
Bibliography 65

Chapter 8 Addition: Certain Aromatic Carboxylic Acids and Their Derivatives Covered in U.S. Note 3 (Beneficiary Developing Countries) 67

Description and Uses 67
Profile of U.S. Industry and Market, 2013–17 67
GSP Import Situation, 2017 68
U.S. Imports and Exports 69
Positions of Interested Parties 70
Bibliography 71

Chapter 9 Addition: Certain Aromatic Carboxylic Acids and Their Derivatives Not Covered in U.S. Note 3 (Beneficiary Developing Countries) 73

Description and Uses 73
Profile of U.S. Industry and Market, 2013–17 74
GSP Import Situation, 2017 74
U.S. Imports and Exports 75
Positions of Interested Parties 77
Bibliography 78

Chapter 10 Addition: Certain Rubber Transmission V-belts (Beneficiary Developing Countries) 79

Description and Uses 79
Profile of U.S. Industry and Market, 2013–17 80
GSP Import Situation, 2017 81
U.S. Imports and Exports 82
Positions of Interested Parties 83
Bibliography 84

Chapter 11 Removal: Tart Cherry Juice Concentrate and Other Cherry Juice (Turkey) 85

Description and Uses 86
Profile of U.S. Industry and Market, 2013–17 86
GSP Import Situation, 2017 88

U.S. Imports and Exports 90
Positions of Interested Parties 92
Bibliography 95

Chapter 12 Removal: Certain Polymethyl Methacrylate Plates, Sheets, Film, Foil, and Strip (Indonesia and Thailand) 97

Description and Uses 97
Profile of U.S. Industry and Market, 2013–17 98
GSP Import Situation, 2017 102
U.S. Imports and Exports 103
Positions of Interested Parties 105
Bibliography 108

Chapter 13 Competitive Need Limitation (CNL) Waiver: Certain Edible Products of Animal Origin (Indonesia) 111

Description and Uses 111
Like or Directly Competitive U.S. Product Assessment 111
Physical Properties 112
Manufacturing Process 113
Marketing Channels 113
Customs Treatment 114
Profile of U.S. Industry and Market, 2013–17 114
GSP Import Situation, 2017 115
U.S. Imports and Exports 116
Positions of Interested Parties 118
Bibliography 119

Chapter 14 Competitive Need Limitation (CNL) Waiver: Lithium Carbonate (Argentina) 121

Description and Uses 121
Like or Directly Competitive U.S. Product Assessment 121
Physical Properties 122
Manufacturing Process 122
Product Uses 122
Marketing Channels 122
Customs Treatment 123
Profile of U.S. Industry and Market, 2013–17 123
GSP Import Situation, 2017 124
U.S. Imports and Exports 125
Positions of Interested Parties 127
Bibliography 128

Chapter 15 Competitive Need Limitation (CNL) Waiver: Essential Oils of Lemon Argentina) 129
Description and Uses 129
Like or Directly Competitive U.S. Product Assessment 130
Physical Properties 130
Manufacturing Process 130
Product's Uses 130
Marketing Channels 131
Customs Treatment 131
Profile of U.S. Industry and Market, 2013–17 131
GSP Import Situation, 2017 133
U.S. Imports and Exports 134
Positions of Interested Parties 136
Bibliography 137
Chapter 16 Competitive Need Limitation (CNL) Waiver: Certain Monumental or Building Stone (Brazil) 139
Description and Uses 139
Like or Directly Competitive Product Assessment 140
Physical Properties 140
Manufacturing Process 140
Product's Uses 141
Marketing Channels 141
Customs Treatment 141
Profile of U.S. Industry and Market, 2013–17 141
GSP Import Situation, 2017 142
U.S. Imports and Exports 143
Positions of Interested Parties 145
Bibliography 147
Chapter 17 Competitive Need Limitation (CNL) Waiver: Ferrosilicon Chromium (Kazakhstan) 149
Descriptions and Uses 149
Like or Directly Competitive U.S. Product Assessment 150
Physical Properties 150
Manufacturing Process 151
Product Uses 151
Marketing Channels 151
Customs Treatment 152
Profile of U.S. Industry and Market, 2013–17 152
GSP Import Situation, 2017 153
U.S. Imports and Exports 154

Positions of Interested Parties 155
Bibliography 156
Chapter 18 Redesignation: Apple, Quince and Pear Pastes and Purees (Argentina) 159
Description and Uses 159
Profile of U.S. Industry and Market, 2013–17 160
GSP Import Situation, 2017 161
U.S. Imports and Exports 163
Positions of Interested Parties 165
Bibliography 166
Chapter 19 Redesignation: Sunflower Seed Oilcake (Argentina) 169
Description and Uses 169
Profile of U.S. Industry and Market, 2013–17 169
GSP Import Situation, 2017 170
U.S. Imports and Exports 172
Positions of Interested Parties 173
Bibliography 174
Chapter 20 Redesignation: Ammonium Perrhenate (Kazakhstan) 175
Description and Uses 175
Profile of U.S. Industry and Market, 2013–17 176
GSP Import Situation, 2017 177
U.S. Imports and Exports 177
Positions of Interested Parties 179
Bibliography 180
Chapter 21 Redesignation: Certain Odoriferous or Flavoring Compounds (Indonesia) 181
Description and Uses 181
Profile of U.S. Industry and Market, 2013–17 182
GSP Import Situation, 2017 183
U.S. Imports and Exports 184
Positions of Interested Parties 186
Bibliography 187
Chapter 22 Redesignation: Fancy Bovine Leather (Full Grain, Whole, Unsplit) (Argentina) 189
Description and Uses 189
Profile of U.S. Industry and Market, 2013–17 190
GSP Import Situation, 2017 190
U.S. Imports and Exports 191
Positions of Interested Parties 193
Bibliography 194

Chapter 23 Redesignation: Granite Monumental or Building Stone (India)... 195
Description and Uses ... 195
Profile of U.S. Industry and Market, 2013–17 ... 195
GSP Import Situation, 2017 ... 197
U.S. Imports and Exports ... 198
Positions of Interested Parties ... 200
Bibliography ... 202
Chapter 24 Redesignation: Certain Ferroniobium (Brazil) ... 203
Description and Uses ... 203
Like or Directly Competitive U.S. Product Assessment ... 204
Physical Properties ... 205
Manufacturing Process ... 206
Product Uses ... 206
Marketing Channels ... 207
Customs Treatment ... 208
Profile of U.S. Industry and Market, 2013–17 ... 208
GSP Import Situation, 2017 ... 209
U.S. Imports and Exports ... 210
Positions of Interested Parties ... 211
Bibliography ... 214
Chapter 25 Redesignation: Certain Tropical Hardwood Plywood (Indonesia) ... 217
Description and Uses ... 217
Like or Directly Competitive U.S. Product Assessment ... 219
Physical Properties ... 220
Manufacturing Process ... 220
Product's Uses ... 221
Marketing Channels ... 221
Customs Treatment ... 222
Profile of U.S. Industry and Market, 2013–17 ... 222
GSP Import Situation, 2017 ... 225
U.S. Imports and Exports ... 227
Positions of Interested Parties ... 231
Bibliography ... 233
Chapter 26 Denial of De Minimis Waiver: Bone Black (Brazil) ... 235
Description and Uses ... 235
Like or Directly Competitive U.S. Product Assessment ... 236
Physical Properties ... 237
Manufacturing Process ... 237
Product's Uses ... 238

Marketing Channels 238
Customs Treatment 239
Profile of U.S. Industry and Market, 2013–17 239
GSP Import Situation, 2017 240
U.S. Imports and Exports 241
Positions of Interested Parties 242
Bibliography 243

Appendix A Request Letter 245
Appendix B *Federal Register* Notices 255
Appendix C Calendar of Hearing Witnesses 263

Tables

Table 2.1 Certain fresh pears 23
Table 2.2 Certain fresh pears (HTS subheading 0808.30.40): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 24
Table 2.3 Certain fresh pears (HTS subheading 0808.30.40): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 25
Table 2.4 Certain fresh pears (HTS subheading 0808.30.40): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 25
Table 2.5 Certain fresh pears (HTS subheading 0808.30.40): U.S. imports for consumption by principal sources, 2013–17 (dollars) 26
Table 2.6 Certain fresh pears (Schedule B 0808.30.0010 and 0808.30.0050): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 27
Table 3.1 Certain melon and citrus fruit peel 29
Table 3.2 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 31
Table 3.3 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. imports for consumption (1,000 $) and shares of U.S. consumption, 2017 32
Table 3.4 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 32
Table 3.5 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. imports for consumption by principal sources, 2013–17 (dollars) 33
Table 3.6 Certain melon and citrus fruit peel (Schedule B 0814.00.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 34
Table 4.1 Cottonseed 37
Table 4.2 Cottonseed (HTS subheading 1207.29.00): Value of cottonseed production and value relative to cotton lint production, 2013–17 ($1,000) 39
Table 4.3 Cottonseed (HTS subheading 1207.29.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 39
Table 4.4 Cottonseed (HTS subheading 1207.29.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 40

Table 4.5 Cottonseed (HTS subheading 1207.29.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 41
Table 4.6 Cottonseed (Schedule B 1207.29.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 41
Table 5.1 Crude sunflower-seed oil and safflower oil 45
Table 5.2 Crude sunflower and safflower oil (HTS subheading 1512.11.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 46
Table 5.3 Crude sunflower and safflower oil (HTS subheading 1512.11.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 47
Table 5.4 Crude sunflower and safflower oils (HTS subheading 1512.11.00): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 48
Table 5.5 Crude sunflower or safflower oil (HTS subheading 1512.11.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 49
Table 5.6 Crude sunflower or safflower oil (Schedule B 1512.11.0020 and 1512.11.0040): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 50
Table 6.1 Certain prepared or preserved apples 53
Table 6.2 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 55
Table 6.3 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 56
Table 6.4 Certain prepared or preserved apples (HTS subheading 2008.99.05): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 56
Table 6.5 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. imports for consumption by principal sources, 2013–17 (dollars) 57
Table 6.6 Fruit and other edible parts of plants, n.e.s.o.i., otherwise prepared or preserved, whether or not containing sweetening or spirit, n.e.s.o.i. (Schedule B 2008.99.7550 and 2008.99.7552): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 58
Table 7.1 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid 61
Table 7.2 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 62
Table 7.3 *p*-Anisic acid, clofibrate; and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 63
Table 7.4 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. imports for consumption by principal sources, 2013–17 (dollars) 63
Table 7.5 Carboxylic acids with additional oxygen function n.e.s.o.i. (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 64
Table 8.1 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 67
Table 8.2 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 68

Table 8.3 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 69
Table 8.4 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. imports for consumption by principal sources, 2013–17 (dollars)..... 69
Table 8.5 Carboxylic acids with additional oxygen function n.e.s.o.i. (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 70
Table 9.1 Certain aromatic carboxylic acids and their derivatives not covered in U.S. note 3 73
Table 9.2 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 74
Table 9.3 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. imports for consumption ($1,000) and share of U.S. consumption, 2017 75
Table 9.4 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. imports for consumption by principal sources, 2013–17 (dollars)..... 76
Table 9.5 Carboxylic acids with additional oxygen function n.e.s.o.i. (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 76
Table 10.1 Certain rubber transmission V-belts 79
Table 10.2 Certain rubber transmission V-belts (HTS subheading 4010.33.30): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 81
Table 10.3 Certain rubber transmission V-belts (HTS 4010.33.30): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017..... 81
Table 10.4 Certain rubber transmission V–belts (HTS subheading 4010.33.30): U.S. imports for consumption by principal sources, 2013–17 (dollars) 82
Table 10.5 Certain rubber transmission V–belts (Schedule B 4010.33.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)..... 83
Table 11.1 Tart cherry juice concentrate and other cherry juice 85
Table 11.2 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17..... 87
Table 11.3 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 88
Table 11.4 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 89
Table 11.5 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 89
Table 11.6 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. imports for consumption by principal sources, 2013–17 (dollars) 90
Table 11.7 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. imports for consumption by principal sources, 2013–17 (dollars) 91
Table 11.8 Juice of any other single fruit or vegetable, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not sweetened, not elsewhere specified or indicated (Schedule B 2009.89.9000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 92

Table 12.1 Certain polymethyl methacrylate plates, sheets, film, foil, and strip 97
Table 12.2 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 102
Table 12.3 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. imports for consumption ($1,000) and share of U.S. consumption, 2017 103
Table 12.4 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. imports for consumption by principal sources, 2013–17 (dollars) 104
Table 12.5 Polymethyl methacrylate plate, sheet, film, foil, and strip (Schedule B 3920.51.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 105
Table 13.1 Certain edible products of animal origin 111
Table 13.2 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 115
Table 13.3 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 116
Table 13.4 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 117
Table 13.5 Certain edible products of animal origin (Schedule B 0410.00.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 118
Table 14.1 Lithium carbonate 121
Table 14.2 Lithium carbonate (HTS subheading 2836.91.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 123
Table 14.3 Lithium carbonate (HTS subheading 2836.91.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 124
Table 14.4 Lithium carbonate (HTS subheading 2836.91.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 125
Table 14.5 Lithium carbonates (HTS subheading 2836.91.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 125
Table 14.6 Lithium carbonates (Schedule B 2836.91.0010 and 2836.91.0050): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 126
Table 15.1 Essential oils of lemon 129
Table 15.2 Essential oils of lemon: (HTS subheading 3301.13.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 132
Table 15.3 Essential oils of lemon: (HTS subheading 3301.13.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 133
Table 15.4 Essential oils of lemon (HTS subheading 3301.13.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 134
Table 15.5 Essential oils of lemon (HTS subheading 3301.13.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 135
Table 15.6 Essential oils of lemon (Schedule B 3301.13.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 136
Table 16.1 Certain monumental or building stone 139

Table 16.2 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 142
Table 16.3 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 143
Table 16.4 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 144
Table 16.5 Certain monumental or building stone (Schedule B 6802.99.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 145
Table 17.1 Ferrosilicon chromium 149
Table 17.2 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 153
Table 17.3 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 153
Table 17.4 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 154
Table 17.5 Ferrosilicon chromium (Schedule B 7202.50.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 155
Table 18.1 Apple, quince and pear pastes and purees 159
Table 18.2 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 161
Table 18.3 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 163
Table 18.4 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 163
Table 18.5 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. imports for consumption by principal sources, 2013–17 (dollars) 164
Table 18.6 Fruit or nut pastes and purees n.e.s.o.i., cooked preparations, whether or not sweetened (Schedule B 2007.99.8000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 164
Table 19.1 Sunflower seed oilcake 169
Table 19.2 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 170
Table 19.3 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 171
Table 19.4 Sunflower seed oilcake (HTS subheading 2306.30.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 171
Table 19.5 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 172
Table 19.6 Sunflower seed oilcake (Schedule B 2306.30.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 173
Table 20.1 Ammonium perrhenate 175
Table 20.2 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 176

Table 20.3 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 177
Table 20.4 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. imports for consumption by principal sources, 2013–17 (dollars) 178
Table 20.5 Salts of oxometallic or peroxometallic acids, n.e.s.o.i. (Schedule B 2841.90.9000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 178
Table 21.1 Certain Odoriferous or flavoring compounds 181
Table 21.2 Certain odoriferous or flavoring compounds: (HTS subheading 2909.50.40): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 183
Table 21.3 Certain odoriferous or flavoring compounds: (HTS subheading 2909.50.40): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 184
Table 21.4 Certain odoriferous or flavoring compounds (HTS subheading 2909.50.40): U.S. imports for consumption by principal sources, 2013–17 (dollars) 185
Table 21.5 Ether-phenols, ether-alcohol-phenols, and their halogenated, sulfonated, nitrated, or nitrosated derivatives (Schedule B 2909.50.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 185
Table 22.1 Fancy bovine leather (full grain, whole, unsplit) 189
Table 22.2 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 190
Table 22.3 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 191
Table 22.4 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. imports for consumption by principal sources, 2013–17 (dollars) 192
Table 22.5 Bovine and equine leather, whole hides and skins, fancy, full grains and unsplit, not elsewhere specified or indicated, parchment dressed or further prepared after tanning or crusting (Schedule B 4107.11.8000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 193
Table 23.1 Granite monumental or building stone 195
Table 23.2 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 197
Table 23.3 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 198
Table 23.4 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. imports for consumption by principal sources, 2013–17 (dollars) 199
Table 23.5 Granite monumental or building stone (Schedule B 6802.93.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 200
Table 24.1 Certain ferroniobium 203
Table 24.2 Certain ferroniobium (HTS subheading 7202.93.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 209
Table 24.3 Certain ferroniobium (HTS subheading 7202.93.80): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 210
Table 24.4 Certain ferroniobium (HTS subheading 7202.93.80): U.S. imports for consumption by principal sources, 2013–17 (dollars) 211

Table 24.5 Certain ferroniobium (Schedule B 7202.93.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 211
Table 25.1 Certain tropical hardwood plywood 217
Table 25.2 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 224
Table 25.3 Certain tropical hardwood plywood, excluding mahogany, panel cannot exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 224
Table 25.4 Certain tropical hardwood plywood, excluding mahogany and not surface covered, panel exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length not surfaced covered (HTS statistical reporting number 4412.31.4160): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 225
Table 25.5 U.S. production of unfinished Lauan-faced plywood (square feet) 225
Table 25.6 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 226
Table 25.7 Certain tropical hardwood plywood, excluding mahogany, panel cannot exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 226
Table 25.8 Certain tropical hardwood plywood, excluding mahogany and not surface covered, panel exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length (HTS statistical reporting number 4412.31.4160): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017 227
Table 25.9 Indonesia plywood production and consumption, 2013–16 (1,000 cubic meters) 227
Table 25.10 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. imports for consumption by principal sources, 2013–17 (dollars) 228
Table 25.11 Certain tropical hardwood plywood, excluding mahogany, panel limited to 3.6mm in thickness, limited to 1.2m in width and 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. imports for consumption by principal sources, 2013–17 (dollars) 229
Table 25.12 Certain tropical hardwood plywood, excluding mahogany, panel limited to 6mm and exceeding 3.6mm in thickness, exceeding 1.2m in width or 2.2m in length, not surface covered (HTS statistical reporting number 4412.31.4160): U.S. imports for consumption by principal sources, 2013–17 (dollars) 230
Table 25.13 Plywood with at least one outer ply of tropical wood, solely of sheets of wood not greater than 6mm in thickness (Schedule B 4412.31.0005): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 231
Table 26.1 Bone black 235
Table 26.2 Bone black: (HTS subheading 3802.90.10): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17 240

Table 26.3 Bone black: (HTS subheading 3802.90.10): U.S. imports for consumption (1,000 $) and share of consumption, 2017 240
Table 26.4 Bone black (HTS subheading 3802.90.10): U.S. imports for consumption by principal sources, 2013–17 (dollars) 241
Table 26.5 Bone black (Schedule B 3802.90.1000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars) 242

Chapter 1 Introduction[1]

This report by the U.S. International Trade Commission (Commission or USITC) provides advice relating to possible modifications to the U.S. Generalized System of Preferences (GSP) program, as requested by the U.S. Trade Representative (USTR) in his letter of May 18, 2018.[2] As summarized in the Commission's notice of investigation published in the *Federal Register*,[3] the USTR asked that the Commission provide the following advice:

(1) Advice concerning the probable economic effect of elimination of U.S. import duties on certain articles from all beneficiary developing countries under the GSP program. In accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act") and pursuant to the authority of the President delegated to the USTR by sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, and pursuant to section 332(g) of the Tariff Act of 1930, the USTR notified the Commission that the articles identified in table A of the Annex to the USTR request letter are being considered for designation as eligible articles for purposes of the GSP program. The USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles identified in table A of the Annex to the USTR request letter for all beneficiary developing countries under the GSP program (see table A below[4]).

[1] The information in these chapters is for the purposes of this report only. Nothing in this report should be construed as an indication of any findings the Commission would make in an investigation conducted under any other statutory authority.
[2] The request consisted of the initial request letter from the USTR, dated May 18, 2018; one clarification email from the USTR, dated May 22, 2018, that made certain modifications to the initial request; and a correction from the USTR, submitted June 6, 2018, that was reflected in the *Federal Register* notice published on June 14, 2018. See appendixes A and B.
[3] 83 Fed. Reg. 24342 (May 25, 2018).
[4] Tables A–F in Chapter 1 are shown as provided in the request letter and subsequent clarification email and correction email from USTR.

Table A: Petitions submitted for products to be considered for addition to the list of GSP-eligible products

HTS Subheading	Brief Description	Countries
0808.30.40	Pears, fresh, if entered during the period from July 1 through the following March 31, inclusive	Beneficiary developing countries
0814.00.80	Peel of citrus fruit, excl. orange or citron and peel, nesi, of melon, fresh, frozen, dried or provisionally preserved	Beneficiary developing countries
1207.29.00	Cotton seeds, whether or not broken, other than seed for sowing	Beneficiary developing countries
1512.11.00	Sunflower-seed or safflower oil, crude, and their fractions, whether or not refined, not chemically modified	Beneficiary developing countries
2008.99.05	Apples, otherwise prepared or preserved, nesoi	Beneficiary developing countries
2918.99.05	p-Anisic acid; clofibrate and 3-phenoxybenzoic acid	Beneficiary developing countries
2918.99.43	Aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv described in add US note 3 to sect VI, nesoi	Beneficiary developing countries
2918.99.47	Other aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv (excluding goods in add US note 3 to sec VI)	Beneficiary developing countries
4010.33.30	Transmission V-belts of vulcanized rubber, V-ribbed, circumference exceeding 180 cm but not exceeding 240 cm, combined with textile materials	Beneficiary developing countries

(2) Advice concerning the probable economic effect of removal of certain articles from certain countries from eligibility for duty-free treatment. The USTR notified the Commission that two articles from certain countries are being considered for removal from eligibility for duty-free treatment under the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the articles listed in table B of the annex to the USTR request letter, the USTR requested that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program for these articles from certain countries on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers (see table B below).

Table B: Petitions submitted to remove duty-free status from certain countries for a product on the list of eligible articles for the Generalized System of Preferences

HTS Subheading	Brief Description	Country
2009.89.6011 and 2009.89.6019	Cherry juice – part of 2009.89.60 "Juice of any other single fruit, nesoi"	Turkey
3920.51.50	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polymethyl methacrylate, not flexible	Indonesia and Thailand

(3) Advice concerning waiver of certain competitive need limitations.[5] Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, and in accordance with section 503(d)(1)(A) of the 1974 Act, the USTR requested that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limitations (CNLs) specified in section 503(c)(2)(A) of the 1974 Act for the countries and articles specified in table C of the attached annex to the request letter (see table C below). The USTR also requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, as well as on consumers, of the requested waivers. With respect to the competitive need limitation in section 503(c)(2)(A)(i)(I) of the 1974 Act, the USTR requested that the Commission use the dollar value limit of $180 million. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice with respect to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

[5] A Competitive need limitation (CNL) waiver may be granted after a country has exceeded the competitive need limit on imports of a particular Harmonized Tariff Schedule (HTS) provision (expressed as either a dollar value or a share of total U.S. imports). The 2017 dollar-value limit for CNLs is $180 million. The share limit is defined as 50 percent of total U.S. imports.

Table C: Petitions submitted for waiver of GSP CNLs

HTS Subheading	Brief description	Country
0410.00.00	Edible products of animal origin, nesoi	Indonesia
2836.91.00	Lithium carbonates	Argentina
3301.13.00	Essential oils of lemon	Argentina
6802.99.00	Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi	Brazil
7202.50.00	Ferrosilicon chromium	Kazakhstan

(4) Advice concerning redesignations.[6] The USTR notified the Commission that six articles are being considered for redesignation as eligible articles for purposes of the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, the USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in table D of the annex to the USTR request letter from the listed beneficiary countries.

[6] Once an HTS provision from a specific beneficiary developing country (BDC) has been removed from GSP eligibility because it exceeded the CNL, it is eligible to be considered for redesignation if, in a subsequent year, U.S. imports of that HTS provision from the relevant BDC fall below the CNL threshold. The President determines if an HTS provision will be redesignated and, in making this determination, takes into account factors from section 501 and 502 of the Trade Act of 1974, as amended, such as the BDC's competitiveness and if it is meeting the GSP country eligibility criteria. USTR, *U.S. Generalized System of Preferences Guidebook*, March 2012, 12.

Table D: Petitions submitted for redesignation of excluded items

HTS Subheading	Brief description	Country
2007.99.48	Apple, quince and pear pastes and purees, being cooked preparations	Argentina
2306.30.00	Oilcake and other solid residues, resulting from the extraction of vegetable fats or oils, of sunflower seeds	Argentina
2841.90.20	Ammonium perrhenate	Kazakhstan
2909.50.40	Odoriferous or flavoring compounds of ether-phenols, ether-alcohol-phenols & their halogenated, sulfonated, nitrated, nitrosated derivatives	Indonesia
4107.11.80	Full grain unsplit whole bovine (not buffalo) nesoi and equine leather nesoi, w/o hair, prepared after tanning or crusting, fancy, not 4114	Argentina
6802.93.00	Monumental or building stone & arts. thereof, of granite, further worked than simply cut/sawn, nesoi	India

(5) Advice concerning redesignation and advice on whether a like or directly competitive domestic article was produced in any of the preceding three years.[7] The USTR notified the Commission that two articles are being considered for redesignation as eligible articles for purposes of the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, the USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in table E of the annex to the USTR request letter from the listed beneficiary countries. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice as to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

[7] Once an HTS provision from a specific BDC has been removed from GSP eligibility because it exceeded the competitive need limitation (CNL), it is eligible to be considered for redesignation if, in a subsequent year, U.S. imports of that HTS provision from the relevant BDC fall below the CNL. HTS provision 4412.31.41 from Indonesia exceeded the CNL percentage threshold in 2017. However, the petitioners have requested a redesignation on the basis that no like or directly competitive products were produced in the United States during the preceding three calendar years and that therefore the CNL should not apply to HTS provision 4412.31.41 from Indonesia. Likewise, HTS provision 7202.93.80 from Brazil exceeded the CNL percentage threshold in 2017. However, the petitioner has requested a redesignation on the basis that no like or directly competitive products were produced in the United States during the preceding three calendar years and that therefore the CNL should not apply to HTS provision 7202.93.80 from Brazil. See USTR, *U.S. Generalized System of Preferences Guidebook*, March 2012, 11–12.

Table E: Petition submitted for redesignation of excluded items (as amended per 83 FR 28662)

HTS Subheading	Brief description	Country
4412.31.41 including 4412.31.4150 and 4412.31.4160	Plywood sheets n/o 6mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface covered beyond clear/transparent	Indonesia
7202.93.80	Ferroniobium, nesoi	Brazil

(6) Advice concerning denial of de minimis waiver.[8] The USTR notified the Commission that one article from a GSP beneficiary country is being considered for denial of a de minimis CNL waiver. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the article listed in table F of the annex to the USTR request letter, the USTR requested that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program of this article from the specified country on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice with respect to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

Table F: Petition submitted for denial of de minimis waiver

HTS Subheading	Brief Description	Country
3802.90.10	Bone black	Brazil

In certain cases, the USTR asked that the Commission provide "advice as to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years." While the terms "like" or "directly competitive" are used in the GSP provisions, they are not defined in the GSP provisions or their legislative history.[9] In the absence of such definitions, for guidance the Commission looked to definitions of those terms elsewhere in the Trade Act and its legislative history.

[8] A de minimis waiver may also be provided when total U.S. imports from all countries of a particular HTS provision are below a de minimis level, which was $23.5 million in 2017. In each GSP review, the GSP Subcommittee automatically considers de minimis waivers for all HTS provisions where a BDC exceeded the percentage-based CNL; however, whether such waivers are granted is at the discretion of the President. USTR, *U.S. Generalized System of Preferences Guidebook*, March 2017.

[9] In his letter requesting the Commission's advice, the USTR specifically asked that such "like or directly competitive" advice be provided in accordance with section 503(c)(2)(E) of the Trade Act (19 U.S.C. § 2463(c)(2)(E)).

In providing its advice here, the Commission considered helpful, among other things, the definitions of the terms "like" and "directly competitive" set out in the legislative history of the safeguard provisions in sections 201–203 of the Trade Act of 1974 as enacted in early 1975, namely in "The Report of the Committee on Finance, United States Senate, on H.R. 10710," Rept. No. 93-1298, 93d Congress, 2d Session (1974), at 121–22. The legislative history of the safeguards provision defines the term "like" to mean articles "which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.)," and defines "directly competitive" articles to be "those which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is are adapted to the same uses and are essentially interchangeable therefor."

The Commission also found helpful the list of five factors that the Commission has traditionally used in safeguard investigations in deciding whether a domestic article is like or directly competitive—physical properties, manufacturing processes, product uses, marketing channels, and customs treatment.[10] However, the purpose of the two statutory schemes is distinct. Here, the Commission has been asked to provide advice as to whether, in any of the preceding three calendar years, a domestic article was produced in the United States that was like or directly competitive with articles in the subheading of the Harmonized Tariff Schedule of the United States (HTS) that are the subject of the request from USTR.

For purposes of this report, the Commission included Argentina in describing the GSP import situation in 2017 for each product, as applicable. This approach reflects Argentina's present status as a GSP beneficiary developing country (BDC). However, from May 2012 until December 2017, U.S. imports from Argentina were not eligible for duty-free entry under the GSP program. During that period, Argentina's designation as a BDC was suspended for "not acting in good faith to enforce arbitral awards in favor of" a U.S. citizen, corporation, or association.[11] Effective January 1, 2018, Argentina partially regained its status as a GSP BDC, having resolved the issues that led to its suspension in 2012.[12] Nevertheless, Argentina's BDC benefits remained suspended for 96 HTS provisions (at the 8-digit level).[13] Argentina lost GSP access for these HTS provisions in May 1997, when it was partially suspended from the GSP program for not providing "adequate and effective protection of intellectual property rights."[14] This partial suspension remains in effect.[15]

Finally, interested parties had an opportunity to submit a written summary of their position as described in the Commission's notice of investigation published in the Federal Register.[16] The Commission included summaries of the positions of interested parties only in instances where parties supplied a written summary of their position. The Commission did not modify summaries submitted by interested

[10] The Commission notes that this list of factors in safeguard investigations is not fixed, and the weight given to any one factor may vary from investigation to investigation depending upon the facts.
[11] Presidential Proclamation 8788 of March 26, 2012.
[12] Presidential Proclamation 9687 of December 22, 2017.
[13] Presidential Proclamation 9687 of December 22, 2017.
[14] Presidential Proclamation 6988 of April 11, 1997.
[15] For a discussion of intellectual property rights issues of current concern, see USTR's 2018 Special 301 Report, 2018 Special 301.pdf at p. 58.
[16] 83 Fed. Reg. 24345. See Appendix B.

parties. The summaries of the positions of interested parties appear in this report as submitted to the Commission.

Chapter 2
Addition: Certain Fresh Pears (Beneficiary Developing Countries)[17]

Table 2.1 Certain fresh pears

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
0808.30.40[a]	Pears, fresh, if entered during the period from July 1 through the following March 31, inclusive	0.3 cents per kg (0.2 percent ad valorem equivalent[b])

[a] Harmonized Tariff Schedule (HTS) subheading 0808.30.40 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP.
[b] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

Description and Uses

The products classified in HTS subheading 0808.30.40 are fresh pears entered during the period from July 1 through the following March 31.[18] Pears are pome fruits, consisting of a fleshy edible layer surrounding a tough central core containing seeds, and are members of the plant family Rosaceae, subfamily Pomoideae. Pears can be divided into two main species: the European pear (*Pyrus communis*), which is grown mostly in Europe and the Americas, and the Asian pear (*Pyrus pyrifolia*), which is grown mostly in Southeast Asia.[19] There are many varieties of pears within each of the two main species. Pears are sold fresh or are processed for sale as canned pears, baby food, juice, jellies, jams, vinaigrettes, fruit bars, and glazes.[20]

Profile of U.S. Industry and Market, 2013–17

In 2017, the United States was the third-largest producer of pears globally by quantity after China and the European Union.[21] Commercial pear production in the United States is concentrated in the Pacific

[17] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 0808.30.40 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries (BDCs).
[18] The HTS subheading 0808.30 is divided into two groups: fresh pears entered during the period July 1 to March 31 (HTS subheading 0808.30.40), and fresh pears entered during the period April 1 to June 30 (HTS subheading 0808.30.20). The first group has a duty rate of 0.3 cents per kilogram, while the second group is free of duty and is not included in this request. At the 10-digit level, fresh pears can be categorized as "certified organic" or "other" (HTS statistical reporting numbers 0808.30.4015 and 0808.30.4025).
[19] Silva et al., "Origin, Domestication, and Dispersing of Pear," 2014.
[20] AgMRC, "Pears," July 2015; CFAITC, "Pears," 2017.
[21] USDA, FAS, *Fresh Deciduous Fruit: World Markets and Trade*, December 2017.

Northwest (Washington and Oregon), with smaller amounts grown in California, Michigan, New York, and Pennsylvania.[22] Within the United States, the European pear varieties Bartlett, Bosc, and d'Anjou are the most commonly grown. Domestic production is concentrated in the Bosc variety.[23] Approximately 66 percent of pears are sold fresh, with most of the rest used in processed foods. Most growers cultivate pears as a secondary crop, although a few raise them as a primary crop.[24]

Table 2.2 Certain fresh pears (HTS subheading 0808.30.40): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)[b]	349,998	386,469	395,810	392,077	425,216
Exports (1,000 $)	(c)	(c)	(c)	(c)	(c)
Imports (1,000 $)	63,761	69,882	73,796	75,766	73,004
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Annual production data compiled from official statistics from the U.S. Department of Agriculture, National Agriculture Statistics Service.
[C] Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

The value of U.S. imports from all GSP-eligible countries under HTS subheading 0808.30.40 was small ($112,050) in 2017. Such imports accounted for less than 0.5 percent of total imports of these products, and were supplied entirely by South Africa (table 2.3). Argentina—which was not a GSP-eligible country in 2017—was the second-largest source of certain fresh pear shipments to the United States, accounting for 28 percent of total U.S. imports in that year.[25] If all of Argentina's shipments of certain fresh pears (HTS subheading 0808.30.40) had been accorded GSP status in 2017, they would have accounted for 99 percent of U.S. GSP-eligible imports of this HTS subheading.

By quantity, Argentina is the fourth-largest pear producer globally after China, the European Union, and the United States, and the third-largest exporter after China and the European Union.[26] However, Argentina's pear industry has been under pressure due to difficult economic conditions, bad weather, and reduced harvested areas. Argentina's pear-growing areas have been shrinking substantially for many years due to various factors, including urbanization and shifts of cropland to other uses.[27]

[22] Northwest Horticultural Council, "Pacific Northwest Pears: Pear Fact Sheet," March 7, 2018.
[23] A large share of Argentine pear production is of the Bartlett pear. Embassy of Argentina, posthearing submission to the USITC, June 21, 2018, 4-5.
[24] USDA, FAS, *Fresh Deciduous Fruit: World Markets and Trade*, December 2017.
[25] In May 2012, Argentina's designation as a GSP-beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[26] USDA, Foreign Agricultural Service, *Fresh Deciduous Fruit: World Markets and Trade*, December 2017.
[27] USDA, FAS, *Argentina: Fresh Deciduous Fruit Semi-annual; Apples and Pears*, May 24, 2018.

Table 2.3 Certain fresh pears (HTS subheading 0808.30.40): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	73,004	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	112	[c]	100	[b]
South Africa	112	[c]	100	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 2.4 Certain fresh pears (HTS subheading 0808.30.40): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina	20,753	28	99	[b]
Imports from all GSP-eligible countries	112	[c]	1	[b]
GSP imports plus Argentina	20,865	29	100	[b]
Grand total	73,004	100	[d]	[b]

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Not available.
[c] Less than 0.5 percent.
[d] Not applicable.

U.S. Imports and Exports

U.S. imports of certain fresh pears from all sources rose during 2013–16 and then declined slightly (4 percent) in 2017 to $73.0 million. Imports from all sources in 2017 were 14 percent higher than in 2013. South Korea was the largest supplier of imports of certain fresh pears in all years during 2013–17 and accounted for 41 percent of total U.S. imports in 2017 (table 2.5);[28] U.S. imports of HTS 0808.30.40 are eligible for duty-free entry under the United States-Korea Free Trade Agreement. Argentina was the second-largest supplier of certain fresh pears during 2013–17.

[28] Official statistics of the U.S. Department of Commerce.

Table 2.5 Certain fresh pears (HTS subheading 0808.30.40): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[a]	23,572,199	29,175,786	26,415,760	29,318,004	29,588,601
Argentina[b]	19,320,187	20,472,818	23,247,995	23,194,880	20,752,692
China	11,988,925	13,205,535	13,289,957	14,391,098	13,622,962
Chile[a]	6,996,210	5,440,856	9,896,809	7,432,598	8,292,647
France	0	0	231,000	169,176	476,280
Japan	181,324	276,977	157,898	170,085	120,918
South Africa	663,876	679,320	147,600	380,595	112,050
Canada[a]	5,880	8,800	20,337	332,448	37,601
Italy	468,256	375,248	0	0	0
Portugal	0	0	0	2,786	0
All other	564,280	247,110	389,059	374,289	0
Total	63,761,137	69,882,450	73,796,415	75,765,959	73,003,751
Imports from GSP-eligible countries:					
South Africa	663,876	679,320	147,600	380,595	112,050
Total	663,876	679,320	147,600	380,595	112,050

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] Argentina lost GSP eligibility in 2012, but partially regained it on January 1, 2018.

U.S. exports of fresh pears (Schedule B 0808.30.0010 and Schedule B 0808.30.0050[29]) include a broader measure of exports of fresh pears for the full calendar year and as a result are not directly comparable to the nine-month period covered by the import data. Total U.S. exports of fresh pears declined by 7 percent to $149 million from 2016 to 2017, and total U.S. exports in 2017 were 31 percent lower than in 2013 (table 2.6).[30] During 2013–17, the vast majority (79 percent) of U.S. exports of fresh pears were shipped to North American Free Trade Agreement (NAFTA) partners Mexico and Canada.[31] Argentina has blocked imports of U.S. apples and pears due to concerns about post-harvest treatments for a bacterium that causes fire blight.[32] The government of Argentina stated that it is continuing to engage in discussions that may restore U.S. market access for various horticultural products.[33]

[29] Schedule B 0808.30.00.10 includes fresh pears, certified organic; Schedule B 0808.30.0050 includes fresh pears, other. These Schedule B numbers include all fresh pears regardless of what time of the year they were exported.
[30] Official statistics of the U.S. Department of Commerce.
[31] Official statistics of the U.S. Department of Commerce.
[32] USTR, *2014 Report on Sanitary and Phytosanitary Measures*, March 2014.
[33] Embassy of Argentina, posthearing submission to the USITC, June 21, 2018, 2.

Table 2.6 Certain fresh pears (Schedule B 0808.30.0010 and 0808.30.0050): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Mexico[a]	94,674,907	100,677,063	84,773,490	79,058,444	71,238,558
Canada[a]	55,309,879	57,500,452	54,761,718	50,808,306	46,750,478
Brazil	5,387,615	5,072,474	3,601,908	2,886,658	4,674,487
United Arab Emirates	6,422,589	8,224,607	8,326,632	3,825,549	3,793,870
Saudi Arabia	2,647,811	1,101,320	4,156,969	2,061,749	2,941,195
Colombia[a]	5,517,093	9,397,055	3,385,881	2,353,701	2,466,522
Israel[a]	2,675,379	2,269,523	1,607,643	2,496,209	2,293,793
India	3,684,781	4,045,802	3,267,479	2,035,890	2,284,553
Taiwan	3,174,571	2,604,527	2,022,854	2,075,829	1,643,768
Panama[a]	1,340,801	1,322,346	2,285,225	930,591	1,413,942
All other	35,312,164	24,672,658	18,662,683	12,542,908	9,599,238
Total	216,147,590	216,887,827	186,852,482	161,075,834	149,100,404

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

In opposition: The Northwest Horticultural Council submitted a letter in opposition to the petition.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Agricultural Marketing Resource Center (AgMRC). University of Iowa. "Commodities and Products: Fruits; Pears," by Malinda Geisler, updated by Gina Marzola, July 2015. https://www.agmrc.org/commodities-products/fruits/pears.

California Foundation for Agriculture in the Classroom (CFAITC). "Commodity Fact Sheet: Pears," April 2017. https://learnaboutag.org/resources/fact/pears.pdf.

Northwest Farm Credit Services. "Pears: 2018 Industry Perspective," 2018. https://www.northwestfcs.com/-/media/Files/Industry-Insights/Industry-Perspectives/Pears-Industry-Perspective.ashx?la=en.

Northwest Horticultural Council. "Pacific Northwest Pears: Pear Fact Sheet," March 7, 2018. http://nwhort.org/industry-facts/pear-fact-sheet.

Silva, G. J., Tatiane Medeiros Souza, Rosa Lía Barbieri, and Antonio Costa de Oliveira. "Origin, Domestication, and Dispersing of Pear (*Pyrus spp.*)." *Advances in Agriculture 2014*, article ID 541097 (2014): 1–8. http://dx.doi.org/10.1155/2014/541097.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). *Fruit and Tree Nuts Outlook: Smaller Crops to Boost Fresh-Market Apple, Pear, and Grape Grower Prices*. FTS-365. Washington, DC: USDA, September 29, 2017. https://www.ers.usda.gov/webdocs/publications/85287/fts-365.pdf.

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Fresh Deciduous Fruit: World Markets and Trade (Apples, Grapes, and Pears)*, December 2017. http://usda.mannlib.cornell.edu/usda/fas/decidwm//2010s/2017/decidwm-12-08-2017.pdf.

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Argentina: Fresh Deciduous Fruit Semi-annual; Apples and Pears*, by Maria Julia Balbi. GAIN Report, May 24, 2018. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Semi-annual_Buenos%20Aires_Argentina_5-24-2018.pdf.

U.S. Department of Agriculture (USDA). National Agriculture Statistics Service (NASS). *Noncitrus Fruits and Nuts: 2017 Summary*, June 2018. http://usda.mannlib.cornell.edu/usda/current/NoncFruiNu/NoncFruiNu-06-26-2018.pdf.

U.S. Department of Agriculture (USDA). National Agriculture Statistics Service (NASS). *Noncitrus Fruits and Nuts: 2016 Summary*, June 2017. https://www.nass.usda.gov/Publications/Todays_Reports/reports/ncit0617.pdf.

U.S. Department of Agriculture (USDA). National Agriculture Statistics Service (NASS). *Noncitrus Fruits and Nuts: 2015 Summary*, July 2016. http://usda.mannlib.cornell.edu/usda/nass/NoncFruiNu//2010s/2016/NoncFruiNu-07-06-2016.pdf.

U.S. Trade Representative (USTR). *2014 Report on Sanitary and Phytosanitary Measures*, March 2014. https://ustr.gov/sites/default/files/FINAL-2014-SPS-Report-Compiled.pdf.

Chapter 3
Addition: Certain Melon and Citrus Fruit Peel (Beneficiary Developing Countries)[34]

Table 3.1 Certain melon and citrus fruit peel

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
0814.00.80[a]	Other peel of citrus fruit or melons (including watermelons), fresh, frozen, dried, or provisionally preserved[b]	1.6 cents per kg (0.5 percent ad valorem equivalent[c])

[a] Harmonized Tariff Schedule (HTS) subheading 0814.00.80 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP.
[b] This HTS subheading excludes fresh, frozen, dried, or provisionally preserved peels of orange and citron, which are classified in HTS 0814.00.10, and of lime, which are classified in HTS 0814.00.40.
[c] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1- general duty rate.

Description and Uses

The products classified in HTS subheading 0814.00.80 are fresh, frozen, dried, or provisionally preserved citrus and melon peels, including watermelon and excluding orange, citron, and lime peels.[35] Peels of grapefruits, tangerines, and lemons are among the citrus fruits peels that are included in HTS subheading 0814.00.80. "Certain melon and citrus fruit peel" comprise the colored outside surface of the fruit, along with the white middle layer of citrus fruits (separating the outer surface from pulp) and the rind of melons.[36]

Citrus peels included in this category are a byproduct of other citrus processing operations, such as juicing. Despite the number of products that use citrus peels as inputs, citrus juice is the most commercially viable revenue stream from citrus processing. It is therefore unlikely that any firms produce citrus peels in this category aside from firms that conduct juicing operations.[37]

Citrus and melon peels are generally used as intermediate inputs. Citrus peels can be used in animal feed, as a source of biomass for ethanol production, and to isolate flavoring and gelling agents such as

[34] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 0814.00.80 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries (BDCs).
[35] Citron is one of the five basic species of citrus. Many cultivated citrus fruits were created from hybrids of citron and other basic citrus species. For example, a Meyer lemon is a hybrid of citron, pomelo, and mandarin. Citron also continues to exist as a separate species. Stone, "The Citrus Family Tree," February 2017.
[36] Rafiq et al., "Citrus Peel as a Source of Functional Ingredient: A Review," July 2016.
[37] USITC, *Lemon Juice from Argentina and Mexico,* 2013, I-11.

D-limonene, essential oils, and pectin.[38] Citrus peels can also be turned into molasses, candied, or otherwise used in confectionery.[39] Watermelon peels, also a byproduct of melon processing, can be used as a source of the amino acid citrulline and pickled as a consumer product.[40]

Profile of U.S. Industry and Market, 2013–17

U.S. citrus and melon peel producers are part of a broader group of fruit processing industries. When citrus fruits are processed for juice making, the machinery used in processing can also extract oil from the peels and separate peels from juice. These separated peels can then be sold to producers of non-oil-based peel products, such as pectin.[41] Since citrus and melon peels are a byproduct of juice production, U.S. production of citrus and melon peels depends on the size of the market for juice and other processed fruit products (such as melon slices).[42]

In 2017, 804,000 tons of domestically produced grapefruit, lemons, tangerines, and mandarins underwent processing, accounting for 42 percent of total U.S. grapefruit production, 20 percent of lemon production, and 33 percent of combined tangerine and mandarin production.[43] California and Florida are the largest citrus-growing states; however, Florida is the primary U.S. producer of citrus juice products.[44] Citrus processers in the United States use peels from their own juice production as an intermediate good. Almost half of the members of the Florida Citrus Processors Association, including Florida's Natural and Louis Dreyfus Citrus, produce peel-based products, like citrus oils and molasses, in addition to juice.[45] In 2016, Florida citrus processers produced 457,000 tons of citrus pulp and meal, molasses, and D-limonene, all sourced from peels of orange, citron, lime, and other citrus fruits.[46]

Although there are domestic producers of fresh melon in the United States (total value of $854 million in 2016), industry representatives report that U.S. melon producers do not produce melon peels commercially, due to the high cost of separating peels from the fruit and lack of demand for the

[38] Choi et al., "A Low-Energy, Cost-Effective Approach," 2015, 65–74; Goodrich and Braddock, "Major By-Products of the Florida Citrus Processing," 2006; May, "Industrial Pectins, Sources, Production and Applications," 1990, 79–99.
[39] Goodrich and Braddock, "Major By-Products of the Florida Citrus Processing," 2006.
[40] Rimando and Perkins-Veazie, "Determination of Citrulline in Watermelon Rind," June 17, 2005; Watermelon Board, "Preserving Summer Enjoying Watermelon Year Round," https://www.watermelon.org/TheSlice/Preserving-Summer-Enjoying-Watermelon-Year-Round (accessed June 20, 2018).
[41] Drake, written testimony to the USITC, June 21, 2018, 3.
[42] USITC, *Lemon Juice from Argentina and Mexico,* 2013, I-11.
[43] USDA, NASS, *Citrus Fruits 2017 Summary*, August 2017, 8–9.
[44] USDA, FAS, *Citrus: World Markets and Trade*, January 25, 2018, 1.
[45] Florida Citrus Processors Association, "FCPA Members," http://www.fcplanet.org/members.html (accessed May 23, 2018).
[46] Florida Department of Citrus, *Florida Citrus Annual Processor's Statistical Report, 2015–16*, 2016, 23.

product.[47] As a result, U.S. production of certain citrus peels likely represents all of the domestic production in this HTS subheading.

The volume of citrus peel imports depends on the share of domestic fruit production that is processed. For example, in the U.S. lemon industry, only 20 percent of total lemon production was processed in the 2016/17 crop year, requiring producers of essential oils of lemon (a product made from peels) to rely on imports of essential oils of lemon to meet consumer demand (table 3.2).[48] Similarly, manufacturers of products derived from citrus peels likely are importing peels to make up for U.S. citrus growers' focus on fresh fruit.

Table 3.2 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	1,321	1,642	1,473	1,290	1,846
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries accounted for 4 percent ($73 million) of total U.S. imports of certain melon and citrus fruit peels in 2017 (table 3.3). Jamaica was the largest supplier of imports of these products, accounting for 68 percent ($49 million) of imports from GSP-eligible countries in 2017. Haiti was the only least-developed beneficiary developing country that exported products reported in HTS subheading 0814.00.80 to the United States in 2017.

If Argentina had been eligible for the GSP program in 2017, it would have accounted for 73 percent of GSP imports of these goods (table 3.4).[49] Argentina accounted for 10 percent of total U.S. imports in that year. The share of U.S. imports from GSP-eligible countries would have increased to 14 percent of total certain melon and citrus fruit peel imports in 2017 if all of Argentina's shipments had been accorded GSP status (table 3.4).

[47] USDA, ERS, "U.S. Melons: Harvested Area and Production," 2017; U.S. industry representative, email messages to USITC staff, June 4 and 5, 2018.
[48] USITC, hearing transcript, June 14, 2018, 41–42 (testimony of Joanna Drake, general counsel of the Flavor and Extract Manufactures Association). According to USDA, a crop year "begins with the bloom of the first year listed and ends with the year harvest is completed." USDA, NASS, *Citrus Fruits: 2017 Summary*, August 2017, 32.
[49] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.

Table 3.3 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. imports for consumption (1,000 $) and shares of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	1,846	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	73	4	100	(b)
Jamaica	49	3	68	(b)
Turkey	20	1	28	(b)
Haiti	3	(c)	4	(b)

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 3.4 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina	195	10	73	(a)
Imports from all GSP-eligible countries	73	4	27	(a)
GSP imports plus Argentina	268	14	100	(a)
Grand total	1,846	100	(b)	(a)

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Not available.

U.S. Imports and Exports

U.S. total imports of certain melon and citrus peel fluctuated from year to year during 2013–17, reaching their highest point in 2017 and their lowest in 2016. Leading sources of U.S. imports varied substantially during 2013–17. Israel was the largest supplier during 2013–16, while Spain was the largest supplier in 2017. In 2017, Spain and Israel together accounted for 71 percent of total U.S. imports of products in HTS subheading 0814.00.80. U.S. imports from Israel are eligible to enter duty free under the U.S.-Israel Free Trade Agreement. Argentina was the third-largest source of U.S. imports in 2017.

Turkey, Egypt, and Uruguay were the three largest GSP-eligible suppliers of imports of certain U.S. citrus and melon peel during 2013–17. Turkey was a supplier in all five years, while Egypt and Uruguay were suppliers in only two years and one year, respectively, during the period. In 2013, Egyptian peel exports comprised 11 percent of all U.S. imports of these products, and in 2016, Turkey and Uruguay accounted for a combined 19 percent of such imports (table 3.5).

Table 3.5 Certain melon and citrus fruit peel (HTS subheading 0814.00.80): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Spain	268,184	86,966	130,931	140,659	760,655
Israel[a]	574,624	1,205,221	834,812	404,597	548,527
Argentina	12,132	63,874	141,846	80,360	194,904
France	91,562	108,717	74,136	106,588	101,140
Mexico[a]	32,011	0	34,225	118,305	85,301
Jamaica	0	0	0	0	49,200
Uruguay	0	0	0	103,515	34,515
Turkey	55,359	40,153	62,238	139,972	19,996
Netherlands	0	0	0	11,440	13,424
Canada[a]	13,960	68,434	158,137	0	7,978
All other	273,439	69,020	36,298	184,429	30,501
Total	1,321,271	1,642,385	1,472,623	1,289,865	1,846,141
Imports from GSP-eligible countries:					
Jamaica	0	0	0	0	49,200
Turkey	55,359	40,153	62,238	139,972	19,996
Haiti	0	0	0	0	3,444
Paraguay	0	0	0	6,946	0
Uruguay	0	0	0	103,515	[b]
India	0	0	2,920	0	0
Thailand	0	9,408	0	0	0
Egypt	149,753	0	0	92,000	0
Brazil	8,400	12,500	0	0	0
Ghana	16,880	9,900	0	0	0
Total	230,392	71,961	65,158	342,433	72,640

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] This country was not GSP eligible in the indicated year.

U.S. exports of certain melon and citrus fruit peel are reported under Schedule B number 0814.00.0000, a broader basket category that also includes peels of additional fruits such as oranges, citrons, and limes, which are not included in HTS 0814.00.80. From 2013 to 2017, Canada was the main U.S. export market for products under Schedule B number 0814.00.0000. U.S. exports to Canada are eligible to enter duty free under NAFTA. Exports to Canada comprised almost half of total U.S. exports of these products in 2017 (table 3.6).

Table 3.6 Certain melon and citrus fruit peel (Schedule B 0814.00.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	1,748,463	1,520,481	1,263,735	1,388,573	1,497,602
Japan	1,271,821	882,091	932,716	726,398	696,620
Mexico[a]	17,993	65,337	68,645	289,908	270,178
Australia[a]	71,832	144,101	150,796	98,686	123,197
Ireland	0	0	6,548	34,200	68,400
Vietnam	0	0	0	0	60,000
Thailand	0	0	0	0	56,703
Germany	0	36,613	14,316	108,759	46,306
Israel[a]	0	57,765	0	7,700	41,568
South Korea[a]	43,782	0	19,152	116,501	39,444
All other	235,679	127,018	172,259	264,400	159,885
Total	3,389,570	2,833,406	2,628,167	3,035,125	3,059,903

Source: Compiled from official statistics of the U.S. Department of Commerce. Schedule B 0814.00.0000 includes certain melon and fruit peel, as well as peels of oranges, citrons, and limes.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Choi, In Seong, Yoon Gyo Lee, Sarmir Kumar Khanal, Bok Jae Park, and Hyeun-Jong Bae. "A Low-Energy, Cost-Effective Approach to Fruit and Citrus Peel Waste Processing for Bioethanol Production." *Applied Energy* 140 (2015): 65–74. https://doi.org/10.1016/j.apenergy.2014.11.070.

Drake, Joanna. Flavor and Extract Manufacturers Association of the United States (FEMA). Written testimony submitted to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2018.

Florida Department of Citrus. *Florida Citrus Annual Processor's Statistical Report, 2015–16*, 2016. https://www.floridacitrus.org/grower/economic-market-resources/processor-reports/.

Goodrich, R.M., and R.J. Braddock. "Major By-Products of the Florida Citrus Processing Industry." *University of Florida IFAS Extension publication FSHN0522,* 2006. http://ufdcimages.uflib.ufl.edu/IR/00/00/20/62/00001/FS10700.pdf.

May, Colin. "Industrial Pectins, Sources, Production and Applications." *Carbohydrate Polymers* 12 (1990): 79–99. https://doi.org/10.1016/0144-8617(90)90105-2.

Rafiq, Shafiya, Rajkumari Kual, S.A. Sofi, Nadia Bashir, Fiza Nazir, and Gulzar Ahmad Nayik. "Citrus Peel as a Source of Functional Ingredient: A Review." *Journal of the Saudi Society of Agricultural Sciences*, July 2016. https://doi.org/10.1016/j.jssas.2016.07.006.

Rimando, Agnes, and Penelope Perkins-Veazie. "Determination of Citrulline in Watermelon Rind." *Journal of Chromatography A* 1079, no. 1–2 (June 17, 2005): 196-200. https://doi.org/10.1016/j.chroma.2005.05.009.

Stone, Daniel. "The Citrus Family Tree." *National Geographic Magazine*, February 2017. https://www.nationalgeographic.com/magazine/2017/02/explore-food-citrus-genetics/.

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Citrus: World Markets and Trade.* January 25, 2018. https://www.fas.usda.gov/data/citrus-world-markets-and-trade.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). *Citrus Fruits: 2017 Summary*, August 2017. http://usda.mannlib.cornell.edu/usda/current/CitrFrui/CitrFrui-08-31-2017.pdf.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). *Citrus Fruits: 2015 Summary*, September 2015. http://usda.mannlib.cornell.edu/usda/nass/CitrFrui//2010s/2015/CitrFrui-09-17-2015.pdf.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). "U.S. Melons: Harvested Area and Production, 1980 to Date." *Fruit and Tree Nut Yearbook*, 2017. https://www.ers.usda.gov/data-products/fruit-and-tree-nut-data/fruit-and-tree-nut-yearbook-tables/.

U.S. International Trade Commission (USITC). "Harmonized Tariff Schedule (2018 HTSA revision 4.1)-08140080" https://hts.usitc.gov/?query=08140080 (accessed May 23, 2018).

U.S. International Trade Commission (USITC). Hearing transcript in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 14, 2018.

U.S. International Trade Commission (USITC). *Lemon Juice from Argentina and Mexico: Investigation Nos. 731-TA-1105-1106 (Review).* USITC Publication 4418. Washington, DC: USITC, 2013. https://www.usitc.gov/investigations/701731/2012/lemon_juice_argentina_and_mexico/first_review_full.htm.

Chapter 4
Addition: Cottonseed (Beneficiary Developing Countries)[50]

Table 4.1 Cottonseed

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
1207.29.00[a]	Certain cottonseed (not for sowing)	0.47 cent per kg (1.7 percent ad valorem equivalent[b])

[a] Harmonized Tariff Schedule (HTS) subheading 1207.29.00 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP.
[b] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

Description and Uses

The product classified in HTS subheading 1207.29.00 is cotton seeds other than for sowing (cottonseed). Cottonseed is a byproduct of cotton production, as the ginning process separates cotton (lint) from the seed. Whole cottonseed may be fed to livestock, or cottonseed may be crushed to produce cottonseed oil and cottonseed meal.[51] Cottonseed oil is used for cooking and in processed foods.[52] Cottonseed meal is used as an ingredient in animal feeds.

The share of U.S. cottonseed that is crushed has declined over time, as the price of cottonseed oil has fallen.[53] This decline reflects both a decline in the quantity of seeds crushed and an increase in the volume of cottonseed production. Production of cottonseed oil has declined, and more whole cottonseed has been fed to livestock. In marketing year (MY) 2012/13, about 40 percent of the total U.S. supply of cottonseed was crushed. This share declined to about 30 percent in MY 2016/17. In MY 2017/18, U.S. production of cottonseed increased 25 percent over MY 2016/17 and the share of the total supply that was crushed fell to about 27 percent.[54]

Whole cottonseed can be used as a feed supplement for dairy and beef cattle. It is a source of protein, energy (mostly in the form of fat), and fiber. Whole cottonseed can be included in the rations for dairy cattle at a rate of 5 to 8 pounds per cow per day, and is more economical than many other comparable

[50] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 1207.29.00 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries (BDCs).
[51] In addition to cottonseed oil and meal, the crushed cottonseed yields hulls and cotton linters. Linters, the short fibers left on cottonseed after the ginning process, are a source of cellulose for many products, including paper.
[52] Cottonseed oil may be partially hydrogenated, to produce a shortening that is solid at room temperature.
[53] The average price of cottonseed oil for U.S. cotton gins declined from 60.66 cents per pound in marketing year (MY) 2013/14 to 32.5–35.5 cents per pound in MY 2018/18. USDA, ERS, *Oil Crops Yearbook: Cottonseed and Cottonseed Products*, March 30, 2018, table 19.
[54] USDA, ERS, *Oil Crops Yearbook: Cottonseed and Cottonseed Products*, March 30, 2018, table 17.

products. Reportedly, more than half of all the whole cottonseed used in the United States is fed to dairy cattle.[55] Whole cottonseed is also fed to beef cattle, but at a lower rate. Feeding rates are limited by the high level of fat in cottonseed, which is more beneficial to lactating dairy cattle than to beef cattle.[56]

Though there are differences in the varieties of cotton planted in Argentina and the United States, there do not appear to be any significant differences in feed or other uses between cottonseed grown in Argentina and that grown in the United States.[57] In the leading cotton-producing countries, most cotton grown commercially is of a genetically modified (GM) variety. In the United States, the vast majority of cotton grown is of a GM variety.[58] In Argentina, the petitioning country, 100 percent of commercially grown cotton is genetically modified.[59]

Profile of U.S. Industry and Market, 2013–17

In 2017, the United States was the world's third-largest producer of cottonseed, behind China and India. In MY 2017/18, the United States accounted for about 14 percent of global production.[60] In the United States, cotton is grown by over 11,000 farmers in 17 southern states.[61] Over time, the yield of cotton lint and cottonseed has increased, as newer varieties of cotton have been introduced, but the ratio of cottonseed to lint produced has remained nearly constant. About 162 pounds of cottonseed are recovered for each 100 pounds of cotton lint.[62]

Prices for cottonseed have fallen over time, reflecting the decline in the price of cottonseed oil.[63] However, cotton prices have declined more rapidly than cottonseed prices, meaning that cottonseed accounts for a larger share of producer revenue from the co-production of cotton lint and cottonseed, and producer revenue has declined more than the decline in the value of cottonseed. The relative value of U.S. cottonseed production has increased from 12 percent of the joint production value of cotton lint and cottonseed in 2013 to 17 percent in 2017 (table 4.2).

[55] Cotton Incorporated, "Whole Cottonseed: A Super Feed for Dairy Cows," 1 (accessed May 2, 2018).
[56] Cottonseed meal may be fed as a supplemental source of protein for cattle, and has proven particularly effective for gestating beef cows. Blasi and Drouillard, "Composition and Feeding Value of Cottonseed," May, 2002, 12; Sanson, "Cottonseed Meal Improves Beef Cow Performance," Summer 2007, 4–5.
[57] All of the cotton grown in Argentina, and about 98 percent of the cotton grown in the United States, is upland cotton.
[58] USDA, AMS, *Cotton Varieties Planted: 2017 Crop*, September 29, 2017.
[59] USDA, FAS, *Argentina: Agricultural Biotechnology Annual*, December 23, 2016, 1.
[60] USDA, FAS, PSD Online database (accessed May 1, 2018).
[61] IBISWorld, "Cotton Farming in the US," October 2017, 3.
[62] USDA, ERS, "U.S. Cotton Production Costs and Returns per Planted Acre." May 1, 2018.
[63] The average price received for cottonseed by U.S. farmers has declined sharply, falling from $246 per short ton in 2013 to $195 in 2016 and $139 in 2017. USDA, ERS, *Oil Crops Yearbook: Cottonseed and Cottonseed Products*, March 30, 2018, table 17; industry representative, email message to USITC staff, May 25, 2018.

Table 4.2 Cottonseed (HTS subheading 1207.29.00): Value of cottonseed production and value relative to cotton lint production, 2013–17 ($1,000)

Item	2013	2014	2015	2016	2017
Lint	7,227,322	5,813,774	3,988,978	5,147,241	5,191,505
Seed	948,722	1,055,924	932,894	1,015,607	1,054,003
Total	8,176,044	6,869,698	4,921,872	6,162,848	6,245,508
Lint share	88%	85%	81%	84%	83%
Seed share	12%	15%	19%	16%	17%

Source: Industry representative, email to USITC staff, May 25, 2018.
Note: Data are at a different level of production and do not match USDA reported value of cottonseed production.

Over the past five years, the number of U.S. cottonseed producers has declined as the ginning industry has become more concentrated. The volume of cottonseed shipments is largely dependent on the volume of cotton produced and varies with growing conditions. U.S. cottonseed production declined in MY 2015/16 and has since increased.[64]

As noted, cottonseed may be either crushed for oil and meal or whole cottonseed may be fed to livestock. Cottonseed sales for crushing are typically sold by cotton gins directly to oil mills and domestic cottonseed does not typically compete with imports in this channel. Domestic cottonseed competes with imports primarily in sales to grain and feed distributors. Grain and feed distributors are responsible for most U.S. cottonseed imports and the majority of whole cottonseed destined for feed use is sold to grain and feed distributors that in turn sell to dairy and beef operations.[65]

Table 4.3 Cottonseed (HTS subheading 1207.29.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Measure	2013	2014	2015	2016	2017
Producers	610	601	560	556	553
Employment	15,025	(a)	(a)	(a)	(a)
Value of production (1,000 $)	1,054,003	1,055,449	932,894	1,055,924	948,722
Exports (1,000 $)	74,211	73,102	46,599	63,462	104,049
Imports (1,000 $)	5	50,712	2,904	16,119	117
Consumption (1,000 $)	1,380,291	852,942	1,140,990	780,636	715,163
Import-to-consumption ratio	0.0%	5.9%	0.3%	2.1%	0.0%
Capacity utilization	(a)	(a)	(a)	(a)	(a)

Source: Number of producers from USDA, NASS, *Cotton Ginnings* summary reports for each of five years, 2013 through 2017. Employment number from the National Cotton Council, "Cotton's Economic Impact" (accessed May 9, 2018). Value of production from USDA, NASS, *Crop Values*, 2015 and 2017 reports. Consumption calculated from value of production less change in stocks and net exports. Import and export data compiled from official statistics of the U.S. Department of Commerce.
[a] Data not available.

GSP Import Situation, 2017

During 2013–17, no U.S. imports from GSP-eligible countries were reported under HTS subheading 1207.29.00.[66] Argentina, whose eligibility for the GSP program was suspended during this period,

[64] USDA, ERS, *Oil Crops Yearbook: Cottonseed and Cottonseed Products*, March 30, 2018, table 17.
[65] Some whole cottonseed for feed use is also sold by cotton gins to dairy producers. Industry representative, email to USITC staff, June 25, 2018.
[66] Cottonseed is currently eligible for duty-free treatment only for least-developed beneficiary developing countries under the provisions of the GSP.

exported cottonseed to the United States in 2015 and 2016, but not in 2017.[67] Argentina is a small producer of this product, accounting for less than 1 percent of global production in MY 2017/18. Over the same five-year span, 2013–17, U.S. imports from Argentina were valued at about $3.7 million, which accounted for 5.3 percent of U.S. imports and less than 0.1 percent of U.S. production over the period (table 4.4).

During 2013–17, the United States was the third-largest export destination for cottonseed from Argentina, behind South Korea and Chile. According to Argentina's National Institute of Statistics and Census, Argentina's global cottonseed exports totaled $29.2 million during those five years, with the largest market, South Korea, accounting for over one-third of the total. The United States accounted for 16 percent of Argentina's total cottonseed exports over 2013–17.

Table 4.4 Cottonseed (HTS subheading 1207.29.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	117	100	0	[a]
Imports from GSP-eligible countries:				
Total	0	0	0	0

[a] Less than 0.05 percent.

U.S. Imports and Exports

U.S. imports of cottonseed make up a small share of total U.S. supply. Over 2013–17, imports ranged from a reported $5,206 in 2013 to over $50 million in 2014. Import volumes are typically higher in years following a year in which U.S. production declines. In MY 2015/16, U.S. production fell 21 percent from the prior marketing year, and cottonseed imports increased from $2.9 million in 2015 to $16.1 million in 2016. In MY 2016/17, U.S. production increased 33 percent from the prior marketing year, and 2017 imports fell to $117,385. For MY 2017/18, U.S. production is projected to reach a record 6,101 metric tons, and no imports are expected for the remainder of the marketing year.[68]

Australia was the largest supplier of imports of cottonseed to the United States during 2013–17. The other foreign sources of cottonseed to the U.S. market over this period were Mexico, Peru, and Argentina. Imports from Australia, Mexico, and Peru are eligible to enter the United States free of duty under free trade agreements. U.S. imports of cottonseed peaked in 2016, following relatively low U.S. production in MY 2015/16.

Some major cotton-producing countries—such as Brazil, India, Pakistan, and Turkey—are GSP-eligible. However, there were no U.S. imports of cottonseed between 2013 and 2017 from these four countries, which produced 40 percent of the world's cotton in MY 2017/18 (table 4.5). If cottonseed were added to

[67] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, thus making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1. Exports to the United States from Argentina in 2015 and 2016 were reportedly lower due to a decline in Argentine domestic prices in those years. Embassy of Argentina, written submission to the USITC, June 22, 2018, 5–6.
[68] USDA, FAS, PSD Online database (accessed May 1, 2018).

the list of products eligible for duty-free treatment under GSP, these countries, as well as Argentina, would have additional incentive to export cottonseed to the U.S. market. However, none of the four are currently major exporters of cottonseed. Instead, the vast majority of cottonseed that they produce is consumed domestically. In MY 2017/18, domestic consumers in Brazil, India, Pakistan, and Turkey used between 95 percent and 100 percent of the countries' cottonseed output.[69]

Table 4.5 Cottonseed (HTS subheading 1207.29.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Mexico[a]	0	0	0	103,055	117,385
Peru[a]	5,206	6,767	2,047	0	0
Argentina	0	0	1,832,592	1,865,864	0
Australia[a]	0	50,705,194	1,069,008	14,150,165	0
Total	5,206	50,711,961	2,903,647	16,119,084	117,385
Imports from GSP–eligible countries:					
Total	0	0	0	0	0

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

The United States typically exports far more cottonseed than it imports. As a share of production, imports over the past five years were equivalent to 0.0–2.2 percent of production, and exports were equivalent to 3.4–6.7 percent of production. Exports tend to fluctuate significantly from year to year. For example, they declined in 2015 due to lower production volume in MY 2015/16. Exports increased substantially in 2017, as U.S. production in MY 2017/18 increased 25 percent over the previous year (table 4.6).[70] U.S. cottonseed producers export a higher share of production than do other global producers, on average. In MY 2017/18, U.S. cottonseed accounted for 14 percent of world production and 38 percent of world exports.

Table 4.6 Cottonseed (Schedule B 1207.29.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[a]	14,101,751	24,424,667	15,590,767	12,094,460	34,018,492
Mexico[a]	39,583,689	19,517,441	7,110,786	29,054,316	25,511,661
Saudi Arabia	12,613,532	16,164,885	14,492,015	16,700,397	23,299,632
Japan	3,144,028	11,112,098	8,636,083	4,297,096	15,435,031
United Arab Emirates	3,291,478	488,003	310,319	385,674	1,979,723
Morocco[a]	0	22,429	0	142,000	1,168,600
Canada[a]	689,431	445,286	209,629	193,183	696,252
Jordan[a]	0	233,741	0	113,558	502,354
Qatar	71,250	0	54,830	0	370,100
Oman[a]	35,668	78,200	0	206,004	318,845
All other	680,655	615,595	194,545	275,291	748,316
Total	74,211,482	73,102,345	46,598,974	63,461,979	104,049,006

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

[69] USDA, FAS, PSD Online database (accessed May 1, 2018).
[70] USDA, FAS, PSD Online database (accessed May 1, 2018); official statistics of the U.S. Department of Commerce.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions and a representative of Argentina appeared at the Commission hearing.

In opposition: The National Cotton Council (NCC) submitted a letter opposing the petition.

No other statements were received by the Commission in support of or in opposition to the proposed modification to the GSP considered for this subheading.

Bibliography

Blasi, Dale A., and Jim Drouillard. *Composition and Feeding Value of Cottonseed Feed Products for Beef Cattle*. Kansas State University Agricultural Experiment Station, May 2002. https://www.bookstore.ksre.ksu.edu/pubs/mf2538.pdf.

Cotton Incorporated. "Whole Cottonseed: A Super Feed for Dairy Cows." https://www.cottoninc.com/cotton-production/ag-research/cottonseed/whole-cottonseed-a-super-feed-for-dairy-cows/ (accessed May 2, 2018).

Embassy of Argentina. Written submission to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 22, 2018.

IBISWorld Industry Report 11192. "Cotton Farming in the US," October 2017.

Myer, R.O., and M.J. Hersom. "Whole Cottonseed for Beef Cattle Rations." University of Florida, Institute of Food and Agricultural Sciences (IFAS) Extension, April 2003. http://edis.ifas.ufl.edu/an134.

National Cotton Council of America. "Ginning" and "Cottonseed." In *Cotton: From Field to Fabric*. Cotton Counts booklet, https://www.cotton.org/pubs/cottoncounts/fieldtofabric/ (accessed May 9, 2018).

Sanson, David W. "Cottonseed Meal Improves Beef Cow Performance." *Louisiana Agriculture* 50, no. 3 (Summer 2007): 19–20. http://www.lsuagcenter.com/portals/communications/publications/agmag/archive/2007/summer/cottonseed-meal-improves-beef-cow-performance.

U. S. Department of Agriculture (USDA). Agricultural Marketing Service (AMS). *Cotton Varieties Planted: 2017 Crop*. Cotton and Tobacco Program, Memphis, Tennessee, September 29, 2017. https://www.ams.usda.gov/mnreports/cnavar.pdf.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). "U.S. Cotton Production Costs and Returns per Planted Acre, Excluding Government Payments." May 1, 2018. https://www.ers.usda.gov/data-products/commodity-costs-and-returns/commodity-costs-and-returns/#Recent Costs and Returns: Cotton.

U. S. Department of Agriculture (USDA). Economic Research Service (ERS). *Oil Crops Yearbook: Cottonseed and Cottonseed Products*. "Table 17–Cottonseed: Supply, Disappearance, and Price, U.S., 1980/81–2017/18," March 30, 2018. https://www.ers.usda.gov/data-products/oil-crops-yearbook/oil-crops-yearbook/.

U. S. Department of Agriculture (USDA). Economic Research Service (ERS). *Oil Crops Yearbook: Cottonseed and Cottonseed Products*. "Table 19–Cottonseed Oil: Supply, Disappearance, and Price, U.S., 1980/81–2017/18," March 30, 2018. https://www.ers.usda.gov/data-products/oil-crops-yearbook/oil-crops-yearbook/.

U. S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Argentina: Agricultural Biotechnology Annual, 2016*, by Andrea Yankelevich. GAIN report no. AR9024, December 23, 2016. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/AGRICULTURAL%20BIOTECHNOLOGY%20ANNUAL_Buenos%20Aires_Argentina_10-27-2009.pdf.

U. S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). Production, Supply, and Distribution (PSD) Online database. https://apps.fas.usda.gov/psdonline/app/index.html#/app/home (accessed May 1, 2018).

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Cotton Ginnings: 2017 Summary*, May 2018. http://usda.mannlib.cornell.edu/usda/current/CottGinnSu/CottGinnSu-05-10-2018.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Cotton Ginnings: 2016 Summary*, May 2017. http://usda.mannlib.cornell.edu/usda/nass/CottGinnSu//2010s/2017/CottGinnSu-05-10-2017.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Cotton Ginnings: 2015 Summary,* May 2016. http://usda.mannlib.cornell.edu/usda/nass/CottGinnSu//2010s/2016/CottGinnSu-05-10-2016.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Cotton Ginnings: 2014 Summary,* May 2015. http://usda.mannlib.cornell.edu/usda/nass/CottGinnSu//2010s/2015/CottGinnSu-05-12-2015.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Cotton Ginnings: 2013 Summary*, May 2014. http://usda.mannlib.cornell.edu/usda/nass/CottGinnSu//2010s/2014/CottGinnSu-05-09-2014.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Crop Values: 2014 Summary*, February 24, 2015. http://usda.mannlib.cornell.edu/usda/nass/CropValuSu/2010s/2015/CropValuSu-02-24-2015_correction.pdf.

U. S. Department of Agriculture (USDA). National Agricultural Statistical Service (NASS). *Crop Values: 2017 Summary*, February 2018. http://usda.mannlib.cornell.edu/usda/current/CropValuSu/CropValuSu-02-23-2018.pdf.

Chapter 5
Addition: Crude Sunflower-seed Oil and Safflower Oil (Beneficiary Developing Countries)[71]

Table 5.1 Crude sunflower-seed oil and safflower oil

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
1512.11.00[a]	Sunflower-seed or safflower oil, crude, and their fractions, whether or not refined, not chemically modified	1.7 cents per kg plus 3.4 percent (4.8 percent ad valorem equivalent[b])

[a] Harmonized Tariff Schedule (HTS) subheading 1512.11.00 is currently eligible for duty-free treatment under the provisions of the GSP only for least-developed beneficiary developing countries.
[b] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

Description and Uses

Sunflower oil and safflower oil are vegetable oils with a wide range of applications in food manufacturing and in some industrial sectors. These oils are produced by crushing the seeds of sunflower and safflower plants. Both sunflower and safflower oil are widely available in a high-oleic form and a linoleic form, which come from different varieties of the plants. The high-oleic forms of both oils are high in monounsaturated fats. High-oleic sunflower oil is used in baked goods, as a coating on food products such as cereal, in nondairy creamer, and for frying. High-oleic safflower oil is also used as a food coating, is often used in infant formula, and has an industrial application as a component of certain paints and coatings.[72] Linoleic sunflower and safflower oils are high in polyunsaturated fats. Linoleic sunflower oil is most often used in salad oil, margarine, and shortening. Linoleic safflower oil is used in some culinary applications, but also in cosmetic products such as facial creams. There is a third type of sunflower oil, with a fatty-acid profile in between the high-oleic and linoleic forms, called NuSun. This form is used mostly for frying snack foods, such as chips.[73]

[71] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 1512.11.00 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[72] Oelke et al., "Safflower" (accessed June 1, 2018).
[73] National Sunflower Association website, "Sunflower Oil," https://www.sunflowernsa.com/oil/ (accessed June 1, 2018).

Profile of U.S. Industry and Market, 2013–17

Approximately 30,000 U.S. farmers grow sunflowers destined for oil production,[74] concentrated mostly in North and South Dakota. The number of safflower growers is smaller, and about half are in California, with the rest in the northern Great Plains. Safflower, in particular, is best suited to dry climates and can be rotated with other crops to improve soil quality. As a result, the number of farmers growing safflower varies widely from year to year.[75] Sunflower production is much larger than safflower production. At $321 million in 2017, the value of the harvest of oil-producing sunflowers was nearly 10 times the value of the safflower harvest, which was $33.4 million. The 17 U.S. producers of crude sunflower oil include 2 large agribusiness firms, Archer Daniels Midland (ADM) and Cargill, along with at least 6 other processors located in California, Colorado, Georgia, and Minnesota. Some sunflower oil producers may also process safflower; many oil processing facilities are capable of processing safflower. Industry representatives report that there are two major safflower crushing facilities, both in California.[76]

The domestic market for sunflower and safflower oil comprises mostly U.S. food processing companies that manufacture baked goods, infant formulas, vegetable-based fats and oils, and fried snack foods. There are many such producers in the United States, creating a robust domestic market for sunflower and safflower oils. However, domestic sunflower and safflower oil producers face competition from imports (table 5.2), as well as from other oils that can be used as substitutes. Depending on the end use, substitutable oils can include cottonseed, corn, soybean, canola, coconut, and palm.[77]

Table 5.2 Crude sunflower and safflower oil (HTS subheading 1512.11.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	17	17	17	17	17
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	281,924	254,216	214,838	261,301	248,961
Exports (1,000 $)	32,866	43,214	28,340	25,724	23,620
Imports (1,000 $)	43,865	55,870	95,150	35,341	33,074
Consumption (1,000 $)	292,923	266,872	281,648	270,918	258,415
Import-to-consumption ratio (percent)	15	21	34	13	13
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce. Production figures from industry representative, email message to USITC staff, June 1, 2018.
[a] Not available.

GSP Import Situation, 2017

During 2013–17, Ukraine accounted for most U.S. imports of crude sunflower and safflower oils from GSP-eligible countries (table 5.3), and in 2017 Ukraine was the largest supplier of such imports from all

[74] National Sunflower Association, written submission to the USITC, June 18, 2018, 1.
[75] Industry representative, telephone interview by USITC staff, June 29, 2018.
[76] Industry representative, telephone interview by USITC staff, June 29, 2018.
[77] National Sunflower Association, written submission to the USITC, June 18, 2018, 4.

sources ($12.6 million or about 38 percent).[78] Other, minor GSP-eligible suppliers include Paraguay and Turkey. But according to an industry representative, Paraguay has no sunflower seed crushing facilities, so the product may have originated in neighboring Argentina or elsewhere.[79]

Table 5.3 Crude sunflower and safflower oil (HTS subheading 1512.11.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	33,074	100	[a]	13
Imports from GSP-eligible countries:				
Total	13,584	41	100	5
Ukraine	12,616	38	93	5
Paraguay	857	3	6	[b]
Turkey	92	[b]	1	[c]
Egypt	13	[c]	[c]	[c]
Serbia	6	[c]	[c]	[c]

[a] Not applicable.
[b] Less than 0.5 percent.
[c] Less than 0.05 percent.

Argentina supplied between 18 and 45 percent of U.S. imports during 2013–15.[80] Argentina's exports of sunflower oil to the United States declined sharply in 2016 and 2017, but the country remains a major producer and exporter to the world (table 5.4). In December 2015, Argentina removed its 30 percent export tax on sunflower oil and eliminated an export permit requirement.[81] As a result, sunflower production in Argentina expanded in 2016 and 2017, and sunflower oil exports to the world increased, even as exports to the United States declined. If all of Argentina's shipments had been accorded GSP status in 2017, it would have accounted for 11 percent of all GSP-eligible imports (table 5.4).

[78] Effective April 2018, Ukraine's GSP eligibility was partially suspended for not providing "adequate and effective protection of intellectual property rights." Presidential Proclamation 9687 of December 22, 2017. As in all such situations, if the President choses to add HTS 1512.11.00 to the list of GSP-eligible products for all beneficiary developing countries, imports from Ukraine will be eligible for duty-free access under GSP—unless the President makes an official decision to add HTS 1512.11.00 to the list of provisions for which Ukraine is not afforded GSP duty-free access due to a partial suspension like that described above.
[79] Industry representative, email message to USITC staff, May 25, 2018.
[80] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[81] The government of Argentina paired these changes with other macroeconomic reforms, including the removal of currency controls and elimination of the multiple exchange rate system, that were expected to increase the competitiveness of Argentine agricultural exports. USDA, FAS, "New Government Lifts Currency Controls," December 17, 2015, 4.

Table 5.4 Crude sunflower and safflower oils (HTS subheading 1512.11.00): Treating Argentina as if it were a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina	1,660	5.0	10.9	0.6
Imports from all GSP-eligible countries	13,584	41.1	89.1	5.3
GSP imports plus Argentina	15,244	46.1	100	5.9
Grand total	33,074	100	(a)	12.8

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[a] Not available.

U.S. Imports and Exports

U.S. imports of sunflower and safflower oils come primarily from Ukraine, Mexico—and until 2016, Argentina. U.S. imports of these oils from Ukraine and Argentina are mostly sunflower-seed oil, while imports from Mexico are mostly safflower oil. Imports from Ukraine have increased in recent years as its sunflower seed-crushing capacity has increased (table 5.5).[82] According to industry representatives, production in Ukraine and Russia has increased rapidly in recent years due to those countries' proximity to the European market, and they have overtaken Argentina as leading global exporters.[83] Because U.S. imports from Mexico are of safflower oil rather than sunflower oil, they are not identical to imports from these other countries, but they do compete because the oils are close substitutes. U.S. imports from Mexico are eligible to enter duty free under the North American Free Trade Agreement (NAFTA).

[82] Industry representative, telephone interview by USITC staff, May 25, 2018.
[83] National Sunflower Association, written submission to the USITC, June 18, 2018, 4.

Table 5.5 Crude sunflower or safflower oil (HTS subheading 1512.11.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Ukraine	2,160,128	8,203,755	8,651,297	6,709,824	12,616,054
Mexico[a]	21,224,845	29,747,180	25,465,782	15,636,093	11,462,988
Netherlands	2,386,331	2,667,117	4,623,627	5,391,105	4,166,004
Argentina	14,185,186	10,026,390	42,522,716	3,136,366	1,660,044
Spain	0	0	1,111,856	2,165,286	1,161,854
Italy	2,744,657	718,680	437,803	1,288,508	888,001
Paraguay	39,946	293,527	1,270,452	528,938	856,931
Turkey	76,809	93,146	16,822	54,076	91,827
Bulgaria	55,219	35,190	31,925	37,771	65,906
Russia	21,659	18,222	74,917	29,842	31,143
All other	970,627	4,067,250	10,942,731	363,388	73,057
Total	43,865,407	55,870,457	95,149,928	35,341,197	33,073,809
Imports from GSP-eligible countries:					
Ukraine	2,160,128	8,203,755	8,651,297	6,709,824	12,616,054
Paraguay	39,946	293,527	1,270,452	528,938	856,931
Turkey	76,809	93,146	16,822	54,076	91,827
Egypt	0	0	0	0	12,610
Serbia	6,975	5,756	5,121	6,462	6,171
Moldova	4,309	0	0	0	0
Macedonia	0	0	11,185	2,532	0
Armenia	0	0	0	3,618	0
India	0	7,856	0	2,091	0
Uruguay	44,384	0	0	0	[b]
All other	21,659	0	0	0	0
Total	2,354,210	8,604,040	9,954,877	7,307,541	13,583,593

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] This country was not GSP eligible in the indicated year.

The United States exports sunflower and safflower oils primarily to Japan, Mexico, and Colombia (table 5.6). All of these countries have large food processing industries that likely use the oils as an input for baked goods, fried snacks, and other processed foods. In addition, U.S. exports of these products are eligible to enter Mexico duty free under NAFTA and, since 2016, have been eligible to enter Colombia duty free as well under the United States-Colombia Trade Promotion Agreement. While sunflower oil is by far the larger industry in the United States, exports of the two oils are roughly equal, with safflower oil exports exceeding sunflower exports in some years. As a result, the U.S. safflower oil industry is considerably more export-oriented than the sunflower oil industry. In addition, safflower industry representatives report that U.S. safflower oil is particularly in demand in the European Union because U.S. producers have worked with the infant-formula industry there to ensure the product meets the region's specifications.[84]

[84] Industry representative, telephone interview by USITC staff, June 29, 2018.

Table 5.6 Crude sunflower or safflower oil (Schedule B 1512.11.0020 and 1512.11.0040): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Japan	21,359,750	19,253,255	16,372,068	12,117,824	10,264,271
Mexico[a]	8,727,911	5,854,364	7,778,424	8,682,369	5,226,918
Colombia[a]	0	0	6,373	462,876	2,353,791
India	27,324	1,035,171	1,481,622	2,370,994	2,273,938
Netherlands	729,786	3,685,256	122,997	346,953	1,178,089
Uruguay	0	0	0	0	569,176
Taiwan	31,350	117,072	525,691	649,345	431,315
China	900,871	271,720	148,010	315,065	378,183
Honduras[a]	0	0	0	0	227,463
Panama[a]	0	0	0	0	219,397
All other	1,089,390	12,997,561	1,904,629	778,727	497,240
Total	32,866,382	43,214,399	28,339,814	25,724,153	23,619,781

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

In opposition: The USITC received a written statement from the National Sunflower Association opposing the addition of sunflower and safflower oil to the list of GSP-eligible for beneficiary developing countries. That submission also incorporated written statements from five individual sunflower farmers opposing the addition.

In opposition: The USITC received letters from the following members of the U.S. House of Representatives opposing the addition: Ken Buck (Colorado), Kevin Cramer (North Dakota), and Collin C. Peterson (Minnesota).

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

National Sunflower Association. Written submission to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 18, 2018.

Oelke, E.A., E.S. Oplinger, T.M. Teynor, D.H. Putnam, J.D. Doll, K.A. Kelling, B. R. Durgan, and D.M. Noetzel. "Safflower." *Alternative Field Crops Manual,* New Crop Resource Online Program, Purdue University. https://hort.purdue.edu/newcrop/afcm/safflower.html (accessed June 1, 2018).

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *New Government Lifts Currency Controls and Cuts Export Taxes*, by Lazaro Sandoval and Ken Joseph. GAIN Report, December 17, 2015. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/New%20Government%20Lifts%20Currency%20Controls%20and%20Cuts%20Export%20Taxes_Buenos%20Aires_Argentina_12-17-2015.pdf.

Chapter 6
Addition: Certain Prepared or Preserved Apples (Beneficiary Developing Countries)[85]

Table 6.1 Certain prepared or preserved apples

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2008.99.05[a]	Apples, otherwise prepared or preserved, n.e.s.o.i.[b]	0.9 cents per kg (0.7 percent ad valorem equivalent[c])

[a] Harmonized Tariff Schedule (HTS) subheading 2008.99.05 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP.
[b] Not elsewhere specified or included (n.e.s.o.i.).
[c] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

Description and Uses

The product classified in HTS subheading 2008.99.05 is prepared or preserved apples, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included. These products are generally packed in cans, jars, or airtight containers, in bulk or otherwise. Canned apples account for the largest share of products in this subheading;[86] other products included in HTS subheading 2008.99.05 are certain dehydrated apples,[87] certain applesauce products,[88] and products such as apple strudel filling,[89] among others. Jams, jellies, purees,[90] pastes, and other preparations obtained by cooking are not included in this subheading.

Certain prepared or preserved apples can be sold at the retail level for a wide variety of uses, including as a snack, dessert, or part of a meal, or in the making of pies, turnovers, and other baked goods. In addition, these goods can also be sold as an input for further processing into other food products. Preserved apple products can be sold as baby food. Dried apple products are also used for baking, in

[85] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 2008.99.05 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[86] Canned apples also represent 38 percent of total processed apple utilization in the United States. USDA, ERS, Dataset (89022), October 2017.
[87] Certain dehydrated apple products have been classified in this HTS subheading. For more, see U.S. Customs and Border Protection Ruling N014935, "The Tariff Classification of a Dried Apple Snack from China," August 17, 2007.
[88] Certain applesauce products have been classified in HTS subheading 2008.99.05. For more, see U.S. Customs and Border Protection Ruling N148035, "The Tariff Classification of Applesauce from France," February 22, 2011.
[89] U.S. Customs and Border Protection Ruling N233634, "The Tariff Classification of Apple Strudel Filling," October 11, 2012.
[90] Fruit purees are classified in HTS chapter 2007, and refer to preparations obtained by cooking the raw fruit, whether or not containing sugar or any sweetening matter, but not containing additives or preservatives.

breakfast cereal mixes, as snacks, and in the foodservice and dairy industries, among others.[91] The U.S. government also purchases certain prepared or preserved apples for use in programs such as the U.S. Department of Agriculture's school nutrition program.[92]

Profile of U.S. Industry and Market, 2013–17

The U.S. prepared and preserved apple industry, like the fresh apple industry, is concentrated in the states of Washington, New York, and Michigan. During 2013–17, those three states combined accounted for almost 75 percent of all processed apple production, measured in pounds.[93] Usually, apples that are fit for consumption but that do not meet the standards for the fresh market, are destined for processing into preserved apples and other apple products. In 2016, almost 11 percent of the U.S. apple crop was destined for canning, while 3 percent went to dried apple production and 1.2 percent to fresh apple slices.[94] Three types of prepared or preserved apple products—canned, dried, and processed fresh slices—accounted for 50 percent of total production in that same year.[95] Some processing facilities produce more than one type of prepared or preserved apple product.

Although canned apples and applesauce are the most popular type of canned fruit in the United States, consumption has been declining (22 percent from 1970–2008). Part of this drop is attributed to the increased availability of fresh fruits year-round resulting from increased trade with producers in the Southern Hemisphere.[96]

Prepared and preserved apple products are sold directly to consumers at the retail level to be consumed as a snack or as baby food, or to be used in confectionery or baked goods, among other uses. Some prepared or preserved apple products can be used for cooking, or in the preparation of food products such as gravy. Prepared and preserved apple products are also used as an input in the production of other goods such as dressings, breakfast foods, and apple pies. Producers of downstream products purchase prepared and preserved apple products directly from U.S. suppliers, or through third parties, as well as from importers of foreign products. Additionally, some orchards that produce apples for the fresh market produce one or more types of preserved apple products, and sell directly to consumers or through third-party retailers.

---

[91] Government of Argentina, Ministry of Agroindustry, "Perfiles productivos: Pera y manzana" (Production Profiles: Pear and apple), June 2008.
[92] USDA, ERS, "Canned Fruit and Vegetable Consumption in the United States," September 2008.
[93] USDA, NASS, Quick Stats, June 6, 2018.
[94] Seetin, "2017 U.S. Apple Crop Outlook," August 2017.
[95] Apple juice production, the largest segment in the processed apple industry, represented 43 percent of all apple processing, while canned apples accounted for 38 percent, dried apples for 11 percent, and fresh slices for 4 percent in 2016. For more information, see USDA, ERS, Dataset (89022), October 2017.
[96] At the same time, a study by the U.S. Department of Agriculture (USDA) Economic Research Service (ERS) argues that demand for processed fruit products could grow, due to the increased availability of these products and lower and more stable prices resulting from international trade in these products. The study also cites rising demand for convenience and changing demographics, as well as awareness of the nutritional benefits of fruits. For more, see USDA, ERS, "Canned Fruit and Vegetable Consumption in the United States," September 2008.

Table 6.2 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $) [b]	202,156	171,949	188,541	205,918	(a)
Exports (1,000 $)	(c)	(c)	(c)	(c)	(c)
Imports (1,000 $)	86,511	78,797	78,190	83,069	82,575
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Source: Estimated from USDA, ERS, Dataset (89022), October 2017.
[c] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B numbers include additional products.

GSP Import Situation, 2017

The value of U.S. imports from GSP-eligible countries under HTS subheading 2008.99.05 is small—$182,000 in 2017, representing less than 0.5 percent of total U.S. imports of these goods from all countries (table 6.3). Thailand was the only GSP-eligible country exporting certain prepared or preserved apples to the United States in 2017. The United States is the second-leading destination for exports of preserved fruit (HTS 2008.99) from Thailand, following Japan.[97] However, fresh apple production in Thailand is limited; Thailand imports fresh apples primarily from China, but also from New Zealand and the United States. [98]

In 2017, U.S. imports of preserved apples (HTS 2008.99.05) from Argentina were also low in value ($121,000). If all of Argentina's shipments had been accorded GSP status in 2017, imports from Argentina would have accounted for 40 percent of the total imports under GSP (table 6.4).[99] The United States was the fifth-largest market for Argentine exports of preserved fruits in 2017, and had been the leading export market for Argentina in 2015. Argentina produces and exports a variety of processed apple products from its apple harvest. Although apple juice accounts for most of its processed

[97] IHS Markit, Global Trade Atlas database (accessed May 30, 2018).
[98] Thailand is the fourth leading destination for Chinese exports of fresh apples; IHS Markit, Global Trade Atlas database (accessed May 30, 2018).
[99] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.

production, [100] Argentina also produces and exports dehydrated apples.[101] Total exports of preserved fruits (HTS 2008.99) from Argentina have been decreasing since 2013.[102]

Table 6.3 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	82,574	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	182	[c]	100	[b]
Thailand	182	[c]	100	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 6.4 Certain prepared or preserved apples (HTS subheading 2008.99.05): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports including Argentina	Percent of U.S. consumption
Imports from Argentina	121	[b]	40	[c]
Imports from all GSP-eligible countries	182	[b]	60	[c]
GSP imports including Argentina	303	[b]	100	[c]
Grand total	82,574	100	[d]	[c]

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[a] Less than 0.5 percent.
[b] Not available.
[c] Not applicable.

[100] Apple juice is the dominant processed apple product in Argentina, accounting for 80 percent of all processed apple products in 2012, the last year for which data are available. For more information, see Government of Argentina, Ministry of Agriculture, Livestock and Fisheries, "Estudio de mercado: Puré de manzana y de pera en Brasil" (Market analysis: apple and pear puree in Brazil), 2013.
[101] Government of Argentina, Ministry of Agroindustry, "Perfiles productivos: Pera y manzana" (Production profiles: pear and apple), June 2008.
[102] Argentina was a much larger producer of apples in the early 2000s. However, apple production has declined significantly since then due to low profitability, among other reasons. As a result, growers shifted towards pear production, although that, too, has been decreasing in the last couple of years. In 2012, 41 percent of the Argentine apple crop was sent for further processing into products such as apple juice and prepared or preserved apples. For more information, see Government of Argentina, Ministry of Science, Technology, and Productive Innovation, "Producción y procesamiento de productos frutihortícolas" (Production and processing of fruit and vegetable products), October 2014; USDA, FAS, *Argentina: Fresh Deciduous Fruit Annual*, November 30, 2017; and IHS Markit, Global Trade Atlas database (accessed August 7, 2018).

U.S. Imports and Exports

In 2017, the United States imported $82.6 million worth of prepared and preserved apple products (table 6.5). Canada was the main source of certain preserved and prepared apple imports, accounting for an average of about 60 percent of total U.S. imports during 2013–17. Imports from Canada trended upward during 2013–17 and were 16 percent higher in 2017 than in 2013, while imports from China, the second-largest supplier, were highest in 2013 and much lower during 2014–17. Imports from Chile fluctuated during 2013–17 and were at their highest level in 2017, just below China. Chile was the third-largest foreign supplier to the U.S. market in 2017. U.S. imports from both Chile and Canada are eligible to enter the U.S. market free of duty under the United States-Chile Free Trade Agreement and the North American Free Trade Agreement (NAFTA), respectively.

Table 6.5 Certain prepared or preserved apples (HTS subheading 2008.99.05): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	44,386,075	47,355,963	44,335,358	53,741,268	51,302,741
China	21,453,597	11,962,731	10,001,853	9,674,101	11,743,095
Chile[a]	4,165,148	7,068,611	5,940,535	4,745,550	11,489,875
France	11,169,561	7,307,512	10,791,875	8,099,006	2,601,893
Spain	567,525	0	15,603	14,088	2,204,411
Italy	511,499	1,337,534	4,085,853	4,459,482	1,252,462
Poland	100,585	44,108	170,574	269,171	524,567
Germany	281,010	413,135	121,042	24,654	310,702
Switzerland	176,166	230,164	668,538	207,411	219,426
Thailand	2,371,688	1,821,704	677,981	622,389	181,683
Argentina	0	0	896,872	298,519	120,960
All other	1,328,293	1,255,266	483,595	913,615	622,933
Total	86,511,147	78,796,728	78,189,679	83,069,254	82,574,748
Imports from GSP–eligible countries:					
Thailand	2,371,688	1,821,704	677,981	622,389	181,683
Armenia	0	0	14,772	0	0
Macedonia	0	3,858	5,412	0	0
Serbia	0	46,940	0	0	0
Turkey	14,392	115,477	0	0	0
India	43,323	0	18,643	0	0
Central African Republic	0	0	0	7,392	0
Brazil	9,819	0	0	6,800	0
South Africa	6,812	35,670	5,918	22,941	0
Total	2,446,034	2,023,649	722,726	659,522	181,683

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

The United States exported roughly $118.6 million worth of preserved fruit products in 2017, a 7 percent decrease from the previous year (table 6.6). The Schedule B subheadings 2008.99.7550 and 2008.99.7552,[103] which correspond most closely to HTS subheading 2008.99.05, are basket categories

[103] Prior to 2017, exports of prepared or preserved apples were classified in Schedule B 2008.99.7550. But as of 2017, such exports are classified in Schedule B 2008.99.7552.

that include other preserved fruits in addition to certain prepared and preserved apples. The majority of U.S. exports under these Schedule B subheadings go to Canada and Mexico, which, combined, accounted for 75 percent of total exports in 2017. U.S. exports of preserved fruit products to Canada and Mexico increased by 28 percent from 2016 to 2017. U.S. exports of these products are eligible to enter Canada and Mexico duty free under NAFTA.

Table 6.6 Fruit and other edible parts of plants, n.e.s.o.i.,[a] otherwise prepared or preserved, whether or not containing sweetening or spirit, n.e.s.o.i. (Schedule B 2008.99.7550 and 2008.99.7552): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	62,948,830	63,021,030	67,376,331	62,174,684	80,072,854
Mexico[a]	5,773,185	5,132,162	6,122,831	6,846,091	8,316,318
Japan	6,395,136	11,826,886	13,390,000	7,883,499	6,867,956
China	5,112,992	4,551,010	3,374,628	5,683,155	4,240,140
Australia[a]	1,876,326	1,732,543	1,171,613	973,079	3,117,558
United Kingdom	3,136,933	2,416,450	2,301,164	1,589,706	2,262,559
Hong Kong	1,169,511	1,014,691	719,094	1,139,428	1,792,490
United Arab Emirates	1,984,280	1,497,706	2,465,368	1,875,887	1,347,510
Kuwait	1,228,416	1,779,022	3,361,120	2,452,968	878,160
Saudi Arabia	5,487,881	8,646,609	12,030,812	13,787,916	835,143
All other	29,361,247	24,982,461	25,361,514	22,949,980	8,863,579
Total	124,474,737	126,600,570	137,674,475	127,356,393	118,594,267

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.).
[b] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Government of Argentina. Ministerio de Agricultura, Ganadería y Pesca (Ministry of Agriculture, Livestock and Fisheries). Promoción y fortalecimiento de las exportaciones de bienes agroalimentarios de Argentina (PROARGEX)(Promotion and support for exports of Argentine agrifoods). *Estudio de mercado: Puré de manzana y de pera en Brasil* (Market study: Apple and pear puree in Brazil), 2013. https://www.slideshare.net/proargex2013/brasilmanzanas.

Government of Argentina. Ministerio de Agroindustria (Ministry of Agroindustry). "Perfiles productivos: Pera y manzana" (Production profiles: pear and apple), by Ivan Bruzone. *Revista de Alimentos Argentinos,* June 2008. http://www.alimentosargentinos.gob.ar/HomeAlimentos/Publicaciones/revistas/nota.php?id=273.

Government of Argentina. Ministerio de Ciencia, Tecnología e Innovación Productiva (Ministry of Science, Technology, and Productive Innovation). *Producción y procesamiento de productos frutihortícolas* (Production and processing of fruit and vegetable products), October 2014. www.argentinainnovadora2020.mincyt.gob.ar/?wpfb_dl=80**.**

IHS Markit. Global Trade Atlas database (accessed various dates).

Seetin, Mark. *"*2017 U.S. Apple Crop Outlook and Overview.*"* Presentation for the U.S. Apple Association, August 2017. http://usapple.org/wp-content/uploads/2017/08/MarkSeetin.pdf.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). *Canned Fruit and Vegetable Consumption in the United States.* Washington, DC: USDA, September 2008. https://www.ers.usda.gov/webdocs/publications/42704/10938_ap032.pdf?v=41055.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). *Dataset (89022). Fruit and Tree Nut Yearbook.* Washington, DC: USDA, October 2017. http://usda.mannlib.cornell.edu/usda/ers/89022/2017/FruitandTreeNutYearbook2017.pdf.

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Argentina: Fresh Deciduous Fruit Annual; Apples, Pears, and Table Grapes,* by Maria Julia Balbi. GAIN Report, November 9, 2017. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual_Buenos%20Aires_Argentina_11-9-2017.pdf.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). Quick Stats (Apple Production and Apple Processing by State), June 6, 2018. https://quickstats.nass.usda.gov/.

Chapter 7
Addition: *p*-Anisic Acid, Clofibrate, and 3-Phenoxybenzoic Acid (Beneficiary Developing Countries)[104]

Table 7.1 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2918.99.05[a]	*p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid	5.8 percent

[a] Harmonized Tariff Schedule (HTS) subheading 2918.99.05 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP only.

Description and Uses

HTS subheading 2918.99.05 covers three specific aromatic organic carboxylic acids with additional oxygen function: *p*-anisic acid, clofibrate, and 3-phenoxybenzoic acid.[105] *p*-Anisic acid, which occurs naturally in anise and is also synthetically derived, is an antiseptic used in personal care products.[106] Clofibrate, an antilipidemic used to treat elevated cholesterol levels, has reportedly not been used since 2002 because of adverse effects.[107] 3-Phenoxybenzoic acid can be used as an intermediate input in the production of downstream chemicals and also as a standard to measure the concentration of 3-phenoxybenzoic acid (a metabolite of pyrethroid insecticides) in urine samples.[108]

Profile of U.S. Industry and Market, 2013–17

The three aromatic chemicals covered in this chapter—*p*-anisic acid, clofibrate, and 3-phenoxybenzoic acid—are used by downstream segments of the chemical industry, such as pharmaceuticals, cosmetics,

[104] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 2918.99.05 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[105] Carboxylic acids contain carboxyl groups (a carboxyl group is a carbon atom attached to two oxygen atoms and one hydrogen atom).
[106] TrueNatural.com, "*P*-Anisic Acid," n.d. (accessed May 31, 2018).
[107] Oliver, "The Clofibrate Saga: A Retrospective Commentary," December 2012; Wang et al., "Fibrates for Secondary Prevention," October 25, 2015; DrugBank, "Clofibrate," May 1, 2018. Antilipidemics reduce lipid levels (e.g., cholesterol) in the blood.
[108] Sigma Aldrich, "3-Phenoxybenzoic Acid," n.d. (accessed May 31, 2018); Morgan et al., "Predictors of Urinary 3-Phenoxybenzoic Acid Levels," 2016. 3-Pyrethroid insecticides can break down in the body into 3-phenoxybenzoic acid, which can then be detected in an individual's urine. 3-Phenoxybenzoic acid can be used as a standard to measure the concentration of 3-phenoxybenzoic acid in the urine, assessing human exposure to such insecticides. Morgan et al., "Predictors of Urinary 3-Phenoxybenzoic Acid Levels," 2016.

and other products, as inputs in intermediate and final goods. Although one U.S. producer was identified as possibly producing *p*-anisic acid, it is not known if there are U.S. producers of clofibrate and 3-phenoxybenzoic acid. Demand and consumption trends are difficult to analyze given both a lack of production data and the fact that the trends are largely driven by downstream segments of the chemical industry. It can, however, be noted that the imported products are likely directly substitutable for any identical domestically produced counterparts.

Table 7.2 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	491	439	276	356	322
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

U.S. imports from all GSP-eligible countries of *p*-anisic acid, clofibrate, and 3-phenoxybenzoic acid classified in HTS subheading 2918.99.05 were small ($44,000 in 2017) (table 7.3) and generally accounted for around 10 percent of total annual imports of these products. U.S. imports from GSP-eligible countries increased by about 52 percent from 2013 to 2015, rising to $37,000; declined in 2016 to about $14,000; and then peaked in 2017 at $44,000, realizing a net increase of 80 percent from 2013 to 2017 (table 7.4). India accounted for all U.S. imports from GSP-eligible countries during the period.

Argentina was not a source of U.S. imports of these products during 2013–17 and, as a result, it is uncertain to what degree it would supply the U.S. market if it were eligible for GSP benefits.[109] According to a written submission from the government of Argentina, one Argentine company currently produces and exports chemicals described in this subheading; however, the company's primary export market is Brazil. [110]

[109] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[110] Embassy of Argentina, posthearing submission to USITC, June 22, 2018, 1.

Table 7.3 *p*-Anisic acid, clofibrate; and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	322	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	44	14	100	(b)
India	44	14	100	(b)

[a] Not applicable.
[b] Not available.

U.S. Imports and Exports

U.S. imports of the products in HTS subheading 2918.99.05 declined irregularly during 2013–17, from $491,148 to $322,101 (down about 34 percent). China was the major but fluctuating source of these imports throughout most of the period, with imports peaking in 2014 and again in 2016 at over $300,000. Several suppliers entered the market in 2016–17, including Germany, Italy, the Netherlands, and Austria.

Table 7.4 *p*-Anisic acid, clofibrate, and 3-phenoxybenzoic acid (HTS subheading 2918.99.05): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
China	162,482	329,576	170,918	310,710	151,175
Germany	0	0	0	12,900	94,715
India	24,479	33,479	37,164	13,936	43,991
Italy	0	0	0	0	23,230
France	304,187	76,226	67,709	10,495	4,761
Netherlands	0	0	0	0	4,229
Austria	0	0	0	8,003	0
Total	491,148	439,281	275,791	356,044	322,101
Imports from GSP–eligible countries:					
India	24,479	33,479	37,164	13,936	43,991
Total	24,479	33,479	37,164	13,936	43,991

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

The Schedule B subheading (2918.99.2090) that includes *p*-anisic acid, clofibrate, and 3-phenoxybenzoic acid is a broad basket category that also includes numerous other chemicals. As a result, export trends specific to these products are not available. Overall, U.S. exports classified in Schedule B 2918.99.2090 declined during 2013–17 by 40 percent.

Table 7.5 Carboxylic acids with additional oxygen function n.e.s.o.i.[a] (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[b]	25,373,806	30,101,872	33,757,248	24,802,316	25,208,087
Belgium	5,686,953	5,449,025	4,922,898	10,482,659	14,749,794
Germany	4,675,173	4,708,874	7,324,492	6,832,056	6,988,782
Canada[b]	5,978,333	4,053,878	4,405,738	4,633,878	6,191,347
Netherlands	27,994,126	22,199,625	16,387,312	13,685,107	5,843,623
France	12,726,663	8,429,966	12,170,909	7,913,352	4,678,810
Argentina	9,115,673	12,368,884	16,044,172	1,934,673	3,448,858
Mexico[b]	3,060,028	3,616,680	3,234,599	3,100,398	2,572,725
Japan	8,305,576	3,910,263	1,914,644	1,161,149	1,072,409
United Kingdom	464,542	301,340	726,015	533,857	1,033,654
All other	22,296,685	13,199,175	8,654,529	5,833,310	3,756,451
Total	125,677,558	108,339,582	109,542,556	80,912,755	75,544,540

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.).
[b] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this subheading.

Bibliography

DrugBank. "Clofibrate," May 1, 2018. https://www.drugbank.ca/drugs/DB00636.

Government of Argentina. Posthearing submission to the U.S. International Trade Commission in connection with inv. no. 332–567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 22, 2018.

Morgan, M., Paul-A. Jones, J. Sobus, and D. Boyd Barr. "Predictors of Urinary 3-Phenoxybenzoic Acid Levels in 50 North Carolina Adults." *International Journal of Environmental Research and Public Health* 13, no. 11 (2016): 1172–78. https://www.ncbi.nlm.nih.gov/pubmed/27886113.

Oliver, Michael. "The Clofibrate Saga: A Retrospective Commentary." *British Journal of Clinical Pharmacology*, December 2012. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3522803/.

Sigma Aldrich, "3-Phenoxybenzoic Acid," n.d. https://www.sigmaaldrich.com/catalog/product/aldrich/190276?lang=en&region=US (accessed May 31, 2018).

TrueNatural.com. "*P*-Anisic Acid," n.d. https://www.truenatural.com/glossary/entry/p-Anisic_Acid (accessed May 31, 2018).

Wang, D., B. Liu, W. Tao, Z. Hao, and M. Liu. "Fibrates for Secondary Prevention of Cardiovascular Disease and Stroke." Cochrane, October 25, 2015. http://www.cochrane.org/CD009580/VASC_fibrates-secondary-prevention-cardiovascular-disease-and-stroke.

Chapter 8
Addition: Certain Aromatic Carboxylic Acids and Their Derivatives Covered in U.S. Note 3 (Beneficiary Developing Countries)[111]

Table 8.1 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2918.99.43[a]	Certain aromatic carboxylic acids and their derivatives covered in additional U.S. note 3 to section VI	6.5 percent

[a] Harmonized Tariff Schedule (HTS) subheading 2918.99.43 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP only.

Description and Uses

A wide variety of organic chemicals are classified in HTS subheading 2918.99.43,[112] including triethylene glycol bis [3-(3-*tert*-butyl-4-hydroxy-5-methylphenyl) propionate]; 4,4N-oxydiphthalic anhydride; 3-[2-chloro-4-(trifluoromethyl)-phenoxy] benzoic acid, sodium salt; 2-ethylhexyl 4-methoxycinnamate; and (R)–(+)–2–(4-hydroxyphenoxy)propionic acid, as well as many other unidentified chemicals. These products are generally chemical intermediates used as inputs in a variety of downstream products such as pharmaceuticals, sunscreens, solvents, and polymers, among others.

Profile of U.S. Industry and Market, 2013–17

The Commission understands that there is at least one domestic producer of one product—2-ethylhexyl 4-methoxycinnamate—described in this HTS subheading. However, the Commission has no information about U.S. production of the other products that could be provided for in HTS subheading 2918.99.43.[113]

[111] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 2918.99.43 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[112] HTS subheading 2918.99.43 refers to "products described in additional U.S. note 3 to section VI." Additional U.S. note 3 to section VI covers any products not listed in the Chemical Appendix to the HTS. HTS subheading 2918.99.47 (see chapter 9 of this report) covers products with a similar chemical structure that are listed in the Chemical Appendix.
[113] The HTS subheading is a basket category containing a wide variety of products based on chemical structure. Commission staff used a variety of sources, including internet searches and industry sources, to identify some of the products in the HTS subheading and to determine if those products might be produced domestically.

The organic chemicals covered by this HTS subheading are generally chemical intermediates used in the manufacture of other intermediates and final products. Demand and consumption trends are difficult to analyze given both a lack of known production data and the fact that these trends are largely driven by downstream segments of the chemical industry such as pharmaceuticals, plastics, and other products that use the chemicals that fall within the product description for this same subheading.

Table 8.2 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	27,864	28,432	24,011	19,605	15,720
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for HTS subheading 2918.99.43 are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

The value of U.S. imports of the products classified in HTS subheading 2918.99.43 from GSP-eligible countries during 2013–17 was small compared to U.S. imports from all sources. India was the sole GSP-eligible supplier in 2017, and, in that year, the value of U.S. imports of these organic chemicals from India was $906,000 (6 percent of total imports). Imports from GSP-eligible countries declined irregularly during 2013–17, from $1 million to slightly over $900,000 (a 10 percent decrease). India accounted for all the imports from GSP-eligible countries in 2014 and again in 2016–17, and for almost all—over 98 percent—of such imports for 2013 and 2015.

Argentina was not a source of U.S. imports of these products during 2013–17.[114] According to a written submission from the government of Argentina, one Argentine company currently produces and exports organic chemicals described in this subheading; however, the company's primary export market is Brazil.[115]

[114] In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[115] Embassy of Argentina, posthearing submission to USITC, June 22, 2018, 1.

Table 8.3 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	15,720	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	906	6	100	[b]
India	906	6	100	[b]

[a] Not applicable.
[b] Not available.

U.S. Imports and Exports

U.S. imports of certain aromatic carboxylic acids and their derivatives (covered in additional U.S. note 3 to section VI) under HTS subheading 2918.99.43 declined during 2013–17, particularly in 2017. Imports were $27.9 million at the beginning of the period and fell to $15.7 million (a 44 percent decrease). China and Germany, the two largest sources of imports of these products during the period, together accounted for about 51–76 percent of the total annually. Other sources' shares of total U.S. imports under this subheading fluctuated during 2013–17, with some, such as Italy and Switzerland, declining substantially. U.S. imports from Italy and Switzerland, for example, declined almost 60 percent and almost 90 percent, respectively, during the period.

Table 8.4 Certain aromatic carboxylic acids and their derivatives covered in U.S. note 3 (HTS subheading 2918.99.43): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
China	6,084,445	8,401,613	12,757,495	9,821,173	8,472,975
Germany	8,146,454	9,271,894	4,311,015	4,785,033	3,494,540
Italy	2,812,213	2,568,520	1,947,161	349,900	1,162,750
Japan	1,264,363	480,096	566,040	1,272,671	1,062,418
India	987,590	1,356,775	901,579	579,552	906,236
Switzerland	2,716,283	1,270,632	514,230	412,780	293,908
France	480,343	603,943	132,453	382,662	258,340
Taiwan	4,981,489	4,445,081	2,842,954	1,981,480	63,750
United Kingdom	317,573	25,055	28,654	14,828	2,740
Slovakia	0	0	2,438	0	2,630
All other	72,984	8,239	7,213	4,900	0
Total	27,863,737	28,431,848	24,011,232	19,604,979	15,720,287
Imports from GSP–eligible countries:					
India	987,590	1,356,775	901,579	579,552	906,236
Ukraine	13,944	0	2,418	0	0
Total	1,001,534	1,356,775	903,997	579,552	906,236

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

The Schedule B subheading (2918.99.2090) that includes certain aromatic carboxylic acids and their derivatives (covered in additional U.S. note 3) is a broader basket category that also includes numerous other chemicals. As a result, it is not possible to identify export trends just for these products. Overall U.S. exports classified in Schedule B 2918.99.2090 declined during 2013–17 by 40 percent.

Table 8.5 Carboxylic acids with additional oxygen function n.e.s.o.i.[a] (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[b]	25,373,806	30,101,872	33,757,248	24,802,316	25,208,087
Belgium	5,686,953	5,449,025	4,922,898	10,482,659	14,749,794
Germany	4,675,173	4,708,874	7,324,492	6,832,056	6,988,782
Canada[b]	5,978,333	4,053,878	4,405,738	4,633,878	6,191,347
Netherlands	27,994,126	22,199,625	16,387,312	13,685,107	5,843,623
France	12,726,663	8,429,966	12,170,909	7,913,352	4,678,810
Argentina	9,115,673	12,368,884	16,044,172	1,934,673	3,448,858
Mexico[b]	3,060,028	3,616,680	3,234,599	3,100,398	2,572,725
Japan	8,305,576	3,910,263	1,914,644	1,161,149	1,072,409
United Kingdom	464,542	301,340	726,015	533,857	1,033,654
All other	22,296,685	13,199,175	8,654,529	5,833,310	3,756,451
Total	125,677,558	108,339,582	109,542,556	80,912,755	75,544,540

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.).
[b] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this subheading.

Bibliography

Government of Argentina. Posthearing submission to the U.S. International Trade Commission in connection with inv. no. 332–567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 22, 2018.

Chapter 9
Addition: Certain Aromatic Carboxylic Acids and Their Derivatives Not Covered in U.S. Note 3 (Beneficiary Developing Countries)[116]

Table 9.1 Certain aromatic carboxylic acids and their derivatives not covered in U.S. note 3

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2918.99.47[a]	Certain aromatic carboxylic acids and their derivatives not covered in additional U.S. note 3 to section VI	6.5 percent

[a] Harmonized Tariff Schedule (HTS) subheading 2918.99.47 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP only.

Description and Uses

A wide variety of organic chemicals are classified in HTS subheading 2918.99.47,[117] including 4-methoxyphenylacetic acid and 3,4-dimethoxybenzoic acid, as well as many other unidentified chemicals.[118] These products are generally chemical intermediates used as inputs into a variety of downstream products such as pharmaceuticals, solvents, and polymers, among others. For example, 4-methoxyphenylacetic acid and 3,4-dimethoxybenzoic acid are used as pharmaceutical intermediates and as reagents.[119] Both are also found in nature (e.g., 4-methoxyphenylacetic acid is found in bodily fluids such as blood, saliva, and urine; 3,4-dimethoxybenzoic acid is found in fruits, vegetables, and medicinal mushrooms).

[116] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 2918.99.47 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[117] HTS subheading 2918.99.47 includes products with a similar chemical structure that are listed in the Chemical Appendix to the HTS and that are therefore not covered by additional U.S. note 3 to Section IV of the HTS. Chapter 8 of this study covers the products (HTS subheading 2918.99.43) that are not listed in the Chemical Appendix to the HTS.
[118] The ranking of the listed products versus the other products in the basket category is unknown.
[119] CBP, "N019142: The Tariff Classification of 4-Methoxyphenylacetic Acid, CAS 104-01-8 from China." November 26, 2007; Lee et al., "A Study of Facial Wrinkles Improvement," April 2016, 183–92. Chemical reagents have several uses, including the detection or measurement of other chemicals.

Profile of U.S. Industry and Market, 2013–17

The chemicals covered by HTS subheading 2918.99.47 are generally chemical intermediates used in the manufacture of other intermediate and final products. The Commission has no information about U.S. production of two of the chemicals described in this HTS subheading, 4-methoxyphenylacetic acid or 3,4-dimethoxybenzoic acid, or about any of the other products in this subheading.[120] Demand and consumption trends are difficult to analyze given both the lack of known production data and the fact that these trends are largely driven by downstream segments of the chemical industry such as pharmaceuticals, plastics, and other products that use the chemicals that fall with the product description for HTS subheading 2918.99.47.

Table 9.2 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	2,120	1,412	1,329	1,298	2,627
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

U.S. imports of the aromatic carboxylic acids and their derivatives (not covered in U.S. Note 3) classified in HTS subheading 2918.99.47 from GSP-eligible countries varied significantly throughout the 2013–17 period. India and Ukraine were the only GSP-eligible suppliers of this product during 2013–17, and India accounted for the majority of GSP-eligible imports.[121] India accounted for over 95 percent of the annual imports from GSP-eligible countries in 2013–14 and in 2013 India was also the leading supplier of total U.S. imports, accounting for 62 percent of total U.S. imports ($1.3 million) under this subheading. U.S. imports from India declined by 47 percent in 2014 (although India was still the largest supplier of total

[120] The HTS subheading is a basket category containing a wide variety of products based on chemical structure. Commission staff used a variety of sources, including Internet searches and industry sources, to identify some of the products in the baskets and to determine if those products might be produced domestically.
[121] Effective April 2018, Ukraine's GSP eligibility was partially suspended for not providing "adequate and effective protection of intellectual property rights." Presidential Proclamation 9687 of December 22, 2017. As in all such situations, if the President choses to add this product to the list of GSP-eligible products for all beneficiary developing countries, imports from Ukraine will be eligible for duty-free access under GSP unless the President makes an official decision to add this product to the list of provisions for which Ukraine is not given GSP duty-free access under its partial suspension.

imports that year) and then continued declining, accounting for only 6 percent ($170,000) of total U.S. imports in 2017.

Argentina was not a source of U.S. imports of these products during 2013–17.[122] According to a written submission from the government of Argentina, one Argentine company currently produces and exports chemicals described in this subheading; however, the company's primary export market is Brazil.[123]

Table 9.3 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. imports for consumption ($1,000) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	2,627	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	204	8	100	[b]
India	170	6	83	[b]
Ukraine[c]	34	1	17	[b]

[a] Not applicable.
[b] Not available.
[c] Effective April 2018, Ukraine's GSP eligibility was partially suspended.

U.S. Imports and Exports

U.S. imports of the aromatic carboxylic acids and their derivatives (not covered in U.S. Note 3) under HTS subheading 2918.99.47 steadily declined during 2013–16 from about $2.1 million to $1.3 million (or by almost 39 percent) before rebounding in 2017 to $2.6 million, resulting in a net increase over the period of about 24 percent. The two largest sources of imports of these products during the period were China and India, together accounting for about 67–92 percent of the total annually. But the import trends from these two sources diverged significantly during 2013–17, with China's share increasing from 25 percent to 85 percent and India's decreasing from 62 percent to 6 percent.

[122] In May 2012 Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[123] Embassy of Argentina, posthearing submission to USITC, June 22, 2018, 1.

Table 9.4 Certain aromatic carboxylic acids and their derivatives not covered in U.S. Note 3 (HTS subheading 2918.99.47): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
China	520,509	596,197	901,695	472,114	2,223,820
India	1,324,329	697,958	200,385	394,294	170,286
Austria	11,196	2,152	26,452	102,505	63,264
France	126,629	56,264	126,943	82,809	50,222
Germany	0	0	4,000	5,360	46,436
Ukraine	22,500	29,381	53,215	24,215	33,882
Japan	112,968	14,376	11,868	19,382	19,406
United Kingdom	0	0	2,592	141,042	10,375
Switzerland	2,131	15,860	2,065	56,729	4,724
Poland	0	0	0	0	4,560
Total	2,120,262	1,412,188	1,329,215	1,298,450	2,626,975
Imports from GSP–eligible countries:					
India	1,324,329	697,958	200,385	394,294	170,286
Ukraine	22,500	29,381	53,215	24,215	33,882
Total	1,346,829	727,339	253,600	418,509	204,168

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

The Schedule B subheading (2918.99.2090) is a broad, basket category that includes aromatic carboxylic acids and their derivatives (not covered in U.S. Note 3) as well as numerous other chemical products. As a result, it is not possible to identify export trends just for these products. Overall U.S. exports classified in Schedule B 2918.99.2090 declined during 2013–17 by almost 40 percent from $126 million to $76 million.

Table 9.5 Carboxylic acids with additional oxygen function n.e.s.o.i.[a] (Schedule B 2918.99.2090): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[b]	25,373,806	30,101,872	33,757,248	24,802,316	25,208,087
Belgium	5,686,953	5,449,025	4,922,898	10,482,659	14,749,794
Germany	4,675,173	4,708,874	7,324,492	6,832,056	6,988,782
Canada[b]	5,978,333	4,053,878	4,405,738	4,633,878	6,191,347
Netherlands	27,994,126	22,199,625	16,387,312	13,685,107	5,843,623
France	12,726,663	8,429,966	12,170,909	7,913,352	4,678,810
Argentina	9,115,673	12,368,884	16,044,172	1,934,673	3,448,858
Mexico[b]	3,060,028	3,616,680	3,234,599	3,100,398	2,572,725
Japan	8,305,576	3,910,263	1,914,644	1,161,149	1,072,409
United Kingdom	464,542	301,340	726,015	533,857	1,033,654
All other	22,296,685	13,199,175	8,654,529	5,833,310	3,756,451
Total	125,677,558	108,339,582	109,542,556	80,912,755	75,544,540

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.).
[b] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this subheading.

Bibliography

Customs and Border Protection (CBP). "N019142: The Tariff Classification of 4-Methoxyphenylacetic Acid, CAS 104-01-8 from China." November 26, 2007. https://rulings.cbp.gov/search?term=104-01-8&collection=ALL&sortBy=RELEVANCE&pageSize=30&page=1.

Government of Argentina. Posthearing submission to the U.S. International Trade Commission in connection with inv. no. 332–567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 22, 2018.

Lee, Kyung-Eun, Ji-Eun Park, Eunsun Jung, Jahyun Ryu, Youn Joon Kim, Jong-Kyung Youm, and Seunghyun Kang. "A Study of Facial Wrinkles Improvement Effect of Veratric Acid from Cauliflower Mushroom through Photo-protective Mechanisms against UVB Irradiation." *Archives of Dermatological Research* 308, no. 3 (April 2016): 183–92. https://link.springer.com/article/10.1007/s00403-016-1633-z.

Chapter 10
Addition: Certain Rubber Transmission V-belts (Beneficiary Developing Countries)[124]

Table 10.1 Certain rubber transmission V-belts

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
4010.33.30[a]	Certain rubber transmission V-belts of vulcanized rubber combined with textile materials and with a circumference between 180 centimeters (cm) and 240 cm (71 to 94 inches).	3.4 percent

[a] Harmonized Tariff Schedule (HTS) subheading 4010.33.30 is currently eligible for duty-free treatment for least-developed beneficiary developing countries under the provisions of the GSP.

Description and Uses

The products classified in HTS subheading 4010.33.30 are transmission V-ribbed belts of vulcanized rubber combined with textile materials, with a circumference between 180 centimeters (cm) and 240 cm (71 to 94 inches). These rubber transmission V-ribbed belts are of the endless (seamless) variety, with ribs that run longitudinally around the inner circumference of the belt to engage and grip pulley grooves of similar shape.[125] Such belts are designed to transmit power from an active power source to a partner pulley system to run components of industrial machinery. The belts may be composed of various mixtures of several rubbers, such as neoprene, nitrile rubber, silicone, ethylene-propylene-diene monomer, certain polyurethane plastics, and natural rubber, together with additives and textile reinforcement cord (typically of polyester). These belts are produced in various widths and heights of trapezoidal cross section. They show high strength and torque at lower levels of tension, show low wear, and run smoothly with low vibration and with low stress, aided by ribbed construction features.[126]

The belts are used in a wide variety of power transmission applications in industrial machinery and processing equipment, as well as conveyor applications. Sectors where they are found include agriculture, the chemical industry, commercial food production, and construction, manufacturing, metallurgy, and mining equipment.[127] Certain belts of this type are also used in a variety of applications (e.g., crankshafts, fan belts, drive train for transmission) in passenger vehicles, trucks, and agricultural machinery.

---

[124] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the addition of HTS subheading 4010.33.30 to the list of articles eligible for duty-free treatment under the provisions of the GSP for all beneficiary developing countries.
[125] World Customs Organization, *Explanatory Notes*, VII, Chapter 40, "Rubber and articles thereof," 4010-2.
[126] The trapezoidal endless V-belt was invented in 1917 by John Gates; the Gates firm is still known as a major player in the industry. IQS Directory, "V Belts Manufacturers and Suppliers" (accessed May 28, 2018).
[127] IQS Directory, "Endless Belts Manufacturers and Suppliers" (accessed May 23, 2018).

Profile of U.S. Industry and Market, 2013–17

The U.S. rubber transmission V-belt industry consists of a few large producers and a number of smaller manufacturers. The belts are then sold to customers through a large number of distributers.[128] The domestic industry producing rubber transmission V-belts classified in HTS subheading 4010.33.30 is part of the broader drive belt industry, which is made up of firms that also produce drive belts that would not be classified in this HTS subheading. Domestic shipments of all industrial belts totaled $1.3 billion in 2012, of which all transmission belts (both those categorized under HTS subheading 4010.33.30 and those not included there) accounted for 54 percent ($700 million).[129]

Numerous firms produce endless belt and industrial belt products in the United States, of which eight account for most domestic production.[130] However, of all endless belt and industrial belt manufacturers, only around 10 are estimated to produce V-belts described in HTS subheading 4010.33.30. Gates Corporation appears to be the largest firm producing the subject V-belts domestically, with 14 manufacturing sites in the United States.[131] Megadyne Americas has 3 manufacturing plants in the United States; it produces V-belts, multi-V-rib belts, and specialty belts.[132]

The U.S. transmission V-belt industry is reported to be a relatively mature market, with growth potential estimated at about 1–2 percent per year.[133] U.S. production supplied an estimated 79 percent of the U.S. market in 2017. U.S. manufacturers of transmission V-belts generally have several sales offices and distribution centers from which they sell product directly to end users and to distributors who sell to a variety of individual industries and retail chains. Internet sales, direct and indirect, are also a part of the downstream distribution system. Producers sell product into both the original equipment (OE) market and replacement aftermarkets, and routinely custom design belts for new applications.

[128] IBISWorld, *Hose and Belt Manufacturing in the US*, May 2018, 25.
[129] Gale Research, "Rubber and Plastics Hoses and Belting Manufacturing," 2017, 750.
[130] Eight of the largest domestic manufacturers of endless belts and industrial belts are Gates Corporation (Denver, CO), Goodyear Rubber Products (St. Petersburg, FL), ContiTech (Montvale, NJ), Bando USA (Itasca, IL), Carlisle (Aiken, SC), Dayco Products (Troy, MI), HBD/Thermold (Bellefontaine, OH), and Megadyne Americas (Charlotte, NC). Rubber and Plastics News, *2017 Rubber Directory and Buyers Guide, 2017*; Megadyne website, https://www.megadyneamericas.com/about-us/ (accessed June 15, 2018).
[131] Gates has over 13,500 employees in plants and distribution centers in 30 countries, including Canada, Mexico, and operations in South America (Argentina and Brazil), Asia (Indonesia, Singapore, and India), and China. Gates Corporation, "Gates Locations," https://www.gates.com/utility/locations, and "Gates Overview," https://www.gates.com/us/en/about-us/company-overview (both accessed June 20, 2018).
[132] Megadyne website, https://www.megadyneamericas.com/about-us/ (accessed June 15, 2018).
[133] Industry representative, telephone interview by USITC staff, May 30, 2018; IBISWorld, *Hose and Belt Manufacturing in the US*, May 2018, 5.

Table 10.2 Certain rubber transmission V-belts (HTS subheading 4010.33.30): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)[a]	10	10	10	10	10
Employment (1,000 employees)[a]	≤1	≤1	≤1	≤1	≤1
Production (1,000 $) [b]	100,000	100,000	100,000	100,000	100,000
Exports (1,000 $)	(c)	(c)	(c)	(c)	(c)
Imports (1,000 $)	21,522	25,193	26,350	24,664	22,438
Consumption (1,000 $)	(d)	(d)	(d)	(d)	(d)
Import-to-consumption ratio (percent)	(d)	(d)	(d)	(d)	(d)
Capacity utilization (percent)	(d)	(d)	(d)	(d)	(d)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Estimated.
[b] Production data are staff estimates based on USITC, *Certain Industrial Belts from Germany, Italy, Japan, and Singapore (Review)*, August 2000; Barnes Reports, "U.S. Industry and Market Outlook 2018," October 2017; Gale Research, "Rubber and Plastics Hoses and Belting Manufacturing," 2017, 750.
[c] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.
[d] Not available.

GSP Import Situation, 2017

The value of U.S. imports of certain rubber transmission V-belts (HTS 4010.33.30) from GSP-eligible countries in 2017 was $3.1 million, or 14 percent of total U.S. imports. Thailand was the largest supplier of imports of this product, with imports of $2 million, accounting for 65 percent of total U.S. GSP imports and 9 percent of total U.S. imports in 2017. India ranked second in terms of GSP imports. Imports of this product from India were $848,000 in 2017, accounting for 27 percent of the United States' GSP imports and 4 percent of total U.S. imports in 2017. U.S. imports of certain rubber transmission V-belts from Thailand have increased significantly during the past few years. Thailand is known as the world's largest producer of natural rubber,[134] and is a major producer of consumer and industrial tires.

Table 10.3 Certain rubber transmission V-belts (HTS 4010.33.30): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	22,438	100	(a)	(d)
Imports from GSP-eligible countries:				
Total	3,121	14	100	(d)
Thailand	2,027	9	65	(d)
India	848	4	27	(d)
Indonesia	235	1	8	(d)
Brazil	11	(b)	(c)	(d)

[a] Not applicable.
[b] Less than 0.05 percent.
[c] Less than 0.5 percent.
[d] Not available.

[134] IRSG, *Rubber Statistical Bulletin*, June 2017.

U.S. Imports and Exports

In 2017, U.S. imports of the subject V-belts totaled $22.4 million. Mexico was by far the leading supplier of U.S. imports of these products during 2013–17, accounting for 61 to 65 percent of total U.S. imports under this HTS subheading. U.S. imports from Mexico are eligible to enter duty free under NAFTA. Thailand, a small supplier early in the period, was the second- or third-largest U.S. supplier in 2015–17. U.S. imports from Indonesia, the third-largest supplier in 2013, fell steadily during the period, and Indonesia's share of total imports fell from 6 percent in 2013 to 1 percent in 2017. There were no imports from Argentina during 2013–17.

Table 10.4 Certain rubber transmission V–belts (HTS subheading 4010.33.30): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Mexico[a]	13,466,155	16,363,093	15,944,504	15,014,291	13,875,137
Thailand	125,003	106,404	2,498,394	2,680,991	2,027,278
Japan	797,831	1,527,017	1,337,384	1,153,628	1,943,451
Germany	4,189,567	4,264,391	2,951,423	1,722,297	1,613,549
South Korea[a]	723,155	906,019	1,020,716	1,311,939	1,009,524
India	1,279	5,578	288,910	1,111,067	848,279
China	511,798	288,396	464,609	518,268	342,715
Indonesia	1,208,719	1,076,577	950,983	914,286	234,868
Romania	35,381	51,790	20,951	34,008	190,587
Italy	54,452	55,850	62,719	28,445	131,524
All other	408,468	547,498	809,901	175,140	221,388
Total	21,521,808	25,192,613	26,350,494	24,664,360	22,438,300
Imports from GSP–eligible countries:					
Thailand	125,003	106,404	2,498,394	2,680,991	2,027,278
India	1,279	5,578	288,910	1,111,067	848,279
Indonesia	1,208,719	1,076,577	950,983	914,286	234,868
Brazil	17,378	15,338	1,832	1,969	10,981
Turkey	0	999	986	0	0
South Africa	0	0	0	406	0
Total	1,352,379	1,204,896	3,741,105	4,708,719	3,121,406

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

U.S. exports of certain rubber transmission V-belts are reported under Schedule B number 4010.33.0000, a broad category that includes other products. U.S. domestic exports of the products classified in Schedule B number 4010.33.0000 during 2013–17 remained relatively stable at about $15 million annually.

Canada, the United States' other NAFTA partner, was the leading market for U.S. exports of goods classified in Schedule B number 4010.33.0000; Mexico was also an important shipment destination. U.S. exports of products classified in Schedule B number 4010.33.0000 peaked at $15.4 million in 2013, and in that year Canada and Mexico together accounted for 59 percent ($9 million) of total U.S. exports. The share of total U.S. exports of these goods to Canada and Mexico peaked in 2015, at 67 percent of total worldwide exports of the goods, but fell to 50 percent of total exports in 2017. During 2013–17, U.S.

exports to Canada were highest in 2013, fell by 20 percent ($1.5 million) in 2014, and then remained relatively steady during 2014—17.

U.S. exports to Brazil, the second-largest U.S. export market, increased irregularly during the period. They were $1.7 million higher in 2017 than in 2013, and in 2017 accounted for 17 percent ($2.4 million) of total U.S. exports.

Table 10.5 Certain rubber transmission V–belts (Schedule B 4010.33.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	7,437,808	5,951,615	6,000,177	6,299,507	6,154,215
Brazil	691,750	578,787	414,251	1,068,654	2,436,564
Mexico[a]	1,604,563	2,819,123	4,227,195	2,917,718	1,180,718
Germany	499,548	480,702	798,721	525,446	797,921
Australia[a]	593,739	640,879	621,414	723,723	665,941
United Arab Emirates	240,821	335,517	229,880	302,099	499,700
China	775,474	409,097	363,882	214,992	361,014
South Africa	224,568	193,934	204,493	207,948	346,965
Guatemala[a]	5,694	4,087	28,658	13,568	264,232
Japan	16,623	3,469	6,968	27,295	242,464
All other	3,264,961	3,614,687	2,426,530	1,727,696	1,748,978
Total	15,355,549	15,031,897	15,322,169	14,028,646	14,698,712

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Barnes Reports. *U.S. Industry and Market Outlook 2018*, October 2017.

Gale Research. "Rubber and Plastics Hoses and Belting Manufacturing." In *Manufacturing and Distribution USA: Industry Analysis, Statistics and Leading Companies,* 748–52. Farmington Hills, MI: Gale, 2017.

IBISWorld. *Hose and Belt Manufacturing in the US*. Industry Report 32622, May 2018.

International Rubber Study Group (IRSG). *Rubber Statistical Bulletin* (Singapore), December 2017.

IQS Directory. "Endless Belts Manufacturers and Suppliers." https://www.iqsdirectory.com/endless-belts/ (accessed May 23, 2018).

IQS Directory. "V-Belts Manufacturers and Suppliers." https://www.iqsdirectory.com/endless-belts/ (accessed May 23, 2018).

Rubber and Plastics News. 2017 *Rubber Directory and Buyers Guide*, 2017.

U.S. International Trade Commission (USITC), *Certain Industrial Belts from Germany, Italy, Japan, and Singapore. Inv. nos. 731-TA-413-415 and 419 (Review).* USITC Publication 3341. Washington, DC: USITC, August 2000.

U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb (DataWeb)/U.S. Department of Commerce (USDOC). http://dataweb.usitc.gov (accessed various dates).

Chapter 11
Removal: Tart Cherry Juice Concentrate and Other Cherry Juice (Turkey)[135]

Table 11.1 Tart cherry juice concentrate and other cherry juice[a]

HTS provisions	Short description	Col. 1 rate of duty as of January 1, 2018
2009.89.6011[b]	Tart cherry juice concentrate	0.5 cents per liter (0.3 percent ad valorem equivalent[c])
2009.89.6019[b]	Other cherry juice	0.5 cents per liter (0.3 percent ad valorem equivalent[c])

[a] Harmonized Tariff Schedule (HTS) subheading 2009.89.60 includes both tart cherry juice concentrate and other cherry juice, as well as juices and concentrates made from cherries, blueberries, red raspberries, other berries, mangoes, and other fruits. HTS subheading 2009.89.60 does not include cranberries (which are covered under HTS 2009.81.0000). USITC, *Harmonized Tariff Schedule of the United States (2018*), Revision 4 (accessed May 16, 2018).
[b] Only goods that fall within HTS subheading 2009.89.60, including HTS statistical reporting numbers 2009.89.6011 and 2009.89.6019, are currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP.
[c] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

[135] The Cherry Marketing Institute (CMI) filed the petition with the U.S. Trade Representative (USTR) and requested removal of eligibility (1) only for goods that fall within HTS statistical reporting number 2009.89.6011 under the HTS subheading 2009.89.60, and (2) only for Turkey. In his letter of May 18, 2018, the U.S. Trade Representative requested Commission advice on removal of eligibility of goods that fall within HTS statistical reporting numbers 2009.89.6011 and 2009.89.6019. In addition, CMI subsequently confirmed that it supported the removal of goods that fall within HTS 2009.89.6019. USITC, hearing transcript June 14, 2018, 34–35 (testimony of Philip Korson, president of the Cherry Marketing Institute) and 52–53 (testimony of Elizabeth Drake, counsel to the Cherry Marketing Institute). The petitioner seeks to remove from Turkey eligibility for GSP treatment for products currently recorded separately in existing HTS statistical reporting numbers 2009.89.6011 and 2009.89.6019. However, the GSP program is administered at the 8-digit HTS provision level; if the removal requests were granted for Turkey alone on the basis of the 10-digit statistical reporting numbers, the creation of one or more new 8-digit HTS subheadings would be required to administer this removal of GSP benefits.

Description and Uses

The product reported under HTS statistical reporting number 2009.89.6011 is tart cherry juice concentrate. Products reported under HTS statistical reporting number 2009.89.6019 include single-strength[136] sweet cherry juice and tart cherry juice, as well as sweet cherry juice concentrate.[137]

Cherry juices (single-strength) are unfermented liquids made from cherry fruits (fresh or frozen) or from the purees of the edible portions of these fruits.[138] Sweet cherry juice uses sweet varieties of cherries as inputs.[139] Sweet cherry juice is concentrated for use as a final product, as an ingredient, or as part of a juice blend. Typically, tart cherry juice is an intermediate product used for the production of tart cherry juice concentrate.[140]

Tart cherry juice concentrate (HTS 2009.89.6011) is dehydrated tart cherry juice (made with tart varieties of cherry), which allows processors to reduce juice by weight and volume.[141] Tart cherry varieties found in the United States, such as the Montmorency, have a sour-to-tart taste.[142] Tart cherry juice concentrate is usually semisolid (even when frozen) because of its high sugar content, and has a dark red color and a tart taste.[143] According to the Cherry Marketing Institute (CMI), "tart cherry juice concentrate is used in a wide variety of applications, including as its own product, as a flavoring or nutritional ingredient, and as a part of juice blends."[144]

Profile of U.S. Industry and Market, 2013–17[145]

Tart cherry juice concentrate and other cherry juice are a small portion (less than 5 percent) of the broader U.S. juice industry, which is forecast to have revenue of $11.8 billion in 2018.[146]

---

[136] As noted by Encore Fruit, "Single strength juice is either not from concentrate juice (100 percent juice), or juice reconstituted from a concentrate with the addition of water to reach the defined natural single strength brix level for that specific item." Brix level is the measurement of the soluble sugar content in fruit or vegetable, puree, or juice. Encore Fruit, "Industry Lingo" (accessed June 18, 2018).
[137] USITC, *Harmonized Tariff Schedule of the United States (2018),* Revision 4 (accessed May 16, 2018).
[138] FDA, "Terms and Definitions," March 3, 2004.
[139] Sweet cherries are grown primarily in California, Oregon, and Washington. AgMRC, "Cherries" (accessed May 29, 2018).
[140] USITC, *Tart Cherry Juice and Tart Cherry Juice Concentrate*, May 1991, A-4, A-5.
[141] Michigan accounts for 70 percent or more of tart cherry production; New York, Oregon, Pennsylvania, Utah, Washington, and Wisconsin also grow tart cherries. USITC, hearing transcript June 14, 2018, 34 (testimony of Philip Korson, president of the Cherry Marketing Institute).
[142] CMI, "Tart Cherry 101" (accessed May 23, 2018).
[143] USITC, *Tart Cherry Juice and Tart Cherry Juice Concentrate*, May 1991, A-3.
[144] USITC, hearing transcript June 14, 2018, 7 (testimony of Mollie Woods, agricultural economist at the Cherry Marketing Institute).
[145] A U.S. Federal Marketing Order regulates the U.S. supply of tart cherries—the main input for U.S. tart cherry juice concentrate. The availability of tart cherries fluctuates widely due to the impact of weather on their production; however, the marketing order ensures consistent U.S. supply. USITC, hearing transcript June 14, 2018, 53–55 (testimony of Elizabeth Drake, counsel to the Cherry Marketing Institute).
[146] Stivaros, *Juice Production in the US,* April 2018, 4, 15–16.

Data on U.S. production of tart cherry juice concentrate are not available, but production is likely to be small in comparison to other tart cherry products.[147] U.S.-based processors convert nearly all 260 million pounds of tart cherries produced on average annually in the United States into frozen, canned, and dried cherries; these forms account for a majority of tart cherry production.[148] Minor categories of processed tart cherry products produced in the United States are juice concentrate, single-strength juice, and specialty products.[149] CMI indicated that there were seven concentrators across the United States in 2017.[150] Imports satisfy a majority of U.S. consumption of tart cherry juice concentrate.[151]

Food and beverage manufacturers are the main purchasers of tart cherry juice concentrate. They use concentrate to make a variety of products (e.g., juice products, salad dressings, jam, ice cream, pastry filling, and yogurt).[152] Grocery stores are the largest market for these products, followed by convenience stores, warehouse stores (e.g., Sam's Club and Costco), and supercenters (i.e., combined grocery and general retail stores). Per capita discretionary income and per capita consumption of fruits and vegetables are the main drivers of consumer demand for juice products.[153]

Table 11.2 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	7
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	[* * *]	[* * *]
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	7,861	12,917	12,028	12,613	12,468
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: [* * *]. Import data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS statistical reporting number are not available because the relevant Schedule B number includes additional products.

Data on U.S. production of other cherry juice, a category that includes single-strength tart cherry juice and sweet cherry juice and concentrate, are not available, but the amount is likely to be small in comparison to other sweet cherry products.[154] U.S. sweet cherry producers sell a majority of their production as fresh fruit.[155] A small portion of sweet cherries is converted into processed products

[147] USITC, hearing transcript June 14, 2018, 57 (testimony of Mollie Woods, agricultural economist at the Cherry Marketing Institute).
[148] CMI, "Petition by the Cherry Marketing Institute," n.d.; Gibbons, "Cherry Processing Options Expand in Variety," January 20, 2017.
[149] CMI, "Petition by the Cherry Marketing Institute," n.d.
[150] Schagrin Associates (on behalf of CMI), posthearing brief to the USITC, June 21, 2018, 8.
[151] USITC, hearing transcript June 14, 2018, 38 (testimony of Mollie Woods, agricultural economist at the Cherry Marketing Institute).
[152] USITC, *Tart Cherry Juice and Tart Cherry Juice Concentrate*, May 1991, A-3.
[153] Stivaros, *Juice Production in the US*, April 2018, 4, 15–16.
[154] USITC, hearing transcript June 14, 2018, 57 (testimony of Mollie Woods, agricultural economist at the Cherry Marketing Institute).
[155] Thornsbury and Martinez, "Capturing Demand for Functional Foods," 2012, 583.

(about 25 percent of production on average).[156] Of total sweet cherries destined for processing, 57 percent are brined, 4 percent are canned, and the remainder is frozen, dried, juiced, or concentrated.[157] Although the exact number is unclear, some of the U.S. firms that produce tart cherry juice also make products reported under other cherry juice (HTS statistical reporting number 2009.89.6019).

The food and beverage industry also purchases sweet cherry juice and concentrate as ingredients to make a wide variety of products; however, sweet cherry juice and concentrate is not a substitute for tart cherry juice due to differences in color, acidity, and flavor. Typically, tart cherry juice is an intermediate product used for the production of tart cherry juice concentrate.[158]

Table 11.3 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Exports (1,000 $)	(a)	(a)	(a)	(a)	(a)
Imports (1,000 $)	8,586	12,619	16,701	12,737	10,141
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Sources: USDA, ERS, "Fruit and Tree Nuts Outlook: Economic Insight; U.S. Cherries," September 29, 2017, 5; Import data compiled from official statistics from the U.S. Department of Commerce.
[* * *]
[a] Not available.

GSP Import Situation, 2017

In 2017, GSP-eligible countries supplied 66 percent of the value of U.S. imports of tart cherry juice concentrate reported under HTS statistical reporting number 2009.89.6011. Turkey was the top supplier of tart cherry juice concentrate to the United States, globally and in terms of GSP-eligible countries. Turkey supplied 65 percent of total U.S. imports and 99 percent of GSP-eligible imports of tart cherry juice concentrate in 2017. Other GSP-eligible suppliers to the United States included Serbia and Georgia, which each supplied 1 percent or less of total U.S. imports and GSP-eligible imports in 2017.

CMI indicated that the Turkish tart cherry juice concentrate industry is very competitive, and that Turkey is the third-largest producer of tart cherries in the world.[159] CMI also stated that the Turkish tart cherry juice concentrate had lower average unit values than U.S. juice, $4.59/gallon for Turkey versus

[156] AgMRC, "Cherries" (accessed May 29, 2018).
[157] Brined cherries are "properly matured whole cherries of similar varietal characteristics packed in a solution of sulfur dioxide of sufficient strength to preserve the cherries. Hardening agents usually are added to the solution." OSU, "Cherry Brining and Finishing," June 1966; USDA, ERS, "Fruit and Tree Nuts Outlook: Economic Insight; U.S. Cherries," September 29, 2017, 4–5.
[158] USITC, *Tart Cherry Juice and Tart Cherry Juice Concentrate*, May 1991, A-4, A-5.
[159] The top five producers of tart cherries, in order of quantity produced, are Russia, Poland, Turkey, Ukraine, and the United States. USITC, hearing transcript June 14, 2018, 35 (testimony of Philip Korson, agricultural economist at the Cherry Marketing Institute).

$28/gallon for the United States in 2017.[160] A U.S. processor and purchaser of U.S. imports of tart cherry juice concentrate from Turkey indicated that imports help meet consumer demand for organic juice products;[161] CMI stated that the pest spotted-wing drosophila makes it difficult for the U.S. industry to grow organic cherries in Michigan (where most tart cherries are produced).[162]

Table 11.4 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	12,468	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	8,225	66	100	(b)
Turkey	8,150	65	99	(b)
Serbia	48	(c)	1	(b)
Georgia	27	(c)	(c)	(b)

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

In 2017, GSP-eligible countries supplied 77 percent of U.S. imports of other cherry juice reported under HTS statistical reporting number 2009.89.6019. Turkey was the top supplier of other cherry juice to the United States by value, globally and among GSP-eligible countries. Turkey supplied 39 percent of total U.S. imports and 51 percent of GSP-eligible imports of other cherry juice in 2017. Other GSP-eligible suppliers to the United States included Brazil and Georgia, which together shipped another 37 percent of total U.S. imports and 48 percent of GSP-eligible imports in 2017. CMI estimated that most of the U.S. imports of HTS 2009.89.6019 from Turkey are tart cherry juice, the intermediate product used to make tart cherry juice concentrate.[163]

Table 11.5 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	10,141	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	7,794	77	100	(b)
Turkey	3,997	39	51	(b)
Brazil	2,725	27	35	(b)
Georgia	986	10	13	(b)
Armenia	41	(c)	1	(b)
Jamaica	29	(c)	(c)	(b)
Ukraine	16	(c)	(c)	(b)

[a] Not applicable.
[b] Not available.

[160] USITC, hearing transcript, June 14, 2018, 38–39 (testimony of Mollie Woods, agricultural economist at the Cherry Marketing Institute).
[161] Butzel Long (on behalf of the Turkish Fruit Juice Association, MEYED), prehearing brief for the USITC, June 7, 2018.
[162] Schagrin Associates (on behalf of CMI), posthearing brief for the USITC, June 21, 2018, 9.
[163] USITC, hearing transcript, June 14, 2018, 53 (Elizabeth Drake, counsel to the Cherry Marketing Institute).

[c] Less than 0.5 percent.

U.S. Imports and Exports

In 2017, Turkey was the United States' largest supplier by value of tart cherry juice concentrate reported under the HTS statistical reporting number 2009.89.6011; it accounted for 65 percent of total U.S. imports of these products. Poland and Austria were the next-largest exporters of these products to the United States, together supplying another 26 percent of total imports.

Table 11.6 Tart cherry juice concentrate (HTS statistical reporting number 2009.89.6011): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Turkey	4,314,259	8,935,188	7,068,435	9,043,582	8,150,100
Poland	1,182,375	2,163,486	1,939,583	2,105,606	1,824,911
Austria	822,686	320,130	226,154	341,420	1,452,336
Hungary	0	357,046	1,567,758	935,661	881,852
Netherlands	0	254,400	512,775	100,170	60,775
Serbia	0	172,183	0	19,800	47,700
Georgia	0	5,391	18,909	23,703	27,299
Germany	966,660	346,585	0	27,750	17,037
Bulgaria	2,106	23,742	7,740	5,009	4,027
Iran	0	0	0	0	2,248
All other	572,790	338,980	686,427	10,557	0
Total	7,860,876	12,917,131	12,027,781	12,613,258	12,468,285
Imports from GSP–eligible countries:					
Turkey	4,314,259	8,935,188	7,068,435	9,043,582	8,150,100
Serbia	0	172,183	0	19,800	47,700
Georgia	0	5,391	18,909	23,703	27,299
Brazil	562,137	305,258	441,336	7,348	0
Total	4,876,396	9,418,020	7,528,680	9,094,433	8,225,099

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

In 2017, Turkey was also the United States' largest supplier by value of other cherry juice reported under the HTS statistical reporting number 2009.89.6019; it accounted for 39 percent of total U.S. imports of these products. Brazil and Canada were the next-largest exporters of these products to the United States; Brazil supplied 27 percent, and Canada supplied 14 percent of total imports. U.S. imports from Canada are eligible for duty-free treatment under the North American Free Trade Agreement (NAFTA).

Table 11.7 Other cherry juice (HTS statistical reporting number 2009.89.6019): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Turkey	4,229,624	4,936,185	6,375,653	6,757,882	3,997,134
Brazil	1,321,621	1,271,945	1,280,506	1,453,010	2,724,552
Canada[a]	302,613	871,708	1,623,012	1,141,285	1,433,712
Georgia	1,532,673	1,628,084	1,163,075	1,111,724	985,773
Poland	0	510,218	45,099	0	390,204
Austria	0	0	165,562	376,075	131,665
Italy	0	6,631	0	204,160	105,600
Chile[a]	227,007	392,458	2,482,558	206,104	82,550
Spain	0	0	0	13,444	78,458
Armenia	16,073	19,735	37,741	22,416	41,086
All other	956,300	2,981,647	3,527,904	1,450,579	170,632
Total	8,585,911	12,618,611	16,701,110	12,736,679	10,141,366
Imports from GSP–eligible countries:					
Turkey	4,229,624	4,936,185	6,375,653	6,757,882	3,997,134
Brazil	1,321,621	1,271,945	1,280,506	1,453,010	2,724,552
Georgia	1,532,673	1,628,084	1,163,075	1,111,724	985,773
Armenia	16,073	19,735	37,741	22,416	41,086
Jamaica	0	0	0	2,080	29,122
Ukraine	14,092	9,939	10,081	39,820	16,193
Azerbaijan	0	13,559	0	0	0
Serbia	5,421	0	0	0	0
Russia	16,146	(b)	(b)	(b)	(b)
Total	7,135,650	7,879,447	8,867,056	9,386,932	7,793,860

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] This country was not GSP eligible in the indicated year.

It is difficult to determine the value of U.S. exports of tart cherry juice concentrate and other cherry juice because they are reported under the broader Schedule B number 2009.89.9000 (juice of any other single fruit or vegetable, not fortified, unfermented, sweetened or unsweetened, not elsewhere specified or indicated). In 2017, a majority of exports of those other juices (and concentrates) were to Japan, Canada, and South Korea.

Table 11.8 Juice of any other single fruit or vegetable, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not sweetened, not elsewhere specified or indicated (Schedule B 2009.89.9000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Japan	51,522,110	47,815,029	42,013,591	42,896,740	45,746,968
Canada[a]	38,203,460	37,622,371	37,985,616	35,244,206	33,971,254
South Korea[a]	7,005,707	6,236,215	4,637,466	6,078,807	9,745,982
Mexico[a]	3,961,531	2,992,358	3,650,103	3,413,573	4,028,893
United Kingdom	2,914,295	2,035,700	2,106,835	2,295,841	3,481,507
Thailand	2,103,769	2,679,489	3,462,326	4,258,749	3,380,267
Bahamas	3,209,811	3,621,850	3,007,337	4,235,417	3,361,561
China	574,138	1,368,393	481,673	1,321,560	2,573,065
Germany	2,416,482	2,462,363	2,625,884	2,810,676	2,449,519
Netherlands	2,307,166	2,628,760	5,608,085	2,894,030	2,103,205
All other	18,689,238	15,102,063	14,070,298	15,172,602	18,395,963
Total	132,907,707	124,564,591	119,649,214	120,622,201	129,238,184

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the Cherry Marketing Institute (CMI) with the U.S. Trade Representative (USTR). CMI requested removal of duty-free status for cherry juice from Turkey that falls within HTS statistical reporting number 2009.89.6011 under subheadings 2009.89.60. The petitioner also filed written submissions and a representative of CMI appeared at the Commission hearing. The party's written summary as submitted to the USITC is provided below.

> The Cherry Marketing Institute is a national cherry organization that promotes tart cherries and fosters research on the crop. CMI's members include over 600 growers and processors across the country. The tart cherry crop is unique in that virtually all domestic production is further processed rather than consumed fresh. Tart cherries are processed into a multitude of healthy, value added products like dried cherries, frozen cherries, and cherry juice.
>
> The Commission should recommend that GSP benefits be removed from imports of tart cherry juice from Turkey. Turkey is the world's third largest producer of tart cherries, and its production and exports are supported by an array of government subsidies, including export subsidies.
>
> Imports from Turkey exceeded the competitive need limitation level in 2017. In 2017, imports from Turkey accounted for 65.4 percent of the appraised value of all imports of tart cherry juice concentrate (HTS subheading 2009.89.6011). Turkey is the only top import source of tart cherry juice concentrate that enjoys GSP benefits. In 2017, Turkey also accounted for 51.7 percent of the appraised value of all imports of both tart cherry juice concentrate and other cherry juice combined (HTS subheadings 2009.89.6011 and 2009.89.6019).
>
> In 2008, CMI launched a new campaign to promote the tart cherry crop. CMI doubled its grower assessment and invested millions of dollars to promote the nutritional and health benefits of tart cherries and further processed tart cherry products such as concentrate and juice. The

campaign successfully increased awareness about the health benefits of tart cherries and built new demand for the crop. Unfortunately, it was imports, and not the domestic cherry industry, that reaped most of the benefits of these investments.

Since 2008, imports of tart cherry juice concentrate from Turkey have grown much faster than both U.S. domestic shipments and imports from the rest of the world. In 2017, imports of tart cherry juice concentrate from Turkey were more than 68 times higher than they had been in 2008. In 2016, the latest year for which consumption data are available, tart cherry juice concentrate from Turkey accounted for 54.9 percent of U.S. consumption, while the domestic industry's market share was only 12.1 percent. Tart cherry juice from Turkey is also sold at very low prices that steeply undercut domestic prices. The domestic industry has been harmed by the Turkish imports that have come to dominate the market and enter at prices that are significantly below domestic producers' own costs of production.

Removal of GSP benefits from Turkey would make imports from the country subject to the same import duties that apply to other countries. It would not harm consumers, who continue to increasingly demand tart cherry juice due to its nutritional and health benefits. It would also benefit the domestic industry by giving some modicum of relief to the growers, handlers, and concentrators that have struggled to compete with rising volumes of low-priced tart cherry juice from Turkey.

In support: The Northwest Horticultural Council submitted a letter in support of the petition.

In opposition: The Turkish Fruit Juice Association (MEYED) filed a written submission. The party's written summary as submitted to the USITC is provided below.

Demand for tart cherry juice is growing in the U.S. and this demand cannot be met by the U.S. industry due to a variety of factors not related to imports. These include:

1. MARKED GROWTH IN U.S. TART CHERRY EXPORTS THAT LIMITS PRODUCT AVAILABLE FOR U.S. TART CHERRY JUICE PRODUCTION. In 2012 total value of U.S. fresh tart cherries was $3,348,000. In 2017 total value was $42,361,000. Total value increase was $39,013,000 for an increase of 1165.26 %. Source: USDA, CMI has increased exports through the USDA Market Access Program–a free Federal program that is a form of subsidy.

2. PEST INFESTATION LIMITS SALEABLE U.S. PRODUCTION. As admitted by CMI President Kolson in response to questions at the ITC hearing–SWD is an insect that came from China and impacted the industry. In the last year costs of production went up 20% - 25% to control that pest. The U.S. industry worked with USDA on more research because pest is invasive and has no biological control to keep the population down. The pest is a fly that can lay eggs into the fruit. SWD has driven up costs in order to stop it from mass producing. It had a dramatic impact on the U.S. production.

3. MARKETING ORDERS ARTIFICIALLY AND INTENTIONALLY RESTRICT U.S. TART CHERRY PRODUCTION AND RAISE PRICES. CMI members benefit from privately administered, USDA sanctioned marketing orders that raise their prices and limit the supply available for tart cherry juice production–limiting free market competition in what would otherwise be a violation of

antitrust laws. This raises their profits. A 2008 Cornell University study found "Our research shows that the government restrictions increased returns to tart cherry growers by $212 dollars per acre annually." In 2009, 30 million pounds of tart cherries were left on the ground nationwide, with the vast majority of those in Michigan. That's enough to serve a cherry pie to every resident of Michigan, with 5 million pies leftover http://www.mlive.com/business/index.ssf/2014/07/cherry_wars_the_crazy_economic.html (6/19/2018).

4. TURKISH IMPORTS DECLINED IN 2017 FROM 2016 AND INCREASED ONLY BY 5% IN 2017 TO 2018 YTD (MARCH)–HARDLY A SIGN OF ANY THREAT IN VIEW OF INCREASED DEMAND

5. U.S. CHERRY JUICE PROCESSORS SUPPORT NEED FOR TURKISH SUPPLY
Brad Miller of Stieb Company a California processor submitted a letter to the USITC that stated in part: "I import significant amount of tart cherry juice from Turkey and do this as the availability of product in the U.S. does not meet our needs. We are importers…and as the market evolved…we can't meet the needs domestically. I have been involved in the fruit juice industry for more than 20 years and believe things such as market cycles due to weather, crop demands due to consumer taste have more impact, along with organized program set asides, than does any impact of imported fruit juice. The facts are that the U.S. tart cherry juice industry does not have the capacity to serve the demand in the U.S. market."

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Agricultural Marketing Resource Center (AgMRC). "Cherries." Iowa State University. https://www.agmrc.org/commodities-products/fruits/cherries/ (accessed May 29, 2018).

Butzel Long (on behalf of the Turkish Fruit Juice Association, MEYED). Prehearing brief in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 7, 2018.

Centre for the Promotion of Imports from Developing Countries. "Exporting Fruit Juices to Europe," November 29, 2017. https://www.cbi.eu/node/2161/pdf/.

Cherry Industry Administrative Board. "Processor Directory." http://www.cherryprocessor.com/ (accessed May 29, 2018).

[* * *].

[* * *].

Cherry Marketing Institute (CMI). "Petition Filed by the Cherry Marketing Institute with the U.S. Trade Representative Requesting Removal of GSP Benefits on Imports of Tart Cherry Juice from Turkey," n.d.

Cherry Marketing Institute (CMI). "Tart Cherry 101." Montmorency U.S. Tart Cherries website. http://www.choosecherries.com/tart-cherries-101/ (accessed May 23, 2018).

Encore Fruit. "Industry Lingo." http://www.encorefruit.com/tool-box/industry-lingo (accessed June 18, 2018).

FDA. *See* U.S. Food and Drug Administration (FDA).

Gibbons, Kathy. "Cherry Processing Options Expand in Variety." *Fruit Growers News*, January 20, 2017. https://fruitgrowersnews.com/article/cherry-processing-options-expand-variety/.

Oregon State University. "Cherry Brining and Finishing." Agricultural Experiment Station, Oregon State University, Corvallis. Circular of Information 624, June 1966. https://ir.library.oregonstate.edu/downloads/t435gd24k.

Schagrin Associates (on behalf of the Cherry Marketing Institute). Posthearing brief in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 21, 2018.

Stivaros, Chrystalleni. *Juice Production in the US*. IBISWorld Industry Report 31211c, April 2018. https://www.ibisworld.com/industry-trends/market-research-reports/manufacturing/beverage-tobacco-product/juice-production.html.

Thornsbury, Suzanne, and Lourdes Martinez. "Capturing Demand for Functional Foods: A Case Study from the Tart Cherry Industry." *American Journal of Agricultural Economics* 94, no. 2, January 1, 2012. https://doi.org/10.1093/ajae/aar077.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). "Fruit and Tree Nuts Outlook: Economic Insight U.S. Cherries," by Agnes Perez. Situation and Outlook FTS-365SA, September 29, 2017. https://www.ers.usda.gov/webdocs/publications/85287/fts-365sa.pdf?v=43007.

U.S. Food and Drug Administration (FDA). "Terms and Definitions." From *Guidance for Industry: Juice HACCP Hazards and Controls Guidance.* First edition, March 3, 2004. https://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/ucm072557.htm.

U.S. International Trade Commission (USITC). *Harmonized Tariff Schedule of the United States (2018), Revision 4*. https://hts.usitc.gov/view/Chapter%2020?release=2018HTSARevision4_1 (accessed May 16, 2018).

U.S. International Trade Commission (USITC). Hearing transcript in connection with investigation no. 332-567, *Generalized System of Preferences (GSP): Possible Modifications 2017 Review,* June 14, 2018.

U.S. International Trade Commission (USITC). *Tart Cherry Juice and Tart Cherry Juice Concentrate from Germany and Yugoslavia*: *Determination of the Commission in Investigation Nos. 731-TA-512 and 513 (Preliminary)*. USITC Publication 2378. Washington, DC: USITC, May 1991. https://www.usitc.gov/publications/701_731/pub2378.pdf.

Chapter 12
Removal: Certain Polymethyl Methacrylate Plates, Sheets, Film, Foil, and Strip (Indonesia and Thailand)[164]

Table 12.1 Certain polymethyl methacrylate plates, sheets, film, foil, and strip

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
3920.51.50[a]	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polymethyl methacrylate, not flexible	6.5 percent

[a] Harmonized Tariff Schedule (HTS) subheading 3920.51.50 is currently eligible for duty-free treatment for all beneficiary developing countries under the provisions of the GSP.

Description and Uses

The products classified in HTS subheading 3920.51.50 are nonadhesive, noncellular, not flexible, flat products including plates, sheets, film, foil, and strip, that are not reinforced, laminated, supported, or similarly combined with other materials, and are made of polymethyl methacrylate (PMMA), referred to as "PMMA sheet." Flexible flat PMMA products are not included in this subheading, whether adhesive or nonadhesive.[165] PMMA resin is a transparent plastic produced from raw material monomer units of methyl methacrylate that undergo a polymerization process.[166] The resin can be molded into different shapes, including the flat objects reported in this subheading. PMMA sheet is often used as a substitute for glass, particularly when impact forces to the material are low.[167] PMMA sheet is also referred to as acrylic glass and can be recognized by brand names such as Lucite or Plexiglas.[168]

The PMMA sheet products in HTS subheading 3920.51.50 include both cast PMMA and extruded PMMA products. [169] Product classification is shown in figure 12.1. PMMA sheet products are used in a wide variety of applications including signs; store fixtures; displays; medical devices; automobiles; commercial

[164] The petition was filed with the U.S. Trade Representative (USTR) by Altuglas International/Arkema. It requested the removal of HTS subheading 3920.51.50 from the list of articles eligible for duty-free treatment under the provisions of the GSP for Indonesia and Thailand.
[165] Flexible sheets are those that can be bent so that one side of the sheet touches the other side without cracking or permanently creasing the sheet. See Customs Ruling NY D85588 (accessed July 30, 2018).
[166] Arkema, Petition in connection with inv. no. 332-567, April 16, 2018, 2.
[167] YourFormula, "PMMA: From Plexiglass to Window to Packaging" (accessed May 25, 2018).
[168] Lucite was originally trademarked by DuPont. USPTO, TESS, Search for Registration Number 0350093; Plexiglass was trademarked by Arkema (petitioner). Arkema, Petition in connection with inv. no. 332-567, April 16, 2018, 2.
[169] Most PMMA sheet cast material produced globally is cell cast, although PMMA sheet products can also be made via continuous casting. Cell cast PMMA sheet is used primarily in general-purpose applications, while continuous-cast PMMA sheet is used primarily in specialty applications that command a price premium.

and military aerospace uses; marine, zoo, and aquarium uses; construction purposes; and other transportation applications.[170]

Port Plastics, Inc. stated that differences in usage arise from the fact that cast PMMA and extruded PMMA products have distinct physical properties stemming from differences in the manufacturing process.[171] As a result of their different physical properties, cast PMMA sheet products are used in certain applications that require the ability to withstand greater pressure and harsher environments (such as in the marine and boating industry) than extruded PMMA products.

Port Plastics, Inc. also stated that there are two overarching types of cast PMMA: cell cast and continuous cast. Cell cast PMMA has a higher molecular weight, a harder surface, less internal stress, lower shrinkage rates, better optics, better chemical resistance, and better long-term outdoor performance than extruded PMMA sheets.[172] Cell cast PMMA can be further divided into general-purpose cell cast PMMA (used for windshields, boat windows, skylights, or zoo or hockey enclosures) and specialty cell-cast PMMA (used for airplane windows, commercial aquariums, and certain military applications). Continuous cast PMMA products, which can be manufactured only by a few companies worldwide, include sheet products for kitchen and bath applications (for bathtubs, spas, shower units, bathtubs, sinks, and countertops),[173] bus stop enclosures, and windows for architectural and transportation purposes.

The PMMA products in this subheading can also be produced by two different extrusion methods, including continuous extrusion and conventional extrusion.[174] Extruded PMMA sheet is used in applications such as signs, building facades, and LED screens.[175] Other extruded PMMA products include shelves, windows for architectural and transportation purposes, furniture, bus stop enclosures, and merchandising displays.[176]

Profile of U.S. Industry and Market, 2013–17

The U.S. PMMA market as a whole can be divided into primary forms (resin, powder, pellets, and beads), extruded sheets, and cast sheets, as shown in figure 12.1. Those four primary forms are the upstream

[170] Arkema, Petition in connection with inv. no. 332-567, April 16, 2018, 2; Plastics Insight, "PMMA Properties, Production, Price, Market, and Uses" (accessed May 25, 2018); Ibeh, *Thermoplastic Materials: Properties, Manufacturing Methods*, 2011, 396; Ali et al., "A Review of the Properties and Applications," June 24, 2015, 678–705.
[171] USITC, hearing transcript, June 14, 2018, 32 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[172] USITC, hearing transcript, June 14, 2018, 58–60 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[173] USITC, hearing transcript, June 14, 2018, 61–62 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[174] Conventional extrusion is a method in which sheets are produced only horizontally at widths from 0.06 to 1.0 inches. Continuous extrusion is a sophisticated variation of the extrusion process, combining clean rooms, computerized control, and calendering with specialized extrusion equipment. Widths of continuously processed sheet range from 0.06 to 0.95 inches. Ormonde et al., "Acrylic Resins and Plastics," 2016, 16.
[175] Grand View Research, "U.S. Polymethyl Methacrylate (PMMA) Market Analysis," September 2015.
[176] Extruded PMMA sheet is used primarily in purposes where a lower molecular weight material is acceptable.

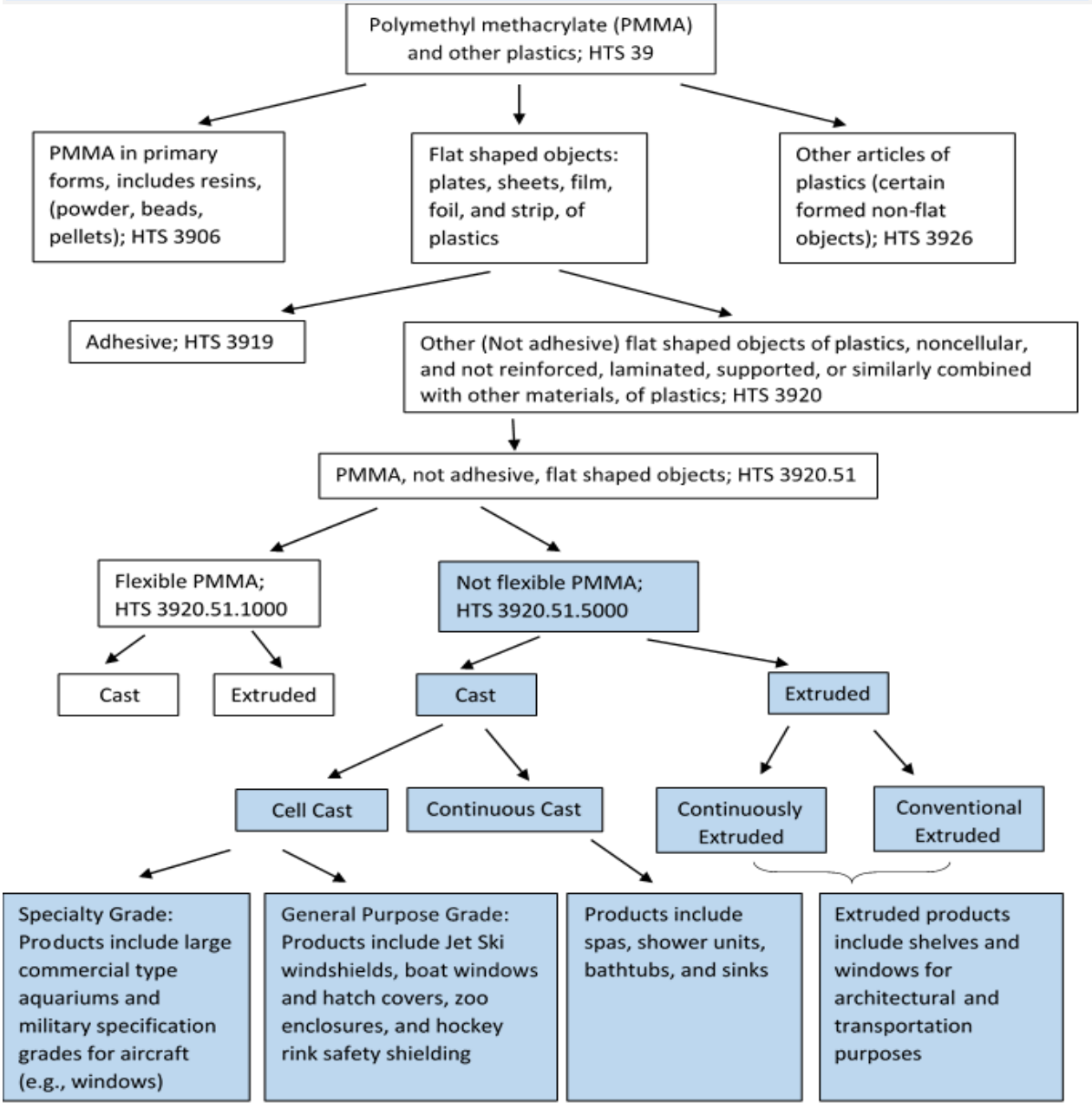
inputs used to produce the PMMA products but are not themselves included in subheading 3920.51.50.[177]

There are nine domestic producers of PMMA sheet classified in HTS subheading 3920.51.50.[178] U.S. PMMA sheet production facilities are located in New Jersey, Pennsylvania, Kentucky, New York, Arizona, Connecticut, California, Tennessee, Ohio, Texas, Mississippi, and Colorado.[179]

In the United States, [* * *].[180] Extruded PMMA sheet is the most heavily consumed PMMA product in the United States, accounting for around 50 percent of total domestic PMMA product demand in 2016.[181] Domestic producers' market revenue from extruded sheets alone was $200 million in 2015.[182] PMMA extruded sheet products are not imported from Thailand or Indonesia. Extruded PMMA sheets are used in applications such as signs, building facades, and LED screens.[183] Demand for signs and LED screens for electronic devices help drive the product segment, and it is expected that demand will increase in the future. The respondents expect demand to rise at about the same rate as GDP, with the possibility of a temporary decrease due to rising prices for the raw material methyl methacrylate.[184]

[177] PMMA pellets are usually purchased by processors who use melting and molding methodologies to produce the desired output shape. Grand View Research, "U.S. Polymethyl Methacrylate (PMMA) Market Analysis," September 2015. Beads are used as a texturing agent for thermoplastics or coatings. Grand View Research, "Polymethyl Methacrylate (PMMA) Market Analysis," March 2017.
[178] Arkema (the petitioner) stated that it manufactures and sells both extruded and cell cast sheet. Arkema, Petition in connection with inv. no. 332-567, April 16, 2018, 2. However, two different witnesses, those from Port Plastics, Inc. ("Port Plastics") and American Trade Sales Inc. ("ATS"), indicated that cell cast sheet is not produced by the petitioner in the United States and is in fact imported from Mexico. USITC, hearing transcript, June 14, 2018, 27 (testimony of Allan Harari, President of American Trade Sales, Inc.), 32–33 (testimony of Jeffrey Tunstall, Vice President of Port Plastics, Inc.); Port Plastics, posthearing brief, June 21, 2018, 2.
[179] Ormonde et al., "Acrylic Resins and Plastics," 2016, 19–20; IHS Markit, "CAS 9065-11-6," *Directory of Chemical Producers* (accessed May 31, 2018). Note that A.L.P. Lighting Components is believed to melt PMMA for use, not chemically synthesize it. Also, American Acrylic Corporation and GKN Aerospace Transparency Systems, Inc., which are not listed in the directory but are listed in the first source cited in this footnote, are currently in business).
[180] Ormonde et al., "Acrylic Resins and Plastics," 2016, 19–20.
[181] Grand View Research, "U.S. Polymethyl Methacrylate (PMMA) Market Analysis," September 2015; Grand View Research, "Polymethyl Methacrylate (PMMA) Market Worth $8.16 Billion by 2025," March 2017; AmeriResearch, "Polymethyl Methacrylate (PMMA) Market Outlook to 2024," June 2017.
[182] Statista, "Market Revenue of Polymethyl Methacrylate in the U.S." (accessed May 18, 2018); Global Market Insights, "Synthetic and Bio-based PMMA Market Size by Product," January 2016.
[183] Grand View Research, "U.S. Polymethyl Methacrylate (PMMA) Market Analysis," September 2015.
[184] USITC, hearing transcript, June 14, 2018, 65 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).

Figure 12.1 U.S. PMMA types, their classifications within the U.S. Harmonized Tariff System, and their markets (Products classified under GSP are shown in blue-shaded boxes)



There is minimal cell cast sheet production in the United States.[185] However, imported PMMA products from Thailand or Indonesia consisted only of certain cell cast sheet. As noted earlier, cast sheet can be divided into two types: cell cast and continuous cast. Continuous cast is a more modern and mechanized process, and there are very few plants in the world that have the machinery to make it [* * *].[186] Products produced using continuous casting include sheet for bathtubs, showers, and countertops.[187] Cell cast products can be divided into general-purpose and specialty goods. The Indonesian and Thai products are in the general-purpose cell cast category, and the specialty product produced in the United States is for high-grade products, such as airplane canopies and airplane windows.[188]

Cell cast and extruded sheet products are reportedly not directly interchangeable for the majority of U.S. customers.[189] There are commonly accepted industry technical standards that describe distinct differences in physical properties of cell cast and extruded sheet under ASTM standard 4802-15.[190] Differences in physical properties translate into differences in the marketplace.[191] For example, in the marine goods industry, virtually all boat windshields, windows, and hatch covers are made from cell cast acrylic, because cell cast acrylic will withstand a harsh marine environment better than an extruded sheet. Cell cast sheet material is used in larger aquariums because long-term water pressure stress would cause extruded sheet material to fail. Zoo enclosures are invariably composed of cell cast sheet material because it will withstand chemicals and contact from animals.[192] Cell cast product reportedly commands a higher price than extruded sheet.[193]

[185] Ormonde et al., "Acrylic Resins and Plastics," 2016, 19-20.
[186] Ormonde et al., "Acrylic Resins and Plastics," 2016, 19-20.
[187] USITC, hearing transcript, June 14, 2018, 61–62 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[188] USITC, hearing transcript, June 14, 2018, 62 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[189] USITC, hearing transcript, June 14, 2018, 29 (testimony of Allan Harari, president of American Trade Sales, Inc.), 32, 63 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[190] USITC, hearing transcript, June 14, 2018, 32 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[191] Respondents report that their products do not compete in the same market with U.S. products; USITC, hearing transcript, June 14, 2018, 29 (testimony of Allan Harari, president of American Trade Sales, Inc.), 32, 63 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.). The petitioner contends that there are applications in which domestic and imported products are interchangeable, such as signs, glazing, displays, lighting, fabrication, motorcycle windscreens, and boat glazing (Arkema, Inc., posthearing brief**,** 1)**.** Respondents state there are some interchangeable applications, such as displays that are indoors that are not exposed to ultraviolet light. Fabricators will make decisions based on their ability to process, such as their machinery, and extruded sheet is more difficult to process than cell cast sheet. In applications where shrinkage is not desired, a customer may chose the cell cast product, as extruded sheet shrinks to a greater degree; USITC, hearing transcript, June 14, 2018, 63–64 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.). However, respondents hold the position that this is a minority of applications, and they state that the majority of applications are not interchangeable; USITC, hearing transcript, June 14, 2018, 29 (testimony of Allan Harari, president of American Trade Sales, Inc.), 32, 63 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.); Port Plastics Inc., posthearing brief, June 21, 2018, 2.
[192] USITC, hearing transcript, June 14, 2018, 59 (testimony of Jeffrey Tunstall, vice president of Port Plastics, Inc.).
[193] [* * *] Port Plastics Inc., posthearing brief, June 21, 2018, 5.

Table 12.2 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)[a]	9	9	9	9	9
Employment (1,000 employees)	(b)	(b)	(b)	(b)	(b)
Production (1,000 $)	(c)	(c)	(c)	(c)	[* * *]
Exports (1,000 $)	(d)	(d)	(d)	(d)	(d)
Imports (1,000 $)	138,606	156,564	162,087	178,730	207,909
Consumption (1,000 $)	(d)	(d)	(d)	(d)	(d)
Import-to-consumption ratio (percent)	(e)	(e)	(e)	(e)	(e)
Capacity utilization (percent)	(f)	(f)	(f)	(f)	(f)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Source: Ormonde et al., Acrylic Resins and Plastics, 2016, 19–20; Industry representative, email message to USITC staff, June 20, 2018; IHS Markit, "CAS 9065-11-6," *Directory of Chemical Producers* (accessed May 31, 2018).
[b] Not available, although one producer (the petitioner) reports employment of 3,200 people in 2018. Arkema, Petition, April 16, 2018, 1.
[c] Not available. [* * *].
[d] Not available. Export data comparable to U.S. import data for HTS subheading 3920.51.50 are not available because the relevant Schedule B number includes additional products.
[e] Not available.
[f] Not available. The petitioner states it is common industry standard for PMMA factories to have a capacity utilization of [* * *]. Arkema, Petition, April 16, 2018, 2.

GSP Import Situation, 2017

In 2017, the value of U.S. imports from all GSP-eligible countries were approximately $23 million, or 11 percent of U.S. total imports that year. Indonesia was the leading GSP-eligible supplier in 2017, with imports of $16.9 million accounting for 8 percent of total U.S. imports and 74 percent of imports from GSP-eligible countries. Imports from Thailand totaled $3.9 million, accounting for 2 percent of total U.S. imports and 17 percent of imports from GSP-eligible countries.

Indonesia has two production facilities, the Astari facility in Bitung and the Margacipta facility in Cikupa, with a combined sheet production capacity of 40,000 metric tons per year.[194] Of the PMMA products shown in figure 12.1, only general-purpose cell cast material is produced in Indonesia and exported to the United States. There are no extruded PMMA sheet producers in Indonesia.[195]

Thailand has multiple PMMA sheet production facilities, which have a combined annual sheet capacity of [* * *] metric tons.[196] There are four PMMA sheet producers in Thailand, two of which export sheet to the U.S. market. There are no Thai producers of extruded PMMA sheet products.[197] The only type of PMMA sheet imported from Thailand is cell cast acrylic sheet.[198]

[194] Ormonde et al., "Acrylic Resins and Plastics," 2016, 93. The data for capacity is from February 2016. The petitioner reported that each facility has annual production capacity of at least [* * *] metric tons, which totals [* * *] metric tons, annually, for both facilities in the country. Arkema, Petition in connection with inv. no. 332-567, June 21, 2018, 2.
[195] USITC, hearing transcript, June 14, 2018, 27 (testimony of Allan Harari, President of American Trade Sales, Inc.).
[196] Ormonde et al., "Acrylic Resins and Plastics," 2016, 93. The data for capacity are from February 2016.
[197] USITC, hearing transcript, June 14, 2018, 25, 27 (testimony of Allan Harari, President of American Trade Sales, Inc.).
[198] Hearing transcript, June 14, 2018, 25, 27 (testimony of Allan Harari, President of American Trade Sales, Inc.).

Table 12.3 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. imports for consumption ($1,000) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	207,909	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	22,856	11	100	[b]
Indonesia	16,882	8	74	[b]
Thailand	3,922	2	17	[b]

[a] Not applicable.
[b] Not available.

U.S. Imports and Exports

The United States imported PMMA products primarily from South Korea ($76.5 million), Mexico ($66.4 million), and China ($21 million) in 2017. U.S. imports of these goods from South Korea increased each year during 2013–17, from $62.7 million in 2013 to $76.5 million in 2017. U.S. imports from Mexico also rose each year during 2013–17 and almost doubled between 2013 and 2017, rising from $37.1 million in 2013 to $66.4 million in 2017. U.S. imports from Mexico are eligible for duty-free access under the North American Free Trade Agreement (NAFTA). U.S. imports from China rose in all but one year (2015) during 2013–17 and almost doubled between 2013 and 2017 from $12.1 million to $21.1 million.

Table 12.4 Certain polymethyl methacrylate plates, sheets, film, foil, and strip (HTS subheading 3920.51.50): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
South Korea[a]	62,710,890	63,437,527	65,224,954	66,084,529	76,529,665
Mexico[a]	37,157,852	45,447,369	49,605,686	60,392,294	66,350,450
China	12,139,181	15,995,759	15,103,784	17,532,039	21,097,017
Indonesia	7,329,412	9,873,594	10,916,808	12,271,857	16,881,723
Germany	6,844,351	7,869,166	7,059,194	6,601,268	6,786,944
Japan	1,852,495	2,348,328	2,518,644	2,564,429	5,180,880
Thailand	2,658,250	2,682,093	2,989,603	2,916,301	3,922,348
Taiwan	3,752,647	3,388,492	3,110,202	3,871,437	3,365,889
India	858,909	1,783,520	1,133,081	1,137,581	1,712,509
Italy	463,241	580,841	1,278,286	2,354,490	1,330,702
All other	2,838,847	3,157,767	3,146,496	3,004,165	4,751,069
Total	138,606,075	156,564,456	162,086,738	178,730,390	207,909,196
Imports from GSP-eligible countries:					
Indonesia	7,329,412	9,873,594	10,916,808	12,271,857	16,881,723
Thailand	2,658,250	2,682,093	2,989,603	2,916,301	3,922,348
India	858,909	1,783,520	1,133,081	1,137,581	1,712,509
Turkey	2,263	1,264	0	0	336,697
Ecuador	0	0	0	26,625	1,289
Brazil	257,410	334,829	244,789	34,991	1,282
Madagascar	0	0	0	0	259
Jordan	0	0	0	13,000	0
Georgia	0	0	746	0	0
Philippines	0	1,978	0	0	0
Total	11,106,244	14,677,278	15,285,027	16,400,355	22,856,107

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

U.S. exports of certain PMMA products are included in Schedule B number 3920.51.0000, a broad category that includes other PMMA products, such as flexible PMMA. U.S. exports PMMA products primarily to Canada ($75 million), Belgium ($47 million), and Mexico ($40 million) in 2017. U.S. exports to Canada and Mexico are eligible for duty-free under the NAFTA. Since prices are responsive to changes in the price of crude oil, some fluctuation is expected.[199]

[199] Grand View Research, "U.S. PMMA Market Analysis," September 2015.

Table 12.5 Polymethyl methacrylate plate, sheet, film, foil, and strip (Schedule B 3920.51.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	72,465,171	74,567,947	64,866,622	68,430,100	74,858,315
Belgium	52,797,366	57,894,468	43,533,645	45,715,338	47,421,094
Mexico[a]	35,413,699	42,395,735	44,265,057	54,597,374	39,777,180
China	15,623,711	14,284,472	15,281,583	15,946,214	23,906,095
Singapore[a]	18,558,435	6,356,631	9,862,771	10,070,398	11,439,904
Germany	8,642,659	10,019,745	12,513,309	7,215,820	8,568,249
Brazil	8,044,272	8,507,676	4,380,528	6,410,500	6,691,305
Netherlands	6,010,333	5,221,819	4,259,151	4,803,182	5,564,455
Hong Kong	6,096,939	5,489,670	4,593,125	7,087,287	5,002,467
United Kingdom	7,797,190	9,508,348	5,283,989	3,086,055	4,938,015
All other	44,198,243	50,764,864	42,177,072	37,279,530	43,834,336
Total	275,648,018	285,011,375	251,016,852	260,641,798	272,001,415

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by Arkema. Arkema filed written submissions but did not attend the hearing.

In opposition: The government of Indonesia filed written submissions, and a representative of Indonesia appeared at the Commission hearing.

In opposition: Port Plastics, Inc., filed written submissions, and a representative of Port Plastics, Inc. appeared at the Commission hearing. The party's written summary as submitted to the Commission is provided below.

> The two primary types of General Purpose Acrylic sheet under the above HTS subheading, Extruded and Cell Cast, have significantly different physical properties due to the method of production, and are not directly interchangeable the majority of the time.
>
> Cell Cast Acrylic sheet production is the oldest and original method of production. It is a very labor intensive process with inherent air pollution issues. Almost all General Purpose Cell Cast production was moved offshore from the United States years ago due to the labor intensive nature of the process, the significant pollution problems, and the difficulty in finding US labor willing to work in an unclean environment. None of the top three US producers of General Purpose Acrylic sheet produce Cell Cast Acrylic sheet in the United States, and there is no longer any significant production of General Purpose Cell Cast Acrylic sheet in the United States by any manufacturer.
>
> Extrusion is a high volume, highly efficient, low labor and low cost method of Acrylic sheet production, and is the primary method of production for General Purpose Acrylic sheet in the United States.

> All of the US imports from Indonesia and Thailand are the General Purpose Cell Cast Acrylic sheet type.
>
> General Purpose Cell Cast Acrylic sheet is usually sold at a higher price than Extruded sheet, further lowering the likelihood of interchangeability between General Purpose Cell Cast and Extruded sheet.
>
> Two of the top three US producers of General Purpose Extruded Acrylic sheet, Arkema and Evonik, themselves, import—Arkema, duty-free under NAFTA, from Mexico—substantial quantities of General Purpose Cell Cast Acrylic sheet into the United States and typically charge a significantly higher price for their imported Cell Cast Acrylic sheet.
>
> Removing GSP duty free status from Indonesian and Thai Cell Cast Acrylic sheet will not result in a benefit to the US consumer and will instead allow importers like Arkema and Evonik to charge even higher prices for their imported General Purpose Cell Cast Acrylic sheet to the ultimate detriment of the US consumer.

In opposition: American Trade Sales, Inc., filed written submissions, and a representative of American Trade Sales, Inc. appeared at the USITC hearing. The party's written summary as submitted to the Commission is provided below.

> We oppose the petition filed on April 16th 2018 by Arkema, and their business unit Altuglas International, requesting the removal of GSP duty free benefits for PMMA sheet imported from Thailand and Indonesia under the U.S. HTS 3920.51.5000.
>
> The petition refers to "PMMA sheet" even though there are several types of PMMA sheet - primarily cell cast acrylic sheet and extruded acrylic sheet.
>
> Each type of acrylic sheet has vastly different properties that make one more appropriate than the other for any particular use.
>
> Only cell cast acrylic sheet is produced in, and exported from Thailand and Indonesia to the U.S.
>
> There is virtually no production of cell cast acrylic sheet in the United States.
>
> Most cell cast acrylic sheet sold in the U.S. is imported, including Altuglas cell cast acrylic sheet.
>
> Extruded acrylic sheet is not produced in Thailand or Indonesia.
>
> There are two PMMA sheet producers in Indonesia who compete against each other and other imports of cell cast acrylic sheet for U.S. market share.
>
> There are four PMMA sheet producers in Thailand, only two of which export cell cast acrylic sheet to the U.S. and who compete against each other and other imports of cell cast acrylic sheet for U.S. market share.
>
> The petition combines PMMA sheet import statistics from Thailand and Indonesia, each with minimal import volumes relative to the overall U.S. PMMA market, to inflate the value of these imports.

Since imports of cell cast acrylic sheet from Thailand and Indonesia directly compete against other imports only, some duty free, and not U.S. producers, the ultimate beneficiary of removing duty free status is the Petitioner, who also imports cell cast acrylic sheet duty-free.

Product produced in Thailand and Indonesia suffer other competitive disadvantages when compared with Petitioner's product from Mexico.

We must sell container load quantities to remain price competitive and require increased delivery lead-times due to 25-30 day ocean transit.

Altuglas' PMMA (cell cast acrylic) sheet from Mexico can be ordered in smaller quantities and delivered in about a week.

According to DOC/USITC statistics, the YTD2017-YTD2018 imports of PMMA sheet from Thailand and Indonesia actually decreased (Indonesia - 31.7% / Thailand - 50.9%).

Imports from Mexico (including Altuglas' cell cast acrylic sheet) during the same period decreased ONLY 13.6 percent.

Other U.S. companies import cell cast acrylic sheet under their own brand names. According to the same DOC/USITC statistics during the same period, PMMA imports from China (not the biggest country of origin by volume but where several U.S. companies moved production of cell cast acrylic sheet) increased almost 26%.

The "significant competitive pressure" referenced in the petition can only refer to competition from domestic producers of extruded acrylic sheet, other PMMA sheet importers and not from Indonesia or Thailand.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Ali, Umar, Khairil Juhanni Bt. Abd Karim and Nor Aziah Buang. "A Review of the Properties and Applications of Poly (Methyl Methacrylate) (PMMA)." *Polymer Reviews* 55, no. 4 (June 24, 2015): 678–705.

American Trade Sales, Inc. posthearing brief in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2017.

AmeriResearch, Inc. "Polymethyl Methacrylate (PMMA) Market Outlook to 2024," June 2017. https://www.ameriresearch.com/product/polymethyl-methacrylate-pmma-market-outlook-2024-key-product-categories-extruded-sheets-beads-pellets-end-use-sign-display-construction-automotive-electronics-regional-segmentation/.

Arkema, Inc. Petition in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 16, 2017.

Arkema, Inc. Posthearing brief to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2017.

Global Market Insights. "Synthetic and Bio-based PMMA Market Size by Product (Extruded Sheets, Pellets, Beads, Cell Cast Sheet and Blocks), by Application (Automotive, Electronics, Construction, Signs and Display), Industry Analysis Report, Regional Outlook, Downstream Application Development Potential, Price Trend, Competitive Market Share and Forecast, 2015–2022," January 2016. https://www.gminsights.com/industry-analysis/synthetic-and-bio-based-pmma-polymethyl-methacrylate-market-size.

Grand View Research. "Polymethyl Methacrylate (PMMA) Market Worth $8.16 Billion by 2025." Press release, March 2017. https://www.grandviewresearch.com/press-release/global-polymethyl-methacrylate-pmma-industry.

Grand View Research. "U.S. Polymethyl Methacrylate (PMMA) Market Analysis," September 2015. https://www.grandviewresearch.com/industry-analysis/us-polymethyl-methacrylate-market.

Ibeh, Christopher. *Thermoplastic Materials: Properties, Manufacturing Methods, and Applications*. CRC Press, 2011.

Ormonde, Emanuel, Masahiro Yoneyama, Uwe Loechner, and Xu Xu, (CEH), "Acrylic Resins and Plastics," In *Chemical Economics Handbook*, IHS Markit, May 31, 2016.

Port Plastics, Inc. posthearing brief in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2017.

Port Plastics, Inc. prehearing brief in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 7, 2017.

Plastics Insight. "PMMA Properties, Production, Price, Market, and Uses," n.d. https://www.plasticsinsight.com/resin-intelligence/resin-prices/pmma/ (accessed May 25, 2018).

Statista. "Market Revenue of Polymethyl Methacrylate in the United States from 2014 to 2025, by Product (in million U.S. dollars)." https://www.statista.com/statistics/730988/pmma-market-revenue-in-the-united-states-by-product/ (accessed May 28, 2018).

U.S. Customs and Border Protection (CBP). Customs Rulings Online Search System. https://rulings.cbp.gov/home (accessed June 28, 2018).

U.S. International Trade Commission (USITC). Hearing transcript in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 14, 2018.

U.S. Patent and Trademark Office (USPTO). Trademark Electronic Search System (TESS). Search for Registration Number 0350093 (accessed May 31, 2018).

YourFormula. "PMMA: From Plexiglass to Window to Packaging for an Implantable Glucose Sensor," n.d. http://archive.yourformula.eu/internalposts/pmma/ (accessed May 25, 2018).

Chapter 13
Competitive Need Limitation (CNL) Waiver: Certain Edible Products of Animal Origin (Indonesia)[200]

Table 13.1 Certain edible products of animal origin

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
0410.00.00[a]	Edible products of animal origin not elsewhere specified or included	1.1 percent

[a] Indonesia exceeded the percentage-based competitive need limitation (CNL) for Harmonized Tariff Schedule (HTS) heading 0410.00.00 in 2017.

Description and Uses

The products classified in HTS heading 0410.00.00 encompass a variety of edible products of animal origin, including royal jelly produced by honeybees (*Apis mellifera*),[201] powdered antler in capsule form, turtles' eggs, and cephalopod ink, as well as edible bird's nests (EBNs). Certain edible products of animal origin in this HTS heading have different uses, depending on the product. However, many of them are consumed as specialty foods or alternative health products.

Edible bird's nests accounted for the overwhelming majority of Indonesia's exports to the United States under this HTS heading between 2013 and 2017.[202] EBNs are bird's nests produced by swiftlets. They are composed of a high-protein, glutinous secretion produced by the swiftlet's salivary glands that hardens on exposure to air.[203] EBNs are an ingredient in Chinese cooking and also in traditional medicine, but they are most commonly consumed in bird's nest soup. Indonesia also produced royal jelly during this period. Royal jelly is used as a dietary supplement and has also been used in alternative health products. Powdered antler is consumed as a traditional medicinal or nutritional supplement.

Like or Directly Competitive U.S. Product Assessment

The major product imported into the United States from Indonesia under this heading during 2013–17, including during 2015–17, was EBNs. The Commission did not identify any U.S. production of this

[200] The petition was filed with the U.S. Trade Representative (USTR) by the government of Indonesia. It requested a waiver of the CNL for HTS heading 0410.00.00 for Indonesia.
[201] Royal jelly is "a highly nutritious secretion of the pharyngeal glands of the honeybee that is fed to the very young larvae in a colony and to all queen larvae," according to the *Merriam-Webster* online dictionary. Mixtures for human consumption of royal jelly and other products produced by bees are also classified in this heading.
[202] IHS Markit, Global Trade Atlas (accessed April 26, 2018).
[203] Babji et al., "Secrets of Edible Bird Nest," January 2015.

product in any of the preceding three calendar years. U.S. production of certain edible products of animal origin is thought to consist entirely of products other than EBNs, since the species of birds that build an edible nest are not indigenous to North America.[204]

However, the Commission identified U.S. production of other edible products of animal origin during 2015–17 that the Commission advises were like or directly competitive with articles classified in HTS heading 0410.00.00. As a basket category, HTS 0410.00.00 contains a variety of disparate edible products, including two that are produced in the United States: royal jelly and powdered antler. Royal jelly was produced in both the United States and in Indonesia during the preceding three calendar years.[205] In addition, the Commission identified domestic production of deer, elk, and other cervids, and more specifically, domestic commercial production of powdered antler in capsule form. However, the Commission is unaware of any production of powdered antler in Indonesia.

There has been little or no commercial production in the United States of either turtles' eggs or squid ink in the preceding three years. It is not known whether there was commercial production of these products in Indonesia.[206] Indonesia is home to many different species of turtles, but it is not known if any turtles' eggs are produced commercially or exported from Indonesia. Indonesia is home to some species of cuttlefish and other cephalopods, but it is not known if there is any commercial production of "squid ink" in Indonesia.

In assessing whether there was U.S. production during any of the three preceding calendar years of an article that is like or directly competitive with certain edible products of animal origin, for each item produced in the United States and in Indonesia, the Commission considered five factors: its physical properties, the manufacturing processes, the product uses, the marketing channels of distribution, and the customs treatment of the product.

Physical Properties

Royal jelly produced in the United States during the three most recent calendar years has the same physical properties as products from Indonesia that would fall within the description of products

[204] Indonesia's exports to the United States under HS 0410.00 are almost entirely of EBNs. Over 2013–17, EBNs accounted for 99.8 percent to 100 percent of Indonesia's exports to the United States under the heading. EBNs are produced by several species of swiftlets—predominantly *Aerodramus fuciphagus, Aerodramus maximus*, and *Collocalia esculent.* Chua and Zukefli, "A Comprehensive Review of Edible Bird Nests," 415-28; Thorburn, "The Edible Nest Swiftlet Industry in Southeast Asia," 2015, 179–84; IHS Markit, Global Trade Atlas (accessed April 26, 2018).

[205] The Commission identified several producers of royal jelly in Indonesia. Royal jelly producers in Indonesia include Bina Apiari http://www.binaapiari.com/royal-jelly/ (accessed September 4, 2018) and Madu Putih Pahit Royal Jelly https://www.facebook.com/pg/Madu-Putih-Pahit-Royal-Jelly-270725656594838/posts/ (accessed September 4, 2018). In addition, Indonesia's exports of honey under HS 0409 were valued at $1.7 million in 2017. Information on honey exports is included because both honey and royal jelly are produced by honey bees, which further suggests that royal jelly is produced in Indonesia.

[206] There may have been limited U.S. domestic production of turtles' eggs in the past three calendar years, but with few exceptions, turtles' eggs may not be offered for sale domestically; 21 C.F.R. § 1240.62. There is no known U.S. production of cephalopod ink. Cephalopod ink, commonly called "squid ink," is actually cuttlefish ink; while squid are caught commercially in the United States, these species are not suitable for ink production. Industry representative, email message to USITC staff, January 11, 2017.

covered by HTS heading 0410.00.00, although there were likely some minor differences in composition related to the difference in nectar sources for the bees. Royal jelly is a naturally occurring secretion from bees that is harvested from honeybee hives.[207]

Other products covered by HTS heading 0410.00.00, including EBNs produced in Indonesia and antler in powdered form produced in the United States, had different physical properties, both from each other and from royal jelly.[208]

Manufacturing Process

Information available to the Commission indicates that the manufacturing process for royal jelly produced in Indonesia would be the same as or similar to that used in the United States. Royal jelly, regardless of country of origin, is a thick substance secreted by glands of young bees. It is fed to bee larvae and continued feeding of royal jelly causes a larva to develop into a queen bee rather than a worker bee.[209]

Other products covered by this HTS heading have manufacturing processes unique to the specific item.[210]

Product Uses

Royal jelly produced in Indonesia had uses similar to those for royal jelly produced in the United States. All the products covered by this HTS heading, including royal jelly and EBNs, are produced for human consumption, including as food or in supplements, although the specific end uses likely vary considerably given the wide variety of products within this HTS heading.

Marketing Channels

The products covered by this HTS heading, including royal jelly produced in Indonesia and the United States have similar marketing channels. For example, EBNs and products such as encapsulated powdered antler and royal jelly are offered for sale through shops that sell specialty foods, herbal remedies, or food supplements.[211] Some products, including royal jelly, EBNs, and powdered antler in

[207] See for example, FAO "Royal Jelly," http://www.fao.org/docrep/w0076e/w0076e16.htm (accessed September 4, 2018).
[208] For example, EBNs are produced solely from nests of specific swiftlet species and do not have the same physical properties as any product produced commercially in the United States.
[209] FAO "Royal Jelly," http://www.fao.org/docrep/w0076e/w0076e16.htm (accessed September 4, 2018).
[210] For example, Indonesian edible bird's nests were produced using a different manufacturing process than any product produced commercially in the United States. The nests were harvested from natural caves and cliffs, or buildings that mimic cave conditions. They were then cleaned of extraneous material, often by hand, and packaged. Chua and Zukefli, "A Comprehensive Review of Edible Bird Nests," 2016, 418.
[211]Babji et al., "Secrets of Edible Bird Nest," January 2015.

capsule form, are also offered for direct shipment to consumers by sellers of health food products and additives.[212]

Customs Treatment

The covered varieties of edible products of animal origin—including royal jelly and powdered antler—produced in the United States would likely have received the same customs treatment as the covered variety of edible products of animal origin produced in Indonesia if they had been imported (i.e., imported under HTS 0410.00.00).[213]

Profile of U.S. Industry and Market, 2013–17

U.S. production of certain edible products of animal origin includes products such as royal jelly and powdered antler in capsule form. Commercial beekeeping in the United States is widespread but is concentrated in states with warmer weather and high levels of vegetable, nut, and fruit production. In January 2017, those operations with five or more bee colonies reported over 2 million honeybee colonies, with over 40 percent of those in California. Other states with a large number of bee colonies were Texas and Florida.[214] Production of royal jelly is typically a very labor-intensive process, and this has limited the production of royal jelly in the United States (and other countries with high labor costs).[215]

The 2012 Census of Agriculture found that there were more than 5,000 deer and elk farms in the United States.[216] Deer and elk farming operations produce a variety of products. Available information indicates that some such U.S. operations produce powdered antler in capsule form that is described in this HTS provision. Deer and elk are members of the family Cervidae (cervids). Male cervids (and female reindeer) grow antlers every year. The antlers may be harvested before completely hardened, after which they are dried, powdered, and sold as a medicinal product. Only antler that is in capsule form is described in 0410.00 of the international Harmonized System (HS) of tariff nomenclature. Antler that is merely sliced or that is powdered but not in capsule form is described in HS 0507.90.

Edible products of animal origin such as royal jelly and powdered antler in capsule form are sold by retailers of dietary supplements and of health and beauty products, as well as specialty shops that sell herbal medicines. Royal jelly and cephalopod ink are also sold by specialty grocery stores. [217] Importers of products under HTS 0410.00.00 during 2013–17 include distributors of dietary supplements and

[212] Examples include Y.S. Eco Bee farms http://www.ysorganic.com/royal-jelly.html (accessed September 4, 2018), Golden Nest, https://goldennest.com/ (accessed September 4, 2018), and Tobin farms https://tobinfarms.com/shop/velvet-antler-capsules/ (accessed September 4, 2018).
[213] See, for instance, U.S. Customs and Border Protection Rulings NY 899444, NY B88985, NY C80840, and NY F83027.
[214] USDA, NASS, *Honey Bee Colonies*, August 1, 2017, 8.
[215] Government of Australia, *Australian Royal Jelly*, April 15, 2017, iii; Beesource.com, "Producing Royal Jelly" (accessed June 15, 2018).
[216] USDA, NASS, 2012 Census of Agriculture, Table 34.
[217] These products are available from a range of retail outlets.

traditional medicine, specialty grocery stores, and retailers that specialize in EBNs and products made from EBNs.

Table 13.2 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	4,762	7,105	4,344	3,990	43,096
Imports (1,000 $)	23,567	21,284	21,739	21,491	24,996
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.

GSP Import Situation, 2017

More than half of U.S. imports of certain edible products of animal origin are from GSP-eligible countries, and the majority of GSP-eligible imports are from Indonesia. During 2013–17, Indonesia accounted for 48–63 percent of all imports of certain edible products of animal origin and for 88–95 percent of such imports under GSP. Other GSP-eligible countries that supply imports of products in this HTS heading to the United States include Brazil, Turkey, and Thailand. According to data from the Thai Customs Department, Thailand's exports of EBNs to the United States were practically zero in 2017, but 78 percent of Thailand's global exports under this HTS heading in 2017 were of EBNs.[218] Brazil and Turkey do not report trade in EBNs separately from trade in other products in HS 0410.00, but the species of swiftlets that produce EBNs are not indigenous to these countries.

The leading global exporters of goods under HS 0410.00 in 2017 were Indonesia, China, Singapore, and Malaysia. All of these countries report trade data on EBNs separately from other edible products of animal origin. Exports under this provision from Indonesia, Singapore, and Malaysia are predominately of EBNs, while EBNs account for a very small share of such exports from China.[219] Indonesia is reportedly the leading producer of EBNs, accounting for about 60 percent of global production.[220] Between 2013 and 2017, EBNs accounted for 99.6 percent to 100 percent of Indonesia's annual exports under the HS 0410.00.[221]

[218] IHS Markit, Global Trade Atlas (accessed April 26, 2018).
[219] IHS Markit, Global Trade Atlas (accessed April 26, 2018).
[220] Qi Hao and Rahman, "Swiftlets and Edible Bird's Nest Industry," 2016, 32–48.
[221] IHS Markit, Global Trade Atlas (accessed April 26, 2018).

Table 13.3 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	24,996	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	16,546	66	100	[b]
Indonesia	15,734	63	95	[b]
Brazil	663	3	4	[b]
Turkey	85	[c]	1	[b]
Thailand	65	[c]	[c]	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

U.S. Imports and Exports

U.S. imports of certain edible products of animal origin fluctuated irregularly between $21.3 million and $25.0 million over 2013–17. The leading sources of U.S. imports under HTS 0410.00.00 are Indonesia, China, and Hong Kong. Hong Kong, like Indonesia and China, reports exports of EBNs separately from other products in HS 0410.00. According to data from Statistics Indonesia and the Hong Kong Census and Statistics Department, 100 percent of exports from Indonesia and Hong Kong to the United States under HS 0410.00 in 2017 were of EBNs. According to data from China, none of its 2017 exports to the United States under 0410.00 were of EBN.[222]

[222] IHS Markit, Global Trade Atlas (accessed April 26, 2018). The share of U.S. imports from Hong Kong that are actually produced in Hong Kong (rather than re-exported) is not known. Hong Kong reported imports of certain edible products of animal origin valued at over $227 million in 2017, the vast majority of which were EBNs from Indonesia.

Table 13.4 Certain edible products of animal origin (HTS heading 0410.00.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Indonesia	12,796,495	11,166,162	10,431,333	13,545,330	15,733,511
China	7,175,709	6,025,400	6,414,849	3,988,832	4,158,213
Hong Kong	778,161	611,421	1,502,109	1,253,007	2,834,791
Brazil	929,962	1,367,788	1,635,282	923,772	663,358
Vietnam	164,246	334,506	474,433	351,007	426,276
France	0	105,412	68,048	595,087	322,256
New Zealand	675,171	439,109	418,303	412,275	313,239
Spain	104,272	150,262	218,828	217,029	152,404
Malaysia	107,662	43,000	42,000	38,000	125,383
Turkey	0	0	0	22,797	84,911
All other	835,780	1,041,179	533,381	143,704	182,052
Total	23,567,458	21,284,239	21,738,566	21,490,840	24,996,394
Imports from GSP–eligible countries:					
Indonesia	12,796,495	11,166,162	10,431,333	13,545,330	15,733,511
Brazil	929,962	1,367,788	1,635,282	923,772	663,358
Turkey	0	0	0	22,797	84,911
Thailand	132,084	127,122	214,362	64,154	64,687
Uruguay	6,208	0	0	0	[a]
Total	13,864,749	12,661,072	12,280,977	14,556,053	16,546,467

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] This country was not GSP eligible in the indicated year.

U.S. exports of certain edible products of animal origin fluctuated between $4.3 million and $7.1 million over 2013–16, but were valued at $43.1 million in 2017. Most of the increase was due to an increase in exports to Colombia, which grew from $10,494 in 2016 to $16.2 million in 2017, and a sharp rise in exports to Sint Maarten, which grew from $101,030 in 2016 to $13.3 million in 2017.[223] Since 2012, U.S. exports to Colombia have been eligible for duty-free entry under the United States-Colombia Trade Promotion Agreement. As noted, U.S. production and exports of certain edible products of animal origin are not believed to include EBNs. This category, however, includes multiple products and, as a result, it is not possible to identify the major export products responsible for the recent increase in 2017.

[223] Official import data for Colombia, however, reported zero imports under HS 0410.00 from the United States in 2017.

Table 13.5 Certain edible products of animal origin (Schedule B 0410.00.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Colombia[a]	0	58,234	46,812	10,494	16,231,660
Sint Maarten	23,691	0	6,319	101,030	13,292,769
Trinidad and Tobago	722,902	2,022,944	2,055,921	511,817	2,394,872
St Lucia	0	3,600	0	0	1,150,046
Barbados	0	0	0	0	1,094,324
Venezuela	0	4,684	64,980	271,576	952,598
Dominican Republic[a]	49,395	25,197	108,078	17,186	868,059
Anguilla	0	0	0	0	843,758
Bolivia	0	0	119,022	931,602	812,665
Dominica	0	0	19,299	0	682,323
All other	3,965,967	4,990,781	1,923,126	2,145,845	4,772,838
Total	4,761,955	7,105,440	4,343,557	3,989,550	43,095,912

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Indonesia. Indonesia also filed written submissions, and a representative of Indonesia appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modifications to the GSP considered for this HTS heading.

Bibliography

Babji, A.S., M.H. Nurfatin, I.K. Etty Syarmila, and M. Masitah. "Secrets of Edible Bird Nest." *Agriculture Science Journal* 1 (January 2015): 32–37. http://eprints.utar.edu.my/1678/1/UASJ_2015_Vol_1(1)%2C_7_Secrets_of_Edible_Bird_Nest.pdf.

Beesource.com. "Producing Royal Jelly." https://www.beesource.com/forums/showthread.php?187117-Producing-royal-jelly (accessed June 15, 2018).

Chua, Lee Suan, and Siti Najihah Zukefli. "A Comprehensive Review of Edible Bird Nests and Swiftlet Farming." *Journal of Integrative Medicine* 14, no. 6 (2016): 415–28.

Government of Australia. Rural Industries Research and Development Corporation. *Australian Royal Jelly: Market Opportunity Assessment Based on Production That Uses New Labor Saving Technology*, by Michael Clarke and Peter McDonald, April 15, 2017. https://www.agrifutures.com.au/publications/australian-royal-jelly-market-opportunity-assessment-based-on-production-that-uses-new-labour-saving-technology/.

Qi Hao, Looi, and Omar Abdul Rahman. "Swiftlets and Edible Bird's Nest Industry in Asia." *Pertanika Journal of Scholarly Research Reviews* 2, no. 1 (2016): 32–48. http://www.pjsrr.upm.edu.my/.

Thorburn, Craig C. "The Edible Nest Swiftlet Industry in Southeast Asia: Capitalism Meets Commensalism." *Human Ecology* 43, no. 1 (2015): 179–84. https://link.springer.com/article/10.1007%2Fs10745-014-9713-1.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). *Honey Bee Colonies*, August 1, 2017. http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1943.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). 2012 Census of Agriculture, Table 34: Other Animals and Animal Products— Inventory: 2012 and 2007.

Chapter 14
Competitive Need Limitation (CNL) Waiver: Lithium Carbonate (Argentina)[224]

Table 14.1 Lithium carbonate

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2836.91.00[a]	Lithium carbonate	3.7 percent

[a] Argentina exceeded the percentage-based competitive need limitation (CNL) for subheading 2836.91.00 of the Harmonized Tariff Schedule of the United States (HTS) in 2017.

Description and Uses

HTS subheading 2836.91.00 covers two grades of lithium carbonate: standard grade and United States Pharmacopeia (USP) grade. Standard-grade lithium carbonate is used in a variety of industrial applications,[225] while USP-grade lithium carbonate is used in pharmaceutical manufacturing.[226] Both grades are produced either by evaporating naturally occurring brines or by extraction from mineral deposits. The extracted lithium carbonate can then be used directly in ceramic and glass manufacturing or can be processed into downstream lithium chemicals for use in producing goods such as batteries, lubricating greases, mold flux, polymers, pharmaceuticals, and for use in air purification; or purification into USP grade.[227]

Like or Directly Competitive U.S. Product Assessment

The Commission identified U.S. production of lithium carbonate during 2015–17 that the Commission advises was like or directly competitive with articles classified in HTS heading 2836.91.00.[228] In assessing whether the domestically produced lithium carbonate was like or directly competitive with lithium carbonate produced in Argentina, the Commission considered the physical properties of the item produced in the United States and in Argentina, the manufacturing processes, the product uses, the

[224] Petitions were filed with the U.S. Trade Representative (USTR) by the government of Argentina and, on behalf of FMC Corporation, by the International Business-Government Counsellors. It requested a waiver of the CNL for HTS subheading 2836.91.00 under the provisions of the GSP for Argentina.
[225] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 40.
[226] USP, formerly known as the U.S. Pharmacopeial Convention, is an organization that sets standards for the pharmaceutical industry.
[227] USGS, *Mineral Commodity Summaries*, 2018, 98.
[228] The Commission identified one domestic firm, Albemarle, that produced lithium carbonate in the United States during calendar years 2015–17. Albemarle advised the Commission that it produced lithium carbonate at its facility in Silver Peak, NV, in each of those years.

marketing channels, and the customs treatment of the product. The domestically produced lithium carbonate and the article imported from Argentina are substantially alike in physical properties, product uses, manufacturing process, and marketing channels, and would likely receive the same customs treatment.

Physical Properties

Lithium carbonate produced in the United States had the same physical properties as the lithium carbonate produced in Argentina. Argentina produces standard grade lithium carbonate but has no known production of USP-grade lithium carbonate.

Manufacturing Process

Lithium carbonate producers in the United States and Argentina both used virtually the same brine evaporation process.[229] While there may have been some minor differences in production details due to variations in factors such as strength of solar radiation, humidity, winds, rainfall, lithium concentration, and magnesium/lithium ratio, the overall processes were the same in both countries: evaporation of lithium-rich brines over 12–18 months using solar energy.[230]

Product Uses

Standard grade lithium carbonate produced in both the United States and Argentina had the same end uses. The United States also produced USP grade lithium carbonate for use in pharmaceuticals. While lithium carbonate imported from Argentina could have been used for pharmaceutical production, it would have required further processing in the United States to become USP grade.

Marketing Channels

Lithium carbonate produced in the United States and in Argentina were sold in the same marketing channels. In the United States, marketing channels for this product vary little based on its country of origin. Two of the largest U.S. consumers, Albemarle, the domestic U.S. producer (which also imports from Chile), and FMC, owner of the largest production facility in Argentina, consumed much of their lithium carbonate internally to produce other products. Other industrial consumers, such as producers of lithium chemicals and metals and producers of ceramics and glass, tended to purchase directly from lithium carbonate producers rather than through intermediaries.

[229] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 51. There are two main processes for producing lithium carbonate: evaporation of lithium-containing brines and extraction from hard rock pegmatite deposits, primarily spodumene. Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 9.
[230] Talens Periro, Villalba Mendez, and Ayres, "Lithium: Sources, Production, Uses and Recovery Outlook," 2013, 988.

Customs Treatment

Lithium carbonate produced in the United States would likely have received the same customs treatment as the lithium carbonate produced in Argentina if it had been imported (i.e., imported under HTS 2836.91.00).

Profile of U.S. Industry and Market, 2013–17

There is one known U.S. producer of lithium carbonate, Albemarle, which produces lithium carbonate at its Silver Peak, Nevada, facility, using brine evaporation. One other domestic producer, Simbol Materials, ceased production in 2013. Albemarle also has the capacity to purify lithium carbonate produced to USP grade. Given the limited scale of domestic production, the United States relies on imports for the majority of the lithium carbonate it consumes domestically. In each year of 2013–17, [* * *].[231]

Although U.S. consumption of lithium carbonate has grown rapidly since 2013, and it is an upstream feedstock for a wide range of products, only a limited number of companies consume it directly. During 2013–17, U.S. consumption of lithium carbonate increased by 72 percent, by value. Much of this growth in demand was due to increased production of lithium-ion batteries, which are used in vehicles and portable electronic goods and [* * *].[232] However, in most other applications, lithium carbonate must be processed into other lithium compounds that are subsequently used in the industrial production of goods. For these reasons, lithium carbonate is generally consumed directly by lithium-ion battery producers and other producers of goods, such as glass and ceramics producers, or by lithium compound producers.

Table 14.2 Lithium carbonate (HTS subheading 2836.91.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	1	1	1	1	1
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)[b]	[* * *]	[* * *]	[* * *]	[* * *]	[* **]
Exports (1,000 $)	7,889	7,978	9,842	8,874	14,907
Imports (1,000 $)	46,382	43,369	58,600	76,623	78,955
Consumption (1,000 $)[c]	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Import-to-consumption ratio (percent)[c]	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Capacity utilization (percent)[b]	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] ITC staff estimate based on estimated production volumes and median estimated price ranges in Wietlisbach and Gao, "*Lithium, Lithium Minerals, and Lithium Chemicals,*" 2018, 66, 76.
[c] Apparent consumption calculated as production plus imports less exports.

[231] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 62, 63, 66.
[232] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 9, 71.

GSP Import Situation, 2017

During 2013–17, imports from the only GSP-eligible source, India, peaked in 2014, fell in 2015 and again in 2016, and then plunged by 98 percent in 2017; imports from India were $1.1 million in 2013 but only $24,243 in 2017. [* * *].[233]

Over the same period, imports from Argentina increased, as did production capacity. During this time, imports from Argentina rose from $20.4 million in 2013, peaked at $54.0 million in 2016, and fell to $47.6 million in 2017. Between 2013 and 2017, imports rose by 134 percent. In 2017, imports from Argentina accounted for 60 percent of total U.S. lithium carbonate imports. If all imports from Argentina had been accorded GSP status, Argentina would have accounted for almost 100 percent of imports from GSP-eligible countries in 2017 (table 14.4).[234] From 2013 to 2017, production capacity increased in Argentina with the opening of new production facilities by Orocobre Ltd (an Australian firm) and possible increased capacity at FMC Lithium's existing production facility. [* * *].[235] All lithium carbonate produced in Argentina is exported.[236] In 2017, the United States was Argentina's second-largest export market for lithium carbonate after Japan. Other important markets included China, South Korea, and Belgium.[237]

Table 14.3 Lithium carbonate (HTS subheading 2836.91.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	78,955	100	(a)	67
Imports from GSP-eligible countries:				
Total	24	(c)	100	(b)
India	24	(c)	100	(b)

[a] Not applicable.
[b] Not available.
[c] Less than 0.05 percent.

[233] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 190, 186, 20.
[234] In May 2012 Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[235] Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 99.
[236] FMC Corporation, "Petition to waive the competitive need limits of the U.S. Generalized System of Preferences with respect to imports of lithium carbonate (HTSUS 2836.91.00) from Argentina," April 16, 2018, 9.
[237] FMC Corporation, "Petition to waive the competitive need limits of the U.S. Generalized System of Preferences with respect to imports of lithium carbonate (HTSUS 2836.91.00) from Argentina," April 16, 2018, 9, 10.

Table 14.4 Lithium carbonate (HTS subheading 2836.91.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports including Argentina	Percent of U.S. consumption
Imports from Argentina	47,603	60	100	41
Imports from all GSP-eligible countries	24	(b)	(b)	(b)
GSP imports plus Argentina	47,628	60	100	41
Grand total	78,955	100	(c)	67

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Less than 0.5 percent.
[c] Not applicable.

U.S. Imports and Exports

During 2013–17, U.S. imports of lithium carbonate increased from $45.1 million to $78.0 million (73 percent) (table 14.5). Argentina and Chile together accounted for at least 95 percent of U.S. imports by value in each year during this period.[238] Imports from Chile are eligible to enter the United States free of duty under the U.S.-Chile Free Trade Agreement. In 2017, the third-largest source of U.S. imports was Japan, which accounted for less than 1 percent of imports. During 2013–17, less than 2 percent of U.S. imports were USP grade.

Table 14.5 Lithium carbonates (HTS subheading 2836.91.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Argentina	20,386,345	15,079,127	34,218,675	53,962,472	47,603,486
Chile[a]	24,740,624	26,312,958	23,331,447	21,002,200	30,349,927
Japan	0	0	10,319	2,290	763,040
United Kingdom	2,316	0	2,240	30,904	105,029
China	149,816	860,534	196,334	1,060,675	76,674
India	1,075,471	1,086,440	765,204	508,199	24,243
Germany	0	0	0	0	18,018
Canada[a]	23,760	21,365	25,485	27,984	11,725
Czech Republic	0	0	0	0	2,975
Italy	3,782	8,742	50,217	28,598	0
Total	46,382,114	43,369,166	58,599,921	76,623,322	78,955,117
Imports from GSP–eligible countries:					
India	1,075,471	1,086,440	765,204	508,199	24,243
Total	1,075,471	1,086,440	765,204	508,199	24,243

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

[238] Approximately half of global lithium production is in Chile, and production capacity there reportedly increased 10.7 percent during 2013–17. Wietlisbach and Gao, "Lithium, Lithium Minerals, and Lithium Chemicals," 2018, 104, 20).

During 2013–17, U.S. exports of lithium carbonate increased, primarily to countries with large industrial bases (table 14.6). In 2017, U.S. exports of lithium carbonate totaled $14.9 million, an increase of $7.0 million (89 percent) since 2013. In 2017, almost half of all U.S. exports went to Germany, followed by India and Japan as the next largest export markets.

Table 14.6 Lithium carbonates (Schedule B 2836.91.0010 and 2836.91.0050): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Germany	5,027,033	4,139,883	6,917,578	5,339,642	7,366,560
India	1,642,615	2,276,354	1,290,413	2,223,122	3,204,885
Japan	247,958	0	0	0	2,180,540
Taiwan	5,952	2,976	4,960	32,598	951,027
South Korea[a]	111,482	156,720	380,914	409,828	534,041
Canada[a]	117,427	168,143	129,386	287,744	335,546
Israel[a]	63,205	63,696	72,100	39,771	85,182
Belgium	57,992	53,465	93,244	78,383	85,043
Colombia[a]	55,109	67,879	66,811	37,280	49,365
Chile[a]	0	0	15,463	0	37,580
All other	560,365	1,049,056	871,271	425,634	77,719
Total	7,889,138	7,978,172	9,842,140	8,874,002	14,907,488

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: A petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the USITC hearing.

A petition was filed on behalf of FMC Corporation, by the International Business-Government Counsellors. The International Business-Government Counsellors also filed written submissions.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Embassy of Argentina. Written submission to the U.S. Trade Representative in connection with the Generalized System of Preferences: Revisions to the 2018/2017 Annual GSP Product and Country Practices Review, April 16, 2018.

FMC Corporation. Petition to the Office of the U.S. Trade Representative to waive the competitive need limits of the U.S. Generalized System of Preferences with respect to imports of lithium carbonate (HTSUS 2836.91.00) from Argentina, April 16, 2018.

FMC Corporation. Written submission to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modification, 2017 Review*, June 21, 2018.

Talens Peiro, Laura, Gara Villalba Mendez, and Robert U. Ayres. "Lithium: Sources, Production, Uses, and Recovery Outlook." *Journal of the Minerals, Metals, and Materials Society* 65, no. 8 (2013): 986–96.

U.S. Geological Survey (USGS) *Mineral Commodity Summaries*, 2018. http://doi.org/10.3133/70194932.

Wietlisbach, Samantha, and Adam Gao. "Lithium, Lithium Minerals, and Lithium Chemicals." In *Chemical Economics Handbook*, IHS Markit, March 19, 2018.

Chapter 15
Competitive Need Limitation (CNL) Waiver: Essential Oils of Lemon (Argentina)[239]

Table 15.1 Essential oils of lemon

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
3301.13.00[a]	Essential oils of lemon	3.8 percent

[a] Argentina exceeded the percent CNL for Harmonized Tariff Schedule (HTS) subheading 3301.13.00 in 2017.

Description and Uses

The products classified in HTS subheading 3301.13.00 are essential oils of lemon.[240] Essential oils of lemon (EOLs) are liquids extracted from lemon peels through mechanical processing.[241] This production method, referred to as expression or cold pressing, is used to extract essential oils from a variety of citrus peels (*e.g.,* orange and grapefruit). Essential oils of lemon are typically less expensive than essential oils derived from other raw materials, such as citrus seeds or leaves, due to the large volume of oils that can be extracted from the peel compared to other parts of the fruit.

Essential oils of lemon are used to add flavor and scent to beverages, fragrances, soaps, and household chemicals, as well as food and confectionery products. Food and beverage applications account for the largest share of consumption of EOLs.[242] EOLs are also used in medicinal or pharmaceutical products to suppress the less desirable flavor of medications.[243]

[239] The petition was filed with the U.S. Trade Representative (USTR) by Citrus and Allied Essences, Industrial Tucuman Union, Asociación Citrícola del Noroeste Argentino (ACNOA), Flavor and Extract Manufacturers Association of the United States (FEMA), Association of Phystosanitary Issues for Northwest Area of Argentina (AFINOA), and Federación Argentina del Citrus, and requested a waiver of the competitive need limitation (CNL) for HTS subheading 3301.13.00 under the provisions of the GSP for Argentina.
[240] Chemical Abstracts Service (CAS) number 8008-56–8.
[241] To release the oils, the peel is first punctured by a spiked machine. The punctured peel is then centrifuged to separate most of the water from the essential oils, yielding an oils emulsion. The emulsion is treated and polished to remove the remaining water from the essential oils. The oils are then chilled to remove, through precipitation, natural waxes present in the oils. For a graphical representation of the production process, see Ventura Coastal website, http://venturacoastal.com/oils (accessed May 18, 2018).
[242] Market Research Store, "Global Essential Oils Market Size and Share," May 19, 2017.
[243] Drugs.com, "Lemon Oils," (accessed May 24, 2018).

Like or Directly Competitive U.S. Product Assessment

The Commission identified U.S. production of essential oils of lemon during 2015–17 that the Commission advises was like or directly competitive with articles classified in HTS subheading 3301.13.00. In assessing whether the domestically produced articles are like or directly competitive with the EOLs produced in Argentina, the Commission considered the physical properties of the articles produced in the United States and in Argentina, the manufacturing processes, the product uses, the marketing channels of distribution, and the customs treatment of the product. Essential oils of lemon produced in both the United States and Argentina had similar physical properties, were made using similar manufacturing processes, were used in the same end-use applications, shared the same marketing channels, and would be expected to have received the same customs treatment.

Physical Properties

The physical properties of EOLs produced in the United States and Argentina were the same but for the different flavor profiles that different varieties of lemon can offer.[244] Specifically, there are organoleptic differences which lead to differing perceptions of taste. These flavor variations are largely attributable to the region in which the lemon is grown.[245] The characterizing notes inherent in lemons from different regions (California versus Argentina) can be important in some applications in terms of "carrying forward a flavor profile the consumers are used to when they buy a particular consumer product."[246]

Manufacturing Process

Producers of EOLs in the United States and in Argentina used virtually the same cold-pressing manufacturing process.[247] Natural EOLs from all countries are obtained directly from the lemon and are not modified physically or chemically.[248]

Product's Uses

Both domestically produced and Argentine EOLs were predominantly used in downstream applications in food, beverage, and household products (e.g., household cleaners).[249] Labels for further processed

[244] Flavor and Extract Manufacturers Association of the United States, written submission to USTR, April 16, 2018, 4.
[245] Flavor and Extract Manufacturers Association of the United States, written submission to USTR, April 16, 2018, 4.
[246] USITC, hearing transcript, June 14, 2018, 43 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).
[247] There may be some proprietary washing and extraction steps in order to elicit clean EOLs.
[248] Artificial EOLs are products in which the lemon essence is reinforced with any of its chemical components. Synthetic lemon fragrances and oils, which are manufactured in a laboratory, are produced using a combination of chemically synthesized components.
[249] EOLs can be bought by consumers for personal fragrance and homeopathic uses. USITC, hearing transcript, June 14, 2018, 43 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).

products that contain EOLs as an ingredient (e.g., food, beverage, and household cleaners) do not distinguish the origin of the EOLs used, however direct buyers of EOLs may have taken country of origin into account in their purchasing decisions. This would likely have been due in part to taste differences that consumers might recognize if domestic EOLs were substituted for Argentine EOLs.[250]

Marketing Channels

Both domestic and Argentine EOLs were sold through the same marketing channels. Domestically produced EOLs were predominantly produced under long-term contract. As a result, in the short run, it may have been difficult for consumers to substitute domestically produced EOL for a foreign product.[251]

Customs Treatment

EOLs produced in the United States would likely have received the same customs treatment as the EOLs produced in Argentina if they had been imported (i.e., imported under HTS 3301.13.00).

Profile of U.S. Industry and Market, 2013–17

Due to the close relationship between the production of EOLs and the production of lemons, major U.S. EOL producers are located in California, and domestically produced EOL relies on Californian lemons.[252] Most of the domestic commercial lemon crop, however, is sold as fresh fruit.[253] Generally, thedomestically produced lemons that are diverted to EOLs production are less cosmetically appealing.[254] EOLs benefit from the "all natural" classification that distinguishes EOLs from artificial flavors used in downstream applications. [255] Domestic demand from consumers for "all natural" continues to be high.[256] As a result, the Flavor and Extract Manufacturers Association states that

[250] USITC, hearing transcript, June 14, 2018, 69 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).
[251] USITC, hearing transcript, June 14, 2018, 72 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).
[252] It should be noted that as of May 2017, the United States is allowing the import of Argentinian lemons. Associated Press, "U.S. Ends Ban on Importing Argentine Lemons," May 2, 2017.There is an existing suspension agreement that covers U.S. imports of lemon juice from Argentina. *Lemon Juice from Argentina and Mexico*, Inv. No. 731-TA-1105-1106 (Review), *USITC Pub 4418 (July 2013).* This suspension agreement was renegotiated in 2016. 81 Fed. Reg. 74395 (October 26, 2016).
[253] USITC, hearing transcript, June 14, 2018, 41 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).
[254] USITC, hearing transcript, June 14, 2018, 70 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).
[255] Essential oils of lemon need not compete with artificial flavorings for inclusion in products that market themselves as "all natural." Industry representative, telephone interview by USITC staff, May 24, 2018.
[256] However, it is possible for synthetically produced EOLs to receive a "clean label" designation, which can confer marketing benefits when competing with naturally produced EOLs. Food Ingredients First, "Givaudan Flavours Provides 'Clean Label' Solution," July 14, 2008.

domestic EOL production is insufficient to meet the needs of the U.S. flavor industry.[257] The size of the U.S. market for EOLs is directly correlated to demand for the downstream products using those oils—in particular, soft drinks, hard candies, and bakery goods—and can be influenced by price competition with artificial flavorings. The U.S. market is also affected by fluctuations in the supply of raw materials, due to the variable seasonal yield of lemon crops in growing regions.[258]

The most significant domestic producer of EOLs is Ventura Coastal, located in California.[259] The majority of the U.S. EOL industry, however, is composed of smaller producers.[260] Approximately 220,000 metric tons of lemons were processed in the United States to produce EOLs in 2017.[261] The majority of domestically produced EOLs are made under long-term contracts.[262] Commission research indicates that the largest U.S. importers of EOLs may further process the imported product before using some and exporting the remainder. Food, beverages, and fragrance industry purchasers are the largest U.S. importers, as well as exporters, of EOLs.

Table 15.2 Essential oils of lemon: (HTS subheading 3301.13.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	2-10	2-10	2-10	2-10	2-10
Employment (1,000 employees)	(c)	(c)	(c)	(c)	(c)
Shipments or production (1,000 $)[a]	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	116,671	114,486	176,287	175,086	164,356
Consumption (1,000 $)	(b)	(b)	(b)	(b)	(b)
Import-to-consumption ratio (percent)	(c)	(c)	(c)	(c)	(c)
Capacity utilization (percent)	(c)	(c)	(c)	(c)	(c)

Source: Imports compiled from official statistics of the Department of Commerce.
[a] Based on USITC, *Generalized System of Preferences: Possible Modifications, 2015 Review,* May 2016, and extrapolation based on Flavor and Extract Manufacturers Association, posthearing brief, June 21, 2018, 3.
[b] U.S. consumption data (U.S. shipments plus U.S. imports minus U.S. exports) could not be estimated because EOLs may be imported into the United States, purified, and then re-exported under the same Schedule B number, 3301.13.0000.
[c] Not available.

[257] Flavor and Extract Manufacturers Association of the United States, written submission to USTR, April 16, 2018, 7.
[258] The government of Bolivia filed a petition with the USTR requesting the addition of this HTS subheading to the list of articles eligible for duty-free treatment under the provisions of the GSP for all BDCs. USITC, *Generalized System of Preferences: Possible Modifications, 2015 Review,* May 2016, 31. The addition was granted in 2017. 82 Fed. Reg. 31793 (July 10, 2017).
[259] Ventura Coastal is an industry leader in supplying of citrus oils and essences. Ventura Coastal, "Our History," http://venturacoastal.com/about (accessed June 18, 2018); industry representative, telephone interview by USITC staff, May 24, 2018.
[260] Flavor and Extract Manufacturers Association, posthearing brief, June 21, 2018, 4.
[261] Citrus and Allied Essences, "Essential Oils Market Report," September 2017.
[262] USITC, hearing transcript, June 14, 2018, 72 (testimony of Joanna Drake, General Counsel, Flavor and Extract Manufacturers Association).

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries accounted for 4 percent of total U.S. imports of EOLs in 2017. Brazil, South Africa, India, and Bolivia were the largest GSP-eligible import suppliers.[263] Brazil, overall the eighth-largest supplier of EOLs to the United States, accounted for 50 percent of GSP-eligible imports in 2017. The industry in Brazil has several producers of EOLs, including one known major producer and exporter, Louis Dreyfus, which is a Netherlands-based multinational company.[264] GSP-eligible imports from South Africa declined nearly $3 million from 2016 to 2017, but still accounted for 35 percent of GSP-eligible imports.

If all Argentina's shipments had been accorded GSP status in 2017, it would have accounted for the majority (94 percent) of GSP-eligible imports (table 15.4).[265] Argentina was the leading source of U.S. imports of EOLs between 2013 and 2017 despite its loss of GSP benefits. Unlike in other major lemon-producing countries, where the majority of lemons are not processed, the majority (80 percent) of Argentine lemons are further processed as juice and essential oils.[266]

Table 15.3 Essential oils of lemon: (HTS subheading 3301.13.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	164,355	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	7,313	4	100	[b]
Brazil	3,645	2	50	[b]
South Africa	2,566	2	35	[b]
All others[c]	1102	1	15	[b]

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not applicable.
[b] Not available.
[c] Includes India, Bolivia, Pakistan, and Turkey.

[263] In general, countries that are large producers of lemons are large producers of EOLs. The top global GSP-eligible lemon producers are India, Brazil, and Turkey. None of the top four non-U.S. global exporters of EOLs in 2017—Argentina, Germany, Canada, and Italy—were GSP-eligible countries.
[264] Louis Dreyfus Commodities website, http://www.louis-dreyfus.com/global/en/our-business/our-platforms/juice/ (accessed May 24, 2018).
[265] In May 2012 Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[266] Ultra International, "Essential Oils Market Report Spring 2018" (accessed May 31, 2018).

Table 15.4 Essential oils of lemon (HTS subheading 3301.13.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina[a]	107,579	65	94	(b)
Imports from all GSP-eligible countries	7,313	4	6	(b)
GSP imports plus Argentina	114,892	70	100	(b)
Grand total	164,355	100	(c)	(b)

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Not available.
[c] Not applicable.

U.S. Imports and Exports

As previously noted, Argentina, despite being ineligible for duty-free access under GSP during 2013–17, was the largest source of U.S. imports of EOLs in 2017, accounting for 65 percent of total U.S. imports. Germany, the second-largest source, accounted for 5 percent of total imports. U.S. imports from non-GSP-eligible countries dropped $7.0 million from 2016 to 2017. However, imports from all sources increased by 41 percent from 2013–17, due to growing domestic demand for EOLs and insufficient domestic production.

Table 15.5 Essential oils of lemon (HTS subheading 3301.13.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Argentina	83,711,131	55,667,453	114,086,412	111,515,996	107,579,482
Germany	3,668,530	4,980,051	6,995,123	5,894,648	8,980,925
Canada[a]	5,499,010	9,533,312	4,544,412	6,785,461	8,521,373
Italy	4,894,943	11,744,235	9,990,847	8,862,576	7,574,443
Mexico[a]	3,162,876	5,428,871	4,501,520	9,573,618	5,097,900
Ireland	4,382,303	9,538,759	4,525,605	4,853,199	4,430,405
Spain	2,040,898	2,403,939	6,787,187	2,563,250	4,346,087
Brazil	708,981	447,133	1,491,470	2,843,913	3,644,577
Switzerland	2,643,902	3,426,417	4,027,331	6,586,210	2,967,948
Netherlands	1,422,466	568,868	0	126,929	2,693,842
All other	4,536,381	10,746,604	19,337,049	15,480,140	8,518,479
Total	116,671,421	114,485,642	176,286,956	175,085,940	164,355,461
Imports from GSP-eligible countries:					
Brazil	708,981	447,133	1,491,470	2,843,913	3,644,577
South Africa	1,327,655	3,365,103	4,024,261	5,496,236	2,565,663
India	82,051	23,918	445,827	340,682	567,968
Bolivia	1,605,370	2,361,590	2,178,360	1,335,927	447,069
Pakistan	0	264,000	0	0	63,000
Turkey	2,700	0	0	0	24,398
Sri Lanka	0	0	11,562	0	0
Egypt	0	18,500	0	38,000	0
Madagascar	71,863	180,010	0	0	0
Paraguay	0	39,182	3,960	0	0
All other	446,998	740,535	1,567,800	960,374	0
Total	4,245,618	7,439,971	9,723,240	11,015,132	7,312,675

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Despite being a major importer of EOLs, the United States also exports this product, though to a lesser degree. In 2017, the markets for U.S. exports of EOLs were led by Japan (18 percent) and the Netherlands (14 percent).

Table 15.6 Essential oils of lemon (Schedule B 3301.13.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Japan	6,921,636	11,169,975	6,316,668	9,982,039	8,747,889
Netherlands	2,269,612	3,128,786	4,211,361	3,451,906	6,768,878
Canada[a]	2,292,951	4,709,049	3,732,961	4,556,777	4,984,561
China	4,753,556	3,561,933	8,705,688	6,841,701	4,582,819
Mexico[a]	1,161,074	978,361	1,209,333	2,622,537	3,609,421
Ireland	2,001,423	9,107,115	11,926,148	4,615,366	3,431,333
Switzerland	1,588,368	1,919,256	3,270,413	3,040,684	2,601,807
Singapore[a]	1,286,238	1,309,861	1,812,261	2,829,117	2,556,460
United Kingdom	956,000	2,113,450	5,130,059	1,217,758	2,500,753
Italy	434,314	891,937	999,898	1,357,720	1,439,712
All other	5,208,250	10,154,177	7,859,941	10,434,694	8,585,733
Total	28,873,422	49,043,900	55,174,731	50,950,299	49,809,366

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of the government of Argentina appeared at the Commission hearing.

Petitioner: Joanna Drake, general counsel, Flavor and Extract Manufacturers Association of the United States, filed a petition with USTR requesting a competitive need limitation (CNL) waiver for HTS subheading 3301.13.00. This party also appeared at the Commission hearing and filed written submissions.

Petitioner: Martín Carignani, President of the Asociación Citrícola del Noroeste Argentino (ACNOA), filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

Petitioner: Raul Querelac, of the Asociación Fitosanitaria del Noroeste Argentino (AFINOA) (Northwest Argentina Phytosanitary Association), filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

Petitioner: Richard C. Pisano, Jr., President of Citrus and Allied Essences Ltd., filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

Petitioner: Fernando José Maria Carrera, President of Union Industrial of Tucuman, filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

Petitioner: José Francisco F. Carbonell, President, Federación Argentina del Citrus, filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

Petitioner: Maximiliano D'Alessandro, Chief Marketing Officer of San Miguel Global A.G.I.C.Y.I.F., filed a petition with USTR requesting a CNL waiver for HTS subheading 3301.13.00.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Associated Press. "U.S. Ends Ban on Importing Argentine Lemons." *Los Angeles Times*, May 2, 2017. http://www.latimes.com/business/la-fi-lemons-argentina-20170502-story.html.

Citrus and Allied Essences LTD. "Essential Oils Market Report," September 2017. http://www.citrusandallied.com/market-reports.html.

Drugs.com. "Lemon Oils," n.d. https://www.drugs.com/inactive/lemon-oils-153.html (accessed May 31, 2018).

Flavor and Extract Manufacturers Association of the United States. Written submission to the U. S. Trade Representative (USTR), in connection with in connection with inv. no. 332-567, *Generalized System of Preferences (GSP): Possible Modifications 2017 Review,* April 16, 2018.

Food Ingredients First. "Givaudan Flavours Provides 'Clean Label' Solution for Rising Cost of Lemon Oils," July 14, 2008. http://www.foodingredientsfirst.com/news/givaudan-flavours-provides-clean-label-solution-for-rising-cost-of-lemon-oils.html.

Halliday, Jess. "Givaudan Alternatives to Ease Lemon Oils Squeeze." Bakery and Snacks, July 21, 2008. https://www.bakeryandsnacks.com/Article/2008/07/17/Givaudan-alternatives-to-ease-lemon-oils-squeeze.

Louis Dreyfus Company. "Juice." https://www.ldc.com/global/en/our-business/our-platforms/juice (accessed May 24, 2018).

Market Research Store. "Global Essential Oils Market Size and Share." News release, GlobeNewswire, May 19, 2017. https://globenewswire.com/news-release/2017/05/19/988050/0/en/Global-Essential-Oils-Market-Size-Share-Expected-to-Reach-USD-9-8-Billion-by-2020.html.

U. S. International Trade Commission (USITC). *Generalized System of Preferences: Possible Modifications, 2015 Review. Investigation No. 332-556.* Washington, DC: USITC Publication 4609, May 2016.

U.S. International Trade Commission (USITC)/ Interactive Tariff and Trade DataWeb (DataWeb)/U.S. Department of Commerce (USDOC). http://dataweb.usitc.gov (accessed various dates).

Ultra International B.V. (Holland). "Essential Oils Market Report, Spring 2018." http://ultranl.com/market/market-report-spring-2018/ (accessed May 18, 2018).

Chapter 16
Competitive Need Limitation (CNL) Waiver: Certain Monumental or Building Stone (Brazil)[267]

Table 16.1 Certain monumental or building stone

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
6802.99.00[a]	Worked monumental, building stone, and articles thereof, not elsewhere specified or indicated (n.e.s.o.i.), further worked than simply cut or sawn, n.e.s.o.i.	6.5 percent

[a] Brazil exceeded the value-based CNL for Harmonized Tariff Schedule (HTS) subheading 6802.99.00 in 2017.

Description and Uses

The product classified in HTS subheading 6802.99.00 is certain worked monumental or building stone. The types of stone include bluestone, brownstone, sandstone, soapstone, quartzite, and other lesser-known rock types composed of siliceous (containing silica) materials. These types of "certain monumental or building stone" are predominantly composed of quartz or silica. Worked stone refers to stone that has been altered in composition, shape, or finish. This HTS subheading includes a range of products—from rough slabs cut from the quarried stone to further worked certain monumental or building stone with finished surfaces. Examples of "further worked" stone include worked slabs, floor tiles, mosaic cubes, and similar products of natural stone that have a surface length greater than 7 centimeters. These stone products also include monuments, bases, and markers. Specifically excluded from this classification are articles of marble, travertine, and alabaster (all classified in HTS subheading 6802.91), other calcareous (calcium-containing) stones (HTS subheading 6802.92.00), and granite (HTS subheading 6802.93.00).

Stone classified in HTS subheading 6802.99.00 is used in residential and commercial properties for a variety of fixtures. Residential applications include kitchen countertops and islands, fireplaces, vanities, custom furniture, baths, and floors. Commercial applications include, but are not limited to, hotel reception areas, hospital floors, conference centers, and exterior accents at apartment complexes. This type of stone is also used for gravestones, headstones, and markers.[268]

[267] The petition was filed with the U.S. Trade Representative (USTR) by M.S. International and requested a competitive need limitation (CNL) waiver of HTS subheading 6802.99.00 under the provisions of the GSP for Brazil.
[268] USITC, hearing transcript, June 14, 2018, 83–84 (testimony of Rupesh Shah, co-president at M.S. International).

Like or Directly Competitive Product Assessment

The Commission identified U.S. production of certain worked monumental or building stone during 2015–17 that the Commission advises is like or directly competitive with articles that fall within the description of articles covered by HTS subheading 6802.99.00. In assessing whether domestically produced certain monumental or building stone was like or directly competitive with the Brazilian article, the Commission considered five main characteristics: the physical properties of the item produced in the United States and in Brazil, the manufacturing processes, the product uses, the marketing channels of distribution, and the customs treatment of the product. Both countries produced certain monumental or building stone with the same physical properties; used similar manufacturing processes; used the stone in similar end-use applications; shared the same marketing channels; and would be expected to have received the same customs treatment.

Physical Properties

Certain monumental or building stone being produced in the United States and Brazil has the same physical properties, except for the color and pattern of the stone.[269] Each stone quarry produces stone with a unique appearance resulting from geological formations, which can ultimately affect the consumer choice of product. Reportedly, different colors and patterns of certain monumental or building stone from Brazil distinguish it from the stone manufactured in the United States.[270] The other physical properties of this type of stone are nearly identical regardless of the source.

Manufacturing Process

Producers of certain monumental or building stone in the United States and Brazil used virtually the same manufacturing process. The approaches could have varied slightly among processors both within and between countries, but none of these variations were significant and the end results were comparable.

[269] USITC, hearing transcript June 14, 2018, 73–74 (testimony of Rupesh Shah, co-president at M.S. International).
[270] USITC, hearing transcript June 14, 2018, 46–47 (testimony of Rupesh Shah, co-president at M.S. International).

Product's Uses

Whether from the United States or from Brazil, stone classified in subheading 6802.99.00 was used in similar applications. Stone from both sources was used in residential properties (such as countertops).[271] However, consumers' aesthetic preferences may result in their choosing one source over another for certain applications. Reportedly, imported monumental or building stone is primarily used in residential properties (such as countertops), whereas domestically produced stone is preferred for use in monuments.[272]

Marketing Channels

U.S. stone and Brazilian stone of this type were sold in the same channels, where they compete on price and aesthetic appeal. Products are being sold by home improvement stores, importers, stone distributors, fabricators, and quarries.

Customs Treatment

Certain monumental or building stone produced in the United States would likely have received the same customs treatment as certain monumental or building stone produced in Brazil if it had been imported (i.e. imported under HTS 6802.99.00).

Profile of U.S. Industry and Market, 2013–17

The U.S. industry for certain monumental or other building stone in the United States is composed of quarries, distributors, and fabricators. Quarries use explosives and mining equipment to remove stone blocks from natural formations. Quarry operators cut stone blocks into slabs at or near the quarry site. Distributors keep inventories of stone slabs available for sale. Fabricators transform the stone slabs into the finished surface product by designing, measuring, cutting, edging, and polishing the stone. After the stone is transformed, the surfaces are transported and installed. There are 71 quarries operating in the United States that produce sandstone, soapstone, quartzite, and bluestone.[273] The number of fabricators operating in the United States is unknown. By tonnage, the leading states producing stone (including monumental and building stone not contained in HTS subheading 6802.99.00) were Texas, Arizona, New York, Oklahoma, and Pennsylvania.[274]

---

[271] Industry representative, telephone interview by USITC staff, June 28, 2018; USITC, hearing transcript, June 14, 2018, 46 (testimony of Rupesh Shah, co-president at M.S. International); Arizona Tile website, Churchill Soapstone, https://www.arizonatile.com/en/products/soapstone/churchill-soapstone (accessed June 28, 2018); Polycor website, Alberene Soapstone, https://www.polycor.com/stone/soapstone/alberene-soapstone/ (accessed August 13, 2018).
[272] USITC, hearing transcript, June 14, 2018, 46 (testimony of Rupesh Shah, co-president at M.S. International).
[273] USGS, "Dimension Stone," January 2018.
[274] USGS, "Dimension Stone," August 2017.

The main consumers of certain monumental or building stone are companies and individuals that are building and renovating real estate properties.[275] The U.S. market for this kind of stone, including sandstone, soapstone, quartzite, and bluestone, is largely driven by new housing, as well as by the remodeling of existing structures.[276] Consumers purchase this stone from home improvement stores, importers, stone distributors, fabricators, and quarries. The demand for these goods is also shaped by pricing, consumer preferences, and competition with other materials. Consumers have many options to choose from when deciding on which monumental or building material to use, such as marble, other natural stone, and aggregate surface products. Each of these products offers consumers different aesthetic options and unique physical properties.

Table 16.2 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	8,689	14,792	19,833	18,566	29,055
Imports (1,000 $)	290,633	288,935	306,006	351,190	402,718
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries increased 39 percent ($78 million) from 2013–17. Brazil is the largest GSP-eligible supplier of certain monumental or building stone to the United States. In 2017, Brazil supplied 67 percent of GSP-eligible imports of this type of stone, and 46 percent of total U.S. imports. India was the second-largest supplier in 2017, accounting for 32 percent of imports from GSP-eligible countries and 22 percent of total U.S. imports.[277]

Brazil is the third-largest global exporter of certain worked stone products by value (HTS subheading 6802.99).[278] Brazil is the largest source of U.S. imports of such stone. Brazil's stone industry predominantly produces granite and marble stone (granite and marble are not included in HTS subheading 6802.99.00), but over the last 30 years it has reportedly started producing quartzite and other stone products that are included in certain monumental or building stone.[279] Most of Brazil's

[275] USITC, hearing transcript, June 14, 2018, 46–47 (testimony of Rupesh Shah, co-president, M.S. International).
[276] According to the U.S. Census Bureau, construction on new privately owned housing units rose 2.5 percent from 2016 to 2017. Construction of new privately owned housing units increased 30.1 percent (278,000 units) from 2013 to 2017. U.S. Census, "New Residential Construction," May 21, 2018. Homeowner improvement spending is expected to grow 6.8 percent in major metropolitan areas in 2017. Joint Center for Housing Studies, "Demographic Change and the Remodeling Outlook," February 28, 2017.
[277] USITC DataWeb/USDOC, HTS subheading 6802.99.00; (accessed June 27, 2018).
[278] IHS Markit, Global Trade Atlas database (HTS subheading 6802; accessed June 1, 2018).
[279] Aria Stone Gallery, "History of the Brazilian Stone Market," January 16, 2018.

stone industry is composed of small and medium-sized enterprises, although several are larger integrated companies.[280]

Table 16.3 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	402,718	(a)	(a)	(b)
Imports from GSP-eligible countries:	279,472	69	(a)	(b)
Total				(b)
Brazil	186,248	46	67	(b)
India	88,487	22	32	(b)
Indonesia	3,064	1	1	(b)

[a] Not applicable.
[b] Not available.

U.S. Imports and Exports

U.S. imports of certain monumental or building stone from all countries increased 39 percent ($112 million) from 2013 to 2017. Brazil was the largest supplier of imports to the U.S. market in 2017 and accounted for 46 percent ($186.2 million) of total U.S. imports.[281] India accounted for 22 percent ($88.5 million) of the total that year, while China accounted for 11 percent ($45.5 million) and was the leading non-GSP-eligible import source of these products (table 16.4). Brazil accounted for 66 percent of the increase in U.S. imports of certain monumental or building stone during 2013–17.

[280] StoneContact, "Brazil Stone Quarries" (accessed May 30, 2018).
[281] In 2017, Brazil's share of U.S. imports, by quantity, was 27 percent (218,772 tons), well below its 46 percent value share.

Table 16.4 Certain monumental or building stone (HTS subheading 6802.99.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Brazil	112,473,031	110,365,706	120,561,807	153,283,769	186,247,693
India	81,504,345	73,966,841	70,088,553	80,612,184	88,487,072
China	31,453,768	34,674,310	39,349,504	38,530,189	45,497,255
Italy	24,185,397	26,630,784	32,894,058	34,655,135	39,729,405
Canada[a]	19,444,485	20,325,081	21,087,768	21,496,722	21,528,076
Mexico[a]	5,192,676	6,184,425	7,144,181	8,003,166	7,662,425
Indonesia	1,898,562	1,695,321	2,333,454	2,374,106	3,063,620
Spain	1,488,719	1,587,434	1,821,479	1,687,947	1,671,080
France	539,890	828,625	765,081	1,032,962	1,064,144
Bulgaria	514,558	807,108	1,001,878	755,888	668,842
All other	11,937,320	11,869,424	8,958,316	8,758,289	7,097,983
Total	290,632,751	288,935,059	306,006,079	351,190,357	402,717,595
Imports from GSP–eligible countries:					
Brazil	112,473,031	110,365,706	120,561,807	153,283,769	186,247,693
India	81,504,345	73,966,841	70,088,553	80,612,184	88,487,072
Indonesia	1,898,562	1,695,321	2,333,454	2,374,106	3,063,620
Turkey	4,468,996	3,474,121	653,137	1,092,018	459,374
Lebanon	14,089	14,731	63,175	127,304	317,319
Madagascar	4,525	0	0	44,727	207,733
South Africa	336,440	448,101	559,991	346,350	189,506
Pakistan	269,448	252,581	132,363	338,529	176,503
Philippines	95,241	228,417	207,144	132,484	146,841
Mauritius	0	0	0	151,287	59,402
All other	427,896	308,232	226,784	222,686	116,638
Total	201,492,573	190,754,051	194,826,408	238,725,444	279,471,701

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

The United States exported $29 million of certain monumental building stone in 2017. Most U.S. exports are destined to Canada where, under Canada's tariff number 6802.99.00, they are eligible for duty-free entry under the North American Free Trade Agreement (NAFTA).

Table 16.5 Certain monumental or building stone (Schedule B 6802.99.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	7,543,158	13,303,785	18,121,350	17,032,471	22,540,622
United Kingdom	22,400	66,281	32,726	47,394	1,829,795
Russia	2,584	0	0	0	725,491
Japan	12,591	5,049	0	0	454,557
Ireland	0	0	6,823	0	318,495
Hong Kong	12,000	62,186	24,000	12,946	296,073
South Korea[a]	0	14,338	0	0	278,068
Trinidad and Tobago	23,027	31,323	8,658	2,727	269,119
Mexico[a]	62,358	242,710	126,403	268,835	266,714
Taiwan	40,814	0	6,989	0	215,796
All other	970,534	1,066,602	1,505,732	1,201,691	1,860,052
Total	8,689,466	14,792,274	19,832,681	18,566,064	29,054,782

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: M.S. International (MSI) filed a petition with the U. S. Trade Representative (USTR) and appeared at the Commission hearing; it also filed written submissions with the Commission. The party's written summary, as submitted to the Commission, is provided below.

> MSI is a leading national distributor of flooring, countertop, wall tile, and hardscaping products. Headquartered in Orange, California, MSI maintains distribution centers across the United States and Canada. In 2017, MSI surpassed $1 billion in annual revenues. MSI employs nearly 1,600 hard-working Americans in 18 states.
>
> MSI has requested a competitive need limit (CNL) waiver for imports of HTSUS 6802.99.00 from Brazil and a redesignation for imports of HTSUS 6802.93.00 from India as eligible for duty-free treatment under the Generalized System of Preferences (GSP) program. The two products are natural stone imported as slabs for use as kitchen and bathroom countertops. HTSUS 6802.93.00 includes monumental stone of granite, while HTSUS 6802.99.00 includes monumental stone other than granite (e.g., basalt, gabbro, diorite, diabase, syenite, gneiss, etc.). Though classified separately based on geological properties, products under both import headings are commonly referred to as "granite" in the trade (e.g., the "black granite" MSI supplied for the Vietnam Veterans Memorial is actually basalt).
>
> Granting GSP benefits to the two products will not lead to large increases in overall U.S. imports. These are not rapidly growing exports from new entrants into the market, but products whose imports are declining due to changing consumer preferences. MSI believes imports of the subject product from Brazil peaked in late 2017, while imports of the subject product from Brazil peaked in 2015. Import data through April 2018 confirm these trends; imports of the products are down approximately 10%-15% compared to 2017. Imports of both products are likely to fall well below the CNLs for 2018 and subsequent years. Granting the petitions may help slow, but will not reverse, market trends.

> Additionally, granting GSP benefits would not adversely impact any industry in the United States, since imported and domestic monumental stone generally are used for different purposes. MSI imports slabs for countertops. The limited granite and natural stone quarried in the United States generally is used for headstones and memorials. Many of the properties desirable for countertops (e.g., colors, patterns) are not available from domestic sources.
>
> Qualities and characteristics differ due to geological formations, not geographical boundaries. Many colors are available only Brazil and India, reflecting mineral deposits and rock formations unique to those areas.
>
> Finally, granting GSP benefits will have a positive impact on U.S. consumers, who could save tens of millions of dollars annually through lower prices. GSP benefits for the products also would support continued growth and U.S. jobs at MSI, hundreds of similar U.S. distributors of Brazilian and Indian stone, and tens of thousands of U.S. workers in the countertop fabrication and installation industry.
>
> Failure to grant the two petitions could cost American consumers tens of millions of dollars, cause significant harm to American jobs at distributors, fabricators, and installers that transform a large stab of rock into a finished kitchen or bathroom countertop. U.S. producers are unlikely to gain, though Chinese stone producers likely would because such imports would become more competitive.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Aria Stone Gallery. "History of the Brazilian Stone Market," January 16, 2018. https://ariastonegallery.com/history-of-the-brazilian-stone-market/.

Dilthey, Max Roman. "How Does Marble Get Mined From a Quarry?" Sciencing, April 24, 2017. https://sciencing.com/marble-mined-quarry-4567716.html.

IHS Markit. Global Trade Atlas database (accessed June 1, 2018).

Joint Center for Housing Studies of Harvard University. "Demographic Change and the Remodeling Outlook." *America's Rental Housing 2017*, February 28, 2017. http://www.jchs.harvard.edu/remodeling-2017/.

StoneContact. "Brazil Stone Quarries." http://www.stonecontact.com/brazil-stone-quarries (accessed May 30, 2018).

StoneContact. "United States Stone Quarries." http://www.stonecontact.com/united-states-stone-quarries (accessed May 30, 2018).

U.S. Census Bureau (U.S. Census). "New Residential Construction." https://www.census.gov/construction/nrc/index.html (accessed July 24, 2018).

U.S. Census Bureau (U.S. Census). "New Residential Construction," by Cheryl Cornish, Stephen Cooper, and Salima Jenkins, May 21, 2018. https://www.census.gov/construction/nrc/historical_data/index.html.

U.S. Geological Survey (USGS). "Mineral Commodity Summaries: Stone (Dimension)." Summary by Thomas P. Dolley, January 2018. https://minerals.usgs.gov/minerals/pubs/commodity/stone_dimension/mcs-2018-stond.pdf.

U.S. Geological Survey (USGS). "Stone, Dimension," by Thomas P. Dolley. In *2015 Minerals Yearbook*, April 19, 2018. https://minerals.usgs.gov/minerals/pubs/commodity/stone_dimension/.

U.S. International Trade Commission (USITC). Hearing transcript in connection with inv. no. 332-567, *Generalized System of Preferences (GSP): Possible Modifications 2017 Review,* June 14, 2018.

Chapter 17
Competitive Need Limitation (CNL) Waiver: Ferrosilicon Chromium (Kazakhstan)[282]

Table 17.1 Ferrosilicon chromium

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
7202.50.00[a]	Ferrosilicon chromium	10.0 percent

[a] Kazakhstan exceeded the percentage-based super competitive need limitation (CNL) for Harmonized Tariff Schedule (HTS) subheading 7202.50.00 in 2017.

Descriptions and Uses

Classified in subheading 7202.50.00 of the Harmonized Tariff Schedule of the United States (HTS), ferrosilicon chromium (also known as ferrochrome silicon and silicochrome) is an alloy consisting principally of silicon, chromium, and iron. The raw materials used to produce ferrosilicon chromium are silicon dioxide (quartz), a carbon source (charcoal or coal), and high-carbon ferrochromium (chromite ore can also be used). During the production process, these raw materials are fed into a submerged-arc electric furnace where the carbon source reacts with the oxygen in silicon dioxide to produce silicon, which is then fused with the high-carbon ferrochromium to form ferrosilicon chromium.[283]

Ferrosilicon chromium was originally developed for use in producing low-carbon ferrochromium. In the 1950s it was introduced to producers of wrought stainless steel as a lower-cost substitute for low-carbon ferrochromium.[284] Ferrosilicon chromium comes in two grades, as specified by ASTM International standards:[285] these contain 34–42 percent chromium and 38–45 percent silicon.[286]

[282] The petition was filed with the U.S. Trade Representative (USTR) by the government of Kazakhstan. It requested a waiver of the CNL for HTS subheading 7202.50.00 under the provisions of the GSP for Kazakhstan.
[283] Ferbasa website, http://www.ferbasa.com.br/conteudo_eni.asp?idioma=1&conta=46&tipo=56419 (accessed June 1, 2018); Gasik, *Handbook of Ferroalloys Theory and Technology*, 2013, 299–303.
[284] AMG Vanadium, "Chromium," November 23, 2000.
[285] ASTM International is one of the largest voluntary standards developing organizations in the world. The ASTM standard for ferrosilicon chromium specifies properties such as the chemical composition and size of the material.
[286] ASTM Designation A482/A482M-11 (reapproved 2016), Standard Specification for Ferrochrome-Silicon, table 1 (Chemical Requirements). Designation: A 482-04 Standard Specification for Ferrochrome-Silicon. ASTM, *Annual Book of ASTM Standards*, section 1 (Iron and Steel Products), volume 01.02 (Ferrous Castings; Ferroalloys), 2017, 267; ASTM, "ASTM A482/A482M–11(2016): Standard Specification for Ferrochrome-Silicon," 2016, https://www.astm.org/Standards/A482.htm.

Ferrosilicon chromium is used primarily as an additive in the production of stainless steel in order to impart properties of chromium and silicon that are essential to stainless steel. [287] Chromium is added to steel to improve wear resistance, increase corrosion and oxidation resistance, increase hardenability, and promote strength at elevated temperatures.[288] Silicon is added to steel to improve its oxidation resistance at high temperatures, strengthen it, and increase its hardenability.[289]

Like or Directly Competitive U.S. Product Assessment

The Commission did not identify any U.S. production of ferrosilicon chromium during 2015–17. The Commission advises that there was no U.S. production of an article like or directly competitive with articles classified in HTS heading 0410.00.00 during 2015–17.

According to industry sources, ferrosilicon and ferrochromium could be used in combination as a substitute for ferrosilicon chromium by certain stainless steel producers.[290] While there was U.S. production of ferrosilicon,[291] Commission staff did not identify any domestic production of ferrochromium during any of the preceding three calendar years. Instead, information available to the Commission indicates that the U.S. industry has relied on imports of this product.

In assessing whether, during any of the three preceding calendar years, there has been U.S. production of an article that is like or directly competitive with certain ferrosilicon chromium from Kazakhstan, the Commission considered the physical properties of the item produced in the United States and in Kazakhstan; the manufacturing processes; the product uses; the marketing channels; and the customs treatment of the product. The discussion below compares imported ferrosilicon chromium from Kazakhstan to domestically produced ferrosilicon which, when combined with imported ferrochromium, can be used as a substitute for ferrosilicon chromium.

Physical Properties

Ferrosilicon chromium has physical properties that are essential for producing stainless steel. Ferrosilicon does not have the same physical properties as ferrosilicon chromium. Ferrosilicon must be used in combination with ferrochromium to have physical properties similar to those of ferrosilicon chromium. By definition, stainless steel must have a chromium content of at least 10.5 percent, by

[287] Stainless steels are iron-base alloys containing 10.5 percent or more chromium. One of the most common alloys, type 304, contains 18 percent chromium. Stainless Steel Industry of North America, http://www.ssina.com/overview/alloy-families.html (accessed May 31, 208).
[288] USGS, "Ferroalloys (Advance Release)," May 2018.
[289] USGS, "Ferroalloys (Advance Release)," May 2018.
[290] The use of a combination of ferrochromium and ferrosilicon as a substitute for ferrosilicon chromium does not change the stainless steel production process in a substantive way nor does it substantively alter the quality of the steel produced. The decision to use ferrosilicon chromium or the combination of ferrosilicon and ferrochromium is based on price and the availability of the materials. Industry experts, telephone interviews by USITC staff, May 29–30, 2018.
[291] As of 2015, ferrosilicon was produced at four facilities in the United States, and they were all believed to be operating in 2017. USGS, "Ferroalloys (Advance Release)," May 2018.

weight, to have the proper physical characteristics to prevent oxidation.[292] According to the U.S. Geological Survey, "chromium has no substitute in stainless steel, the leading end use, or in superalloys (alloys capable of withstanding high temperatures, high stresses, and often highly oxidizing atmospheres), the major strategic end use."[293]

Manufacturing Process

The United States produced ferrosilicon, but not ferrochromium (produced in many plants around the world) or ferrosilicon chromium (produced in Kazakhstan and some other countries). These three ferroalloys are manufactured using different processes from different inputs. Ferrosilicon is made by smelting silicon dioxide (quartz), iron ore or scrap steel, and reductants (a mixture of coal, charcoal, and wood chips) in a submerged-arc electric furnace.[294] Ferrochromium is produced from chromite ore by smelting a mixture of the ore, flux materials (quartz, dolomite, limestone, and aluminosilicates), and a carbonaceous reductant (wood, coke, or charcoal) in a submerged-arc electric furnace. Ferrosilicon chromium is produced from a mixture of silicon dioxide (quartz), a carbon source (charcoal or coal), and high-carbon ferrochromium (chromite ore can also be used).

Ferrosilicon chromium is produced at some ferrochromium plants around the world but is not produced at ferrosilicon plants. Ferrochromium is not made in the United States, but is an essential part of the substitute for ferrosilicon chromium.[295]

Product Uses

In the United States, both ferrosilicon chromium and the combination of ferrosilicon and ferrochromium are used in steel production. Ferrosilicon chromium was principally used to make stainless steel. Ferrosilicon, when combined with ferrochromium, was principally used (with other alloys) as a deoxidizer and alloy to produce carbon, stainless, and alloy steels.[296] In stainless steel production, ferrosilicon reduces the oxidation of other elements, such as chromium.[297]

Marketing Channels

Ferrosilicon chromium from Kazakhstan and domestically produced ferrosilicon are sold through similar marketing channels. Ferrosilicon chromium is sold by ferroalloy traders. Ferrosilicon is sold by ferroalloy traders and directly from producers. [298]

[292] Stainless Steel Industry of North America, "Stainless Steel Overview: Alloying Elements in Stainless Steel," http://www.ssina.com/overview/alloyelements_intro.html (accessed May 31, 2018).
[293] USGS, "Chromium," January 2018.
[294] Vishu and Halvard, "Silicon and Silicon Alloys, Production and Uses," June 15, 2016, 12.
[295] Papp and Lippin, "Chromium and Chromium Alloys," April 16, 2010, 15.
[296] Globe Specialty Metals, "Ferrosilicon," http://www.ferroglobe.com/products/ferrosilicon/?lang=en (accessed May 31, 2018).
[297] Gasik, *Handbook of Ferroalloys Theory and Technology*, 2013, 195.
[298] Ferrochromium is also sold by ferroalloy traders and directly from producers.

Customs Treatment

Ferrosilicon produced in the United States would not have received the same customs treatment as the ferrosilicon chromium produced in Kazakhstan if it had been imported. Specifically, ferrosilicon chromium is classified in HTS subheading 7202.50.00,[299] while ferrosilicon is classified in one of five HTS provisions under HS 7202.21.[300]

Profile of U.S. Industry and Market, 2013–17

There is no U.S. production of ferrosilicon chromium or ferrochromium, but the United States does produce ferrosilicon. Ferrosilicon and imported ferrochromium can be combined and used together as a substitute for ferrosilicon chromium.[301]

Stainless steel producers are the leading consumers of ferrosilicon chromium. The United States produced 2.75 million metric tons of stainless steel in 2017, accounting for 5.7 percent of total worldwide stainless steel production.[302] In 2017, U.S. stainless steel production increased by 11 percent, by volume, from 2016 and by 35 percent from that in 2013.[303] The increase in domestic stainless steel production coincided with an overall increase in imports and consumption of ferrosilicon chromium during 2013–17 (by value and quantity). The majority of the stainless steel produced in the United States, however, is made from recycled scrap. Stainless steel mills melt recycled stainless steel scrap and alloys of chromium in electric arc furnaces to produce new stainless steel.[304] Some stainless steel producers use as much as 85–90 percent scrap and 10–15 percent alloys in the production of new stainless steel.[305]

---

[299] Ferrochromium is imported under three HTS subheadings: 7202.41.00, "Ferrochromium (containing by weight more than 4 percent of carbon)"; 7202.49.10, "Ferrochromium (containing by weight more than 3 percent of carbon)"; and 7202.49.50, "Ferrochromium (other)."

[300] Ferrosilicon would have been imported under one of the following HTS subheadings: 7202.21.10, "Ferrosilicon (containing by weight more than 55 percent but not more than 80 percent silicon and more than 3 percent calcium)"; 7202.21.50, "Ferrosilicon (all other containing by weight more than 55 percent but not more than 80 percent silicon)"; 7202.21.75, "Ferrosilicon (containing by weight more than 80 percent but not more than 90 percent of silicon)"; 7202.21.90, "Ferrosilicon (containing by weight more than 90 percent silicon)"; or 7202.29.00, "Ferrosilicon (other)."

[301] The silicon metal and ferrosilicon industry consists of companies that mine and process silicon dioxide to produce silicon metal and ferrosilicon. In 2017, the combined domestic production of silicon metal and ferrosilicon was 518,000 metric tons. USGS, "Silicon in March 2018," May 2018. As of 2015, ferrosilicon was domestically produced by CC Metals and Alloys in Kentucky and by Globe Metallurgical in Alabama and Ohio. USGS, "Silicon (Advance Release)" November 2017.

[302] International Stainless Steel Forum, "Stainless Steel in Figures 2018," May 24, 2018.

[303] Stainless steel melt shop production in the United States, 2013–17 (in metric tons): in 2013: 2,030; in 2014: 2,389; in 2015: 2,346; in 2016: 2,481; and in 2017: 2,754. *International Stainless Steel Forum,* "Stainless Steel in Figures 2018," May 24, 2018.

[304] Stainless Steel Industry of North America website, http://www.ssina.com (accessed May 31, 2018).

[305] Outokumpu, *Handbook of Stainless Steel*, 2013, 24.

Stainless steel producers that use ferrosilicon chromium also use the combination of ferrochromium and ferrosilicon to produce stainless steel products. Purchasing decisions are usually based on the price of ferrosilicon chromium relative to that for ferrochromium and ferrosilicon, as well as which materials are most readily available at a given time.[306] Stainless steel producers typically purchase imported ferrosilicon chromium from ferroalloy traders, not directly from producers.[307]

Table 17.2 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	0	0	0	0	0
Employment (1,000 employees)	0	0	0	0	0
Production (1,000 $)	0	0	0	0	0
Exports (1,000 $)[a]	21	43	85	64	31
Imports (1,000 $)	20,014	21,148	8,021	10,048	32,049
Consumption (1,000 $)[b]	19,993	21,106	7,936	9,984	32,017
Import-to-consumption ratio (percent)	100	100	101	101	100
Capacity utilization (percent)	[c]	[c]	[c]	[c]	[c]

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] These exports are likely re-exports. There is no U.S. production of ferrosilicon chromium; however, there are ferroalloy trading firms in the United States that sell to foreign customers.
[b] Consumption values were derived by subtracting the value of exports from the value of imports.
[c] Not applicable.

GSP Import Situation, 2017

In 2017, U.S. imports of ferrosilicon chromium from GSP-eligible countries were supplied entirely by Kazakhstan (table 17.3). These imports, worth $32 million in 2017, accounted for all U.S consumption. During the past few years, Kazakhstan has emerged as the leading global supplier of ferrosilicon chromium, accounting for 58 percent of total world ferrosilicon chromium exports (by value) in 2017.[308] The last GSP-eligible imports from Brazil, another known producer of ferrosilicon chromium, were in 2016. In 2017, however, the majority of Brazil's ferrosilicon chromium exports went to Japan, a leading producer of stainless steel, for use in alloy and stainless steel production.

Table 17.3 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	32,049	100.0	[a]	100.0
Imports from GSP-eligible countries:				
Total	32,049	100.0	100.0	100.0
Kazakhstan	32,049	100.0	100.0	100.0

[a] Not applicable.

Ferrosilicon chromium from Kazakhstan is produced by the Eurasian Resources Group (ERG) (formerly Eurasian Natural Resources Corp.). ERG produces several types of ferroalloys, including ferrochromium,

[306] Industry expert, telephone interview by USITC staff, May 30, 2018.
[307] Industry expert, telephone interview by USITC staff, May 30, 2018.
[308] IHS Markit, Global Trade Atlas database (accessed May 31, 2018).

ferrosilicon, ferrosilicon chromium, and silicomanganese.[309] ERG's ferrosilicon chromium production capacity is not known, but in 2014 the company had the capacity to produce 1.3 million metric tons of ferrochromium per year at its Aksu and Aktobe plants.[310] Kazakhstan is one of the leading global producers of ferrochromium; the world's chromium resources are heavily concentrated geographically (95 percent) in Kazakhstan and southern Africa.[311] Ferrosilicon chromium production in Kazakhstan has declined from 165,000 metric tons in 2012 to 95,000 metric tons 2016.[312] However, ferrochromium production increased during the same period, so it is possible that ERG shifted some production resources to ferrochromium from ferrosilicon chromium. In 2017, the United States was the leading destination for Kazakhstan's ferrosilicon chromium exports, by value, followed by South Korea, Japan, and Spain.[313]

U.S. Imports and Exports

Kazakhstan was the largest and most consistent foreign supplier of ferrosilicon chromium to the U.S. market from 2013 to 2017. U.S. imports of ferrosilicon chromium fluctuated slightly, but followed an overall upward trend during 2013–17 (table 17.4). A possible reason for these increased imports is the growth in U.S. production of stainless steel during this period. However, since some stainless steel producers have indicated that they alternate between using ferrosilicon chromium and the combination of ferrochromium and ferrosilicon, it is possible that some of the fluctuations in imports during 2015–16 were partly due to substitution effects.

U.S. imports from Russia, another known ferrosilicon chromium producer, have been minimal since 2014. Russia's total ferrosilicon chromium exports declined during that time. In 2017, Russia's exports of ferrosilicon chromium to the world were valued at $153,441, compared to $5.7 million in 2013.[314]

Table 17.4 Ferrosilicon chromium (HTS subheading 7202.50.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Kazakhstan	17,843,700	21,072,289	7,836,450	8,087,626	32,048,554
Brazil	0	0	0	1,960,200	0
United Kingdom	0	0	3,548	0	0
Germany	0	76,000	0	0	0
Russia	2,169,971	0	181,272	0	0
Total	20,013,671	21,148,289	8,021,270	10,047,826	32,048,554
Imports from GSP–eligible countries:					
Kazakhstan	17,843,700	21,072,289	7,836,450	8,087,626	32,048,554
Brazil	0	0	0	1,960,200	0
Russia	2,169,971	(a)	(a)	(a)	(a)
Total	20,013,671	21,072,289	7,836,450	10,047,826	32,048,554

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

[309] Eurasian Resources Group website, https://www.eurasianresources.lu/en/home (accessed May 31, 2018).
[310] USGS, "Kazakhstan (Advance Release)," October 2017.
[311] USGS, "Chromium," January 2018.
[312] British Geological Survey, "Production of Ferro-alloys," February 2018, 38–40.
[313] IHS Markit, Global Trade Atlas database (accessed May 31, 2018).
[314] IHS Markit, Global Trade Atlas database (accessed May 30, 2018).

[a] This country was not GSP eligible in the indicated year.

Since there was no U.S. production of ferrosilicon chromium during 2013–17, it can be assumed that most of the U.S. exports of that product were shipments from ferroalloy trading firms to foreign customers. During that period, the majority of U.S. ferrosilicon chromium exports, by value, went to Canada and, to a lesser extent, Mexico (table 17.5).

Table 17.5 Ferrosilicon chromium (Schedule B 7202.50.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Ireland	0	0	0	0	13,470
Mexico[a]	0	0	0	22,385	10,575
Hong Kong	0	0	0	0	7,075
Canada[a]	20,550	42,626	71,696	37,114	0
Germany	0	0	13,474	0	0
India	0	0	0	4,640	0
Total	20,550	42,626	85,170	64,139	31,120

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Kazakhstan.

No statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

AMG Vanadium. "Chromium." *Ferroalloys and Alloying Additives Online Handbook*, November 23, 2000. http://amg-v.com/chromiumpage.html.

ASTM International. *Annual Book of ASTM Standards*, section 1 (Iron and Steel Products), vol. 01.02 (Ferrous Castings; Ferroalloys), 2017; ASTM, "ASTM A482/A482M–11(2016): Standard Specification for Ferrochrome-Silicon," 2016. https://www.astm.org/Standards/A482.htm.

British Geological Survey. "Production of Ferro-alloys." *World Mineral Production 2012–2016*. Keyworth, Nottingham, United Kingdom: British Geological Survey, 2018. https://www.bgs.ac.uk/downloads/start.cfm?id=3396.

Gasik, Michael M. *Handbook of Ferroalloys Theory and Technology.* Waltham, MA: Butterworth-Heinemann, 2013.

IHS Markit. Global Trade Atlas database (accessed various dates).

International Stainless Steel Forum. "Stainless Steel in Figures 2018," May 24, 2018. http://www.worldstainless.org/Files/issf/non-image-files/PDF/ISSF_Stainless_Steel_in_Figures_2018_English_Public.pdf.

Outokumpu. *Handbook of Stainless Steel*, 2013. https://otk-sitecore-prod-v2-cdn.azureedge.net/-/media/from-sharepoint/documents/product/outokumpu-stainless-steel-handbook.pdf?revision=908a8a8e-e13a-4e9b-82b9-f520b50396b8&modified=20170904123831.

Papp, John D., and Bruce R. Lippin. "Chromium and Chromium Alloys." *Kirk-Othmer Encyclopedia of Chemical Technology*, April 16, 2010. https://onlinelibrary.wiley.com/doi/full/10.1002/0471238961.0308181523051920.a01.pub3.

Specialty Steel Industry of North America (SSINA). "Overview: Stainless Steel Production." http://www.ssina.com/overview/stainless-production.html (accessed May 31, 2018).

U.S. Geological Survey (USGS). "Chromium," by Sheryl A. Singerling. In *2018 Mineral Commodity Summaries*. Reston, VA: U.S. Geological Survey, January 2018. https://minerals.usgs.gov/minerals/pubs/commodity/chromium/mcs-2018-chrom.pdf.

U.S. Geological Survey (USGS). "Ferroalloys (Advance Release)," by Sheryl A. Singerling and Christopher A. Tuck. In *2015 Minerals Yearbook.* Reston, VA: U.S. Geological Survey, May 2018. https://minerals.usgs.gov/minerals/pubs/commodity/ferroalloys/myb1-2015-feall.pdf.

U.S. Geological Survey (USGS). "Kazakhstan (Advance Release)," by Elena Safirova. In *2014 Minerals Yearbook.* Reston, VA: U.S. Geological Survey, October 2017. https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-kz.pdf.

U.S. Geological Survey (USGS). "Silicon (Advance Release)," by Emily K. Schnebele. In *2015 Minerals Yearbook*. Reston, VA: U.S. Geological Survey, November 2017. https://minerals.usgs.gov/minerals/pubs/commodity/silicon/myb1-2015-simet.pdf.

U.S. Geological Survey (USGS). "Silicon in March 2018," by Emily K. Schnebele in *Minerals Industry Surveys.* Reston, VA: U.S. Geological Survey, May 2018. https://minerals.usgs.gov/minerals/pubs/commodity/silicon/mis-201803-simet.pdf.

Vishu, Dosaj, and Tveit Halvard. "Silicon and Silicon Alloys, Production and Uses." In *Kirk-Othmer Encyclopedia of Chemical Technology*, June 15, 2016. https://onlinelibrary.wiley.com/doi/10.1002/0471238961.0308051304151901.a01.pub3.

Chapter 18
Redesignation: Apple, Quince and Pear Pastes and Purees (Argentina)[315]

Table 18.1 Apple, quince and pear pastes and purees

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2007.99.48[a]	Apple, quince and pear pastes and purees, cooked preparations	12.0 percent

[a] Argentina lost eligibility for duty-free treatment for Harmonized Tariff Schedule (HTS) subheading 2007.99.48 in 1995, after it was denied a de minimis waiver.

Description and Uses

The products classified in subheading 2007.99.48 of the Harmonized Tariff Schedule of the United States (HTS) are pastes and purees of apple, quince, and pear obtained by cooking, whether or not containing added sugar or other sweetening matter.[316] This HTS subheading includes apple, pear, and quince pastes and purees processed from the raw fruit, including puree concentrate,[317] but not containing chemical preservatives.[318] This HTS subheading includes conventional as well as organic pastes and purees.

While this HTS subheading includes a number of products, apple and pear purees make up the majority of U.S. imports. Apple and pear purees are produced by cooking the raw fruit until it softens and the desired concentration is obtained. The product is mashed, sieved, and packaged for further processing, often in drums or large totes.[319] Purees are sterilized and packed aseptically.[320] Apple, quince, and pear purees are shelf-stable products with a life span of approximately two years, if packaged aseptically.[321]

[315] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina, the Coordinadora de las Industrias de Productos Alimenticios (COPAL) (Coordinator of food products industries), and Fénix, S.A., and requested a redesignation of HTS subheading 2007.99.48 under the provisions of the GSP for Argentina.
[316] HTS heading 2007 which contains jams, fruit jellies, marmalades, fruit or nut puree, and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, encompasses goods processed from raw fruits that can contain added sugar or other sweetening matter but not other ingredients or additives.
[317] U.S. Customs and Border Protection, "The Tariff Classification of a Pear Puree Concentrate from Argentina," Ruling N014935, December 14, 2010. https://rulings.cbp.gov/search?term=2008.99.0500.
[318] Some purees contain citric acid for preserving the color of the product. Products containing ingredients (such as citric acid) other than raw fruit and sweeteners have been classified in 2008.99.05 as prepared or preserved apples. For example, certain applesauce products have been classified in 2008.99.05. See U.S. Customs and Border Protection, "The Tariff Classification of Applesauce from France," Ruling N148035, February 22, 2011.
[319] Industry representative, interview by USITC staff, March 24, 2018.
[320] Industry representative, interview by USITC staff, June 20, 2018.
[321] Fénix, S.A., "GSP – Product Redesigation Petition," April 10, 2018, page 1.

These products are used as inputs in the preparation of processed food products such as juices and nectars,[322] yogurts, jams, and fruit snacks.[323]

Profile of U.S. Industry and Market, 2013–17

There are at least seven producers of apple puree and four producers of pear puree in the United States, three of which produce both products.[324] Data are not available for the U.S. industry producing purees and pastes of apple, quince, and pear. The United States is a large producer of apples and pears, the primary inputs in the production of these goods. Production of quince in the United States is small, and the fruit is considered a niche crop. Commercial apple production in the United States is concentrated in the states of Washington, New York, and Michigan, while commercial pear production is concentrated in the states of Washington and Oregon.[325] Apple and pear purees are produced from apples and pears fit for consumption but not suitable for the fresh market. Industrial production of apple and pear purees occurs in facilities dedicated to processing various products, including purees of single or multiple fruits.[326]

About 33 percent of the U.S. apple crop is destined for further processing, the vast majority of which is either processed into apple juice or canned.[327] While data are not available for U.S. production of apple puree,[328] data indicate that "other processed apple products," which include apple pastes and purees, accounted for 1.2 percent of the U.S. apple crop in 2016.[329] Domestic production of other processed apple products, which includes pastes and purees, increased 151 percent during 2012–16, although it remains a very small segment, accounting for less than 4 percent of the total apple processing in the United States. Similarly, U.S. consumption of other processed apple products increased 50 percent from 2006–15, reaching almost one pound per capita in 2015.[330]

About 30 percent of the U.S. pear crop is used for further processing.[331] Almost all processed pears (98 percent) are canned.[332] U.S. consumption of canned pears represented 40 percent of total pear consumption in 2017. Data on consumption of other processed pear products are not available;

[322] Fruit puree is added to fruit juices and nectars to give them a smooth blend and increase thickness of the final product. For more information, see FMI, "Fruit Concentrate Puree Market," March 1, 2017.
[323] Fénix, S.A., "GSP – Product Redesigation Petition," April 10, 2018, page 1.
[324] Industry representative, interview by USITC staff, June 20, 2018.
[325] USDA, NASS, Quick Stats database (accessed June 19, 2018).
[326] Industry representative, interview by USITC staff, June 20, 2018.
[327] Apple juice production is the largest segment in the processed apple industry, representing 43 percent of all processed apple goods, while canned apples accounted for 38 percent, dried apples for 11 percent, and fresh slices for 4 percent in 2016. For more information, see USDA, ERS, "Dataset (89022)," October 2017.
[328] Certain applesauce products have been classified in HTS subheading 2008.99.05. For more information, see U.S. Customs and Border Protection Ruling N148035, "The Tariff Classification of Applesauce from France," February 22, 2011.
[329] USDA, ERS, "Dataset (89022)," October 2017.
[330] USDA, ERS, "Dataset (89022)," October 2017.
[331] USDA, NASS, Quick Stats database (accessed May 15, 2018).
[332] Industry representative, email message to USITC staff, June 6, 2018.

however, an importer of apple and pear puree indicated that U.S. production of these products is small, and that it is insufficient to meet domestic demand (table 18.2).[333]

Quince is commercially cultivated only in California.[334] Quince is not usually consumed raw, but is incorporated in meat dishes, pies, and cobblers, or processed into preparations such as chutney, jams and jellies, juice, marmalade, puree, and liquors and wine.[335] Quince is not widely consumed in the United States, and consumption data are not available, although it is reportedly regaining popularity as an exotic crop.[336]

Apple and pear purees are bought by domestic food processing companies producing baby food, confectionery and baked goods, dressings and sauces, ice creams and yogurts, beverages, fruit snacks and bars, and pet food, among other products.[337] Apple and pear purees are sold directly from domestic processors to downstream producers of food products. Purees produced in the United States use domestically grown apples and pears; imported fruit that is not fit for the fresh market can also be used in the production of fruit purees, but this is not a common practice.[338] Imports of apple and pear puree, mainly from South America, also supply the domestic demand of firms producing other finished goods, as well as the organic foods segment of the market.[339]

Table 18.2 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	7
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	34,294	36,275	35,618	41,025	35,853
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for HTS subheading 2007.99.48 are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries accounted for 12 percent of the value of total U.S. imports of apple, quince, and pear pastes and purees, which reached $35.9 million in 2017 (table 18.3). Turkey

[333] Industry representative, interview by USITC staff, May 24, 2018.
[334] Marzolo, "Quince," March 2016.
[335] Marzolo, "Quince," March 2016.
[336] McCandlish, "Demystifying the Quince," November 9, 2009; GrubAmericana (blog), "Quince: Another of America's Forgotten Fruits," January 20, 2013; Karp, "There's a New Taste for Quince," October 28, 2009.
[337] Tree Top, "Pear Puree" (accessed June 20, 2018) http://foodingredients.treetop.com/fruit-ingredients/fruit-purees/single-strength/pear-puree/; Tree Top, "Apple Blend Puree" (accessed June 20, 2018) http://foodingredients.treetop.com/fruit-ingredients/fruit-purees/single-strength/apple-puree/.
[338] Industry representative, interview by USITC staff, June 20, 2018.
[339] Industry representative, interview by USITC staff, June 20, 2018.

supplied 99 percent ($4.2 million) of imports from GSP-eligible countries in 2017, and although imports from Turkey fluctuated throughout the period, it was the largest source of GSP-eligible imports of apple, pear, and quince pastes and purees during 2013–17. Turkey is a major producer of these fruits, and was the third-largest overall supplier of apple, quince, and pear pastes and purees to the United States in 2017.

Argentina, a major producer of apples and pears, is the second-largest overall exporter of apple, quince and pear pastes and purees to the United States. If all Argentina's shipments had been accorded GSP status in 2017,[340] it would have accounted for 66 percent of total GSP-eligible imports (table 18.4).[341] Since 2014, the United States has been the main export destination for non-citric fruit purees and pastes[342] from Argentina, surpassing Brazil in that year.[343] Exports of pear puree, specifically, represented 23 percent of Argentina's total exports of non-citric fruit purees and pastes in 2013 (the last year for which data are available), a 74 percent increase from 2008.[344] Pear puree imports from Argentina represented about 18 percent of the total U.S. imports of apple, quince, and pear pastes and purees from this country in 2013.[345] Quince production in Argentina is very small and decreasing due to the low profitability of the fruit. [346]

In 2016, the United States was the main destination for Argentine organic pear puree exports, accounting for 57 percent of such exports. The United States also was the destination for about 80 percent of Argentina's total organic apple puree exports in 2016.[347] An importer of organic apple and pear puree indicated that the Argentine product is of high quality.[348]

---

[340] Argentina lost eligibility for duty-free treatment for HTS subheading 2007.99.48 in 1995, after it was denied a de minimis waiver. In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.

[341] In 2012, the last year for which data are available, 41 percent of the Argentine apple crop and 24 percent of the pear crop were destined for processing. Apple and pear puree production represents a smaller share of all processed fruit, and its production is concentrated in the western central part of the country. Government of Argentina, Ministerio de Agricultura, Ganadería y Pesca (Ministry of Agriculture, Livestock and Fisheries), PROARGEX, "Estudio de mercado: puré de manzana y de pera en Brasil" (Market analysis: apple and pear puree in Brazil), 2013.

[342] Argentine exports of apple and pear puree are covered in HTS subheading 2007.99.90 of the Argentine tariff schedule. This product category in the Argentine tariff schedule also includes purees and pastes of other non-citric fruits, which are not included in HTS subheading 2007.99.48.

[343] IHS Markit, Global Trade Atlas database (accessed June 18, 2018).

[344] Libya and the United States were the main destinations for Argentine pear puree. Government of Argentina, Ministerio de Agricultura, Ganadería y Pesca (Ministry of Agriculture, Livestock and Fisheries), "Estudio de mercado: puré de manzana y de pera en Brasil" (Market analysis: apple and pear puree in Brazil), 2013.

[345] Estimated using data from the government of Argentina, Ministerio de Agricultura, Ganadería y Pesca (Ministry of Agriculture, Livestock and Fisheries), "Estudio de mercado: puré de manzana y de pera en Brasil," (Market analysis: apple and pear puree in Brazil), 2013; USITC DataWeb/USDOC (HTS subheading 2007.99.48; accessed May 21, 2018).

[346] Jimena, "Los bajos precios y las plagas diezman al membrillo" (Low prices and pests decimate quince), April 25, 2015.

[347] Government of Argentina, SENASA, "Situación de la Producción Orgánica" (Status of organic production), March 2017.

[348] Industry representative, interview by USITC staff, May 24, 2018.

Table 18.3 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	35,853	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	4,295	12	100	[b]
Turkey	4,234	12	99	[b]
South Africa	47	[c]	1	[b]
Brazil	14	[c]	[c]	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 18.4 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina	8,155	23	66	[b]
Imports from all GSP-eligible countries	4,295	12	34	[b]
GSP imports plus Argentina	12,450	35	100	[b]
Grand total imports	35,853	100	[c]	[b]

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Not available.
[c] Not applicable.

U.S. Imports and Exports

The United States imported $35.9 million of apple, quince, and pear pastes and purees in 2017 (table 18.5). This represents a 13 percent decrease from 2016, the year in which these imports reached their highest level in the last five years. Chile accounted, on average, for 57 percent of total U.S. imports in the last five years. Imports of these products from Chile are eligible to enter free of duty under the U.S-Chile Free Trade Agreement.[349] Argentina accounted for an average 21 percent of total U.S. imports during 2013–17. U.S. imports from Chile fell 28 percent during this period, while imports from Argentina increased 50 percent. U.S. imports of apple, quince, and pear purees and pastes from Turkey fluctuated significantly during 2013–17. Imports from these three countries together accounted for 84 percent of the total U.S. imports in this HTS subheading in 2017.

[349] The U.S.-Chile Free Trade Agreement entered into force in 2004 and was fully implemented in 2015. For more information, see U.S. Customs and Border Protection, "Chile Free Trade Agreement (CLFTA)," https://www.cbp.gov/trade/free-trade-agreements/chile.

Table 18.5 Apple, quince, and pear pastes and purees (HTS subheading 2007.99.48): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Chile[a]	24,428,902	21,054,315	21,628,058	19,300,701	17,578,970
Argentina	5,452,986	8,315,259	8,391,298	8,181,324	8,154,929
Turkey	890,692	3,062,227	366,179	8,117,039	4,234,299
Canada[a]	962,878	656,420	1,361,073	1,360,204	1,857,553
Spain	549,441	661,999	1,440,116	1,257,400	1,616,683
Italy	491,036	189,866	676,128	461,317	582,053
Mexico[a]	256,909	279,132	295,078	300,699	455,691
New Zealand	252,468	266,275	376,114	314,234	356,296
Belgium	204,368	129,880	37,796	70,434	293,795
France	165,542	1,260,089	623,203	717,519	256,818
All other	638,776	399,686	422,881	944,028	465,720
Total	34,293,998	36,275,148	35,617,924	41,024,899	35,852,807
Imports from GSP-eligible countries:					
Turkey	890,692	3,062,227	366,179	8,117,039	4,234,299
South Africa	100,582	120,256	44,500	75,465	46,743
Brazil	0	0	0	0	13,647
Lebanon	0	0	0	4,754	0
Total	991,274	3,182,483	410,679	8,197,258	4,294,689

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

U.S. exports of apple, quince, and pear pastes and purees are included in Schedule B number 2007.99.8000, a broad category which includes all fruit or nut pastes and purees. U.S. exports of all fruit and nut pastes and purees are mainly destined for Canada and China, which, combined, received 84 percent of total U.S. exports in 2017. U.S. exports to Canada are eligible for duty-free treatment under the North American Free Trade Agreement (NAFTA). Total exports of all fruit and nut pastes and purees declined 25 percent to 29.6 million in 2017 after reaching their highest level in the last five years in 2016 (table 18.6).

Table 18.6 Fruit or nut pastes and purees n.e.s.o.i.,[a] cooked preparations, whether or not sweetened (Schedule B 2007.99.8000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[b]	23,776,732	20,393,334	19,042,303	20,818,415	19,056,212
China	86,879	862,508	3,378,239	9,071,539	5,877,448
Switzerland	0	0	0	0	728,551
Japan	492,090	1,065,365	1,516,549	851,660	685,772
United Arab Emirates	145,286	386,606	355,743	403,745	332,987
Philippines	86,713	222,251	236,492	335,772	317,658
Indonesia	333,217	228,800	161,700	310,353	266,554
South Korea[b]	966,203	1,958,781	1,395,808	952,654	245,456
Chile[b]	40,809	39,476	169,736	423,993	204,238
Germany	2,735	0	0	21,990	193,185
All other	3,531,768	2,994,701	5,790,935	6,313,487	1,714,410
Total	29,462,432	28,151,822	32,047,505	39,503,608	29,622,471

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.). [a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: A petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

Petitioner: A petition was filed by Fénix, S.A.

Petitioner: A petition was filed by the Coordinadora de las Industrias de Productos Alimenticios (COPAL).

In opposition: The Northwest Horticultural Council filed written submissions.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Fénix, S.A. "GSP – Product Redesigation Petition," April 10, 2018.

Future Market Insights (FMI). *Fruit Concentrate Puree Market: Exotic Fruits Concentrate Puree Segment Projected to Gain 289 BPS by 2026 as Compared to 2016; Global Industry Analysis and Opportunity Assessment, 2016–2026*, March 1, 2017. https://www.futuremarketinsights.com/reports/global-fruit-concentrates-puree-market.

Government of Argentina. Ministerio de Agricultura, Ganadería y Pesca (Ministry of Agriculture, Livestock and Fisheries). Promoción y fortalecimiento de las exportaciones de bienes agroalimentarios de Argentina (PROARGEX)(Promotion and support for the export of agrifoods from Argentina). "Estudio de mercado: Puré de manzana y de pera en Brasil" (Market study: apple and pear puree in Brazil), 2013. https://www.slideshare.net/proargex2013/brasilmanzanas.

Government of Argentina. Servicio Nacional de Sanidad y Calidad Agroalimentaria (SENASA) (National Food Safety and Quality Service). "Situación de la producción orgánica en la Argentina durante el año 2016" (Status of Organic Production in Argentina in 2016). Buenos Aires: SENASA, March 2017. http://www.senasa.gob.ar/sites/default/files/ARBOL_SENASA/INFORMACION/PROD_ORGANICA/5_situacin_de_la_po_en_la_argentina_2016.pdf.

GrubAmericana (blog). "Quince: Another of America's Forgotten Fruits," January 20, 2013. https://grubamericana.com/2013/01/20/quince-another-of-americas-forgotten-fruits/.

IHS Markit. Global Trade Atlas database (accessed June 18, 2018).

Jimena, Jaquelina. "Los bajos precios y las plagas diezman al membrillo" (Low prices and pests decimate quince). *Los Andes* (Mendoza, Argentina), April 25, 2015. https://losandes.com.ar/article/los-bajos-precios-y-las-plagas-diezman-al-membrillo.

Karp, David. "There's a New Taste for Quince." *Los Angeles Times*, October 28, 2009. http://www.latimes.com/food/la-fo-quince28-2009oct28-story.html.

Marzolo, Gina. "Quince." Agricultural Marketing Resource Center, March 2016. https://www.agmrc.org/commodities-products/fruits/quince/.

McCandlish, Laura. "Demystifying the Quince." National Public Radio, Kitchen Window, November 9, 2009. https://www.npr.org/templates/story/story.php?storyId=120288799.

Peron, German. "GSP- Product Redesignation Petition HTS 20079948; Apple, Quince and Pear Pastes and Purees, Being Cooked Preparations." April 10, 2018.

PR Newswire. "The Global Fruit Puree Market Is Forecasted to Grow at a CAGR of 3.18% during the Period 2017–2021." News release, November 28, 2017. https://www.prnewswire.com/news-releases/the-global-fruit-puree-market-is-forecasted-to-grow-at-a-cagr-of-318-during-the-period-2017-2021-300563345.html.

Root, William H., and Diane M. Barrett. "Apples and Apple Processing." Chap. 18 in *Processing Fruits: Science and Technology.* 2nd ed. Boca Raton, Florida: CRC Press, 2005.

U.S. Department of Agriculture (USDA). Economic Research Service (ERS). "*Dataset (89022)."* In *Fruit and Tree Nut Yearbook.* Washington, DC: USDA, October 2017. http://usda.mannlib.cornell.edu/usda/ers/89022/2017/FruitandTreeNutYearbook2017.pdf.

U.S. Department of Agriculture (USDA). National Agricultural Statistics Service (NASS). Quick Stats database. https://quickstats.nass.usda.gov/ (accessed various dates).

Chapter 19
Redesignation: Sunflower Seed Oilcake (Argentina)[350]

Table 19.1 Sunflower seed oilcake

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2306.30.00[a]	Oilcake and other solid residues, resulting from the extraction of vegetable fats or oils, of sunflower seeds	0.45 cents per kg (1.5 percent ad valorem equivalent[b])

[a] Harmonized Tariff Schedule (HTS) subheading 2306.30.00 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Argentina lost GSP eligibility for HTS 2306.30.00 in 2008 after it exceeded the competitive need limitation (CNL).
[b] An ad valorem duty is a rate of duty expressed as a percentage of the appraised customs value of the imported good. The ad valorem equivalent rate was calculated using annual 2017 data and is based on U.S. customs duties and the customs value of imports for consumption for imports subject to the column 1-general duty rate.

Description and Uses

Sunflower seed oilcake and solid residues, classified in HTS subheading 2306.30.00, is a byproduct of the production of sunflower seed oil. It is more commonly referred to by industry as sunflower meal (this industry term is used throughout this chapter). Sunflower meal is often fed to livestock, particularly cattle; like other meals derived from oilseeds, it is a source of protein in the diets fed to these animals. It usually commands a lower price than soybean meal because it has higher fiber and lower protein and lysine content.[351] Most sunflower meal is low in fat and high in protein, but there is also a specialized form that has high oil content and is used as a fat supplement in the diets of lactating dairy cows. While most sunflower meal is fed to cattle, it is also sometimes used in the diets of swine and poultry.[352]

Profile of U.S. Industry and Market, 2013–17

In the United States, sunflowers for oil and meal production are grown primarily in North and South Dakota.[353] There are approximately 30,000 U.S. growers.[354] Once these sunflowers are harvested, the seeds are processed into oil and meal. Meal-processing plants are located in North Dakota, Kansas, and Colorado. The plant in Colorado produces the higher-fat specialty meal for lactating dairy cows described above. Other than that specialty plant, most meal-processing capacity is held by two large

[350] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the redesignation of HTS subheading 2306.30.00 under the provisions of the GSP for Argentina.
[351] Lysine is an essential amino acid. Its biological function is protein synthesis, making it important in the diet of cattle and other livestock because it helps the animals grow and produce milk.
[352] National Sunflower Association, "Sunflower as a Feed" (accessed May 23, 2018).
[353] There is additional, minor production in Minnesota, Nebraska, and Kansas.
[354] National Sunflower Association, written submission to the USITC, June 18, 2018, 1.

agribusiness firms, ADM and Cargill.[355] The U.S. industry is geared toward the domestic market, and exports are small relative to production. In 2017, the value of U.S. production of sunflower meal was approximately $41 million. By comparison, the total value of production of sunflowers for oil and meal was $321 million, making meal a relatively minor product within the industry.[356]

Sunflower meal may be sold by processors to animal feed suppliers or directly to cattle farms. Because the United States is among the world's largest producers of beef and milk, the market for elements of beef and dairy cattle feed, such as sunflower meal, is large. In the cattle feed market, sunflower meal competes with other protein sources, such as soybean and cottonseed meals; however, because of its less desirable nutritional profile, as described above, it is generally priced lower than other protein sources. Industry sources report that in quantity terms, U.S. demand for sunflower meal was generally flat during 2013–17.[357]

Table 19.2 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	3	3	3	3	3
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	63,291	64,909	41,364	42,581	41,354
Exports (1,000 $)	4,645	1,352	1,093	2,101	734
Imports (1,000 $)	124	4,864	3,992	2,115	2,634
Consumption (1,000 $)	58,770	68,417	44,222	42,575	43,254
Import-to-consumption ratio (percent)	0.2	7.1	9.0	5.0	6.1
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries account for a small portion of total U.S. imports (7.3 percent in 2017), and only a tiny fraction of the overall U.S. market. In 2017, all U.S. imports from GSP-eligible countries—$192,000—were from Turkey and Paraguay (table 19.3).[358] According to an industry representative, Paraguay does not have any sunflower seed-crushing or meal-processing facilities, so the imported product from that country may have originated in neighboring Argentina or elsewhere.[359]

[355] National Sunflower Association, "Sunflower as a Feed" (accessed May 23, 2018).
[356] Industry representative, email message to USITC staff, May 25, 2018.
[357] National Sunflower Association, written submission to the USITC, June 18, 2018, 7.
[358] U.S. imports of sunflower-seed oilcake from Ukraine in 2014, 2015, and 2016 were also GSP eligible. Ukraine's GSP eligibility was partially suspended in April 2018; Presidential Proclamation 9687 of December 22, 2017, 82 Fed. Reg. 61413 (December 27, 2017).
[359] Industry representative, email message to USITC staff, May 25, 2018.

Table 19.3 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	2,634	100	[a]	6.1
Imports from GSP-eligible countries:				
Total	192	7.3	100	0.4
Paraguay	175	6.6	91.1	0.4
Turkey	17	0.6	8.9	[b]

[a] Not applicable.
[b] Less than 0.05 percent.

The last time Argentina claimed GSP preferences on its exports of sunflower meal was in 2007, when it exported $2.1 million to the United States and accounted for 100 percent of U.S. imports. Since 2008, Argentina has not been eligible for duty-free access for HTS subheading 2306.30.00 because it exceeded the competitive need limitation (CNL).[360] If all of Argentina's shipments of HTS subheading 2306.30.00 had been accorded GSP status in 2017, it would have accounted for 26.2 percent of the United States' GSP-eligible imports (table 19.4). While Argentina exported very little sunflower meal to the United States in 2017, its share of total U.S. imports ranged between 9.3 percent and 27.2 percent from 2013 through 2016. In December 2015, Argentina removed its 30 percent export tax on sunflower meal and eliminated an export permit requirement.[361] As a result, sunflower production in Argentina expanded in crop year 2016/17 and sunflower meal exports to the world increased, even as exports to the United States declined.

Table 19.4 Sunflower seed oilcake (HTS subheading 2306.30.00): Treating Argentina as if it was a GSP-eligible country, U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017[a]

Item	Imports	Percent of total imports	Percent of GSP imports plus Argentina	Percent of U.S. consumption
Imports from Argentina	68	2.6	26.2	0.2
Imports from all GSP-eligible countries	192	7.3	73.8	0.4
GSP imports plus Argentina	260	9.9	100	0.6
Grand total imports	2,634	100	[b]	6.1

[a] In treating Argentina as if it had been GSP-eligible in 2017 for the purpose of this calculation, imports were not adjusted to take into account any changes to import levels that might have occurred if imports of this product from Argentina had been eligible to enter free of duty under GSP. This calculation was based on unadjusted 2017 import data.
[b] Not applicable.

[360] In addition, in May 2012, Argentina's designation as a GSP-beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1. U.S. imports of HTS subheading 2306.30.00 from Argentina remain ineligible for duty-free access on the grounds that Argentina has exceeded the CNL.
[361] These changes were paired with other macroeconomic reforms, including the removal of currency controls and elimination of the multiple exchange rate system, that were expected to boost the competitiveness of Argentine agricultural exports. USDA, FAS, *Argentina: New Government Lifts Currency Controls*, December 17, 2015, 4.

U.S. Imports and Exports

Imports account for less than 10 percent of U.S. consumption of sunflower meal. The U.S. industry reports that demand for imports is limited by the low protein content of sunflower meal relative to shipping costs.[362] The largest suppliers of U.S. imports are Germany, China, Russia, and the Netherlands. All four of these countries were inconsistent suppliers during 2013–17. Russia began shipping to the United States only in 2017, likely due to the recent emergence of cost-competitive crushing facilities in that country. A Cargill sunflower seed crushing facility opened in Russia in 2015, likely paving the way for meal exports to the United States.[363] In general, U.S. import sources are driven by the production locations of the large agribusiness firms that do the majority of the processing.[364]

Table 19.5 Sunflower seed oilcake (HTS subheading 2306.30.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Germany	0	0	0	625,166	762,465
China	0	34,460	223,000	506,605	529,323
Russia	0	0	0	0	435,125
Netherlands	0	222,706	389,559	34,051	391,855
Romania	0	0	0	75,330	225,990
Paraguay	0	0	0	77,328	174,682
Argentina	16,728	451,353	1,086,216	412,410	67,650
Canada[a]	0	0	0	33,119	26,788
Turkey	0	0	0	216,645	17,411
France	0	0	0	0	2,927
All other	107,760	4,155,128	2,292,896	134,250	0
Total	124,488	4,863,647	3,991,671	2,114,904	2,634,216
Imports from GSP-eligible countries:					
Paraguay	0	0	0	77,328	174,682
Turkey	0	0	0	216,645	17,411
Ukraine	0	42,199	927,789	48,974	0
Total	0	42,199	927,789	342,947	192,093

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

U.S. exports of sunflower meal are very small and go almost exclusively to Canada in most years. Occasionally, the United States ships a substantial volume of sunflower meal to other countries, such as Israel in 2013 and Thailand in 2016. These are generally one-year anomalies and do not reflect an overall trend.

[362] National Sunflower Association, written submission to the USITC, June 18, 2018, 7.
[363] Hughlett, "Cargill Builds $200 Million Sunflower Plant," September 20, 2013.
[364] Industry representative, telephone interview by USITC staff, May 25, 2018.

Table 19.6 Sunflower seed oilcake (Schedule B 2306.30.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	738,395	734,430	684,764	556,901	607,162
Taiwan	0	0	0	0	68,693
Thailand	0	0	0	966,551	54,781
South Korea[a]	0	40,040	0	0	3,020
Lebanon	0	48,000	0	0	0
Israel[a]	3,897,485	27,106	0	0	0
Jordan[a]	0	0	0	20,526	0
Venezuela	0	0	0	180,900	0
Mexico[a]	2,839	0	0	271,495	0
Romania	0	309,200	0	0	0
All other	5,788	193,696	408,458	104,967	0
Total	4,644,507	1,352,472	1,093,222	2,101,340	733,656

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina. Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

In opposition: the National Sunflower Association. The Commission received a written statement from the National Sunflower Association opposing the redesignation of sunflower meal as GSP eligible. That submission also incorporated written statements from five individual sunflower farmers opposing the redesignation.

In opposition: The Commission received letters from the following members of the U.S. House of Representatives opposing the redesignation: Ken Buck (Colorado), Kevin Cramer (North Dakota), and Collin C. Peterson (Minnesota).

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Hughlett, Mike. "Cargill Builds $200 Million Sunflower Plant in Russia." *StarTribune* (Minnesota), September 20, 2013. http://www.startribune.com/cargill-builds-200-million-sunflower-plant-in-russia/224414891/.

National Sunflower Association. "Sunflower as a Feed." https://www.sunflowernsa.com/wholeseed/sunflower-as-a-feed/ (accessed May 23, 2018).

National Sunflower Association. Written submission to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 18, 2018.

U.S. Department of Agriculture (USDA). Foreign Agricultural Service (FAS). *Argentina: New Government Lifts Currency Controls and Cuts Export Taxes*, by Lazaro Sandoval and Ken Joseph. GAIN Report, December 17, 2015. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/New%20Government%20Lifts%20Currency%20Controls%20and%20Cuts%20Export%20Taxes_Buenos%20Aires_Argentina_12-17-2015.pdf.

Chapter 20
Redesignation: Ammonium Perrhenate (Kazakhstan)[365]

Table 20.1 Ammonium perrhenate

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2841.90.20[a]	Ammonium perrhenate	3.1 percent

[a] Harmonized Tariff Schedule (HTS) subheading2841.90 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Kazakhstan lost GSP eligibility for HTS 2841.90.20 in 2007 after it exceeded the competitive need limitation (CNL).

Description and Uses

The product classified in HTS subheading 2841.90.20 is ammonium perrhenate (APR), a chemical compound used in the production of rhenium products. APR is recovered as a byproduct during the processing of copper and molybdenum ores. After recovery, APR generally requires repeated recrystallization to achieve a standard 99.5 percent rhenium content.[366] APR is generally processed into one of two other forms of rhenium: rhenium metal or perrhenic acid.[367]

Rhenium metal is used in the production of specialized alloys, known as superalloys, for high-temperature applications such as aircraft or stationary turbine engines.[368] Perrhenic acid is used in the production of petroleum processing catalysts.[369]

[365] The petition was filed with the U.S. Trade Representative (USTR) by the government of Kazakhstan and requested the redesignation of HTS subheading 2841.90.20 under the provisions of the GSP for Kazakhstan.
[366] Millensifer, "Rhenium and Rhenium Compounds," 2010, 7, 8.
[367] Rhenium is one of 35 mineral commodities deemed critical by the U.S. Department of Interior pursuant Executive Order 13817 of December 20, 2017, "A Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals," 83 Fed. Reg. 23295 (May 18, 2018).
[368] Millensifer, "Rhenium and Rhenium Compounds," 2010, 9.
[369] Rhenium's high melting point makes it useful in turbine engine components. Both the high melting point and the ease with which it changes valences make it useful as a catalyst in petrochemical processing. Millensifer, "Rhenium and Rhenium Compounds," 2010, 5–6.

Profile of U.S. Industry and Market, 2013–17

There is little publicly available information about the U.S. ammonium perrhenate industry.[370] There are reportedly two U.S. companies that produce APR.[371] However, domestic production is insufficient to meet U.S. demand. As a result, the United States depends on imports to fill domestic demand for APR (table 20.2).[372]

The United States consumes more ammonium perrhenate than any other country.[373] The major U.S. consumers are firms that process APR into rhenium metal for use in producing superalloys, and manufacturers of catalysts for petroleum processing. Production of superalloys for high-temperature applications such as turbine engines accounts for approximately 80 percent of U.S. consumption, while petroleum catalyst production accounts for approximately 15 percent, and other uses account for the remaining 5 percent.[374] Although total U.S. APR demand appears to be increasing at present, demand for APR in aerospace applications may decline in the future as companies pursue rhenium recycling and the use of lower-rhenium alloys.[375]

Table 20.2 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	2	2	2	2	2
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	9,719	14,242	13,939	13,994	10,452
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for HTS subheading 2841.90.20 are not available because the relevant Schedule B number includes additional products.

[370] One factor contributing to the lack of information is that sales are generally made using long-term, fixed-price contracts with details of price and quantity held private. U.S. government official, email message to USITC staff, June 25, 2018.
[371] U.S. government official, email message to USITC staff, June 25, 2018.
[372] U.S. Geological Survey, *Mineral Commodity Summaries*, 2018, 134.
[373] U.S. government official, email message to USITC staff, May 30, 2018.
[374] Other uses of ammonium perrhenate include the production of rhenium alloys for use in crucibles, electrical contacts, electromagnets, electron tubes and targets, heating elements, ionization gauges, mass spectrographs, metallic coatings, semiconductors, temperature controls, thermocouples, vacuum tubes, and other applications. USGS, *Mineral Commodity Summaries*, 2018, 134.
[375] USGS, *Mineral Commodity Summaries*, 2018, 135.

GSP Import Situation, 2017

During 2013–17, U.S. imports from Kazakhstan accounted for more than 88 percent of U.S. APR imports from all GSP-eligible countries.[376] However, because Kazakhstan lost GSP eligibility for APR in 2007, its imports of this product were not eligible for duty-free entry. The value of U.S. imports of APR from Kazakhstan dropped from $8.2 million to $3.2 million (a 62 percent decrease) from 2013 to 2017, likely due to both decreases in the unit values of APR imports from Kazakhstan and production issues in Kazakhstan.[377] Although Thailand and Uzbekistan also supplied some APR during part of this period, imports from those two GSP-eligible countries were inconsistent, and neither country was a source of U.S. imports for all five years (table 20.3).

Table 20.3 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	10,452	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	3,588	34	100	[b]
Kazakhstan	3,151	30	88[c]	[b]
Thailand	437	4	12	[b]

[a] Not applicable.
[b] Not available.
[c] Reflects Kazakhstan's share of imports from GSP-eligible countries. Since Kazakhstan lost GSP eligibility for HTS 2841.90.20 in 2007 after it exceeded the CNL limit, none of its imports of APR were eligible to be imported duty-free under GSP in 2017.

U.S. Imports and Exports

During 2013–17, U.S. imports of APR increased by 8 percent, but shifted both in terms of value and country of origin. During this period, imports peaked at $14.2 million in 2014, but then dropped to $10.5 million in 2017 (table 20.4). While U.S. imports from Kazakhstan fell substantially during this time, U.S. imports from several other countries increased. Combined imports from the United Kingdom, Germany, and Canada rose from 3 percent of total imports in 2013 to 46 percent of U.S. imports in 2017.[378] These countries, in particular Germany, appear to be recycling used rhenium as APR, rather than producing it through copper or molybdenum processing.[379]

[376] Kazakhstan is a GSP-eligible country. However, Kazakhstan lost GSP eligibility for articles entering under HTS subheading 2841.90.20 in 2007 and was not eligible for GSP treatment for such articles during 2013–17.
[377] U.S. government official, email message to USITC staff, May 30, 2018. In Kazakhstan, the closing of a copper smelter for refurbishment reduced the availability of raw materials for APR production.
[378] Imports from Canada are eligible for duty-free access under the North American Free Trade Agreement (NAFTA).
[379] U.S. government official, email message to USITC staff, June 25, 2018.

Table 20.4 Ammonium perrhenate (HTS subheading 2841.90.20): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Kazakhstan	8,196,913	8,537,935	8,956,282	6,659,571	3,151,081
United Kingdom	0	122,582	0	273,282	1,878,520
Germany	261,394	694,843	781,363	3,621,355	1,568,627
Canada[a]	0	2,459,616	1,194,959	1,342,577	1,411,953
China	0	61,965	1,535,432	767,708	767,709
Poland	0	183,915	0	0	749,198
Thailand	915,732	62,052	0	0	437,220
Japan	0	1,096,570	143,818	0	254,004
Netherlands	0	0	112,775	0	98,982
South Korea[a]	203,000	879,500	430,219	1,023,900	85,325
All other	141,798	143,000	784,513	305,311	49,016
Total	9,718,837	14,241,978	13,939,361	13,993,704	10,451,635
Imports from GSP–eligible countries:					
Kazakhstan[b]	8,196,913	8,537,935	8,956,282	6,659,571	3,151,081
Thailand	915,732	62,052	0	0	437,220
Uzbekistan	0	0	620,000	305,311	0
Total	9,112,645	8,599,987	9,576,282	6,964,882	3,588,301

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] Kazakhstan is a GSP-eligible country. However, Kazakhstan lost GSP eligibility for articles entering under HTS subheading 2841.90.20 in 2007 and was not eligible for GSP treatment for such articles during 2013–17.

Ammonium perrhenate is included in Schedule B code 2841.90.90, a basket category that includes multiple products in addition to APR. As a result, these data are not indicative of U.S. APR exports. According to other sources, there were no known U.S. exports of APR during 2013–17.[380]

Table 20.5 Salts of oxometallic or peroxometallic acids, n.e.s.o.i.[a] (Schedule B 2841.90.9000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Japan	222,672	215,101	17,672,455	13,917,316	13,538,374
Canada[b]	3,231,556	4,516,468	7,401,300	6,352,051	6,619,448
Netherlands	737,693	639,894	2,251,485	4,038,578	3,591,746
Mexico[b]	3,986,431	3,605,316	4,058,186	3,118,539	2,086,161
India	144,557	69,933	528,805	1,562,307	2,083,907
China	679,431	1,092,316	1,762,093	1,605,315	1,508,513
France	374,550	328,308	310,131	264,864	1,309,529
Belgium	149,548	1,012,961	873,154	1,435,673	1,285,544
Israel[b]	1,300,207	1,157,255	721,443	1,017,327	965,263
South Korea[b]	598,592	575,858	829,134	927,414	685,694
All other	5,910,163	5,671,250	4,387,332	5,197,697	3,057,965
Total	17,335,400	18,884,660	40,795,518	39,437,081	36,732,144

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not elsewhere specified or included (n.e.s.o.i.).
[b] Free trade agreement partner.

[380] USGS, *Mineral Commodity Summaries*, 2018, 134.

Positions of Interested Parties

Petitioner: A petition was filed by the government of Kazakhstan with the U.S. Trade Representative (USTR).

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Embassy of Kazakhstan. Written submission to the U.S. Trade Representative in connection with the Generalized System of Preferences: Revisions to the 2018/2017 Annual GSP Product and Country Practices Review, April 16, 2018.

Millensifer, Tom A. "Rhenium and Rhenium Compounds." In *Kirk-Othmer Encyclopedia of Chemical Technology*, April 16, 2010. https://onlinelibrary.wiley.com/doi/pdf/10.1002/0471238961.1808051420180509.a01.pub3.

U.S. Geological Survey (USGS). *Mineral Commodity Summaries*, 2018. http://doi.org/10.3133/70194932.

Chapter 21
Redesignation: Certain Odoriferous or Flavoring Compounds (Indonesia)[381]

Table 21.1 Certain Odoriferous or flavoring compounds

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
2909.50.40[a]	Odoriferous or flavoring compounds of ether-phenols, ether-alcohol-phenols and their halogenated, sulfonated, nitrated, nitrosated derivatives	4.8 percent

[a] Harmonized Tariff Schedule (HTS) subheading 2909.50.40 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Indonesia lost GSP eligibility for HTS subheading 2909.50.40 in 2012 after it exceeded the competitive need limitation (CNL).

Description and Uses

Products classified in HTS subheading 2909.50.40 are ether-phenols, ether-alcohol-phenols, and their halogenated, sulfonated, nitrated and nitrosated derivatives classified as odoriferous[382] or flavoring compounds. A wide range of synthetic[383] odoriferous and fragrant compounds fall under this subheading, as well as synthetic flavoring additives such as synthetic vanilla flavoring (acetovanillone),[384] and intermediates, such as ethyl eugenol, that are used in the production of synthetic flavors and fragrances.[385] Under HTS subheading 2909.50.40 eugenol[386] and isoeugenol[387] are specifically provided for in HTS statistical reporting number 2909.50.4010, while HTS 2909.50.4050 covers all "other" products under the subheading. Other synthetic odoriferous and flavoring compounds are likely to be included within the HTS 2909.50.40 subheading beyond the select examples noted above.

[381] The petition was filed with the U.S. Trade Representative (USTR) by the government of Indonesia and requested a redesignation of HTS subheading 2909.50.40 under the provisions of the GSP for Indonesia.
[382] Odoriferous is defined as yielding or diffusing smell.
[383] Differences between natural and synthetic counterparts are due to various contaminating materials routinely found in very small concentrations in natural products. These materials are found consistently in specific source materials and provoke sensory differences compared with synthetic counterparts that are free of contamination. USITC, *Industry and Trade Summary: Flavor and Fragrance Material*, 1999, 3.
[384] The Chemical Abstracts Service (CAS), a division of the American Chemical Society, maintains a registry of chemical information and assigns numbers to the registry. Acetovanillone has the CAS number 498-02-2.
[385] CAS number 1755-54-0, International Union of Pure and Applied Chemistry (IUPAC) name: 2-ethoxy-4-(2-propenyl)-phenol. Tariff classification of ethyl eugenol, CAS # 1755-54-0, imported in bulk form, from Japan, U.S. Customs and Border Protection ruling no. NY I83591, April 20, 2007, https://rulings.cbp.gov/search.
[386] Eugenol has the IUPAC name 4-allyl-2-methoxyphenol, and CAS number 97-53-0.
[387] Isoeugenol has the CAS number 97-54-1 and can be synthesized from eugenol.

Eugenol accounts for the majority of U.S. imports under HTS subheading 2909.50.40. Cloves are a widely recognized fragrant spice, and eugenol[388] is the primary constituent of essential oil of clove.[389] Although it can be produced synthetically,[390] eugenol is predominantly prepared by extraction from essential oil of clove. The extraction is accomplished by mixing the essential oil with aqueous sodium or potassium hydroxide, which forms a phenolic alkali salt. The insoluble non-phenolic portion is extracted,[391] the resultant alkali solution is acidified at low temperatures, and the eugenol is subsequently purified through fractional distillation.

Eugenol is a clear to pale yellow liquid with a clove-like odor and a pungent taste.[392] Eugenol has applications in several industries, including the pharmaceutical, agricultural, fragrance, and flavor industries.[393] In medicine, eugenol is used for its antimicrobial, anti-inflammatory, analgesic, and anti-oxidant properties, as well as for skin permeability enhancement.[394]

Profile of U.S. Industry and Market, 2013–17

Given the large number of products covered by this HTS subheading it is difficult to describe the U.S. industry and market. Many products that fall under HTS 2909.50.40 can be used as alternatives for "all natural" fragrances and food additives.[395] Major international suppliers of both natural and synthetic fragrances and flavors include Penta Manufacturing Company, Givaudan, and International Flavors and Fragrances.

[388] Eugenol and isoeugenol together represent the majority of domestic imports in 2017 under HTS subheading 2909.50.40, as discussed later in this chapter.
[389] Eugenol is the principle constituent of distilled clove bud oil (60–90 percent). Antic, "Extraction of Eugenol from Cloves," November 24, 2016.
[390] Eugenol can be produced through the process of allylation of guaiacol (CAS No. 90-05-1) with allyl chloride (CAS No. 107-05-1). Kamatou, "Eugenol—From the Remote Maluku Islands," 2012, 6954.
[391] Extraction can be carried out with solvent or through steam distillation.
[392] Kamatou, "Eugenol—From the Remote Maluku Islands," 2012, 6954.
[393] Clove and some of its components, including eugenol, are designated by the Food and Drug Administration (FDA) as "generally recognized as safe" (GRAS) as an additive, so it is exempted from food additive tolerance requirements.
[394] Enhanced skin permeation assists in the absorption of drugs applied to the skin or gums. Kamatou, "Eugenol—From the Remote Maluku Islands," 2012, 6954.
[395] Some products, such as ethyl eugenol, are intermediates in the production of synthetic fragrances.

The size of the U.S. market for odoriferous and flavoring compounds is directly correlated to demand for downstream products using artificial flavors and fragrances, the latter being largely dependent on consumer preferences.[396] Although artificial flavors and fragrances resemble their natural counterparts, discernible differences in scent remain between natural products and their synthetic substitutes, and most consumers prefer natural flavor and fragrance materials.[397] However, economic and climatic factors can limit the availability of natural products and lead consumers to turn to synthetic flavor and fragrance materials in lieu of the natural product.[398]

Eugenol represents the largest share (71 percent) of domestic imports under HTS 2909.50.40. As noted above, eugenol is primarily extracted from cloves, and at this time, there appear to be no commercial clove production sites in the United States.[399] In 2015, U.S. consumption of eugenol for use in flavoring applications is estimated at [* * *].[400]

Table 21.2 Certain odoriferous or flavoring compounds: (HTS subheading 2909.50.40): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Shipments or production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	11,795	10,539	10,596	8,625	7,999
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS subheading are not available because the relevant Schedule B number includes additional products.

GSP Import Situation, 2017

GSP-eligible countries accounted for 72 percent of total U.S. imports under HTS subheading 2909.50.40 in 2017. India is the largest GSP-eligible import source, representing 50 percent of U.S. GSP-eligible imports. If all Indonesia's shipments had been accorded GSP status, it would have accounted for 47 percent of GSP-eligible imports (table 21.3).[401] The majority of imports from India (65 percent) and Indonesia (86 percent) in 2017 entered under HTS statistical reporting number 2909.50.4010, the statistical reporting number for eugenol and isoeugenol. Both India and Indonesia are major producers

[396] Industry representative, telephone interview by USITC staff, May 24, 2018.
[397] USITC, *Industry and Trade Summary: Flavor and Fragrance Material*, 1999, 3.
[398] USITC, *Industry and Trade Summary: Flavor and Fragrance Material*, 1999, 3.
[399] USDA, "*Syzygium aromaticum*" (accessed May 29, 2018).
[400] [* * *]. Industry representative, telephone interview by USITC staff, May 24, 2018.
[401] In 2011, the United States imported over $19 million worth of eugenol and isoeugenol from Indonesia, representing an 83 percent share of total U.S. imports under HTS subheading 2909.50.4010. Indonesia is a GSP-eligible country. However, Indonesia lost GSP eligibility for articles entering under HTS subheading 2909.50.40 in 2012 and was not eligible for GSP treatment for such articles during 2013–17.

of cloves and related downstream products, including essential oil of clove and the primary extract of clove, eugenol.[402]

Table 21.3 Certain odoriferous or flavoring compounds: (HTS subheading 2909.50.40): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	7,999	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	5,775	72	100	(b)
India	2,889	36	50	(b)
Indonesia	2,738	34	47(c)	(b)
Madagascar	148	2	3	(b)

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not applicable.
[b] Not available.
[c] Reflects Indonesia's share of imports from GSP-eligible countries. Since Indonesia lost GSP eligibility for HTS 2909.50.40 in 2012 after it exceeded the CNL, none of its imports were eligible to be imported duty free under GSP in 2017.

U.S. Imports and Exports

In 2017, the largest sources of U.S. imports of odoriferous or flavoring compounds were India, with a 36 percent share, and Indonesia, with a 34 percent share (table 21.4). Imports from non-GSP eligible countries represented 28 percent of total U.S. imports of the products. The third-largest source, Singapore, accounted for only 10 percent of total U.S. imports of the products.

[402] Indonesia is the world's largest producer of cloves. PT. Mega Glori, "Indonesia Is the Biggest Cloves Producer" (accessed May 29, 2018).

Table 21.4 Certain odoriferous or flavoring compounds (HTS subheading 2909.50.40): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
India	2,704,802	4,008,852	3,763,155	2,757,253	2,888,761
Indonesia	6,466,251	3,640,171	4,351,161	3,296,837	2,738,064
Singapore[a]	626,083	1,175,168	578,777	619,735	773,740
Japan	759,808	767,226	617,736	849,198	482,018
France	228,922	85,663	165,575	497,890	444,468
China	128,876	166,514	215,695	216,078	374,312
Madagascar	217,047	467,092	562,807	145,724	147,963
Switzerland	66,820	109,776	174,265	125,580	65,120
United Kingdom	324,101	38,336	53,075	52,038	52,373
Spain	264,967	71,525	114,061	27,894	31,788
All other	7,533	9,148	0	36,879	0
Total	11,795,210	10,539,471	10,596,307	8,625,106	7,998,607
Imports from GSP–eligible countries:					
India	2,704,802	4,008,852	3,763,155	2,757,253	2,888,761
Indonesia[b]	6,466,251	3,640,171	4,351,161	3,296,837	2,738,064
Madagascar	217,047	467,092	562,807	145,724	147,963
Total	9,388,100	8,116,115	8,677,123	6,199,814	5,774,788

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] Indonesia is a GSP-eligible country. However, Indonesia lost GSP eligibility for articles entering under HTS subheading 2909.50.40 in 2012 and was not eligible for GSP treatment for such articles during 2013–17.

It is difficult to determine the value of U.S. exports of certain odoriferous or flavoring compounds because they are reported under the broader Schedule B number 2909.50.0000. The principal markets for U.S. domestic exports under Schedule B 2909.50.0000 were Canada, Norway, China, and Mexico. Together these four markets received 76 percent of U.S. domestic products exported under this heading.

Table 21.5 Ether-phenols, ether-alcohol-phenols, and their halogenated, sulfonated, nitrated, or nitrosated derivatives (Schedule B 2909.50.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	4,833,562	5,407,853	6,445,614	6,083,962	6,767,095
Norway	2,457,407	4,915,872	3,327,781	3,316,907	3,816,773
China	760,602	1,061,336	589,523	596,856	1,534,998
Mexico[a]	954,272	1,466,940	1,162,433	1,260,017	885,890
Brazil	211,991	297,249	511,323	1,033,923	764,182
Belgium	511,419	350,109	631,927	757,580	693,418
Colombia[a]	31,888	139,944	287,918	150,584	368,503
Chile[a]	107,838	123,400	247,740	203,585	312,895
South Africa	94,513	81,579	39,812	28,317	269,038
Argentina	140,455	73,055	91,979	119,557	206,438
All other	2,511,674	2,337,102	2,166,419	1,878,516	1,472,122
Total	12,615,621	16,254,439	15,502,469	15,429,804	17,091,352

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Indonesia with the U.S. Trade Representative (USTR). Indonesia also filed written submissions, and a representative of Indonesia appeared at the Commission hearing.

No statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Antic, Dean. "Extraction of Eugenol from Cloves—Lesson Plan for Chemistry Educators." *Thermo Fisher Scientific* (blog), November 24, 2016. https://www.thermofisher.com/blog/food/extraction-of-eugenol-from-cloves-lesson-plan-for-chemistry-educators/.

Kamatou, Guy P., Ilze Vermaak, and Alvaro M. Viljoen. "Eugenol—From the Remote Maluku Islands to the International Market Place: A Review of a Remarkable and Versatile Molecule." *Molecules* 17 (December 2012): 6954–81. doi: 10.3390/molecules17066953.

Mega Glori Internasional. "Indonesia Is the Biggest Cloves Producer," n.d. https://www.megaglori.com/biggest-cloves-producer/ (accessed May 29, 2018).

U.S. Department of Agriculture (USDA). "*Syzygium aromaticum*," n.d. https://plants.usda.gov/core/profile?symbol=syar2 (accessed May 29, 2018).

U.S. International Trade Commission (USITC). *Industry and Trade Summary: Flavor and Fragrance Material*. USITC Publication 3162. Washington, DC: USITC, 1999. https://www.usitc.gov/publications/332/pub3162.pdf.

U.S. International Trade Commission (USITC)/ Interactive Tariff and Trade DataWeb (DataWeb)/U.S. Department of Commerce (USDOC). http://dataweb.usitc.gov (accessed various dates).

Chapter 22
Redesignation: Fancy Bovine Leather (Full Grain, Whole, Unsplit) (Argentina)[403]

Table 22.1 Fancy bovine leather (full grain, whole, unsplit)

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
4107.11.80[a]	Leather further prepared after tanning or crusting, of bovine (other than buffalo) or equine animals, without hair on, not whole, full grain unsplit, fancy	2.4 percent

[a] Harmonized Tariff Schedule (HTS) subheading 4107.11.80 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Argentina lost GSP eligibility for HTS 4107.11.80 in 2003 after it exceeded the competitive need limitation (CNL).

Description and Uses

The product classified in subheading 4107.11.80 of the Harmonized Tariff Schedule of the United States (HTS) is one of a variety of leather products produced from the hides of bovine (other than buffalo) and equine animals.[404] Products classified in HTS subheading 4107.11.80 are further prepared after tanning; they include full grain and whole hides that are unsplit.[405] According to the HTS additional U.S. note in chapter 41, fancy bovine leather (full grain, whole, unsplit) is "fancy" because of its grain or distinctive finish (e.g., embossed, printed, or decorated), and does not include chamois leather, patent leather, or metalized leather.[406] This leather is an intermediate product that is purchased by manufacturers of garments and other leather goods.[407] The leather described in this section may be used in producing a wide variety of leather products (e.g., luggage, leather goods, and apparel). However, this HTS subheading does not include upholstery leather or leather intended for footwear production (i.e., upper or sole leather, which are covered by other subheadings).

[403] The petition was filed with the U.S. Trade Representative (USTR) by the government of Argentina and requested, among other things, the redesignation of HTS subheading 4107.11.80 under the provisions of the GSP for Argentina.
[404] A majority of imports and U.S. production of products classified in HTS subheading 4107.11.80 are made from bovine animals, rather than equine animals.
[405] Full grain is the term for removing the hair, but not otherwise altering the outside skin of the hide; whole means it is the whole intact hide rather than a portion of the hide (e.g., side). Unsplit means that the hide has not been split into multiple layers (two or more). Hides are split to give the leather an even finish. Hancock & Moore, "Leather Glossary" (accessed June 20, 2018).
[406] USITC, *Harmonized Tariff Schedule of the United States (2018), Revision 4,* 41-1 (accessed May 16, 2018).
[407] Decarlo, *Leather Tanning and Finishing in the US*, October 2016, 15.

Profile of U.S. Industry and Market, 2013–17[408]

The U.S. industry for fancy bovine leather (full grain, whole, unsplit) purchases hides and semi-processed leather as inputs from cattle ranches and tanneries and further processes it for use in finished leather goods. U.S. production data for fancy bovine leather (full grain, whole, unsplit) are not available. The fancy bovine leather classified in HTS subheading 4107.11.80 makes up only a small portion of the U.S. hide, skin, and leather industry.

A majority of the U.S. tanneries, and subsequently leather production, has moved overseas. The remaining U.S. leather manufacturing industry, of which fancy bovine leather is a part, is comprised of firms that are small, have few employees, and typically focus on producing high-quality and niche products to compete with imports in terms of quality instead of price. These firms balance their location decision between being close to cattle operations (i.e., supply) and the downstream consumers of their products. The mid-Atlantic, Southeast, West, and Great Lakes regions are still home to U.S. leather manufacturing firms.[409]

Table 22.2 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	676	1,290	4,832	1,112	1,882
Imports (1,000 $)	1,259	1,881	907	793	410
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.

GSP Import Situation, 2017

In 2017, GSP-eligible countries supplied 7 percent of total imports of fancy bovine leather classified in HTS subheading 4107.11.80. Brazil was the top GSP-eligible supplier by value of that product to the United States. Brazil supplied 4 percent of U.S. imports and 50 percent of GSP-eligible imports of the leather in 2017 (table 22.3). Other GSP-eligible suppliers of this product to the United States included Turkey and Pakistan, which together supplied another 4 percent of total U.S. imports and the other 50 percent of GSP-eligible imports in 2017.

[408] Unless otherwise noted, this information is based on USITC, *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2008 Review of Competitive Need Limit Waivers*, Publication 4074, April 2009.
[409] Decarlo, *Leather Tanning and Finishing in the US*, October 2016, 5, 6, 10, 22, and 25.

From 2013–17, Argentina had been an inconsistent supplier of imports classified in HTS subheading 4107.11.80.[410] The country supplied no U.S. imports of these goods in 2017. However, in 2016, the United States imported $359,501 worth of such leather from Argentina, which accounted for 45 percent of total U.S. imports of the product in that year.[411]

Table 22.3 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	410	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	30	7	100	[b]
Brazil	15	4	50	[b]
Turkey	12	3	41	[b]
Pakistan	3	1	9	[b]

[a] Not applicable.
[b] Not available.

U.S. Imports and Exports

In 2017, Italy was the United States' largest supplier by value of fancy bovine leather classified in the HTS subheading 4107.11.80; the country supplied 74 percent of total U.S. imports of this product. Slovakia and Poland were the next-largest suppliers to the United States, together supplying another 12 percent of total imports (table 22.4).

[410] Argentina lost GSP eligibility for HTS 4107.11.80 in 2003 after it exceeded the competitive need limitation (CNL). In May 2012, Argentina's designation as a GSP beneficiary developing country was suspended, making its shipments ineligible for duty-free access under the GSP program. However, Argentina was partially reinstated into the GSP program on January 1, 2018, including for this HTS subheading. See also discussion in chapter 1.
[411] Official statistics of the U.S. Department of Commerce.

Table 22.4 Fancy bovine leather (full grain, whole, unsplit) (HTS subheading 4107.11.80): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Italy	929,313	1,615,589	603,879	326,099	303,876
Slovakia	0	0	0	0	29,135
Poland	0	6,486	25,194	28,587	18,383
Brazil	156,082	83,180	123,313	21,374	14,978
Turkey	50,927	7,142	307	5,990	12,411
Germany	25,665	17,165	61,478	25,506	9,316
China	0	6,249	0	0	7,164
France	30,170	98,405	15,029	18,275	4,598
United Kingdom	0	28,882	4,685	1,315	4,217
Pakistan	0	0	0	0	2,840
Argentina	0	0	670	359,501	0
All other	66,795	18,365	72,875	5,915	3,356
Total	1,258,952	1,881,463	907,430	792,562	410,274
Imports from GSP-eligible countries:					
Brazil	156,082	83,180	123,313	21,374	14,978
Turkey	50,927	7,142	307	5,990	12,411
Pakistan	0	0	0	0	2,840
Uruguay	1,599	0	4,845	0	[a]
India	11,756	0	0	0	0
Tunisia	0	0	0	2,906	0
Total	220,364	90,322	128,465	30,270	30,229

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] This country was not GSP eligible in the indicated year.

Canada was the United States' largest export market for fancy bovine leather classified in the Schedule B number 4107.11.8000, receiving 95 percent ($1.8 million) of total U.S. exports of these products in 2017 (table 22.5). The United States also exported this type of leather to Mexico, Belgium, and Vietnam. Ontario, Canada, is home to various companies that use leather as an input, and it is the province in Canada with the largest amount of imports of products classified in the 6-digit HS code 4107.11 by value.[412]

[412] Government of Canada, Canadian Importer's Database: 4107.11 (accessed June 26, 2018); IHS Markit, Global Trade Atlas database (Canada Imports from World via Province: All Provinces, Commodity: 410711), accessed June 16, 2018.

Table 22.5 Bovine and equine leather, whole hides and skins, fancy, full grains and unsplit, not elsewhere specified or indicated, parchment dressed or further prepared after tanning or crusting (Schedule B 4107.11.8000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	552,315	926,720	1,112,229	970,193	1,779,492
Mexico[a]	112,901	345,379	3,449,225	68,125	95,141
Belgium	0	0	0	0	4,620
Vietnam	0	0	0	0	3,239
Hong Kong	0	8,063	8,682	3,496	0
Australia[a]	3,756	0	0	0	0
New Zealand	0	0	0	2,641	0
Denmark	7,260	0	0	0	0
United Kingdom	0	9,901	31,661	0	0
Romania	0	0	161,692	0	0
All other	0	0	68,206	67,127	0
Total	676,232	1,290,063	4,831,695	1,111,582	1,882,492

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the government of Argentina with the U.S. Trade Representative (USTR). Argentina also filed written submissions, and a representative of Argentina appeared at the Commission hearing.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Embassy of Argentina. Petition to the U.S. Trade Representative, "2018/2017 GSP Review: Argentina Several Products," April 16, 2018.

Decarlo, Jonathan. *Leather Tanning and Finishing in the US*. IBISWorld Industry Report 31611, October 2016. https://www.ibisworld.com (fee required).

Government of Canada. Canadian Importer's Database: 4107.11. https://www.ic.gc.ca/app/scr/ic/sbms/cid/exportingCountries.html?hsCode=410711&countryCode=9 (accessed June 26, 2018).

Hancock & Moore. "Leather Glossary." http://www.hancockandmoore.com/resources/HM_LeatherGlossary.pdf (accessed June 20, 2018).

IHS Markit. Global Trade Atlas database (Canada Imports from World via Province: All Provinces, Commodity: 410711; accessed June 16, 2018) (fee required).

IHS Markit. Global Trade Atlas database (USA Imports from Italy, Commodity: 410711; accessed July 30, 2018) (fee required).

U.S. International Trade Commission (USITC). *Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences: 2008 Review of Competitive Need Limit Waiver.* Publication 4074. Washington, DC: USITC, April 2009.https://www.usitc.gov/publications/332/pub4074.pdf.

U.S. International Trade Commission (USITC). *Harmonized Tariff Schedule of the United States (2018), Revision 4.* https://hts.usitc.gov/view/Chapter%2020?release=2018HTSARevision4_1 (accessed May 16, 2018).

Chapter 23
Redesignation: Granite Monumental or Building Stone (India)[413]

Table 23.1 Granite monumental or building stone

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
6802.93.00[a]	Worked monumental, building stone, and articles thereof, not elsewhere specified or indicated (n.e.s.o.i.), further worked than simply cut or sawn, Granite.	3.7 percent

[a] Harmonized Tariff Schedule (HTS) subheading 6802.93.00 is currently eligible for duty-free treatment under the provisions of the Generalized System of Preferences (GSP) for certain beneficiary developing countries. India lost GSP eligibility for HTS 6802.93.00 in 2005 after it exceeded the Competitive Need Limitation (CNL).

Description and Uses

The product classified in HTS subheading 6802.93.00 is worked monumental or building stone made of granite.[414] Worked stone refers to stone that has had its composition, shape, and finish altered. This HTS subheading includes a variety of products, ranging from slabs of worked granite monumental or building stone with finished surfaces, to floor tiles and mosaic cubes and similar products of granite with a square side greater than 7 centimeters. It also includes monuments, bases, and markers.

Granite monumental or building stone is used in residential and commercial properties. Residential applications include kitchen countertops and islands, fireplaces, vanities, custom furniture, baths, and floors. Commercial applications include, but are not limited to, hotel reception areas, hospital floors, conference centers, and exterior accents at apartment complexes. Granite monumental or building stone is also used for gravestones, headstones, and markers.[415]

Profile of U.S. Industry and Market, 2013–17

The U.S. industry for granite monumental or other building stone in the United States consists of quarries, distributors, and fabricators. Quarries use explosives and other mining equipment to remove

[413] The petition was filed with the U.S. Trade Representative (USTR) by M.S. International and requested the redesignation of HTS subheading 6802.93.00 under the provisions of the GSP for India.
[414] Monumental or building stone products specifically excluded from HTS subheading 6802.93.00 are marble, travertine, alabaster, other calcareous stones, sandstone, soapstone, quartzite, bluestone, brownstone, and other lesser-known rock types composed of siliceous materials. These stone products are provided for by name in other subheadings.
[415] The petitioner testified that the majority of granite monumental and building stone produced in the United States is used for monumental applications, which would include gravestones, headstones, and markers. USITC, hearing transcript June 14, 2018, 83–84 (testimony of Rupesh Shah, co-president, M.S. International).

stone blocks from natural formations. Quarry operators cut stone blocks into slabs at or near the quarry site. Distributors keep inventories of granite and other stone slabs available for sale. Fabricators transform the stone slabs into the finished surface product by designing, measuring, cutting, edging, and polishing the stone. The final product is then transported and installed. There are 60 quarries operating in the United States that produce granite products.[416] The number of fabricators operating in the United States is unknown. The leading producer states for all monumental or building stone (including monumental and building stone not contained in HTS subheading 6802.93.00) by tonnage were Massachusetts and Georgia.[417]

The main consumers of granite monumental or building stone are companies and individuals that are building and renovating real estate properties and producers of various monuments of stone, such as gravestones, headstones, and markers.[418] Consumers purchase granite monumental or building stone from home improvement stores, importers, stone distributors, fabricators, and quarries. The demand for granite monumental or building stone is also shaped by pricing, consumer preferences, and competition with other materials. In addition to granite, consumers have many options to choose from when deciding on which monumental or building material to use, such as marble, other natural stone, and aggregate surface products. Each of these products offers consumers different aesthetic options. The United States is a significant import market for monumental or building stone (table 23.2). According to the U.S. Geological Survey (USGS), U.S. producers supplied about 11 percent of all granite consumed in the United States, with the remainder supplied by imports.[419]

[416] USGS, "Stone, Dimension," April 19, 2018.
[417] USGS, "Mineral Commodity Summaries: Stone (Dimension)," January 2018.
[418] USITC, hearing transcript June 14, 2018, 99–103 (testimony of Rupesh Shah, co-president, M.S. International).
[419] According to USGS, U.S. apparent consumption was $1.2 billion in 2017. Domestic producers produced $130 million. Imports accounted for the remainder. USGS, "Mineral Commodity Summaries: Stone (Dimension)," January 2018.

Table 23.2 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	19,261	14,747	14,740	13,080	6,514
Imports (1,000 $)	1,266,477	1,301,412	1,285,565	1,081,634	991,406
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.

GSP Import Situation, 2017

Imports from GSP-eligible countries fell by 20 percent ($158 million) from 2013 to 2017 (table 23.4). In 2017, Brazil accounted for 72 percent ($451.6 million) of U.S. imports of granite monumental or building stone from GSP-eligible countries (table 23.3).[420] India was the second leading source of U.S. imports from GSP-eligible countries, and in 2017 it accounted for 27 percent ($166.8 million) of total GSP-eligible imports of this product.[421] Imports from all other GSP-eligible countries accounted for 1 percent of GSP-eligible imports.

India is the third-largest global exporter of granite monumental or building stone.[422] India's stone industry produces granite, marble, sandstone, slate quartzite, and limestone.[423] Most of India's stone industry is composed of small and medium-sized enterprises; there are also several larger companies operating multiple quarries.[424]

[420] While Brazil is a GSP-eligible country, its exports of HTS 6802.93.00 have not been eligible for duty-free entry since 2004.
[421] While India is a GSP-eligible country, its exports of HTS 6802.93.00 have not been eligible for duty-free entry since 2005.
[422] IHS Markit, Global Trade Atlas database (HTS subheading 6802; accessed June 1, 2018).
[423] Aria Stone Gallery, "History of the Indian Stone Market," January 16, 2018.
[424] StoneContact, "India Stone Quarries" (accessed May 30, 2018).

Table 23.3 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	991,406	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	623,188	63	100	[b]
Brazil	451,610	46	72[c]	[b]
India	166,828	17	27[d]	[b]
South Africa	3,561	[e]	1	[b]
Namibia	635	[e]	[e]	[b]
All other	555	[e]	[e]	[b]

[a] Not applicable.
[b] Not available.
[c] Reflects Brazil's share of imports from GSP-eligible countries. Since Brazil lost GSP eligibility for HTS 6802.93.00 in 2004, none of its imports were eligible to be imported duty-free under GSP in 2017.
[d] Reflects India's share of imports from GSP-eligible countries. Because India lost GSP eligibility for HTS 6802.93.00 in 2005, none of its imports were eligible to be imported duty-free under GSP in 2017.
[e] Less than 0.5 percent.

U.S. Imports and Exports

Imports of granite monumental or building stone from all countries decreased 22 percent ($275 million) from 2013 to 2017. In 2017, Brazil was the leading source of U.S. imports of granite monumental or building stone and accounted for 46 percent ($451.6 million) of total U.S. imports (table 23.4). The second-largest source was China, which accounted for 23 percent ($227.2 million) of total U.S. imports, and was the leading non-GSP-eligible import source of these products. India was the third-largest source of U.S. imports and accounted for 17 percent ($166.8 million) of total U.S. imports of granite monumental or building stone.

Table 23.4 Granite monumental or building stone (HTS subheading 6802.93.00): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Brazil	609,130,411	650,291,417	637,781,845	508,343,719	451,609,554
China	272,717,656	266,867,022	263,553,974	247,793,661	227,157,929
India	166,262,850	179,569,604	183,608,017	166,531,933	166,828,268
Italy	139,497,762	127,724,258	120,740,039	91,480,358	79,923,838
Spain	17,815,535	24,811,740	28,708,525	32,505,410	34,347,313
Canada[a]	21,514,895	21,952,811	29,614,115	20,236,867	20,726,222
South Africa	4,291,597	4,917,707	4,110,593	3,217,617	3,560,951
Taiwan	20,414,300	14,411,890	8,028,885	2,848,475	1,347,266
Saudi Arabia	8,081,933	4,299,203	2,853,661	2,163,837	1,007,343
Namibia	517,066	73,550	142,662	419,388	634,550
All other	6,233,420	6,493,105	6,422,569	6,092,626	4,263,106
Total	1,266,477,425	1,301,412,307	1,285,564,885	1,081,633,891	991,406,340
Imports from GSP–eligible countries:					
Brazil[b]	609,130,411	650,291,417	637,781,845	508,343,719	451,609,554
India[c]	166,262,850	179,569,604	183,608,017	166,531,933	166,828,268
South Africa	4,291,597	4,917,707	4,110,593	3,217,617	3,560,951
Namibia	517,066	73,550	142,662	419,388	634,550
Egypt	68,347	42,634	176,608	106,946	258,332
Indonesia	115,240	147,702	168,066	66,261	68,370
Ukraine	60,583	0	33,512	0	59,154
Sri Lanka	26,180	45,356	55,385	17,515	41,505
Thailand	91,662	297,347	37,462	0	35,160
Montserrat	36,346	0	0	0	29,372
All other	957,028	883,179	311,274	276,074	63,215
Total	781,557,310	836,268,496	826,425,424	678,979,453	623,188,431

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] Brazil is a GSP-eligible country. Brazil lost GSP eligibility for articles entering under HTS subheading 6802.93.00 in 2004 and was not eligible for GSP treatment for such articles during 2013–17.
[c] India is a GSP-eligible country. India lost GSP eligibility for articles entering under HTS subheading 6802.93.00 in 2005 and was not eligible for GSP treatment for such articles during 2013–17.

The United States exported $6.5 million of granite monumental or building stone in 2017. Most U.S. exports of granite monumental or building stone are destined for Canada and The Bahamas, which together accounted for 59 percent of total U.S. exports (table 23.5). U.S. exports to Canada (under Canada's tariff number 6802.99.00) are eligible for duty-free entry under the North American Free Trade Agreement (NAFTA).

Table 23.5 Granite monumental or building stone (Schedule B 6802.93.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	12,948,695	7,515,246	4,426,906	2,805,820	2,028,272
Bahamas	588,233	661,416	471,393	610,469	1,819,102
Sweden	0	0	0	0	815,840
Mexico[a]	461,761	600,998	416,315	189,707	330,435
Denmark	0	3,006	7,982	0	250,151
Curaçao	0	0	5,110	0	234,959
China	46,114	87,922	22,000	990,660	138,278
Netherlands	132,135	28,377	18,476	78,131	114,579
Malaysia	66,477	132,739	71,640	45,402	106,782
Bangladesh	6,855	0	0	0	103,000
All other	5,011,164	5,717,383	9,300,125	8,359,433	572,777
Total	19,261,434	14,747,087	14,739,947	13,079,622	6,514,175

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: M.S. International, Inc. filed a petition with the U. S. Trade Representative (USTR) under the provisions of the GSP requesting the redesignation for imports of HTS subheading 6802.93.00 from India. The petitioner also appeared at the Commission hearing and filed written submissions. The party's written submission to the Commission is provided below.

> MSI is a leading national distributor of flooring, countertop, wall tile, and hardscaping products. Headquartered in Orange, California, MSI maintains distribution centers across the United States and Canada. In 2017, MSI surpassed $1 billion in annual revenues. MSI employs nearly 1,600 hard-working Americans in 18 states.
>
> MSI has requested a competitive need limit (CNL) waiver for imports of HTSUS 6802.99.00 from Brazil and a redesignation for imports of HTSUS 6802.93.00 from India as eligible for duty-free treatment under the Generalized System of Preferences (GSP) program. The two products are natural stone imported as slabs for use as kitchen and bathroom countertops. HTSUS 6802.93.00 includes monumental stone of granite, while HTSUS 6802.99.00 includes monumental stone other than granite (e.g., basalt, gabbro, diorite, diabase, syenite, gneiss, etc.). Though classified separately based on geological properties, products under both import headings are commonly referred to as "granite" in the trade (e.g., the "black granite" MSI supplied for the Vietnam Veterans Memorial is actually basalt).
>
> Granting GSP benefits to the two products will not lead to large increases in overall U.S. imports. These are not rapidly growing exports from new entrants into the market, but products whose imports are declining due to changing consumer preferences. MSI believes imports of the subject product from Brazil peaked in late 2017, while imports of the subject product from Brazil peaked in 2015. Import data through April 2018 confirm these trends; imports of the products are down approximately 10%-15% compared to 2017. Imports of both products are likely to fall well below the CNLs for 2018 and subsequent years. Granting the petitions may help slow, but will not reverse, market trends.

Additionally, granting GSP benefits would not adversely impact any industry in the United States, since imported and domestic monumental stone generally are used for different purposes. MSI imports slabs for countertops. The limited granite and natural stone quarried in the United States generally is used for headstones and memorials. Many of the properties desirable for countertops (e.g., colors, patterns) are not available from domestic sources. Qualities and characteristics differ due to geological formations, not geographical boundaries. Many colors are available only Brazil and India, reflecting mineral deposits and rock formations unique to those areas.

Finally, granting GSP benefits will have a positive impact on U.S. consumers, who could save tens of millions of dollars annually through lower prices. GSP benefits for the products also would support continued growth and U.S. jobs at MSI, hundreds of similar U.S. distributors of Brazilian and Indian stone, and tens of thousands of U.S. workers in the countertop fabrication and installation industry.

Failure to grant the two petitions could cost American consumers tens of millions of dollars, cause significant harm to American jobs at distributors, fabricators, and installers that transform a large stab of rock into a finished kitchen or bathroom countertop. U.S. producers are unlikely to gain, though Chinese stone producers likely would because such imports would become more competitive.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Aria Stone Gallery. "History of the Indian Stone Market," January 16, 2018. https://ariastonegallery.com/history-of-the-indian-stone-industry/.

Dilthey, Max Roman. "How Does Marble Get Mined From a Quarry?" Sciencing, April 24, 2017. https://sciencing.com/marble-mined-quarry-4567716.html.

IHS Markit. Global Trade Atlas database (accessed June 1, 2018).

Joint Center for Housing Studies at Harvard University. "Demographic Change and the Remodeling Outlook." In *America's Rental Housing 2017*, February 28, 2017. http://www.jchs.harvard.edu/remodeling-2017/.

StoneContact. "India Stone Quarries." http://www.stonecontact.com/india-granite-quarries (accessed May 30, 2018).

StoneContact. "United States Stone Quarries." http://www.stonecontact.com/united-states-stone-quarries (accessed May 30, 2018).

U.S. Census Bureau (U.S. Census). "New Residential Construction," by Cheryl Cornish, Stephen Cooper, and Salima Jenkins, May 21, 2018. https://www.census.gov/construction/nrc/historical_data/index.html.

U.S. Geological Survey (USGS). "Mineral Commodity Summaries: Stone (Dimension)." Summary by Thomas P. Dolley, January 2018. https://minerals.usgs.gov/minerals/pubs/commodity/stone_dimension/.

U.S. Geological Survey (USGS). "Stone, Dimension," by Thomas P. Dolley. In *2015 Minerals Yearbook*, April 19, 2018. https://minerals.usgs.gov/minerals/pubs/commodity/stone_dimension/.

U.S. International Trade Commission (USITC). Hearing transcript in connection with investigation no. 332-567, *Generalized System of Preferences (GSP): Possible Modifications 2017 Review,* June 14, 2018.

Chapter 24
Redesignation: Certain Ferroniobium (Brazil)[425]

Table 24.1 Certain ferroniobium

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
7202.93.80[a]	Certain ferroniobium, containing by weight more than 0.02 phosphorus or sulfur or more than 0.4 percent of silicon	5.0 percent

[a] Harmonized Tariff Schedule (HTS) subheading 7202.93.80 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Brazil lost GSP eligibility for HTS 7202.93.80 in 2008 after it exceeded the competitive need limitation (CNL).

Description and Uses

Classified in HTS subheading 7202.93.80, standard-grade ferroniobium is ferroniobium that contains by weight more than 0.02 percent of phosphorus or sulfur, or more than 0.4 percent of silicon. Also known as ferrocolumbium, ferroniobium[426] contains, by weight, 60 to 70 percent niobium and 4 percent or more of iron, and is the leading commercially available niobium-containing material.[427] The production of ferroniobium starts with the mining of pyrochlore—a mineral containing high levels of niobium. Mined pyrochlore ore undergoes a complex recovery process that uses various milling, sieving, flotation, leaching, and filtration processes to produce a niobium concentrate known as niobium pentoxide (Nb_2O_5). The concentrate then undergoes an exothermic chemical reaction known as aluminothermy in which it is reduced in a mixture of aluminum powder, metallic iron, and other products. The combination of these materials results in an exothermic reaction that produces ferroniobium and other byproducts. After a cooling process, the ferroniobium is then crushed and packaged into containers ranging from 10 to 1,500 kilograms before it is shipped to end users, primarily in the global steel industry.[428]

Standard-grade ferroniobium imparts certain highly desired characteristics when added to the high-strength, low-alloy steel (HSLA),[429] stainless steel, and heat-resistant steel used in automotive, building and construction, and oil industry applications. In particular, it offers traits such as improved strength,

[425] The petition was filed with the U.S. Trade Representative (USTR) by CMOC Mining USA, Ltd., a subsidiary of CMOC International. It requested the redesignation of HTS subheading 7202.93.80 under the provisions of the GSP for Brazil.
[426] The American Society for Testing and Materials (ASTM) has established standards for three grades of ferroniobium. ASTM, "Standard Specification for Ferrocolumbium (Ferroniobium), A 550-16," reapproved 2016. https://www.astm.org/Standards/A550.htm.
[427] Papp, "2015 Minerals Yearbook: Niobium," August 2017.
[428] Niobec, "Process" (accessed May 31, 2018).
[429] HSLA steels are also known as micro-alloy steels.

weldability, toughness, and corrosion resistance.[430] According to two end users in the domestic steel industry, ferroniobium also improves steel's tolerance for shocks, which improves the safety of buildings, vehicles and energy pipelines.[431] There are two common grades of ferroniobium—standard and vacuum grade—but only standard-grade ferroniobium is included in HTS subheading 7202.93.80. Standard- and vacuum-grade ferroniobium are produced using different manufacturing processes and have different end uses, and neither grade is used as an input in the other.[432] Vacuum-grade ferroniobium is imported under HTS subheading 7202.93.40.[433]

Like or Directly Competitive U.S. Product Assessment

The Commission did not identify any production of certain ferroniobium in the United States in any of the preceding three calendar years 2015–17.[434] The Commission identified domestic production during calendar years 2015–17 of an article—ferrovanadium—that the Commission advises may be considered to be directly competitive with articles classified in HTS subheading 7202.93.80 in some applications. In its post-hearing brief, the Vanadium Producers and Reclaimers Association asserted that ferrovanadium was produced in the United States during 2015–17 and that ferrovanadium may be used as a substitute for ferroniobium in certain applications.[435]

In recent years, the Commission has conducted antidumping investigations with regard to U.S. imports of ferrovanadium from China, South Korea, and South Africa. In *Ferrovanadium from China and South Africa*, the Commission's report cited information indicating that ferroniobium is a substitute for ferrovanadium in the production of some products including structural beams, steel plates, rebar, grain refiner, merchant bar, and other HSLA steels.[436] This was also supported by information in the record in *Ferrovanadium from Korea*, in which several questionnaire respondents reported that ferroniobium can substitute for ferrovanadium.[437] In both of those antidumping investigations, the Commission identified

[430] Ferroniobium is an input for certain steel products that are used in automotive parts, structural components, and oil country tubular goods. CBMM, "Ferroniobium" (accessed May 24, 2018); Roskill, "Niobium Continues to Attract Investment," March 16, 2017; USGS, "Niobium," August 2017.
[431] Mayer Brown LLP and CBMM North America on behalf of Nucor Corporation and ArcelorMittal USA, posthearing brief for the USITC, July 31, 2018, 3-5.
[432] According to one foreign producer, vacuum-grade ferroniobium is manufactured via a melting process in a vacuum furnace. This producer also noted that standard-grade has higher levels of impurities than vacuum-grade ferroniobium. USITC, hearing transcript, June 14, 2018 (testimony of Mr. James Boyle, CBMM North America), 143. Vacuum-grade ferroniobium is used in applications such as aircraft engine turbines and turbines for electricity generation, which require a higher level of heat resistance than other types of steel. CBMM, "Vacuum Grade Niobium Alloys," 2018.
[433] Vacuum-grade ferroniobium, which is classified in HTS 7202.93.40, is not a subject product for this petition.
[434] USGS, "Niobium," January 2018.
[435] Vanadium Producers and Reclaimers Association, posthearing brief for the USITC, June 21, 2018, 3.
[436] USITC, *Ferrovanadium from China and South Africa*, January 2015, I-13.
[437] "The majority of responding U.S. producers/tollees (5 of 6) and importers (9 of 16) reported that there are substitutes for ferrovanadium, while the majority of purchasers reported that there were not. Most (13) of the firms that listed substitutes for ferrovanadium mentioned ferroniobium. Some of these firms noted that ferroniobium is typically more expensive than ferrovanadium, and that viable substitutability depends on price levels of the two materials." USITC, *Ferrovanadium from Korea*, May 2017, II-10.

two domestic producers of ferrovanadium—AMG Vanadium LLC (AMG) and Bear Metallurgical Company (Bear).[438] In this investigation, the Vanadium Producers and Reclaimers Association (VPRA) also indicated that two active domestic producers of ferrovanadium in the United States, AMG and Bear, account for 100 percent of domestic ferrovanadium production.[439] Industry sources indicate that there are no commercially viable substitutes for ferroniobium other than ferrovanadium.[440]

The Commission considered a number of factors in assessing whether, during any of the three preceding calendar years, there was U.S. production of a product that is "like or directly competitive" with ferroniobium classified in HTS subheading 7202.93.80. These factors included the physical properties of the domestic article, the manufacturing processes, the product's uses, the marketing channels of distribution, and whether a domestic article would receive the same customs treatment as the imported article. The discussion below focuses on whether domestically produced ferrovanadium is like or directly competitive with imported ferroniobium provided for in HTS subheading 7202.93.80.

Physical Properties

Ferroniobium provided for in HTS subheading 7202.93.80 and domestically produced ferrovanadium are both ferroalloys[441] (i.e., alloys containing iron), with different elements that are used in the production of steel in order to improve strength and corrosion resistance. The niobium in ferroniobium is also used to improve weldability and toughness, while the vanadium in ferrovanadium is used to improve hardness.[442] Ferrovanadium is produced in various grades having, by weight, a vanadium content of either 40–60 percent or 75–85 percent. Regardless of grade, the price of ferrovanadium is based on the vanadium content.[443] Ferrovanadium imparts certain characteristics such as improved hardness, strength, and corrosion resistance when added to HSLA steels (including pipelines, rebar, automobile components, and structural shapes and plate for construction), as well as tool steels and other ferrous-based products.[444] Ferrovanadium is also used to reduce weight and to increase tensile strength in certain steel applications.[445] Domestically produced ferrovanadium is derived from sources such as residue from the processing and burning of vanadium-containing oil products.[446]

---

[438] USITC, *Ferrovanadium from China and South Africa*, January 2015, 7; USITC, *Ferrovanadium from Korea*, May 2016, 9.
[439] Vanadium Producers and Reclaimers Association, posthearing brief, 2.
[440] According to the U.S. Geological Survey, the use of other ferroalloys, such as ferromolybdenum and ferrovanadium, in place of ferroniobium in the production of certain HSLA, stainless, and high-strength steels may result in a performance loss and higher costs. USGS, "Niobium," January 2018; CBMM posthearing brief, 3; industry representatives, interviews by USITC staff, May 30 and May 31, 2018; industry representatives, interviews by USITC staff, May 31, 2018; USITC, hearing transcript, June 14, 2018 (testimony of Mr. Gregory Clemmer, CMOC International), 127; CBMM North America, post hearing brief, 3.
[441] Ferroalloys are alloys of iron and one or more metals that are commonly used in the production of steel.
[442] Hardness is measured by a metal's ability to withstand friction; strength, by the amount of force necessary to deform a material; toughness, by how well a material can resist fracturing when force is applied. Polymer Solutions, "Metal Properties: Hardness, Toughness, and Strength," October 5, 2015.
[443] USITC, *Ferrovanadium from Korea (Final)*, May 2017, 5.
[444] Westbrook Resources Ltd., "Ferrovanadium" (accessed June 22, 2018).
[445] Westbrook Resources, "Properties of Ferrovanadium" (accessed June 25, 2018).
[446] USITC, *Ferrovanadium from Korea (Final)*, May 2017, -7–8.

Manufacturing Process

Ferroniobium provided for in HTS subheading 7202.93.80 and domestically produced ferrovanadium are manufactured using different processes from different inputs. Ferroniobium is produced via a primary production process (the mining and refining of pyrochlore ore), while domestically produced ferrovanadium is produced using a secondary process (processing of vanadium-containing oil products).

The first step in ferroniobium production is the mining of pyrochlore—a mineral containing high levels of niobium. Mined pyrochlore ore undergoes a complex recovery process whereby various milling, sieving, flotation, leaching, and filtration processes are used to produce a niobium concentrate known as niobium pentoxide (Nb_2O_5). The niobium concentrate then undergoes an exothermic chemical reaction known as aluminothermy where it is reduced in a mixture of aluminum powder, metallic iron, and other products. The combination of these materials results in an exothermic reaction that produces ferroniobium and other byproducts. After a cooling process, the ferroniobium is then crushed and packaged into containers ranging from 10 to 1,500 kilograms.

Ferrovanadium can be produced using three different methods; however, the most common method used in the United States is secondary production from residue derived from the processing and burning of vanadium-containing oil products. Bear, a U.S. producer, uses an aluminothermic process by which vanadium pentoxide, aluminum, steel scrap, and flux materials are placed in a conversion vessel. The contents are ignited with a fuse and a chemical reaction burns the aluminum, producing heat. Oxygen in the vanadium pentoxide attaches to the aluminum, while the vanadium attaches to the iron in the steel scrap. This process produces molten ferrovanadium and aluminum oxide-rich slag. After a cooling process, the ferrovanadium is crushed and packaged in individual 25-pound containers or 2,000-pound supersacks.[447] AMG, another U.S. producer of ferrovanadium, uses a pyrometallurgical process in electrical furnaces that produces ferrovanadium from spent catalysts and petroleum combustion residues. This producer sells the product in 10- to 25-pound individual cans or paper sacks, or in 2,000- or 4,000-pound supersacks.[448]

Product Uses

Ferroniobium and ferrovanadium are used in some of the same and similar end-use applications, including HSLA steels used in energy pipelines, rebar, structural shapes and plate for construction, and automobile components. Ferroniobium is a ferroalloy added to steel, and is commonly used in HSLA steel, stainless steels, and heat-resistant steels for automotive, building and construction, and energy applications (pipelines). According to the petitioner, CMOC International, demand and prices for ferroniobium are driven by demand for structural steel in building applications, bridges, shipbuilding, and heavy engineering, as well as other applications.[449] CMOC International and CBMM North America

[447] USITC, *Ferrovanadium from Korea (Final)*, May 2017, I-10.
[448] USITC, *Ferrovanadium from Korea (Final)*, May 2017, I-10.
[449] CMOC, posthearing brief to the USITC, June 21, 2018, 7.

both stated at the hearing that the only known substitute for ferroniobium is ferrovanadium, and that rebar is the only product sector that could use the substitution.[450]

Ferrovanadium's reported end uses also included hard facing powder; other steel alloys; steel products such as line pipe, rebar, finished bar and coil steel; wire rod; structural steel; steel rounds; and wide-flange beams.[451] Ferrovanadium was also used in high-strength and anticorrosive steel alloys.[452] VPRA noted that ferrovanadium has also been used in the production of construction and engineering alloy steels, high-speed and heat-resisting tool and die steels, and HSLA steels used in pipeline steel, rebar, and structural shapes and plate for construction, as well as in automobile applications.[453]

Although ferroniobium and ferrovanadium are used as substitutes for each other in certain applications, manufacturers must reconfigure their production processes to accommodate each material, thereby limiting their interchangeability. Both CBMM North America and VPRA noted that when a steel manufacturer substitutes ferroniobium for ferrovanadium in its manufacturing process, it is difficult for the manufacturer to return to using ferrovanadium, which has an immediate and long-term negative impact on ferrovanadium producers. According to VPRA, these conditions could persist even if ferrovanadium prices were to decline.[454]

Marketing Channels

Ferroniobium provided for in HTS subheading 7202.93.80 and domestically produced ferrovanadium are sold through similar marketing channels. Both are sold to end users in the steel industry either directly or through distributors. In the case of ferrovanadium, firms known as tollees act as the distributors.[455]

[450] USITC, hearing transcript, June 14, 2018 (testimony of Mr. James Boyle, CBMM North America, and of Mr. Gregory Clemmer, CMOC International), 128. Mr. Boyle (CBMM North America) testified that "Ferroniobium is the only ferro alloy that both toughens and strengthens the steel. So it's definitely necessary. There may be a connection between ferrovanadium and ferroniobium, but it is mainly only in rebar production. And that may be 5 percent." Mr. Boyle also testified that, "And to back up to what Greg {Mr. Clemmer} had just said about the price of ferrovanadium increasing, that is a reason for the steel customers and their operations teams to look into what can be done in substituting any of these products." "So again, rebar is about the only sector that could use the substitution, and vanadium and ferroniobium is about 5 percent of that that can be done." USITC, hearing transcript, June 14, 2018, 128 and 131. CBMM North America is a U.S. subsidiary of Brazilian ferroniobium producer CBMM and is the distributor of CBMM's products in North America. Mr. Clemmer (CMOC International) testified that "Yeah, it's truly the only substitution that I'm aware of for ferroniobium is ferrovanadium, and it is for rebar." USITC, hearing transcript, June 14, 2018, 128. CMOC International (the petitioner) is a wholly owned subsidiary of China Molybdenum Co, Ltd., and manages Niobras, the second-largest producer of ferroniobium in Brazil. CMOC International is the distributor of Niobras' products in the North American market.
[451] USITC, *Ferrovanadium from China and South Africa*, January 2015, II-11.
[452] USITC, *Ferrovanadium from Korea (Final)*, May 2017, II-8.
[453] VPRA posthearing brief to the USITC, June 21, 2018, 3.
[454] USITC, hearing transcript, June 14, 2018, (testimony of Mr. James Boyle, CBMM North America), 131. VPRA, posthearing brief to the USITC, June 21, 2018, 7.
[455] Tollees provide raw materials to the producers, retain title to the product produced, and ultimately sell the ferrovanadium to its customers. USITC, *Ferrovanadium from Korea*, May 2017, I-8, I-10–11, II-2.

Customs Treatment

Ferrovanadium produced in the United States and exported and then reimported into the United States would not enter under HTS subheading 7202.93.80, that is, it would not receive the same customs treatment as ferroniobium imported from Brazil. Although both products fall within the product description for HTS heading 7202, they fall within the product descriptions of two different subheadings under HTS heading 7202. Specifically, imports of ferroniobium enter under HTS subheading 7202.93.80 (ferroniobium, not elsewhere specified or included), which is currently accorded a general rate of duty of 5 percent. Imports of ferrovanadium enter under HTS subheading 7202.92.00 (ferrovanadium), which is currently accorded a general rate of duty of 4.2 percent.

Profile of U.S. Industry and Market, 2013–17

According to the U.S. Geological Survey, there is no production of ferroniobium in the United States.[456] However, one firm completed feasibility studies for a niobium mine in Nebraska in 2017, and reportedly plans to start commercial production in April 2021. The mine is expected to produce 1.4 million metric tons of niobium, including ferroniobium, and other products over its lifetime.[457] In 2015, most ferroniobium consumed in the United States was used in the production of HSLA steel, while other uses included niobium carbide and chemicals.[458] [* * *].[459] According to consultancy firm Roskill, structural steels used in building and construction, automotive steel, and line pipe steel used in the oil and natural gas industry accounted for 46 percent, 23 percent, and 16 percent of global ferroniobium consumption, respectively.[460] U.S. ferroniobium consumption trends likely follow global consumption trends.

On May 18, 2018, the U.S. Department of the Interior, in response to Executive Order 13817,[461] published a list of mineral commodities that are deemed critical to the economic and national security of the United States, including niobium (and ferroniobium) as well as vanadium. This list is expected to be updated based on current policy priorities and as new supply, demand, and production data emerge. The U.S. Department of Commerce, with the advice of other federal government agencies, is expected to release a report within 180 days of the publication of this list that will include a strategy to reduce the United States' reliance on foreign sources of critical minerals.[462]

[456] USGS, "Niobium," January 2018.
[457] Mining Technology, "Elk Creek Niobium Project, Nebraska" (accessed May 17, 2018).
[458] USGS, "Niobium," August 2017.
[459] [* * *].
[460] CMOC International, posthearing brief to the USITC, June 21, 2018, 7–11.
[461] 82 Fed. Reg. 60835 (December 26, 2017).
[462] 83 Fed. Reg. 23295 (May 18, 2018). The Defense Logistics Agency (DLA) lists niobium (columbium) as a strategic material that is not mined in the United States. On October 1, 2017, DLA announced that its Fiscal Year 2018 Annual Materials Plan would include a 209-metric-ton ceiling on potential acquisitions of ferroniobium. Defense Logistics Agency Strategic Materials. "Annual Materials Plan for FY 2018," October 1, 2017.

Two domestic producers of ferrovanadium, AMG and Bear, account for all domestic ferrovanadium production.[463] In addition, under tolling arrangements, certain tollees provide raw materials to ferrovanadium producers, retain title to the ferrovanadium that is subsequently produced, and sell it to customers.[464]

VPRA indicated that ferrovanadium prices have risen substantially since 2017, and that this may have led to increased domestic consumption of ferroniobium.[465] A representative from CMOC also stated that rising prices for ferrovanadium have led domestic steel manufacturers to substitute imports of ferroniobium for ferrovanadium.[466] Both foreign producers in Brazil indicated that they are not aware of any consumers in the United States who have used vanadium and other alloys as a substitute for ferroniobium in the past three years, and stated that these consumers would not substitute ferroniobium with other products if there was a disruption in supply or increase in ferroniobium prices.[467]

Table 24.2 Certain ferroniobium (HTS subheading 7202.93.80): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	0	0	0	0	0
Employment (1,000 employees)	0	0	0	0	0
Production (1,000 $)	0	0	0	0	0
Exports (1,000 $)	7,279	22,853	26,256	25,477	26,194
Imports (1,000 $)	248,173	305,318	242,393	177,925	204,795
Consumption (1,000 $)[a]	240,894	282,465	216,137	152,448	178,601
Import-to-consumption ratio (percent)	103	108	112	117	115
Capacity utilization (percent)	(b)	(b)	(b)	(b)	(b)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce. U.S. exports of ferroniobium are likely re-exports of imported merchandise.
[a] Apparent consumption.
[b] Not available.

GSP Import Situation, 2017

Currently, there are no GSP-eligible U.S. imports of ferroniobium. Brazil is a GSP-eligible country, and ferroniobium from Brazil was previously eligible for GSP benefits. However, this benefit was revoked in 2008 after Brazil exceeded the competitive need limitation for this product in 2007, when U.S. imports of ferroniobium from Brazil totaled $151 million.[468] U.S. imports of ferroniobium from Brazil were valued at approximately $127 million in 2017, or 62 percent of all U.S. imports (table 24.3). If Brazil had been

[463] VPRA, posthearing brief to the USITC, June 21, 2018, 2.
[464] USITC, *Ferrovanadium from Korea*, May 2017, I-8, I-10 to I-11, II-2. Note that in the Commission opinion, tollees were not included as part of the domestic industry. *Ferrovanadium from Korea*, May 2017, 6–7.
[465] The Vanadium Producers and Reclaimers Association represents domestic producers of ferrovanadium in the United States.
[466] USITC, hearing transcript, June 14, 2018 (testimony of Mr. Gregory Clemmer, CMOC International), 128; CMOC International, posthearing brief to the USITC, June 21, 2018, 5.
[467] USITC, hearing transcript, June 14, 2018 (testimony of Mr. Gregory Clemmer, CMOC International, and Mr. James Boyle, CBMM North America), 129–30.
[468] Reuters, "U.S. Cuts Trade Benefits for India, Brazil, Others," June 30, 2008.

eligible for GSP benefits for HTS subheading 7202.93.80 in 2017, imports from Brazil would have accounted for 100 percent of GSP-eligible imports. Two firms accounted for all of Brazil's production of niobium and ferroniobium—CBMM and CMOC. In 2016, CMOC (the petitioner) acquired Anglo American's Brazilian niobium assets, including mines and refining operations that produce and export ferroniobium.[469] CMOC's Brazilian ferroniobium operations supply the North American, European, and Asian steel industries.[470]

In 2017, Brazil and Canada accounted for 89 percent and 10 percent of global niobium production, respectively.[471] Of the three major firms that generate the largest share of global niobium and ferroniobium production, two have mining and refining operations in Brazil, while the third has operations in Canada. Companhia Brasileira de Metalurgia e Mineração (Brazilian Metallurgy and Mining Company, or CBMM)[472] and China Molybdenum Co. (CMOC)[473] are Brazil's largest producers of ferroniobium, while Magris Resources (Niobec) is the sole miner of niobium and producer of ferroniobium in Canada.[474]

Table 24.3 Certain ferroniobium (HTS subheading 7202.93.80): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	204,795	100	[a]	100
Imports from GSP-eligible countries:				
Total	127,426	62	100[b]	71
Brazil	127,426	62	100[b]	71

[a] Not applicable.
[b] Reflects Brazil's share of imports from GSP-eligible countries. Since Brazil lost GSP eligibility for HTS 7202.93.80 in 2008, none of its imports were eligible to be imported duty free under GSP in 2017.

U.S. Imports and Exports

U.S. ferroniobium demand is supplied entirely by imports. The largest suppliers of ferroniobium to the United States are Brazil and Canada, which accounted for 62 percent and 38 percent of U.S. imports, respectively. U.S. imports from Canada are eligible for duty-free entry under the North American Free Trade Agreement (NAFTA). Other sources of ferroniobium include the United Kingdom, Germany, and Romania; however, these sources and all other sources collectively accounted for less than 1 percent of U.S. imports in 2017 (table 24.4).

[469] Northparkes, "CMOC to Acquire Anglo American's Niobium and Phosphate Business," April 28, 2016.
[470] CMOC International Brasil, "Our Business Lines" (accessed May 17, 2018).
[471] USGS, "Niobium," January 2018.
[472] CBMM, "Operations" (accessed May 30, 2018).
[473] CMOC International manages Niobras, Brazil's second-largest producer of ferroniobium. CMOC International Brasil, "Our Business Lines" (accessed May 17, 2018).
[474] Niobec, "In a Nutshell" (accessed May 30, 2018).

Table 24.4 Certain ferroniobium (HTS subheading 7202.93.80): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Brazil	191,408,710	241,848,965	177,684,839	124,943,202	127,425,742
Canada[a]	56,598,829	62,110,959	64,378,746	52,076,755	77,097,865
United Kingdom	141,393	345,585	143,176	500,494	144,360
Germany	0	0	0	115,776	67,855
Romania	0	0	0	0	42,043
China	23,700	568,503	0	0	10,200
Mexico[a]	0	0	0	0	6,691
Estonia	0	0	185,757	288,364	0
Portugal	0	444,206	0	0	0
Total	248,172,632	305,318,218	242,392,518	177,924,591	204,794,756
Imports from GSP-eligible countries:					
Brazil[b]	191,408,710	241,848,965	177,684,839	124,943,202	127,425,742
Total	191,408,710	241,848,965	177,684,839	124,943,202	127,425,742

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.
[b] Brazil is a GSP-eligible country. However, Brazil lost GSP eligibility for articles entering under HTS subheading 7202.93.80 in 2008 and was not eligible for GSP treatment for such articles during 2013–17.

Given the absence of domestic production, U.S. exports of ferroniobium are likely re-exports of imported merchandise. In 2017, the United States exported $26.2 million worth of ferroniobium, with most U.S. exports destined for Canada and Mexico (table 24.5). U.S. exports to Canada and Mexico are eligible for duty-free entry under NAFTA.

Table 24.5 Certain ferroniobium (Schedule B 7202.93.0000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Mexico[a]	729,576	2,229,214	5,450,546	10,043,105	13,999,357
Canada[a]	6,283,819	20,403,711	20,485,086	15,288,838	12,177,166
Peru[a]	39,132	185,877	173,632	101,807	17,031
United Kingdom	18,464	0	0	0	0
Netherlands	0	0	0	4,286	0
Italy	0	0	0	20,910	0
Singapore[a]	0	0	4,161	0	0
Taiwan	0	34,061	119,212	0	0
Trinidad & Tobago	76,878	0	0	0	0
Argentina	0	0	16,880	14,425	0
All other	130,939	0	6,264	3,172	0
Total	7,278,808	22,852,863	26,255,781	25,476,543	26,193,554

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by CMOC International. CMOC International also filed written submissions and a representative of CMOC International appeared at the USITC hearing.

In support: CBMM North America filed written submissions, and a representative of CBMM North America appeared at the USITC hearing.

In support: P.C. Campana, Inc. filed written submissions.

In support: ArcelorMittal USA submitted a letter in support of the petition.

In support: Nucor Corporation (Nucor) submitted a letter in support of the petition.

In opposition: Vanadium Producers and Reclaimers Association (VPRA) filed written submissions. The party's written summary, as submitted to the Commission, is provided below.

> The Vanadium Producers and Reclaimers Association ("VPRA") and VPRA members AMG Vanadium LLC ("AMG V"), Bear Metallurgical Company ("Bear"), and Evraz Stratcor, Inc. ("Stratcor") submitted comments in connection with the Commission's analysis of two questions regarding the petition for redesignation as a GSP eligible article of ferroniobium classified in HTS subheading 7202.93.80 from Brazil: (1) whether a like or directly competitive article was being produced in the United States in any of the preceding three calendar years; and (2) the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of eliminating the U.S. import duty on imports.
>
> VPRA members AMG V and Bear account for 100 percent of the production of ferrovanadium in the United States. Ferrovanadium is an alloy of iron and vanadium that is used chiefly as an additive in the manufacture of steel. In certain steelmaking applications and depending on their relative prices, ferroniobium can be substituted for ferrovanadium. Witnesses representing Brazilian ferroniobium producers confirmed at the Commission's hearing on June 14, 2018, that due to increases in U.S. prices for ferrovanadium, U.S. manufacturers of certain steel products have substituted ferroniobium for ferrovanadium in their production processes. This information demonstrates that ferrovanadium is an article produced in the United States which, in certain applications and particularly under current market conditions, is directly competitive with ferroniobium under HTS subheading 7202.93.80 from Brazil.
>
> When a U.S. steelmaker elects to use ferroniobium in place of domestically-produced ferrovanadium in its production process, the effects of this change would have an immediate negative impact on the prior supplier of domestic ferrovanadium. In addition, once a substitution has been implemented, because of the difficulty in adjusting the steel production process, the steelmaker may be reluctant to resume using ferrovanadium even if market conditions change. For this reason, the negative economic consequences of such a substitution for VPRA members could persist even if the price of ferrovanadium declines.
>
> If the 5 percent duty that currently applies to these imports was eliminated as a result of the requested redesignation, witnesses for two Brazilian ferroniobium producers indicated to the Commission that their companies intended to pass the duty savings on to their customers in the U.S. steel industry. Under current market conditions, this would facilitate the decision by steel producers to substitute ferroniobium, particularly ferroniobium from Brazil, for ferrovanadium. In this way, the requested change in GSP treatment would make it even more difficult for the

U.S. ferrovanadium industry to compete against ferroniobium in the applications in which these two inputs are substitutes.

For these reasons, the VPRA and its members oppose the redesignation of eligibility for GSP status for ferroniobium under HTS subheading 7202.93.80 from Brazil.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

CBMM. "Ferroniobium." http://www.cbmm.com.br/en/Pages/ferroniobium.aspx (accessed May 24, 2018).

CBMM. "Operations," 2018. http://www.cbmm.com.br/en/Pages/operations.aspx.

CBMM. "Vacuum Grade Niobium Alloys," 2018. http://www.cbmm.com.br/en/Pages/vacuum-grade-niobium-alloys.aspx.

CBMM. Written submission to the U.S. International Trade Commission, June 21, 2018.

CMOC International Brasil. "Our Business Lines." http://cmocbrasil.com/en/ (accessed May 17, 2018).

CMOC International. Written submission to the United States International Trade Commission, in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2018.

Mayer Brown LLP and CBMM North America on behalf of ArcelorMittal USA and Nucor Corporation. Written submission to the United States International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, July 31, 2018.

Mining Technology. "Elk Creek Niobium Project, Nebraska." https://www.mining-technology.com/projects/elk-creek-niobium-project-nebraska/ (accessed May 17, 2018).

Niobec. "In a Nutshell," 2018. http://niobec.com/en/about/in-a-nutshell/ (accessed May 31, 2018).

Niobec. "Process," 2015. http://niobec.com/en/about/process/ (accessed May 31, 2018).

Northparkes. "CMOC to Acquire Anglo American's Niobium and Phosphate Business for US$1.5 Billion," April 28, 2016. http://www.northparkes.com/news/cmoc-to-acquire-anglo-americans-niobium-and-phosphate-business-for-us1-5-billion.

Polymer Solutions. "Metal Properties: Hardness, Toughness, and Strength," October 5, 2015. https://www.polymersolutions.com/blog/defining-metal-properties/.

Reuters. "U.S. Cuts Trade Benefits for India, Brazil, Others," June 30, 2008. https://www.reuters.com/article/us-usa-trade-benefits-idUSN3044223320080630.

Roskill. "Niobium Continues to Attract Investment," March 16, 2017. https://roskill.com/news/niobium-continues-attract-investment/ (accessed May 17, 2018).

U.S. Geological Survey (USGS). "Niobium," by John F. Papp. In *2015 Minerals Yearbook*. Reston, VA: USGS, August 2017. https://minerals.usgs.gov/minerals/pubs/commodity/niobium/myb1-2015-niobi.pdf.

U.S. Geological Survey (USGS). "Niobium," by Désirée E. Polyak. In *Mineral Commodity Summaries*. Reston, VA: USGS, January 2018. https://minerals.usgs.gov/minerals/pubs/commodity/niobium/mcs-2018-niobi.pdf.

U.S. International Trade Commission (USITC). *Ferrovanadium from China and South Africa. Investigation nos. 731-TA-986-987 (Second Review).* USITC Publication 4517. Washington, DC: USITC, January 2015. https://www.usitc.gov/publications/701_731/pub4517.pdf.

U.S. International Trade Commission (USITC). *Ferrovanadium from Korea*. *Investigation no. 731-TA-1315 (Final)*. USITC Publication 4683. Washington, DC: USITC, May 2017. https://www.usitc.gov/publications/701_731/pub4683.pdf.

VPRA. Written Submission to the United States International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* June 21, 2018.

Westbrook Resources Ltd. "Ferrovanadium." http://www.wbrl.co.uk/ferro-vanadium.html (accessed June 22, 2018).

Chapter 25
Redesignation: Certain Tropical Hardwood Plywood (Indonesia)[475]

Table 25.1 Certain tropical hardwood plywood

HTS provisions	Short description	Col. 1 rate of duty as of January 1, 2018
4412.31.41 [a]	Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent	8.0 percent
4412.31.4150 [b]	Certain tropical hardwood plywood, excluding mahogany, panel cannot exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent	8.0 percent
4412.31.4160 [b]	Certain tropical hardwood plywood, excluding mahogany and not surface covered, panel exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length.	8.0 percent

[a] Harmonized Tariff Schedule (HTS) subheading 4412.31.41 is currently eligible for duty-free treatment for certain beneficiary developing countries under the provisions of the GSP. Indonesia lost GSP eligibility for HTS 4412.31.40 in 2015 after it exceeded the competitive need limitation (CNL) (See footnote b for further explanation).
[b] Starting in 2017, HTS subheading 4412.31.40 was renumbered as HTS subheading 4412.31.41, HTS 4412.31.4050 was renumbered as HTS 4412.31.4150, and HTS 4412.31.4060 was renumbered as HTS 4412.31.4160. As of HTS version 2018 HTSA Revision 7, HTS 4412.31.4060 was renumbered as HTS 4412.31.4165. The tables included in this chapter report the values for the associated subheadings for the appropriate years.

Description and Uses

The products imported under HTS subheading 4412.31.41 include certain tropical hardwood plywood whose surface is not covered beyond clear or transparent, and that meet certain measurement parameters. Plywood is a composite wood product that is bonded together with adhesives. The "face" ply veneer—the outermost veneer that is on the side of the product that is visible in most uses—dictates the plywood's external appearance, as well as the type of plywood it is. The plywood under HTS subheading 4412.31.41 is distinguished solely by using certain tropical hardwood species as the veneer of its face ply. All other items in its construction are not necessarily tropical hardwood; they can be composed of other composite products, such as medium-density fiberboard (MDF), softwood, or temperate hardwoods.[476]

[475] The government of Indonesia and the Recreational Vehicle Industry Association filed petitions with the U.S. Trade Representative (USTR) and requested the redesignation of HTS subheading 4412.31.41 under the provisions of the GSP for Indonesia. In his letter of May 18, 2018 requesting the Commission's advice, the U.S. Trade Representative requested that the USITC review HTS "4412.31.41 including {HTS} 4412.31.4150 and {HTS} 4412.31.4160." The GSP program is administered at the 8-digit HTS provision level; if redesignation were granted for Indonesia alone on the basis of the 10-digit statistical reporting numbers, the creation of one or more new 8-digit HTS subheadings would be required to administer this redesignation of GSP benefits.
[476] Hardwood is grown in either temperate or tropical climates.

Plywood is a wood panel product with at least three plies of wood veneer (very thin sheets of woods) that are glued under high heat one atop the other and oriented such that the grain of each ply runs in a different direction; panels have an odd number of plies. Most plywood has an inner core layer surrounded by a variable number of internal plies, which are all covered by the outermost external veneer plies (the face and back).[477] The veneer plies are then stacked and pressed/glued together with their grain in different directions—crossbands—in order to give strength and stability to the finished product.[478]

The thickness and number of plies depends upon the product ordered.[479] The construction process gives plywood dimensional stability and makes it resistant to expansion and contraction caused by humidity.[480] The products imported under HTS subheading 4412.31.41 are made with veneer plies that are each limited to 6mm (1/4 inch) in thickness. In addition, either they are not at all surface covered or they are surface covered[481] with only a clear or transparent material which does not obscure the grain, texture, or markings of the face ply. The face ply is the identifying species for plywood. HTS subheading 4412.31.41 includes hardwood plywood with a face layer (and possibly other plies) made from one of a number of different tropical wood species, including mahogany.[482] These tropical wood species originate in Southeast Asia, Africa, and South America. Of the eligible tropical woods, the species that are native to Southeast Asia, including Indonesia, are dark red meranti, light red meranti, and white lauan.[483]

The products imported under HTS statistical reporting number 4412.31.4150 include plywood with the ply thickness and face ply of the species listed under HTS subheading 4412.31.41, other than mahogany.[484] The product is either "not surface covered" or "surface covered." Each panel—composed of at least three plies stacked with the grains in different directions—cannot exceed, in any dimension,

[477] To produce plywood, moist logs are first either rotary cut or sliced to make veneers, which are then dried.
[478] Layers using other wood products, such as medium density fiberboard (MDF), can be added to at least three consecutive crossband layers.
[479] Plywood products are commonly available in 1219 x 1829 mm (4 x 6 feet), 1219 x 2438 mm (4 x 8 feet), and 1219 x 3048 mm (4 x 10 feet) sheets.
[480] Hardwood plywood does not warp, shrink, or swell as lumber and has uniform strength both with and against the grain.
[481] The term "surface covered" means that one or more exterior surfaces of the plywood have been treated with creosote (oily liquid distilled from coal tar) or other wood preservatives, or with fillers, sealers, waxes, oils, stains, varnishes, paints or enamels, or have been overlaid with paper, fabric, plastics, base metal, or other material.
[482] The tropical wood species included in HTS subheading 4412.31.41 are dark red meranti, light red meranti, white lauan, sipo, limba, okoumé, obeche, acajou d'Afrique, sapelli, virola, mahogany, palissandre de Para, palissandre de Rio, or palissandre de rose.
[483] White lauan is also referred to as white meranti. Lauan has evolved into a broad term commonly used for plywood made of this type of wood and that made of two other wood species in this HTS subheading, dark red meranti and light red meranti, as well as any type of wood in the *Shorea* genus. It is also frequently called Philippine mahogany, although it is not in the mahogany genera. Wood Database, "Meranti," http://www.wood-database.com/white-meranti/ (accessed June 19, 2018).
[484] Tropical plywood with a face ply of mahogany is included under HTS statistical reporting number 4412.31.4140, and therefore is not included in this request.

3.6mm (1/8 in.) in thickness,[485] and is limited to 1.2m (3 ft. 11-1/4 in.) in width and 2.2m (7 ft. 2-39/64 in.) in length.[486]

The products imported under HTS statistical reporting number 4412.31.4160 include plywood with the ply thickness and face ply of the species listed under HTS subheading 4412.31.41, other than mahogany, but are not surface covered. Each panel—composed of at least three plies stacked with the grains in different directions—exceeds any or all of the following dimensions: 3.6mm in thickness, 1.2m in width, and/or 2.2m in length.

Plywood products with at least one outer ply of hardwood are principally used in interior non-structural applications. This type of plywood is commonly chosen for decorative and aesthetic reasons, for use in products such as furniture, kitchen cabinets, architectural woodwork, wall paneling, manufactured homes, aircraft, watercraft, and recreation vehicles (RVs). This plywood is also used in some construction-related applications where structural strength is not a requirement, such as for providing a flat, stable underlayment for a finished flooring product.

Like or Directly Competitive U.S. Product Assessment

The Commission identified U.S. production of certain tropical hardwood plywood during 2015–17 that the Commission advises was like or directly competitive with articles classified in HTS 4412.31.41, 4412.31.4150, and 4412.31.4160. Specifically, the United States produced both tropical (using imported tropical logs or veneers) and temperate hardwood plywood in the covered dimensions and coatings in the given period. The Commission has, in other investigations, considered all hardwood plywood, regardless of the species of the face veneer, to be a single domestic like product. [487]

In assessing whether, during any of the three preceding years (2015–17) there had been U.S. production of a product that is like or directly competitive with certain tropical hardwood plywood products from Indonesia, the Commission considered the physical properties of the item produced in the United States and Indonesia, the manufacturing processes, the product's uses, the marketing channels of distribution, and the customs treatment of the product.

[485] None of the plies can exceed 3.6mm in thickness because the panel itself cannot exceed 3.6mm. For example, a panel made from the minimum of three plies may include plies that are 1mm, 1mm, and 1.6mm.
[486] Upon approval of a recent 484(f) request by the Recreational Vehicle Association, the statistical reporting lines under 4412.31.41 were restructured. New statistical reporting number 4412.31.4155 includes tropical hardwood plywood panels that are limited to no more than 3.6mm in thickness, but can exceed either 1.2m in width or 2.2m in length. The new breakout 4412.31.4165 includes tropical hardwood plywood panels for which the thickness is greater than 3.6mm but does not exceed 6mm. These new statistical reporting numbers were added with the 2018 HTSA Revision 7. No separate data are available on these new breakouts. Daniel Neumann, Sorini, Samet & Associates, counsel to the Recreation Vehicle Industry Association, Section 484(f) request letter to the Chairman, Committee for Statistical Annotation of Tariff Schedules, Washington, DC, March 15, 2018.
[487] The Commission has made several determinations on plywood products, the most recent of which were in 2017. USITC, *Hardwood Plywood from China (Preliminary)*, January 2017; USITC, *Hardwood Plywood from China (Final)*, December 2017.

Physical Properties

For each of the HTS provisions in question, hardwood plywood produced in the United States and in Indonesia had the same or similar physical properties. There was variation in the physical characteristics of the plywood depending on the materials used, including wood type of the veneers and the glues produced in both countries. The United States produced a more diverse range of certain hardwood plywood products than Indonesia, which primarily produces these products with an outer veneer of lauan wood.

The United States produced hardwood plywood products using primarily temperate woods such as birch, maple, and poplar. In addition, U.S. producers produced hardwood plywood with face veneers of lauan and other tropical hardwood. Each wood species has different properties such as weight, ease of machining, and finishing characteristics, as well as its moisture and insect resistance without coating. Different types of wood have different specific gravities:[488] for some tropical hardwoods—okoumé, sapilli, and white lauan—the specific gravity ranges from 0.43 (okoumé) to 0.71 (white lauan), while for some temperate hardwoods that are widely used to make plywood—including birch, maple, and poplar— the specific gravity ranges from 0.42 (poplar) to 0.62 (hard maple).[489] Another factor that affects the exact physical characteristics of the wood ply is the choice of glues and resins that manufacturers choose to hold the wood together, which is an important factor in the overall weight of the product and can be heavier than the wood or wood fibers.[490]

The exact physical properties of a product also vary in thickness, components, and coating based on customer specification. A wide range of properties are used to characterize the performance of plywood, which are based on the design of the complete product. Beside the face veneer ply, all other items in its construction—the crossbands, the core, and the back ply—are relevant to the performance of the product; these component items can vary by order. The primary differences between the plywood that is imported under HTS 4412.31.4150 and that is imported under HTS 4412.31.4160 are the surface coatings and the dimensions, particularly the thicknesses: the panels imported under HTS 4412.31.4150 are thinner than the panels imported under HTS 4412.31.4160. The thinner panels (HTS 4412.31.4150) are more flexible, weigh less, and tend to cost less than thicker panels (HTS 4412.31.4160).

Manufacturing Process

The manufacturing process for certain hardwood plywood in the United States and Indonesia during 2015–17 was essentially the same. All plywood with hardwood face veneers—whether made of tropical

[488] Specific gravity (pounds per cubic foot for wood at 12 percent moisture content)—also known as relative density—increases with fiber wall thickness and cell count, along with chemical composition. This measure helps to make comparisons between wood species easier, which can factor into consumer preference. The higher the specific gravity, the harder (denser) the wood.
[489] HPVA, "Veneer Species Guide," 2006; USDA, *Wood Handbook: Wood as an Engineering Material*, April 2010; Wood Database, http://www.wood-database.com/ (accessed June 19, 2018).
[490] The weight of the plywood is increased with the share of glue used relative to wood in the lamination design. Generally, it is the choice of adhesive used to bind the layers together, as well as the surface cover selected, that make plywood resistant to moisture and humidity, rather than the type of wood that is the source of the face veneer.

or temperate woods—shares the same manufacturing process.[491] Plywood is manufactured in a variety of thicknesses and layers, depending upon customer requirements and the intended use. Typically, thin and thick panels are manufactured in the same way. During the three years in question, U.S. manufacturers primarily made the thicker (1/4-inch) panels under HTS subheading 4412.31.41 (HTS 4412.31.4160). U.S. production of the thinner panels (HTS 4412.31.4150) was limited, but the United States did have the capacity to make these products.[492] Indonesia's manufacturers produced both the thicker and thinner panels under HTS subheading 4412.31.41 (HTS 4412.31.4150 and 4412.31.4160).

Product's Uses

Whether made in Indonesia or in the United States, hardwood plywood is used in the same or similar applications, but the ultimate application is driven by consumer preference. Hardwood plywood is principally used in interior nonstructural applications, typically for decorative and aesthetic purposes. Additional uses include the manufacture of musical instruments, furniture, kitchen cabinets, architectural woodwork, wall paneling, underlayment, and manufactured homes. In addition, tropical hardwood plywood was used in movie sets, as well as aircraft, marine,[493] and RV applications. The choice of the exact type of hardwood face veneer depends on customer preferences and demand. During 2015–17, consumers favored lighter-colored, paint-grade decorative hardwood. The thickness of the hardwood plywood determined its use in some applications. For example, thinner panels (HTS 4412.31.4150) are used for a variety of applications that call for lighter weight and greater flexibility than thicker panels, such as transportation applications. In particular, the RV industry used the very thin panels for multiple components in RV construction: on the interior, they are used in flooring, walls, and cabinets, while on the exterior, they are used behind the skin of the vehicle's outer layer.[494] Thicker panels (HTS 4412.31.4160) are used for applications that call for more strength than the thinner panels can give, such as underlayment. For example, underlayment provides a smooth level surface over a subfloor and helps to support the completed flooring option.

Marketing Channels

Hardwood plywood marketing channels in the United States did not have notable variations based on the products' country of origin. Both U.S. and Indonesian hardwood plywood are usually distributed through wholesalers or directly to original equipment manufacturers.[495] Some of the thicker panels

[491] If the tropical hardwood plywood is manufactured in the United States, veneers that are cut or sliced from imported logs or imported tropical veneers are used. The manufacturing process proceeds as it would for plywood using domestically grown hardwood trees, which is according to the customer's specifications. Some domestic firms are vertically integrated and purchase logs and veneers from related firms, while other firms purchase logs on the open market or through contracts. Industry representative, telephone interview by USITC staff, May 30, 2018.
[492] [* * *]. Industry representative, email to USITC staff, June 25, 2018. [* * *]. Industry representatives, email message to USITC staff, Washington, DC, June 25, 2018.
[493] In addition to lauan (meranti), marine plywood is typically made with a face ply of okoumé, which is native to Central Africa (typically, Gabon). It is lightweight and relatively strong.
[494] USITC, hearing transcript, RVIA, Ochs, June 14, 2018, 113.
[495] An original equipment manufacturer is a company that makes an intermediate input that is used in making the product of another company.

under HTS 4412.31.4160, such as lauan and sande (also known as sipo), are commercially available in thicknesses as thin as 5.2mm (for example, they sell at retail in big box stores such as Lowe's and Home Depot).

Customs Treatment

Certain hardwood plywood with a tropical veneer produced in the United States with the same dimensions and surface covering would likely receive the same customs treatments as the tropical hardwood plywood produced in Indonesia if it had been imported (i.e., imported under HTS 4412.31.41, 4412.31.4150, or 4412.31.4160).

If U.S. hardwood plywood produced with a temperate veneer had been imported, it would have received different customs treatment than the three requested HTS subheadings because temperate hardwood plywood is imported under different HTS subheadings than the types of tropical hardwood plywood mentioned above. For example, hardwood plywood with a face ply of birch is imported under subheading 4412.32.06, with each ply limited to 6mm in thickness, not surface covered beyond clear/transparent. The subheading for imports of hardwood plywood with a face ply of birch is further classified into two main categories. One, HTS 4412.32.0620, is for a panel that does not exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent. The other, HTS 4412.32.0640, is for a panel that exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered.

Profile of U.S. Industry and Market, 2013–17

The United States hardwood plywood industry includes production of both tropical and temperate hardwood products.[496] The tropical tree species that are the inputs for this plywood product are not grown in the United States. Therefore, U.S. tropical hardwood production depends upon imports of either tropical logs or veneers. According to a domestic industry association, [* * *] were imported to the United States in 2016. In addition, tropical veneer valued at [* * *]—is imported into the United States annually for use in plywood manufacturing.[497]

In 2016, the United States produced [* * *] of lauan-faced plywood, [* * *] in 2015 (table 25.5). The domestic industry estimates that the United States also produced [* * *] of plywood with face plies of other tropical species in 2016. Although the domestic industry does not break out production by thickness and species, North American producers made [* * *] of veneer core plywood in 2016, which was [* * *] percent of North American production.[498] Also, North American producers made [* * *] of

[496] The Commission has considered all hardwood plywood as a like and/or directly competitive U.S. product in the Commission's 2005 GSP review and two Title VII investigations. USITC, *Hardwood Plywood from China (Preliminary)*, January 2017; USITC, *Hardwood Plywood from China (Final)*, December 2017.
[497] Industry representative, email message to USITC staff, May 31, 2018.
[498] HVPA, *Hardwood Stock Panels Annual Statistical Report 2016*, 2017, 17.

1/4 inch and thinner plywood in 2016, which made up [* * *] of North American production.[499] [* * *].[500]

Other hardwood plywood product lines have been developed domestically to replace lauan plywood, using alternate wood species that have similar characteristics and end uses, such as Revolution Ply.[501] The producer of this product claims that it is a lauan substitute because it is available in thicknesses from 2.7mm up to 18mm, does not contain any tropical hardwoods, reportedly has superior moisture resistance, and is used as underlayment and wall paneling.

In the United States, there were 2,294 production workers and approximately 250 facilities that manufactured plywood with all types of hardwood face veneers in 2016, including tropical species.[502] For example, U.S. facilities have produced tropical veneers, including sapelli (also known as sapele) and okoumé (a species imported under HTS 4412.31.41) to make panels used by the aircraft industry, among others.[503] The domestically made plywood with a tropical wood face is usually thicker than 3.6mm. For example, [* * *].[504]

According to domestic producers, there is not a large U.S. market for tropical plywood, and tropical plywood competes domestically with plywood made of a variety of other hardwood species.[505] Demand for hardwood plywood, including tropical hardwood plywood, depends on the demand for downstream products in which it is used. The main industries that drive demand generally reflect the U.S. economy, which affects consumer decisions on new home construction and remodeling activity, as well as consumer choices in the RV, aircraft, and boat markets. For example, new housing starts have increased steadily over the last few years, increasing demand for hardwood plywood.

[499] HVPA, *Hardwood Stock Panels Annual Statistical Report 2016*, 2017, 16. https://www.census.gov/data/tables/2015/econ/susb/2015-susb-employment.html (accessed June 1, 2017).
[500] Industry representative, email message to USITC staff, June 25, 2018.
[501] Patriot Timber, "Revolution Ply" (accessed May 30, 2018).
[502] Domestic industry indicates that they do not track employment or number of facilities on the specific manufacture of tropical-faced hardwood plywood separately from all other domestically produced hardwood plywood. Industry officials also indicated that any U.S. mill can process a tropical-faced product, as ordered. The number of production workers is based on email message from industry representative, May 31, 2018, USITC, *Hardwood Plywood from China (Final)*, December 2017. Staff estimate of facilities in 2016 is based on U.S. Census, "Number of Firms," 2017.
[503] Tropical wood has been imported from European countries or intercompany European facilities, and the veneer and panels are made in the United States. Industry representative, email message to USITC staff, June 22, 2018.
[504] Industry representative, email message to USITC staff, June 25, 2018.
[505] The final determinations on Investigation Nos. 701-TA-565 and 731-TA-1341, *Hardwood Plywood from China*, included the subject tropical hardwood plywood with at least one outer ply of tropical wood (HTS 4412.31.4150; 4412.31.4160). These products were defined as a single domestic like product, "hardwood plywood," coextensive with the scope of the investigation. USITC, *Hardwood Plywood from China (Final)*, December 2017, 9–10.

Table 25.2 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)[b]	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	202,993	191,964	249,384	206,679	220,016
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for this HTS statistical reporting number 4412.31.41 are not available because the relevant Schedule B number includes additional products.

Table 25.3 Certain tropical hardwood plywood, excluding mahogany, panel cannot exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	4,880	7,744	8,053	6,886	5,483
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for HTS statistical reporting number 4412.31.4150 are not available because the relevant Schedule B number includes additional products.

Table 25.4 Certain tropical hardwood plywood, excluding mahogany and not surface covered, panel exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length not surfaced covered (HTS statistical reporting number 4412.31.4160): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	(a)	(a)	(a)	(a)	(a)
Employment (1,000 employees)	(a)	(a)	(a)	(a)	(a)
Production (1,000 $)	(a)	(a)	(a)	(a)	(a)
Exports (1,000 $)	(b)	(b)	(b)	(b)	(b)
Imports (1,000 $)	179,416	172,439	228,825	191,038	211,164
Consumption (1,000 $)	(a)	(a)	(a)	(a)	(a)
Import-to-consumption ratio (percent)	(a)	(a)	(a)	(a)	(a)
Capacity utilization (percent)	(a)	(a)	(a)	(a)	(a)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] Not available.
[b] Not available. Export data comparable to U.S. import data for HTS statistical reporting number 4412.31.4160 are not available because the relevant Schedule B number includes additional products.

Table 25.5 U.S. production of unfinished Lauan-faced plywood (square feet)[506]

U.S. Region	2013	2014	2015	2016
Eastern	[* * *]	[* * *]	[* * *]	[* * *]
Western	[* * *]	[* * *]	[* * *]	[* * *]
Total	[* * *]	[* * *]	[* * *]	[* * *]

Source: HPVA, *Hardwood Stock Panels Annual Statistical Report 2016*, 2017, 35.

GSP Import Situation, 2017

Indonesia lost GSP eligibility for HTS 4412.31.41 in 2015 after it exceeded the CNL. Despite the change in its GSP-eligible status, the country was the dominant supplier of U.S. imports of the subject products during 2013–17. Indonesia accounted for over 98 percent of all U.S. imports from GSP-eligible countries in 2017 (tables 25.7, 25.8, and 25.9). In particular, Indonesia accounted for 100 percent of GSP-eligible imports under HTS 4412.31.4150 (table 25.8).

The Recreation Vehicle Industry Association (RVIA) indicates that 80 percent of current U.S. imports from Indonesia are used in RV production; the RV industry primarily uses panels that are 2.7mm or 3.4mm thick. Panels of these thicknesses are classified under HTS statistical reporting numbers 4412.31.4150 and 4412.31.4160. The RV industry uses panels classified in HTS statistical reporting number 4412.31.4160 because they do not meet the length and width criteria of 4412.31.4150.[507]

The Indonesian plywood industry exports most of its shipments, as exports reportedly accounted for 65.2 percent of production, by volume, in 2015.[508] The Food and Agriculture Organization of the United Nations (FAO) publishes data on production and consumption of plywood from Indonesia (table 25.10),

[506] Petitioner claims that the information on domestic production of lauan-faced plywood is based on surveys and is therefore unreliable. RVIA's members are unaware of any domestic suppliers. Daniel Neumann, Sorini, Samet & Associates, counsel to Recreation Vehicle Industry Association, posthearing brief to the U.S. International Trade Commission, Washington, DC, June 21, 2018, 3.
[507] USITC, hearing transcript, RVIA, Ochs, June 14, 2018, 113–14.
[508] Timber Trade Portal, "Indonesia Industry Profile," May 23, 2018, http://www.timbertradeportal.com/countries/indonesia/.

all of which is tropical hardwood plywood. In the most recent three years of available data (2013–15), Indonesia had increased its consumption of hardwood plywood. Its production was steady in the last two years.

Table 25.6 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	220,015	100	[a]	[b]
Imports from GSP-eligible countries:				
Total	179,776	82	100	[b]
Indonesia	176,301	80	98	[b]
Ecuador	1,775	0.8	1.0	[b]
Brazil	1,098	0.5	0.6	[b]
India	428	[c]	[c]	[b]
Gabon	163	[c]	[c]	[b]
Ghana	12	[c]	[c]	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 25.7 Certain tropical hardwood plywood, excluding mahogany, panel cannot exceed, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	5,483	100.0	[a]	[b]
Imports from GSP-eligible countries:				
Total	3,727	68.0	100.0[c]	[b]
Indonesia	3,727	68.0	100.0[c]	[b]

[a] Not applicable.
[b] Not available.
[c] Reflects Indonesia's share of imports from GSP-eligible countries. Since Indonesia lost GSP-eligibility for HTS 7202.93.80 in 2015, none of its imports were eligible to be imported duty-free under GSP in 2017.

Table 25.8 Certain tropical hardwood plywood, excluding mahogany and not surface covered, panel exceeds, in any dimension, 3.6mm in thickness, 1.2m in width, and/or 2.2m in length (HTS statistical reporting number 4412.31.4160): U.S. imports for consumption (1,000 $) and share of U.S. consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	211,164	100.0	[a]	[b]
Imports from GSP-eligible countries:				
Total	175,564	83.1	100.0	[b]
Indonesia	172,207	81.6	98.1	[b]
Ecuador	1,775	0.8	1.0	[b]
Brazil	1,078	0.5	0.6	[b]
India	418	[c]	[c]	[b]
Gabon	86	[c]	[c]	[b]

[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

Table 25.9 Indonesia plywood production and consumption, 2013–16 (1,000 cubic meters)[509]

	2013	2014	2015	2016
Production	3,800	3,800	3,800	3,800
Consumption	1,163	1,127	1,082	864

Source: "Forest Products 2016," FAO, 2017, 112.

U.S. Imports and Exports

Most imports to the United States which entered under HTS subheading 4412.31.41 were the thicker, longer, and wider tropical hardwood plywood under HTS statistical reporting number 4412.31.4160. The share of imports entered under HTS statistical reporting number 4412.31.4160 that consists of thicker tropical hardwood plywood increased each year during 2013-17, from 88 percent in 2013 to 96 percent in 2017. The thinner tropical hardwood plywood that entered under HTS statistical reporting number 4412.31.4150 accounted for less than 4 percent in any of the last five years; in 2017, this type of plywood accounted for 2 percent of these imports.

Indonesia has accounted for most U.S. imports of tropical hardwood plywood (HTS subheading 4412.31.41) during the last five years (table 25.10). In 2017, Indonesia accounted for 80.1 percent ($176.3 million) of all U.S. imports of this product, up from 69.7 percent ($141.4 million) in 2013. The second-largest supplier was Malaysia, whose share fell from 20.1 percent in 2013 to 10.2 percent in 2017.

Indonesia was also the largest source of U.S. imports entered under statistical reporting number HTS 4412.31.4150 (table 25.11). The country accounted for 68 percent ($3.7 million) of this type of U.S. imports of tropical hardwood plywood in 2017, up from 60 percent ($2.9 million) in 2013. The second-largest source for these products was China; China's share of U.S. imports grew from 2.1 percent ($0.1 million) in 2013 to 20.6 percent ($1.1 million) in 2017.

[509] Cubic meters and square feet are unlike measures; a cubic meter is a measure of volume, while a square foot is a measure of planar area. Therefore, a conversion cannot be made.

Indonesia also accounted for the largest share of U.S. imports entered under HTS statistical reporting number 4412.31.4160, accounting for 81.6 percent of these imports in 2017 ($172.2 million), up from 70.5 percent ($126.5 million) in 2013 (table 25.12). The second-largest source of imports of these products was Malaysia; however, Malaysia's share of U.S. imports dropped from 21.6 percent ($38.7 million) in 2013 to 10.7 percent ($22.5 million) in 2017.

Table 25.10 Certain tropical hardwood plywood, each ply limited to 6mm in thickness, not surface covered beyond clear/transparent (HTS subheading 4412.31.41): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Indonesia	141,449,850	157,041,149	213,193,463	176,426,685	176,301,111
Malaysia	40,736,289	19,857,773	22,085,060	16,096,833	22,525,823
China	11,135,288	7,975,581	6,725,033	7,603,857	10,601,597
France	1,872,338	1,567,391	1,699,001	1,869,176	2,276,769
Ecuador	1,331,198	631,123	946,149	803,974	1,774,742
Vietnam	1,680,654	1,584,914	1,319,779	1,205,126	1,659,891
Canada[a]	1,040,552	1,140,237	1,069,265	586,297	1,587,282
Brazil	1,813,943	222,165	216,551	37,757	1,098,009
Taiwan	404,601	420,813	466,511	420,261	530,014
Russia	179,211	57,355	93,152	61,105	436,209
All other	1,349,480	1,465,869	1,570,408	1,568,230	1,224,017
Total	202,993,404	191,964,370	249,384,372	206,679,301	220,015,464
Imports from GSP–eligible countries:					
Indonesia[b]	141,449,850	157,041,149	213,193,463	176,426,685	176,301,111
Ecuador	1,331,198	631,123	946,149	803,974	1,774,742
Brazil	1,813,943	222,165	216,551	37,757	1,098,009
India	0	33,928	0	231,338	428,416
Gabon	264,547	29,025	125,744	430,759	162,512
Ghana	26,750	0	0	0	11,583
Russia	179,211	(c)	(c)	(c)	(c)
Paraguay	0	20,173	0	13,654	0
Cameroon	0	0	7,001	41,538	0
Total	145,065,499	157,977,563	214,488,908	177,985,705	179,776,373

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

[a] Free trade agreement partner.

[b] Indonesia is a GSP-eligible country. However, Indonesia lost GSP eligibility for articles entering under HTS subheading 7202.93.80 in 2015 and was not eligible for GSP treatment for such articles during 2016–17.

[c] This country was not GSP eligible in the indicated year.

Table 25.11 Certain tropical hardwood plywood, excluding mahogany, panel limited to 3.6mm in thickness, limited to 1.2m in width and 2.2m in length, not surface covered beyond clear/transparent (HTS statistical reporting number 4412.31.4150): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Indonesia	2,940,673	7,681,411	7,889,023	6,651,619	3,727,461
China	102,510	52,982	74,927	44,066	1,128,188
France	0	0	0	57,307	510,620
Spain	0	9,199	88,671	26,652	116,804
Malaysia	1,806,994	0	0	23,664	0
Vietnam	30,249	0	0	0	0
Gabon	0	0	0	82,737	0
Total	4,880,426	7,743,592	8,052,621	6,886,045	5,483,073
Imports from GSP–eligible countries:					
Indonesia[a]	2,940,673	7,681,411	7,889,023	6,651,619	3,727,461
Gabon	0	0	0	82,737	0
Total	2,940,673	7,681,411	7,889,023	6,734,356	3,727,461

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Indonesia is a GSP-eligible country. However, Indonesia lost GSP eligibility for articles entering under HTS subheading 4412.31.41in 2015 and was not eligible for GSP treatment for such articles during 2016–17.

Table 25.12 Certain tropical hardwood plywood, excluding mahogany, panel limited to 6mm and exceeding 3.6mm in thickness, exceeding 1.2m in width or 2.2m in length, not surface covered (HTS statistical reporting number 4412.31.4160): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Indonesia	126,453,514	141,772,513	196,205,589	163,036,070	172,206,737
Malaysia	38,728,765	19,776,944	22,044,974	16,073,169	22,491,126
China	7,410,660	6,597,598	5,878,031	7,216,101	8,795,617
Ecuador	1,331,198	631,123	847,285	671,526	1,774,742
Vietnam	1,545,159	1,520,224	1,286,016	1,157,004	1,615,103
Brazil	1,588,489	217,727	148,928	22,071	1,078,301
France	957,872	895,543	1,156,866	1,187,313	956,676
Taiwan	384,808	410,320	430,881	420,261	530,014
Canada[a]	65,294	33,396	109,494	224,389	439,093
India	0	33,928	0	231,338	418,094
All other	950,537	549,937	717,037	799,099	858,259
Total	179,416,296	172,439,253	228,825,101	191,038,341	211,163,762
Imports from GSP–eligible countries:					
Indonesia[b]	126,453,514	141,772,513	196,205,589	163,036,070	172,206,737
Ecuador	1,331,198	631,123	847,285	671,526	1,774,742
Brazil	1,588,489	217,727	148,928	22,071	1,078,301
India	0	33,928	0	231,338	418,094
Gabon	264,547	29,025	112,472	348,022	86,022
Russia	93,895	(c)	(c)	(c)	(c)
Ghana	26,750	0	0	0	0
Total	129,758,393	142,684,316	197,314,274	164,309,027	175,563,896

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

[a] Free trade agreement partner.

[b] Indonesia is a GSP-eligible country. However, Indonesia lost GSP eligibility for articles entering under HTS subheading 4412.31.41 in 2015 and was not eligible for GSP treatment for such articles during 2016–17.

[c] This country was not GSP eligible in the indicated year.

It is difficult to determine the value of U.S. exports of the subject tropical hardwood plywood because they are reported under the broader Schedule B number 4412.31.0005, which includes a variety of other products. Most U.S. tropical hardwood plywood exports under Schedule B number 4412.31.0005 went to Canada (table 25.14). Canada accounted for 65.7 percent ($6.0 million) of all U.S. exports of this product in 2017, growing sharply from 27.5 percent ($1.7 million) in 2013. Mexico was the United States' second-largest destination market during 2013–17, but saw its share plunge from 34.7 percent ($2.2 million) of U.S. exports in 2013 to 7.3 percent ($0.7 million) in 2017. U.S. exports of these products to Canada and Mexico are eligible for duty-free entry under the North American Free Trade Agreement (NAFTA).

Table 25.13 Plywood with at least one outer ply of tropical wood, solely of sheets of wood not greater than 6mm in thickness (Schedule B 4412.31.0005): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Canada[a]	1,730,019	1,251,159	1,132,320	849,692	6,030,571
Brazil	24,126	61,307	14,058	34,878	716,017
Mexico[a]	2,187,150	1,071,116	853,752	636,107	669,572
British Virgin Islands	74,992	170,278	203,551	335,557	347,921
China	0	0	38,668	44,900	279,618
Turks and Caicos Islands	250,266	418,574	359,835	221,034	222,928
Bahamas	255,243	394,596	249,213	129,760	195,458
Antigua Barbuda	94,729	137,664	82,412	147,062	144,910
Bermuda	19,998	0	0	0	96,151
Haiti	77,490	37,655	264,185	76,283	81,744
All other	1,587,248	1,230,237	1,141,188	820,760	388,522
Total	6,301,261	4,772,586	4,339,182	3,296,033	9,173,412

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner: The petition was filed by the RV Industry Association (RVIA). RVIA also filed written submissions, and a representative of RVIA appeared at the Commission hearing. The party's written summary as submitted to the Commission is provided below.

> RVIA supports the competitive need limitation (CNL) waiver for tropical hardwood plywood from Indonesia, which our industry uses as an important raw material. This product is imported under HTS subheading 4412.31.41.
>
> This product is undergoing a fresh review because Congress updated the time period criteria for determining if a like or directly competitive U.S. manufactured product exists. Rather than being indexed to a certain date, the new examination period is the prior three years.
>
> We worked with Members of Congress, including Representative Jackie Walorski and Senator Joe Donnelly, to update the GSP statute regarding like or directly competitive products. Rather than focus on a list that is frozen in time from January 1, 1995, which was the only example in the GSP statute linked to a specific date, we agree the GSP program should look at the U.S. economy of today.
>
> The RV sector is uniquely American. Approximately 95 percent of world production of RVs happens in the United States, and our members source domestically whenever possible.
>
> However, for one key input, domestic acquisition is not possible. We use a thin plywood made from tropical hardwood species in the flooring, walls, and cabinetry of our RVs. The main hardwoods used are meranti and lauan. We estimate that approximately 80 percent of the merchandise that enters under HTS subheading 4412.31.41 from Indonesia is used by our members. The loss of GSP eligibility since October 2015 has cost the U.S. RV industry more than $1 million per month.

> RV makers have tried unsuccessfully to use other species of plywood, OSB board, and plastic panels in place of this product previously. Consequently, when GSP eligibility was removed in 2015, we had no choice but to continue to source the product from Indonesia. We would note that no U.S. industry has objected to GSP eligibility for this product in any prior review.
>
> RVIA members use lauan because it has specific properties that no other product can provide. It can be thin – under 3.6 millimeters – but remains strong. The RV industry uses panels that are 2.7mm - 3.4mm thick. Lauan is also water resistant and will not warp, which is critical to our needs. We have received statements from all parts of our industry agreeing that no like or competitive product exists, domestically or otherwise, that can deliver all of these essential qualities.

In Opposition: The Coalition for Fair Trade in Hardwood Plywood filed written submissions. The party's written summary as submitted to the Commission is provided below.

> The Coalition for Fair Trade in Hardwood Plywood and its individual members, Columbia Forest Products, Commonwealth Plywood Inc., Murphy Plywood, States Industries, Inc., and Timber Products Company opposes redesignation of eligibility for GSP status for products under HTS subheading 4412.31.41 from Indonesia for several reasons. As an initial matter, the specific plywood under review, HTS 4412.31.41, which includes thin-panel Luan or Meranti plywood, competes head-to-head with tropical species and other hardwood plywood products produced by the domestic industry. First, as the Commission has found as recently as December 2017, the domestic industry does produce hardwood plywood with face veneers of tropical species. Second, both tropical species and other hardwood species that are more readily produced by the domestic industry, such as birch, are used in underlayment applications. Additionally, domestically produced hardwood plywood is entirely suitable for use in RV manufacturing. Indeed, in its 2017 investigation of hardwood plywood from China, the Commission found that "large shares of reported 2016 purchases of . . . U.S.-produced . . . hardwood plywood were used in . . . RV/mobile home applications." Moreover, the USDA's published values for domestic and imported species, the performance characteristics of a domestic panel (*e.g.* birch, maple, fir) would be comparable, if not superior, to Luan. The primary reason that Indonesian Luan is more commonly used in RV applications is price. Further, the merchandise captured under HTS 4412.31.41 is covered under the current antidumping and countervailing orders on hardwood plywood from China, despite the hearing testimony of Mr. Neuman of RVIA otherwise. Specifically, the scope of the orders state that "{i}mports of hardwood plywood are primarily entered under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings . . . 4412.31.4140; 4412.31.4150; 4412.31.4160; 4412.31.4180…" Were the 8 percent duty on Indonesian tropical species eliminated, it is likely that Indonesia would become a greater conduit for circumvention of the orders. Lastly, given Indonesia's extremely poor environmental record, the United States should be encouraging the use of alternative products rather than Indonesian tropical species. For these reasons, the Coalition opposes redesignation of eligibility for GSP status for products under HTS subheading 4412.31.41 from Indonesia.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Food and Agriculture Organization of the United Nations (FAO). *Forest Products 2016 Yearbook*, 2018.

Hardwood Plywood and Veneer Association (HVPA). *Hardwood Stock Panels Annual Statistical Report 2016*, 2017.

Hardwood Plywood and Veneer Association (HVPA). *Veneer Species Guide*, 2006.

Patriot Timber. "Revolution Ply," http://www.patriottimber.com/RevolutionPly-Plywood.php (accessed May 30, 2018).

Timber Trade Portal. "Indonesia Industry Profile," May 23, 2018. http://www.timbertradeportal.com/countries/indonesia/.

U.S. Census Bureau (U.S. Census). "New Residential Construction." https://www.census.gov/construction/nrc/historical_data/index.html (accessed June 1, 2018).

U.S. Census Bureau (U.S. Census). "Number of Firms, Number of Establishments, Employment, and Annual Payroll by Enterprise Employment Size for the United States, NAICS Code 321211 'Hardwood Veneer and Plywood Manufacturing' 2015," 2017. https://www.census.gov/data/tables/2015/econ/susb/2015-susb-employment.html.

U.S. Department of Agriculture (USDA). Forest Service (FS). Forest Products Laboratory (FPL). *Wood Handbook: Wood as an Engineering Material*. Chapter 2, "Characteristics and Availability of Commercially Important Woods," by Michael C. Wiemann. FPL General Technical Report no. FPL-GTR-190, April 2010. https://www.fpl.fs.fed.us/documnts/fplgtr/fpl_gtr190.pdf.

U.S. Department of Agriculture (USDA). Forest Service (FS). Forest Products Laboratory (FPL). *Wood Handbook: Wood as an Engineering Material*. Chapter 5, "Mechanical Properties of Wood," by David E. Kretschmann. FPL General Technical Report no. FPL-GTR-190, April 2010. https://www.fpl.fs.fed.us/documnts/fplgtr/fpl_gtr190.pdf.

U.S. Department of Agriculture (USDA). Forest Service (FS). Forest Products Laboratory (FPL). *Wood Handbook: Wood as an Engineering Material*. Chapter 11, "Mechanical Properties of Wood-Based Composite Materials," by Zhiyong Cai and Robert Ross. FPL General Technical Report no. FPL-GTR-190, April 2010. https://www.fpl.fs.fed.us/documnts/fplgtr/fpl_gtr190.pdf.

U.S. International Trade Commission (USITC). *Hardwood Plywood from China: Investigation Nos. 701-TA-565 and 731-TA-1341 (Preliminary)*. USITC Publication 4661. Washington, DC: USITC, January 2017. https://www.usitc.gov/publications/701_731/pub4661.pdf.

U.S. International Trade Commission (USITC). *Hardwood Plywood from China: Investigation Nos. 701-TA-565 and 731-TA-1341 (Final)*. USITC Publication 4747. Washington, DC: USITC, 2017. https://www.usitc.gov/publications/701_731/pub4747.pdf.

Wood Database. "Lauan," http://www.wood-database.com/lauan/ (accessed June 19, 2018).

Wood Database. "Meranti," http://www.wood-database.com/white-meranti/ (accessed June 20, 2018).

Wood Database. "Modulus of Elasticity," http://www.wood-database.com/wood-articles/modulus-of-elasticity/ (accessed June 20, 2018).

Wood Database. "Modulus of Rupture," http://www.wood-database.com/wood-articles/modulus-of-rupture/ (accessed June 20, 2018).

Chapter 26
Denial of De Minimis Waiver:[510] Bone Black (Brazil)[511]

Table 26.1 Bone black

HTS provision	Short description	Col. 1 rate of duty as of January 1, 2018
3802.90.10[a]	Bone black	5.8 percent

[a] Harmonized tariff schedule (HTS) subheading 3802.90.10 is currently eligible for duty-free treatment for all beneficiary developing countries under the provisions of the GSP. Brazil exceeded the percent-based competitive need limitation (CNL) for HTS subheading 3802.90.10 in 2017 and will need a de minimis CNL waiver in order to continue to qualify for this duty-free treatment.

Description and Uses

Bone black,[512] provided for in HTS subheading 3802.90.10, is produced by burning crushed animal bones at high temperatures in the absence of oxygen.[513] The resultant black granules, sometimes referred to as bone char, are subsequently screened and sorted into various sizes (meshes).[514] Granules of bone black consist of a series of cavities connected by tubules and channels.[515] This tubular framework is primarily composed of tricalcium phosphate, which is entirely coated by a deposit of carbon as a result

[510] A de minimis waiver may be granted when total U.S. imports of an HTS provision from all countries are below a de minimis level; whether such waivers are granted is at the President's discretion. In 2017, total U.S. imports of bone black were less than the de minimis level for that year ($23.5 million). As a result, this product is eligible to be considered for a de minimis waiver, even though imports of bone black from Brazil accounted for 73 percent of total U.S. imports, exceeding the CNL percentage provision. De minimis waivers are considered for all HTS provisions where a beneficiary developing country exceeded the percentage-based CNL, as Brazil did in this case. USTR, *U.S. Generalized System of Preferences Guidebook*, March 2017, 11-12.

[511] The petition was filed with the Office of the U.S. Trade Representative (USTR) by Atum Services, Inc. (Atum) of Mission, Texas and requested the denial of a de minimis waiver for this HTS subheading under the provisions of the GSP for Brazil. Atum is not a domestic producer of bone black but rather an importer of bone black sourced from Mexico. Atum uses bone black for water filtration and treatment of effluent.

[512] Bone black has the Chemical Abstracts Service (CAS) number 8021-99-6 and is also referred to as bone char, bone charcoal, ivory black, animal charcoal, abaiser, spodium, or Color Index (CI) pigment black 9.

[513] Typically bovine or horse bones are used as the raw material for the production of bone black. Only bones imported from countries declared free of bovine spongiform encephalopathy (BSE) by the U.S. Department of Agriculture (USDA)—India, Pakistan, and Nigeria— are used in domestic production of bone black. Further, only fresh, hard bones free of extraneous material can be used. Defatted bones are placed in hermetically sealed retorts in kilns at a temperature of 800° to 900°C for 24 hours. Ebonex, "Bone Black Regulations" (accessed May 21, 2018); Ebonex, "Bone Black" (accessed May 20, 2018).

[514] For example, granular bone black and powdered bone black. BoneChar Carvão Ativado, "Activated Charcoal," n.d., http://www.bonechar.com.br/carvao-ativado (accessed May 22, 2018).

[515] Originally these channels contained the nerves and blood vessels.

of the bone burning process.[516] The granular architecture gives bone black a high loading capacity,[517] as well as heat stability comparable to that of carbon black.[518]

Bone black has traditionally been used in large-scale industrial applications, including in sugar refinement as a decolorant, [519] in water purification as a decolorant, as an absorbant in treating effluence,[520] and as a natural source of phosphorous in fertilizer.[521] A niche application for bone black is as a colorant in a variety of dark shades[522] suitable for use in many different applications.[523] Examples include artist paints (e.g., oils and acrylics), water colors, artificial leather and vinyl, coated paper and board products, finishing paints and lacquers, printing ink, and plastics.[524] Another specialized application for bone black is in coatings, including case hardening for gunsmithing[525] and coatings for foil heat shields and optical equipment on spacecraft.[526]

Like or Directly Competitive U.S. Product Assessment

The Commission identified U.S. production of bone black during 2015-17 that the Commission advises was like or directly competitive with articles classified in HTS subheading 3802.90.10. Bone black was produced in the United States during the preceding three calendar years. In assessing whether, during any of the three preceding calendar years, there has been U.S. production of a product that is like or

[516] Chemically, bone black contains approximately 11 percent carbon and up to 78 percent calcium phosphate. The architecture and chemical makeup is unique to bone black because bones are the source material. Nikolas Hagemann et al., "Activated Carbon, Biochar and Charcoal," February 9, 2018.
[517] "Loading capacity" is the amount of material that the surface of the carbon can capture before becoming fully loaded (unable to absorb more material). Depending on the application, bone black's loading capacity can be 25 percent higher than that of carbon black.
[518] Carbon black gets "gummy" at high loading capacities. Ebonex, "Bone Black" (accessed May 21, 2018).
[519] Used for sugar manufactured from sugar cane, as beet sugar does not require extensive decolorization. Braatskeir, "Your Sugar Might Be Made with Animal Bones," December 6, 2017. Bone black is generally regarded as safe (GRAS) by the U.S. Food and Drug Administration for indirect food and contact applications, provided it meets specifications in the Food Chemical Codex. See CFR 175.300(b)(1), CFR 174.5(d)(1), CFR 182.1217, and CFR 182.8217. Ebonex, "Bone Black Regulations" (accessed May 21, 2018).
[520] U.S. Customs and Border Protection, "Tariff Classification and Country of Origin Marking under the North American Free Trade Agreement for Bone Black from Mexico," CBP ruling no. NY N008640, April 20, 2007, https://rulings.cbp.gov/search.
[521] Bone black represents a source of concentrated biophosphate. European Investment Project Portal, "'ABC' Animal Bone Char," n.d. (accessed May 21, 2018).
[522] Bone black is blended in separate proprietary processes, according to the sole U.S. manufacturer, Ebonex. Nunez, "Melvindale: 'Dirty Jobs,'" February 8, 2010; Ebonex, "Bone Black" (accessed May 20, 2018).
[523] Bone black color is maintained through the milling processes; extensive ball milling is not required to disperse bone black in solution, and it can be used in high-speed dispersing equipment. Since bone black is not an oil byproduct, it can be dispersed in water using a spoon. Ebonex, "Bone Black" (accessed May 21, 2018).
[524] As a toner, bone black does not overpower colors being toned, and it is both non-migratory and non-conductive. Ebonex, "Bone Black" (accessed May 20, 2018); Ebonex, "Applications," http://www.ebonex.com/applications.html (accessed May 22, 2018).
[525] Ebonex, "Bone Black" (accessed May 21, 2018).
[526] Wenz, "Newest Spacecraft Sent to Study Sun," November 10, 2014; Ebonex, "Applications," http://www.ebonex.com/applications.html (accessed May 22, 2018).

directly competitive with bone black from Brazil that is the subject of the denial of de minimis waiver request, the Commission considered the physical properties of the item produced in the United States and in the petitioning country (Brazil), the manufacturing processes, the product's uses, the marketing channels of distribution, and the customs treatment of the product.

Both domestically produced bone black and bone black produced in Brazil have similar physical properties and were produced using similar manufacturing processes. Domestically produced bone black and Brazilian bone black was used in some of the same end-use applications as a colorant. However, Brazilian bone black is primarily used in water filtration. Industry sources noted that no U.S. bone black has been used in industrial applications (water filtration, effluent treatment, sugar decolorization) for the past several years. U.S. product was not sold in the same marketing channels as the bone black imported from Brazil. The comparable domestically produced bone black would have been expected to receive the same customs treatment as the imported product.

Physical Properties

Bone black manufactured in both the United States and Brazil had nearly identical physical properties. Both are produced by burning bovine bone. There were differences, however, in the granular size and product mixes between bone black produced in the United States and Brazil. Domestic bone black was sold as dry powder or as a dispersion (dispersed in liquid).[527] As a powder, domestic bone black was sold in a more finely ground form than that available from the Brazilian producer. Moreover, domestic bone black was sometimes sold as a custom blend, while Brazilian bone black was sold as purely bone black solids.

Manufacturing Process

Bone black producers in both the U.S. and Brazil used virtually the same manufacturing process, although U.S. producers had additional grinding stages to produce a finer powder. Both the United States and Brazil principally produced bone black from the burning of bovine bone at elevated temperatures in the absence of oxygen. Bone black is a type of carbon black that does not contain aromatic hydrocarbons.[528] The vast majority of carbon blacks are produced as oil byproducts.[529] Bone black produced in Brazil was produced to a coarser consistency and separated by size into two categories: powder or granulated bone black. Bone black production in Brazil does not involve a reaction with any other products, and bone black was sold as the end product.[530] The United States also produced coarse bone black. However, all of this production was internally consumed by Ebonex, the

[527] Ebonex's D&C Black No. 3, for example, meets ASTM standard D210, which specifies that the bone black colorant can be sold as a powder or a liquid. Ebonex, "Data Sheet" (accessed June 25, 2018).
[528] Based upon variations in particle size, structure, and purity, as well as in the method of production, carbon black can be classified as furnace black, lampblack, bone black, channel black, acetylene black, and thermal black. Lampblack, bone black, and acetylene black are considered specialty products within the carbon black classification. Furnace blacks dominate at about 90 percent of global output, with thermal blacks and specialty blacks make up the remainder. ICIS, "Product Profile: Carbon Black," December 19, 2003.
[529] ICIS, "Product Profile: Carbon Black," December 19, 2003.
[530] Bonechar Carvão Ativado, "Bone Char" (accessed June 19, 2018).

sole U.S. producer, which subsequently ground it into finer granules.[531] Domestic bone black was also custom blended, for use in pigment applications, while Brazilian bone black was not.

Product's Uses

U.S. and Brazilian bone black had some overlapping product use as a colorant, but were largely intended for different end uses. Domestically produced bone black was used as a colorant in dyes, toners, and cosmetics.[532] Bone black produced in Brazil is primarily for use in filtration.[533] There were no known domestic producers of bone black who sell the product for industrial uses (e.g., water filtration, water effluent treatment, and sugar bleaching).[534] Information obtained in the investigation indicates that Brazilian bone black was [* * *].[535] [536] Brazilian bone black was also traditionally used as a decolorant in the sugar industry to whiten sugar[537] and as a phosphorous source.[538] Information obtained in the investigation also indicates that a smaller portion of imported bone black ([* * *]) was utilized for colorant production.[539]

Marketing Channels

U.S. and Brazilian bone black were both marketed to industrial users, although these users are in different industries. Most U.S. bone back was sold directly to industrial users of colorant as an input; some was sold direct to consumers for pigment use for the arts. Ebonex,[540] the sole U.S. bone black producer, describes their bone black colorant as serving a "niche market." Evidence indicates that Brazilian bone black was sold either through distributors or directly to industrial users producing water filtration and treatment products.[541] Some Brazilian bone black was sold to Ebonex. Ebonex further processed the imported bone black into a finer homogenous powder for use in pigments.

[531] The granules range in size from 0.3 to 44 microns. Ebonex, "Bone Black" (accessed May 20, 2018); Atum Services, written submission to the U.S. Trade Representative, August 11, 2017, p.3.
[532] Ebonex "Bone Black" (accessed May 21, 2018).
[533] Bonechar Carvão Ativado Ltda. "Bone char," n.d. http://www.bonechar.com.br/carvao-ativado (accessed June 19, 2018); Atum Services Inc., written submission to USTR August 11, 2017.
[534] Other types of carbon black are produced in the United States and can be used in a variety of industrial applications.
[535] Based on analysis of import entries under subheading 3802.90.10 in [* * *].
[536] Brazilian bone black may be used instead of other forms of activated carbon due to the pore and particle size in conjunction with the chemical makeup specific to bone black when compared to other carbonaceous material. The size of the particles and pores and the presence of noncarbon material largely dictate what bone black or other activated carbons can remove, through absorption, from a system.
[537] Braatskeir, "Your Sugar Might Be Made with Animal Bones," December 6, 2017.
[538] European Investment Project Portal, "'ABC'Animal Bone Char," (accessed May 21, 2018).
[539] Based on analysis of import entries under subheading 3802.90.10 in [* * *].
[540] Ebonex does not produce bone black for use in filtration.
[541] Jeret Ltd. acts as a purchasing agent for Ebonex. Jeret Ltd., written submission to the U.S. International Trade Commission, June 6, 2018, 1.

Customs Treatment

Bone black produced in the United States would likely receive the same customs treatment as the bone black produced in Brazil if it had been imported (i.e., imported under HTS 3802.90.10).

Profile of U.S. Industry and Market, 2013–17

There is currently only one domestic producer of bone black, Ebonex, located in Melvindale, Michigan. Ebonex principally produces bone black in homogenous fine powder form as an element in their custom blends for use as dyes, toners, and cosmetics.[542] Typically the firm sells its bone black pigments in solid form[543] to downstream customers in a variety of industries, including plastics, movies,[544] and spacecraft.[545] Commission staff did not identify any domestic producers of bone black that sell bone black for industrial uses (e.g., water filtration, effluent treatment, and sugar bleaching) other than as a colorant.[546]

The size of the U.S. market for bone black largely reflects demand for industrial applications, as opposed to niche uses. [* * *].[547] American Charcoal Company (ACC) sells bone black to downstream users for various uses, including sugar bleaching, water filtration, soil remediation, soil augmentation and fertilization, air filtration, alcohol and mineral spirit filtration, as an absorbent of heavy metals and nuclear isotopes, as a digestive aid, and as an animal feed additive.[548] However, ACC did not list pigment production as one of its uses for bone black, highlighting the niche nature of bone black colorants produced by the domestic industry (Ebonex).

[542] Ebonex, "Bone Black" (accessed May 21, 2018).
[543] Small amounts of bone black sales will be in dispersion (liquid form). Ebonex "Technical Info.," http://www.ebonex.com/technicalinfo.html (accessed June 26, 2018).
[544] Used to make fake oil slicks in films such as *Waterworld* and *Die Hard III*. Ebonex, "Movies," http://www.ebonex.com/movies.html (accessed May 21, 2018).
[545] Ebonex, "Applications," http://www.ebonex.com/applications.html (accessed May 21, 2018).
[546] Other types of carbon black produced in the United States can be used in a variety of industrial applications.
[547] Based on analysis of import entries under subheading 3802.90.10 in [* * *].
[548] American Charcoal Company, "Products," http://www.americancharcoalcompany.com/products.php (accessed June 19, 2018).

Table 26.2 Bone black: (HTS subheading 3802.90.10): U.S. producers, employment, production, trade, consumption, and capacity utilization, 2013–17

Item	2013	2014	2015	2016	2017
Producers (number)	1	1	1	1	1
Employment (1,000 employees)	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Shipments or production (1,000 $)[a]	[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
Exports (1,000 $)	570	1,319	744	1,432	2,538
Imports (1,000 $)	9,419	6,055	6,119	10,505	4,414
Consumption (1,000 $)	(b)	(b)	(b)	(b)	(b)
Import-to-consumption ratio (percent)	(b)	(b)	(b)	(b)	(b)
Capacity utilization (percent)	(b)	(b)	(b)	(b)	(b)

Source: Trade data compiled from official statistics from the U.S. Department of Commerce.
[a] [* * *].
[b] Not available.

GSP Import Situation, 2017

U.S. imports from GSP-eligible countries accounted for 73 percent of total U.S. imports of bone black in 2017. Brazil is the largest individual GSP-eligible import source, $3.2 million in 2017, representing nearly 100 percent of U.S. GSP-eligible imports of bone black. In comparison, imports from India, the second-largest GSP-eligible supplier, accounted for approximately $3,000 in 2017. A major supplier of bone black from Brazil is Bonechar Carvão Ativado.[549] In 2017, Brazil exceeded the percent CNL for HTS subheading 3802.90.10 and is currently eligible for a de minimis waiver. If Brazil does not receive a de minimis waiver, imports from Brazil would be dutiable at a rate of 5.8 percent ad valorem. This would likely shift some imports from Brazil to Mexico. Imports from Mexico are eligible to enter duty free under NAFTA.

Table 26.3 Bone black: (HTS subheading 3802.90.10): U.S. imports for consumption (1,000 $) and share of consumption, 2017

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
Grand total	4,414	100	(a)	(b)
Imports from GSP-eligible countries:				
Total	3,231	73	100	(b)
Brazil	3,228	73	100	(b)
India	3	(c)	(c)	(b)

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Not applicable.
[b] Not available.
[c] Less than 0.5 percent.

[549] The company was founded in 1987 and has been in the bone char (bone black) business since 1997. Bonechar Carvão Ativado, "The Company," http://www.bonechar.com.br/a-empresa (accessed May 30, 2018).

U.S. Imports and Exports

In 2017, as noted earlier, Brazil was the largest source of U.S. imports of bone black, with a 73 percent share, while Mexico, the second-largest source, accounted for 26 percent. Imports from non-GSP-eligible countries represented only 27 percent of total U.S. imports of bone black. In 2014, imports from Mexico increased sharply, while imports of bone black from the United Kingdom declined largely because Brimac Char,[550] a major supplier in the United Kingdom, relocated factory operations to Mexico that year.[551] U.S. imports of this product from Mexico are eligible to enter duty free under the North American Free Trade Agreement.

Table 26.4 Bone black (HTS subheading 3802.90.10): U.S. imports for consumption by principal sources, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Brazil	156,723	2,134,901	3,177,896	3,972,749	3,227,924
Mexico[a]	47,250	2,453,691	2,748,452	6,520,233	1,145,428
Germany	0	61,920	26,670	6,299	37,687
India	0	0	0	2,411	3,325
Canada[a]	0	10,800	33,745	0	0
China	0	51,054	101,840	0	0
United Kingdom	9,215,293	1,336,270	25,200	0	0
Netherlands	0	0	2,258	3,169	0
Switzerland	0	6,500	2,778	0	0
Total	9,419,266	6,055,136	6,118,839	10,504,861	4,414,364
Imports from GSP–eligible countries:					
Brazil	156,723	2,134,901	3,177,896	3,972,749	3,227,924
India	0	0	0	2,411	3,325
Total	156,723	2,134,901	3,177,896	3,975,160	3,231,249

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

The United States exports bone black under Schedule B 3802.90.1000. The main market in 2017 for U.S. exports of bone black was Mexico, which received 67 percent of U.S. domestic products exported under this subheading.

[550] Brimac Char, "History" https://brimacchar.com/history (accessed May 22, 2018).
[551] *Greenock Telegraph*, "Revealed: Shame of Bone Factory," January 14, 2014.

Table 26.5 Bone black (Schedule B 3802.90.1000): U.S. exports of domestic merchandise by principal markets, 2013–17 (dollars)

Country	2013	2014	2015	2016	2017
Mexico[a]	265,482	1,049,517	156,222	979,863	1,692,361
Vietnam	42,817	40,446	121,971	112,880	185,333
Czech Republic	0	0	0	4,972	160,512
Singapore[a]	44,418	27,500	26,840	0	103,862
Germany	70,092	93,892	93,408	45,572	85,840
Netherlands	0	4,375	39,640	27,960	77,674
United Kingdom	50,718	25,300	80,354	28,600	62,650
Dominican Republic[a]	0	0	25,000	0	43,827
China	0	0	0	93,777	38,559
South Korea[a]	2,815	3,049	2,563	12,871	30,195
All other	93,297	74,818	197,678	125,247	57,166
Total	569,639	1,318,897	743,676	1,431,742	2,537,979

Source: Compiled from official statistics of the U.S. Department of Commerce.
[a] Free trade agreement partner.

Positions of Interested Parties

Petitioner seeking denial of de minimis waiver: The petition was filed by Atum Services Inc.

In opposition to denial of de minimis waiver: Domestic producer Ebonex Corporation filed a written submission.

In opposition to denial of de minimis waiver: Jeret Ltd. filed written submissions.

No other statements were received by the Commission in support of, or in opposition to, the proposed modification to the GSP considered for this subheading.

Bibliography

Atum Services Inc. ("Atum"). Written submission to U.S. Trade Representative petitioning in support of denial of de minimis waiver, October 17, 2017.

Bonechar Carvão Ativado Ltda. "The Company." http://www.bonechar.com.br/a-empresa (accessed May 30, 2018).

Braatskeir, Kate. "Your Sugar Might Be Made with Animal Bones. Sorry, Vegans." Huffington Post, December 6, 2017. https://www.huffingtonpost.com/2015/01/05/sugar-vegan-bone-char-yikes_n_6391496.html.

Brimac Char. "History." https://brimacchar.com/history (accessed May 29, 2018).

Ebonex. "Bone Black." http://www.ebonex.com/boneblack.html (accessed May 20, 2018).

Ebonex. "Bone Black Regulations." http://www.ebonex.com/boneblack_regulations.html (accessed May 21, 2018).

EPA. *See* U.S. Environmental Protection Agency (EPA).

European Investment Project Portal "'ABC' Animal Bone Char: Recovered and Concentrated Bio-phosphate Innovative Fertilizer." Investment Project EIPP-20170255, https://ec.europa.eu/eipp/desktop/en/projects/project-284.html.(accessed May 21, 2018).

General Carbon Corporation. "Frequently Asked Questions," n.d. http://www.generalcarbon.com/facts-about-activated-carbon/activated-carbon-faq/ (accessed May 22, 2018).

Greenock Telegraph. "Revealed: Shame of Bone Factory Contaminated with Deadly Anthrax," January 14, 2014. http://www.greenocktelegraph.co.uk/news/14013261.REVEALED_Shame_of_bone_factory_contaminated_with_deadly_anthrax/.

Hagemann, Nikolas, Kurt Spokas, Hans-Peter Schmidt, Ralf Kägi, Marc Anton Böhler, and Thomas D. Bucheli. "Activated Carbon, Biochar and Charcoal: Linkages and Synergies across Pyrogenic Carbon's *ABCs*." *Water* 10, no. 2 (February 9, 2018): 182. doi:10.3390/w10020182.

ICIS. "Product Profile: Carbon Black," December 19, 2003. https://www.icis.com/resources/news/2003/12/19/544472/product-profile-carbon-black/.

Jeret Ltd. Written submission to the U.S. International Trade Commission in connection with inv. no. 332-567, *Generalized System of Preferences: Possible Modifications, 2017 Review*, June 6, 2018.

Karnib, Mona. "Heavy Metal Removal Using Activated Carbon, Silica and Silica Activated Carbon Composite." *Energy Procedia* 50 (June 2014): 113–120. doi: 10.1016/j.egypro.2014.06.014.

Nunez, Jessica. "'Dirty Jobs' Features Melvindale Cow Bone Processing," February 8, 2010. http://www.mlive.com/entertainment/detroit/index.ssf/2010/02/dirty_jobs_features_melvindale.html.

Stemen, Nate. "Melvindale: 'Dirty Jobs' TV Show Tapes Episode at Cow Bone Processing Plant" *News-Herald* (Southgate, MI), February 6, 2010. http://www.thenewsherald.com/news/melvindale-dirty-jobs-tv-show-tapes-episode-at-cow-bone/article_bd180e2b-f495-52c5-91c3-a6898e24c1df.html.

U.S. Environmental Protection Agency (EPA). "Polycyclic aromatic hydrocarbons (PAHs)." Fact sheet, November 2009. https://www.epa.gov/north-birmingham-project/polycyclic-aromatic-hydrocarbons-pahs-fact-sheet.

U.S. International Trade Commission (USITC)/ Interactive Tariff and Trade DataWeb (DataWeb)/U.S. Department of Commerce (USDOC). http://dataweb.usitc.gov (accessed various dates).

Wenz, John. "Newest Spacecraft Sent to Study Sun Is Made of Animal Bones." *Popular Mechanics*, November 10, 2014. https://www.popularmechanics.com/space/a13134/why-this-sun-studying-spacecraft-is-made-from-animal-bones-17411014/.

Appendix A
Request Letter

Appendix A
Request Letter
DOCKET NUMBER
3318
Office of the Secretary
Int'l Trade Commission

THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

May 18, 2018

RECEIVED
MAY 18 2018
OFFICE OF THE SECRETARY
U.S. INT'L. TRADE COMMISSION

The Honorable Rhonda K. Schmidtlein
Chairman
United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Chairman Schmidtlein:

As part of the 2017/2018 Annual Review for modification of the Generalized System of Preferences (GSP), the Trade Policy Staff Committee (TPSC) has recently decided to accept certain product petitions, including petitions for waivers of competitive need limitations (CNLs). Modifications to the GSP program that may result from this review are expected to be announced on or before October 31, 2018, and to become effective on or before November 1, 2018.

In accordance with sections 503(a)(l)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and pursuant to the authority of the President delegated to the United States Trade Representative (USTR) by sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, and pursuant to section 332(g) of the Tariff Act of 1930, I hereby notify the Commission that the articles identified in Table A of the enclosed Annex are being considered for designation as eligible articles for purposes of the GSP program. I therefore request that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in Table A for all beneficiary developing countries under the GSP program.

I hereby notify the Commission that articles are being considered for removal from eligibility for duty-free treatment under the GSP program from certain countries. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the articles listed in Table B of the enclosed Annex, I request that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program for these articles from certain GSP countries on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers.

Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, and in accordance with section 503(d)(l)(A) of the 1974 Act, I request that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the Competitive Need Limitations (CNLs) specified in section 503(c)(2)(A) of the 1974 Act for the countries and articles specified in Table C of the enclosed Annex. I also request that the Commission provide its advice as to the probable economic effect on total U.S. imports, as well as on consumers, of the requested waivers. With respect to the Competitive Need Limitation in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission is requested to use the dollar value limit of $180,000,000. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, I request that the Commission provide its advice as to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

I hereby notify the Commission that the articles from the designated GSP beneficiary countries identified in Table D of the enclosed Annex are being considered for redesignation as eligible articles from certain beneficiary countries for purposes of the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I therefore request that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in Table D from the listed beneficiary countries.

I hereby notify the Commission that one article from the designated GSP beneficiary country identified in Table E of the enclosed Annex is being considered for redesignation as an eligible article for purposes of the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I therefore request that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the article in Table E from the listed beneficiary country. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, I request that the Commission provide its advice as to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

I hereby notify the Commission that one article from a GSP beneficiary country is being considered for denial of a *de minimis* CNL waiver. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the article listed in Table F of the enclosed Annex, I request that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program of this article from the all GSP countries on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, I request that the Commission provide its advice with respect to whether a like or directly competitive article was being produced in the United States in any of the preceding three calendar years.

To the extent possible, I would appreciate it if the probable economic effect advice and statistics (profile of the U.S. industry and market and U.S. import and export data) and any other relevant information or advice is provided separately and individually for each U.S. Harmonized Tariff Schedule subheading for all products subject to this request.

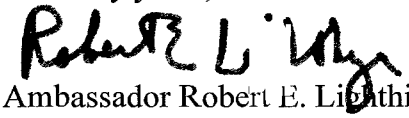
In accordance with USTR policy on implementing Executive Order 13526, as amended, I direct you to mark or identify as "Confidential," for a period of ten years, such portions of the Commission's report and its working papers that contain the Commission's advice and assessment of probable economic effects on domestic industries producing like or directly competitive articles, on U.S. imports, and on U.S. consumers. Consistent with the Executive Order, this information is being classified on the basis that it concerns economic matters relating to the national security. In addition, USTR considers the Commission's report to be an inter- agency memorandum that will contain pre-decisional advice and be subject to the deliberative process privilege.

I request that you submit an outline of this report as soon as possible to enable USTR officials to provide you with further guidance on its classification, including the extent to which portions of the report will require classification and for how long. Based on this outline, an appropriate USTR official will provide you with written instructions. All confidential business information contained in the report should also be clearly identified.

I would greatly appreciate if the requested advice, including those portions indicated as "Confidential" be provided to my Office by no later September 7, 2018. Once the Commission's confidential report is provided to my Office, and we review and approve the classification marking, the Commission should issue, as soon as possible thereafter, a public version of the report containing only the unclassified information, with any confidential business information deleted.

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

Sincerely yours,



Ambassador Robert E. Lighthizer
United States Trade Representative

ANNEX

Products are listed by Harmonized Tariff Schedule of the United States (HTS) subheadings. The product descriptions in this list are for informational purposes only; the definitive tariff nomenclature for the products listed below can be found in the HTS (except in those cases where only part of a subheading is the subject of a petition). The descriptions below are not intended to delimit in any way the scope of the relevant subheadings. The HTS may be viewed at https://hts.usitc.gov/current. The petitions cited below may be found on www.regulations.gov in Docket USTR-2017-0004.

Table A: 2017/2018 GSP Annual Review-Petitions submitted for products to be considered for addition to the list of GSP-eligible products

HTS Subheading	Brief Description	Petitioner(s)
0808.30.40	Pears, fresh, if entered during the period from July 1 through the following March 31, inclusive	Government of Argentina
0814.00.80	Peel of citrus fruit, excl. orange or citron and peel, nesoi, of melon, fresh, frozen, dried or provisionally preserved	Government of Argentina
1207.29.00	Cotton seeds, whether or not broken, other than seed for sowing	Government of Argentina
1512.11.00	Sunflower-seed or safflower oil, crude, and their fractions, whether or not refined, not chemically modified	Government of Argentina
2008.99.05	Apples, otherwise prepared or preserved, nesoi	Government of Argentina
2918.99.05	p-Anisic acid; clofibrate and 3-phenoxybenzoic acid	Government of Argentina
2918.99.43	Aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv described in add US note 3 to sect VI, nesoi	Government of Argentina
2918.99.47	Other aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv (excluding goods in add US note 3 to sec VI)	Government of Argentina

HTS Subheading	Brief Description	Petitioner(s)
4010.33.30	Transmission V-belts of vulcanized rubber, V-ribbed, circumference exceeding 180 cm but not exceeding 240 cm, combined with textile materials	Government of Argentina

Table B: 2017/2018 GSP Annual Review- Petition submitted to remove duty-free status from all countries for a product on the list of eligible articles for the Generalized System of Preferences

HTS Subheading	Brief Description	Action Requested	Petitioner
2009.89.6011 and 2009.89.6019	Cherry juice – Part of 2009.89.60 "Juice of any other single fruit, nesoi"	Remove product for Turkey	Cherry Marketing Institute
3920.51.50	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polymethyl methacrylate, not flexible	Remove product for Indonesia and Thailand	Altuglas International/Arkema

Table C: 2017/2018 GSP Annual Review- Petitions submitted for waiver of GSP CNLs

HTS Subheading	Brief Description	Petitioner	Country
0410.00.00	Edible products of animal origin, nesoi	Government of Indonesia	Indonesia
2836.91.00	Lithium carbonates	Government of Argentina, FMC Corporation	Argentina
3301.13.00	Essential oils of lemon	Citrus and Allied Essences, Industrial Tucuman Union, ACNOA, Flavor and Extract Manufacturers Association of the United States, AFINOA, Federacion Argentina del Citrus	Argentina

6802.99.00	Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi	M.S. International	Brazil
7202.50.00	Ferrosilicon chromium	Embassy of Kazakhstan	Kazakhstan

Table D: 2017/2018 GSP Annual Review- Petition submitted for re-designation of excluded item

HTS Subheading	Brief Description	Petitioner	Country
2007.99.48	Apple, quince and pear pastes and purees, being cooked preparations	Government of Argentina, Fenix, ProMendoza, COPAL	Argentina
2306.30.00	Oilcake and other solid residues, resulting from the extraction of vegetable fats or oils, of sunflower seeds	Government of Argentina	Argentina
2841.90.20	Ammonium perrhenate	Government of Kazakhstan	Kazakhstan
2909.50.40	Odoriferous or flavoring compounds of ether-phenols, ether-alcohol-phenols & their halogenated, sulfonated, nitrated, nitrosated derivatives	Government of Indonesia	Indonesia
4107.11.80	Full grain unsplit whole bovine (not buffalo) nesoi and equine leather nesoi, w/o hair, prepared after tanning or crusting, fancy, not 4114	Government of Argentina	Argentina

HTS Subheading	Brief Description	Petitioner	Country
6802.93.00	Monumental or building stone & arts. thereof, of granite, further worked than simply cut/sawn, nesoi	M.S. International	India
7202.93.80	Ferroniobium, nesoi	CMOC Mining USA	Brazil

Table E: 2017/2018 GSP Annual Review- Petition submitted for re-designation of excluded item

HTS Subheading	Brief Description	Petitioner	Country
4412.31.41 Including 4412.31.4150 and 4412.31.4160	Plywood sheets n/o 6mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface covered beyond clear/transparent	Government of Indonesia, Recreational Vehicle Industry Association	Indonesia

Table F: 2017/2018 GSP Annual Review- Petition submitted for denial of *de minimis* waiver

HTS Subheading	Brief Description	Petitioner	Country
3802.90.10	Bone black	Atum Services	Brazil

From: Gresser, Edward B. EOP/USTR [mailto:Edward_B_Gresser@ustr.eop.gov]
Sent: Tuesday, May 22, 2018 5:27 PM
To: Lawless, Martha
Subject: USTR clarification to GSP product petition request

Acting at the direction of the USTR, I am writing to you to clarify two points in Ambassador Lighthizer's request letter relevant to the 2018 GSP product petitions:

First, in line 6 of the last paragraph on page 2 of the letter, delete the phrase "the all GSP countries" and replace it with "the listed beneficiary country".

Second, in the title of Table B on the second page of the annex, delete the word "all" and replace it with the word "certain".

Thank you very much for your attention to this matter, and best regards,

Edward Gresser
Assistant U.S. Trade Representative
Trade Policy and Economics
1724 F Street NW, Room 516
Washington, DC 20508
egresser@ustr.eop.gov

Appendix B
Federal Register Notices

conducting a full review.[1] Accordingly, the Commission determined that it would conduct an expedited review pursuant to section 751(c)(3) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(3)).[2]

For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A and B (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

Staff report.—A staff report containing information concerning the subject matter of the review will be placed in the nonpublic record on June 1, 2018, and made available to persons on the Administrative Protective Order service list for this review. A public version will be issued thereafter, pursuant to section 207.62(d)(4) of the Commission's rules.

Written submissions.—As provided in section 207.62(d) of the Commission's rules, interested parties that are parties to the review and that have provided individually adequate responses to the notice of institution,[3] and any party other than an interested party to the review may file written comments with the Secretary on what determination the Commission should reach in the review. Comments are due on or before June 6, 2018 and may not contain new factual information. Any person that is neither a party to the five-year review nor an interested party may submit a brief written statement (which shall not contain any new factual information) pertinent to the review by June 6, 2018. However, should the Department of Commerce (''Commerce'') extend the time limit for its completion of the final results of its review, the deadline for comments (which may not contain new factual information) on Commerce's final results is three business days after the issuance of Commerce's results. If comments contain business proprietary information (BPI), they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules with respect to filing were revised effective July 25, 2014. *See* 79 FR 35920 (June 25, 2014), and the revised Commission Handbook on E-filing, available from the Commission's website at *https://edis.usitc.gov.*

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: May 22, 2018.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2018–11301 Filed 5–24–18; 8:45 am]

BILLING CODE 7020–02–P

[1] A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's website.

[2] Vice Chairman David S. Johanson voted to conduct a full review. Commissioner Jason E. Kearns did not participate.

[3] The Commission has found the responses submitted by Harvard Folding Box Company, Inc. and P.S. Greetings, Inc. to be individually adequate. Comments from other interested parties will not be accepted (*see* 19 CFR 207.62(d)(2)).

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–567]

Generalized System of Preferences: Possible Modifications, 2017 Review

AGENCY: United States International Trade Commission.

ACTION: Notice of institution of investigation and scheduling of public hearing.

SUMMARY: Following receipt of a request on May 18, 2018, from the United States Trade Representative (USTR), the U.S. International Trade Commission (Commission) instituted investigation No. 332–567, *Generalized System of Preferences: Possible Modifications, 2017 Review,* for the purpose of providing advice and information relating to the possible designation of additional articles, removal of articles, waiver of competitive need limitations, redesignation of articles, and denial of a de minimis waiver.

DATES:

June 4, 2018: Deadline for filing requests to appear at the public hearing.
June 7, 2018: Deadline for filing pre-hearing briefs and statements.
June 14, 2018: Public hearing.
June 21, 2018: Deadline for filing post-hearing briefs and statements.
June 21, 2018: Deadline for filing all other written submissions.
September 7, 2018: Transmittal of Commission report to the USTR.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *https://edis.usitc.gov.*

FOR FURTHER INFORMATION CONTACT: Information specific to this investigation may be obtained from Sabina Neumann, Project Leader, Office of Industries (202–205–3000 or *sabina.neumann@usitc.gov*), Mark Brininstool, Deputy Project Leader, Office of Industries (202–708–1395 or *mark.brininstool@usitc.gov*), or Marin Weaver, Technical Advisor, Office of Industries (202–205–3461 or *marin.weaver@usitc.gov*). For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091 or *william.gearhart@usitc.gov*). The media should contact Margaret O'Laughlin, Office of External Relations (202–205–1819 or *margaret.olaughlin@usitc.gov*). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202–205–1810. General information concerning the Commission may also be obtained by accessing its website (*http://www.usitc.gov*). 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.

Background: In his letter, the USTR requested the advice and information described below.

(1) Advice concerning the probable economic effect of elimination of U.S. import duties on certain articles from all beneficiary developing countries under the GSP program. In accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended (''the 1974 Act'') and pursuant to the authority of the President delegated to the USTR by sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, and pursuant to section 332(g) of the Tariff Act of 1930, the USTR notified the Commission that the articles identified in Table A of the Annex to the USTR request letter are being considered for designation as eligible articles for purposes of the GSP program. The USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles identified in Table A of the Annex to

the USTR request letter for all beneficiary developing countries under the GSP program (see Table A below).

TABLE A—PETITIONS SUBMITTED FOR PRODUCTS TO BE CONSIDERED FOR ADDITION TO THE LIST OF GSP-ELIGIBLE PRODUCTS

HTS subheading	Brief description	Countries
0808.30.40	Pears, fresh, if entered during the period from July 1 through the following March 31, inclusive.	Beneficiary Developing Countries.
0814.00.80	Peel of citrus fruit, excl. orange or citron and peel, nesi, of melon, fresh, frozen, dried or provisionally preserved.	Beneficiary Developing Countries.
1207.29.00	Cotton seeds, whether or not broken, other than seed for sowing	Beneficiary Developing Countries.
1512.11.00	Sunflower-seed or safflower oil, crude, and their fractions, whether or not refined, not chemically modified.	Beneficiary Developing Countries.
2008.99.05	Apples, otherwise prepared or preserved, nesi	Beneficiary Developing Countries.
2918.99.05	p-Anisic acid; clofibrate and 3-phenoxybenzoic acid	Beneficiary Developing Countries.
2918.99.43	Aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv described in add US note 3 to sect VI, nesoi.	Beneficiary Developing Countries.
2918.99.47	Other aromatic carboxylic acids with additional oxygen function and their anhydrides, halide, etc deriv (excluding goods in add US note 3 to sec VI).	Beneficiary Developing Countries.
4010.33.30	Transmission V-belts of vulcanized rubber, V-ribbed, circumference exceeding 180 cm but not exceeding 240 cm, combined with textile materials.	Beneficiary Developing Countries.

(2) Advice concerning the probable economic effect of removal of certain articles from certain countries from eligibility for duty-free treatment. The USTR notified the Commission that two articles are being considered for removal from eligibility for duty free treatment under the GSP program from certain countries. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the article listed in Table B of the Annex to the USTR request letter, the USTR requested that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program for these articles from certain countries on total U.S. imports, U.S. industries producing like or directly competitive articles, and on U.S. consumers (see Table B below).

TABLE B—PETITIONS SUBMITTED TO REMOVE DUTY-FREE STATUS FROM CERTAIN COUNTRIES FOR A PRODUCT ON THE LIST OF ELIGIBLE ARTICLES FOR THE GENERALIZED SYSTEM OF PREFERENCES

HTS subheading	Brief description	Country
2009.89.6011 and 2009.89.6019	Cherry juice—Part of 2009.89.60 ''Juice of any other single fruit, nesoi''	Turkey.
3920.51.50	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polymethyl methacrylate, not flexible.	Indonesia and Thailand.

(3) Advice concerning waiver of certain competitive need limitations. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, and in accordance with section 503(d)(1)(A) of the 1974 Act, the USTR requested that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limitations (CNL) specified in section 503(c)(2)(A) of the 1974 Act for the countries and articles specified in Table C of the attached Annex to the request letter (see Table C below). The USTR also requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, as well as on consumers, of the requested waivers. With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the USTR requested that the Commission use the dollar value limit of $180,000,000. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice with respect to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

TABLE C—PETITIONS SUBMITTED FOR WAIVER OF GSP CNLS

HTS subheading	Brief description	Country
0410.00.00	Edible products of animal origin, nesi	Indonesia.
2836.91.00	Lithium carbonates	Argentina.
3301.13.00	Essential oils of lemon	Argentina.
6802.99.00	Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi.	Brazil.
7202.50.00	Ferrosilicon chromium	Kazakhstan.

(4) Advice concerning redesignations. The USTR notified the Commission that seven articles are being considered for redesignation as eligible articles for purposes of the GSP program. Under authority delegated by the President,

pursuant to section 332(g) of the Tariff Act of 1930, the USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in Table D of the Annex to the USTR request letter from the listed beneficiary countries.

TABLE D—PETITIONS SUBMITTED FOR REDESIGNATION OF EXCLUDED ITEMS

HTS subheading	Brief description	Country
2007.99.48	Apple, quince and pear pastes and purees, being cooked preparations	Argentina.
2306.30.00	Oilcake and other solid residues, resulting from the extraction of vegetable fats or oils, of sunflower seeds.	Argentina.
2841.90.20	Ammonium perrhenate	Kazakhstan.
2909.50.40	Odoriferous or flavoring compounds of ether-phenols, ether-alcohol-phenols & their halogenated, sulfonated, nitrated, nitrosated derivatives.	Indonesia.
4107.11.80	Full grain unsplit whole bovine (not buffalo) nesoi and equine leather nesoi, w/o hair, prepared after tanning or crusting, fancy, not 4114.	Argentina.
6802.93.00	Monumental or building stone & arts. thereof, of granite, further worked than simply cut/sawn, nesoi.	India.
7202.93.80	Ferroniobium, nesoi	Brazil.

(5) Advice concerning redesignation and advice on whether a like or directly competitive domestic article was produced in any of the preceding three years. The USTR notified the Commission that one article is being considered for redesignation as an eligible article for purposes of the GSP program. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, the USTR requested that the Commission provide its advice as to the probable economic effect on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers of the elimination of U.S. import duties on the articles in Table E of the Annex to the USTR request letter from the listed beneficiary countries. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice as to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

TABLE E—PETITION SUBMITTED FOR REDESIGNATION OF EXCLUDED ITEM

HTS subheading	Brief description	Country
4412.31.41, Including 4412.31.4150 and 4412.31.4160.	Plywood sheets n/o 6mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface covered beyond clear/transparent.	Indonesia.

(6) Advice concerning denial of de minimis waiver. The USTR notified the Commission that one article from a GSP beneficiary country is being considered for denial of a de minimis CNL waiver. Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, with respect to the article listed in Table F of the Annex to the USTR request letter, the USTR requested that the Commission provide its advice as to the probable economic effect of the removal from eligibility for duty-free treatment under the GSP program of this article from the specified country on total U.S. imports, on U.S. industries producing like or directly competitive articles, and on U.S. consumers. Further, pursuant to section 332(g) of the Tariff Act of 1930 and in accordance with section 503(c)(2)(E) of the 1974 Act, the USTR requested that the Commission provide its advice with respect to whether a like or directly competitive article was produced in the United States in any of the preceding three calendar years.

TABLE F—PETITION SUBMITTED FOR DENIAL OF DE MINIMIS WAIVER

HTS subheading	Brief description	Country
3802.90.10	Bone black	Brazil.

Time for reporting, HTS detail, portions of report to be classified. As requested by the USTR, the Commission will provide the requested advice and information by September 7, 2018. The USTR asked that the Commission issue, as soon as possible thereafter, a public version of the report containing only the unclassified information, with any confidential business information deleted. As requested, the Commission will provide its economic effect advice and statistics (profile of the U.S. industry and market and U.S. import and export data) and any other relevant information or advice separately and individually for each U.S. Harmonized Tariff Schedule subheading for all products subject to the request. The USTR indicated that those sections of the Commission's report and working papers that contain the Commission's advice and assessment will be classified as ''confidential.'' The USTR also stated that his office considers the Commission's report to be an inter-agency memorandum that will contain pre-decisional advice and be subject to the deliberative process privilege.

Public Hearing: A public hearing in connection with this investigation will be held at the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC, beginning at 9:30 a.m. on June 14, 2018. Requests to appear at the public hearing should be filed with

the Secretary no later than 5:15 p.m., June 4, 2018. All pre-hearing briefs and statements should be filed no later than 5:15 p.m., June 7, 2018; and all post-hearing briefs and statements should be filed no later than 5:15 p.m., June 21, 2018. All requests to appear, and pre- and post-hearing briefs and statements should be filed in accordance with the requirements of the ''written submissions'' section below.

Written Submissions: In lieu of or in addition to appearing at the hearing, interested parties are invited to file written submissions concerning this investigation. All written submissions should be addressed to the Secretary, and should be received not later than 5:15 p.m., June 21, 2018. All written submissions must conform to the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 and the Commission's Handbook on Filing Procedures require that interested parties file documents electronically on or before the filing deadline and submit eight (8) true paper copies by 12:00 p.m. eastern time on the next business day. In the event that confidential treatment of a document is requested, interested parties must file, at the same time as the eight paper copies, at least four (4) additional true paper copies in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202–205–1802).

Confidential Business Information: 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 ''non-confidential'' version, and that the confidential business information is clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available 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. Additionally, all information, including confidential business information, submitted in this investigation may be disclosed to and used: (i) By the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel (a) for cybersecurity purposes or (b) in monitoring user activity on U.S. government classified networks. The Commission will not otherwise disclose any confidential business information in a manner that would reveal the operations of the firm supplying the information.

Summaries of Written Submissions: The Commission intends to publish summaries of the positions of interested persons. Persons wishing to have a summary of their position included in the report should include a summary with their written submission. The summary may not exceed 500 words, should be in MSWord format or a format that can be easily converted to MSWord, and should not include any confidential business information. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. The Commission will identify the name of the organization furnishing the summary and will include a link to the Commission's Electronic Document Information System (EDIS) where the full written submission can be found.

By order of the Commission.
Issued: May 23, 2018.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2018–11458 Filed 5–24–18; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[USITC SE–18–025]

Government in the Sunshine Act Meeting Notice

AGENCY HOLDING THE MEETING: United States International Trade Commission.

TIME AND DATE: May 31, 2018 at 11:00 a.m.

PLACE: Room 101, 500 E Street SW, Washington, DC 20436, Telephone: (202) 205–2000.

STATUS: Open to the public.

MATTERS TO BE CONSIDERED:

1. Agendas for future meetings: None.
2. Minutes.
3. Ratification List.
4. Vote on Inv. Nos. 701–TA–606 and 731–TA–1416 (Preliminary) (Quartz Surface Products from China). The Commission is currently scheduled to complete and file its determinations on June 1, 2018; views of the Commission are currently scheduled to be completed and filed on June 8, 2018.
5. Vote on Inv. No. 731–TA–860 (Third Review) (Tin- and Chromium-Coated Steel Sheet from Japan). The Commission is currently scheduled to complete and file its determination and views of the Commission by June 19, 2018.
6. Outstanding action jackets: None.

In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

By order of the Commission.
Issued: May 22, 2018.

William Bishop,

Supervisory Hearings and Information Officer.

[FR Doc. 2018–11444 Filed 5–23–18; 4:15 pm]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1103 (Second Review)]

Activated Carbon From China; Scheduling of an Expedited Five-Year Review

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: The Commission hereby gives notice of the scheduling of an expedited review pursuant to the Tariff Act of 1930 (''the Act'') to determine whether revocation of the antidumping duty order on activated carbon from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

DATES: May 7, 2018.

FOR FURTHER INFORMATION CONTACT: Amanda Lawrence (202–205–3185), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can 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. General information concerning the Commission may also be obtained by

aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See* Presidential Memorandum of July 21, 2005, 70 FR 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

Written Submissions: The parties to the investigation are requested to file written submissions on the questions identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the recommended determination by the ALJ on remedy and bonding. Complainants and OUII are also requested to submit proposed remedial orders for the Commission's consideration. Complainants are also requested to state the date that the asserted patents expire and the HTSUS numbers under which the accused products are imported. Complainants are further requested to supply the names of known importers of the products at issue in this investigation.

Written submissions and proposed remedial orders must be filed no later than close of business on June 28, 2018. Reply submissions must be filed no later than the close of business on July 6, 2018. Initial written submissions may not exceed 50 pages in length, exclusive of any exhibits, while reply submissions may not exceed 25 pages in length, exclusive of any exhibits. No further submissions on any of these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 CFR 210.4(f)). Submissions should refer to the investigation number (''Inv. No. 337–TA–1044'') in a prominent place on the cover page and/or the first page. (*See* Handbook for Electronic Filing Procedures, *https://www.usitc.gov/secretary/documents/handbook_on_filing_procedures.pdf*). Persons with questions regarding filing should contact the Secretary (202–205–2000).

Any person desiring to submit a document to the Commission in confidence must request confidential treatment. All such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 CFR 201.6. Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. All information, including confidential business information and documents for which confidential treatment is properly sought, submitted to the Commission for purposes of this Investigation may be disclosed to and used: (i) By the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel,[1] solely for cybersecurity purposes. All non-confidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in part 210 of the Commission's Rules of Practice and Procedure (19 CFR part 210).

By order of the Commission.

Issued: June 14, 2018.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2018–13191 Filed 6–19–18; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–567]

Generalized System of Preferences: Possible Modifications, 2017 Review

AGENCY: United States International Trade Commission.

ACTION: Notice of amendment of scope of investigation.

SUMMARY: Following receipt on June 6, 2018 of a correction to the United States Trade Representative's (USTR) request letter of May 18, 2018, the U.S. International Trade Commission (Commission) has amended the scope of its investigation No. 332–567, Generalized System of Preferences: Possible Modifications, 2017 Review, and will treat ferroniobium, nesoi, from Brazil, provided for in subheading 7202.93.80 of the Harmonized Tariff Schedule, as having been listed in Table E of the Annex to the USTR's request letter instead of Table D. As a result, the Commission will also provide advice for this article with respect to whether a like or directly competitive article was being produced in the United States in any of the preceding three calendar years.

DATES:

June 4, 2018: Deadline for filing requests to appear at the public hearing.

June 7, 2018: Deadline for filing pre-hearing briefs and statements.

June 14, 2018: Public hearing.

June 21, 2018: Deadline for filing post-hearing briefs and statements.

June 21, 2018: Deadline for filing all other written submissions.

September 7, 2018: Transmittal of Commission report to the USTR.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *https://edis.usitc.gov.*

FOR FURTHER INFORMATION CONTACT: Information specific to this investigation may be obtained from Sabina Neumann, Project Leader, Office of Industries (202–205–3000 or *sabina.neumann@usitc.gov*), Mark Brininstool, Deputy Project Leader, Office of Industries (202–708–1395 or *mark.brininstool@usitc.gov*), or Marin Weaver, Technical Advisor, Office of Industries (202–205–3461 or *marin.weaver@usitc.gov.* For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091 or *william.gearhart@usitc.gov*). The media should contact Margaret O'Laughlin, Office of External Relations (202–205–1819 or *margaret.olaughlin@usitc.gov*). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202–205–1810. General information concerning the Commission

[1] All contract personnel will sign appropriate nondisclosure agreements.

may also be obtained by accessing its website (*http://www.usitc.gov*). 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.

Background: All dates and other information relating to this investigation remain the same as in the Commission's notice of investigation and public hearing issued on May 23, 2018 and published in the **Federal Register** of May 25, 2018 (83 FR 24342).

By order of the Commission.
Issued: June 14, 2018.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2018–13176 Filed 6–19–18; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

[Docket No. DEA–392]

Importer of Controlled Substances Application: Fisher Clinical Services, Inc.

ACTION: Notice of application.

DATES: Registered bulk manufacturers of the affected basic classes, and applicants therefore, may file written comments on or objections to the issuance of the proposed registration on or before July 20, 2018. Such persons may also file a written request for a hearing on the application on or before July 20, 2018.

ADDRESSES: Written comments should be sent to: Drug Enforcement Administration, Attention: DEA **Federal Register** Representative/DRW, 8701 Morrissette Drive, Springfield, Virginia 22152. All requests for hearing must be sent to: Drug Enforcement Administration, Attn: Administrator, 8701 Morrissette Drive, Springfield, Virginia 22152. All requests for hearing should also be sent to: (1) Drug Enforcement Administration, Attn: Hearing Clerk/LJ, 8701 Morrissette Drive, Springfield, Virginia 22152; and (2) Drug Enforcement Administration, Attn: DEA **Federal Register** Representative/DRW, 8701 Morrissette Drive, Springfield, Virginia 22152.

SUPPLEMENTARY INFORMATION: The Attorney General has delegated his authority under the Controlled Substances Act to the Administrator of the Drug Enforcement Administration (DEA), 28 CFR 0.100(b). Authority to exercise all necessary functions with respect to the promulgation and implementation of 21 CFR part 1301, incident to the registration of manufacturers, distributors, dispensers, importers, and exporters of controlled substances (other than final orders in connection with suspension, denial, or revocation of registration) has been redelegated to the Assistant Administrator of the DEA Diversion Control Division (''Assistant Administrator'') pursuant to section 7 of 28 CFR part 0, appendix to subpart R.

In accordance with 21 CFR 1301.34(a), this is notice that on March 16, 2018, Fisher Clinical Services, Inc., 7554 Schantz Road, Allentown, Pennsylvania 18106 applied to be registered as an importer of 1-[1-(2-Thienyl)cyclohexyl]pyrrolidine (7473), a basic class of controlled substance listed in schedule I.

The company plans to import the controlled substance in finished dosage form for testing and clinical trials purposes only.

Approval of permit applications will occur only when the registrant's business activity is consistent with what is authorized under to 21 U.S.C. 952(a)(2). Authorization will not extend to the import of FDA approved or non-approved finished dosage forms for commercial sale.

Dated: June 12, 2018.

John J. Martin,

Assistant Administrator.

[FR Doc. 2018–13224 Filed 6–19–18; 8:45 am]

BILLING CODE 4410–09–P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

[Docket No. DEA–392]

Bulk Manufacturer of Controlled Substances Registration

ACTION: Notice of registration.

SUMMARY: Registrants listed below have applied for and been granted registration by the Drug Enforcement Administration (DEA) as bulk manufacturers of various classes of schedule I and II controlled substances.

SUPPLEMENTARY INFORMATION: The companies listed below applied to be registered as bulk manufacturers of various basic classes of controlled substances. Information on previously published notices is listed in the table below. No comments or objections were submitted for these notices.

Company	FR Docket	Published
AMRI Rensselaer, Inc	83 FR 5808	February 9, 2018.
Stepan Company	83 FR 9029	March 2, 2018.
Research Triangle Institute	83 FR 10523	March 9, 2018.
Rhodes Technologies	83 FR 12407	March 21, 2018.
Synthcon, LLC	83 FR 13141	March 27, 2018.
National Center for Natural Products—Research NIDA MPROJECT	83 FR 13522	March 29, 2018.
Insys Manufacturing LLC	83 FR 13522	March 29, 2018.
Navinta LLC	83 FR 13521	March 29, 2018.

The DEA has considered the factors in 21 U.S.C. 823(a) and determined that the registration of these registrants to manufacture the applicable basic classes of controlled substances is consistent with the public interest and with United States obligations under international treaties, conventions, or protocols in effect on May 1, 1971. The DEA investigated each of the company's maintenance of effective controls against diversion by inspecting and testing each company's physical security systems, verifying each company's compliance with state and local laws, and reviewing each company's background and history.

Therefore, pursuant to 21 U.S.C. 823(a), and in accordance with 21 CFR 1301.33, the DEA has granted a registration as a bulk manufacturer to the above listed companies.

Dated: June 12, 2018.

John J. Martin,

Assistant Administrator.

[FR Doc. 2018–13223 Filed 6–19–18; 8:45 am]

BILLING CODE 4410–09–P

Appendix C
Calendar of Hearing Witnesses

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Generalized System of Preferences: Possible Modifications, 2017 Review

Inv. No.: 332-567

Date and Time: June 14, 2018 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

EMBASSY APPEARANCES:

Embassy of Argentina
Washington, DC

Nadia Soledad Socoloff, Second Secretary, Economics and Trade Section

Embassy of Indonesia
Washington, DC

Reza Pahlevi Chairul, Commercial Attaché

PANEL 1:

ORGANIZATION AND WITNESS:

Removals from the GSP

Polymethyl Methacrylate (PMMA) Sheet, Film, Foil, Strip, and Plates

American Trade Sales, Inc. (**IN OPPOSITION**)
New York, NY

Allan Harari, President

PANEL 1 (continued):

ORGANIZATION AND WITNESS:

Adduci, Mastriani & Schaumberg, LLP (**IN OPPOSITION**)
Washington, DC
on behalf of

Port Plastics, Inc.

Jeffrey Tunstall, Vice President

Will E. Leonard)
) – OF COUNSEL
Paulina Starostka)

Tart Cherry Juice Concentrate and Other Cherry Juice

Schagrin Associates (**IN SUPPORT**)
Washington, DC
on behalf of

Cherry Marketing Institute ("CMI")

Philip J. Korson II, President

Mollie Woods, Agricultural Economist

Elizabeth J. Drake) – OF COUNSEL

CNL Waivers

Essential Oils of Lemon

Flavor and Extract Manufacturers Association ("FEMA") (**PETITIONER**)
Washington, DC

Joanna R. Drake, General Counsel

Certain Monumental or Building Stone

M.S. International, Inc. (**PETITIONER**)
Washington, DC

Rupesh Shah, Co-President

Daniel S. Anothony, Vice President, The Trade Partnership

PANEL 2:

ORGANIZATION AND WITNESS:

Redesignations

Granite Monumental or Building Stone

M.S. International, Inc. (**PETITIONER**)
Washington, DC

Rupesh Shah, Co-President

Daniel S. Anthony, Vice President, The Trade Partnership

Certain Ferroniobium

CMOC International (**PETITIONER**)
Phoenix, AZ

Lyn Harry-White, Director, External Relations

Greg Clemmer, Manager, Sales and Market Intelligence

Mayer Brown, LLP (**IN SUPPORT**)
Washington, DC
on behalf of

CBMM North America

James Boyle, General Manager

Sydney Mintzer)
) – OF COUNSEL
Tiffany Smith)

PANEL 2 (continued):

ORGANIZATION AND WITNESS:

Certain Tropical Hardwood Plywood

RV Industry Association ("RVIA") (**PETITIONER**)
Reston, VA

Michael Ochs, Director of Government Affairs

Daniel Neumann, Director of Government Affairs,
Sorini, Samet & Associates LLC

International Wood Products Association ("IWPA") (**IN SUPPORT**)
Alexandria, VA

Joseph L. O'Donnell, Director, Government and Public Affairs

-END-