

CHAIRMAN



UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C. 20436

September 24, 2004

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Mr. ~~Ambassador~~ ^{Bob}:

Thank you for your letter of July 23, 2004, requesting the Commission's advice on the probable effect of certain proposed modifications to the rules of origin contained in the North American Free Trade Agreement (NAFTA). You asked for the advice by September 24, 2004.

In response, the Commission instituted investigation No. NAFTA 103-6, *The Probable Effect of Certain Proposed Modifications to the Rules of Origin Contained in the North American Free Trade Agreement*. The Commission did not hold a public hearing but invited written submissions from the public. In preparing its advice, the Commission assessed each specific proposed modification to determine the probable effect on U.S. trade and on U.S. industries. The Commission first compared the rules incorporating the proposed modifications with the current rules to ascertain any changes in the application of the NAFTA rules of origin. If such changes were identified, the Commission then used qualitative and quantitative analyses to determine the probable effect of the modifications. The Commission only considered Harmonized Tariff Schedule (HTS) numbers for which the proposed rule is different from the existing rule.

The Commission's advice for each proposed modification is presented in attachment 1, and the methodology used by the Commission in making these assessments is explained in attachment 2. Based on its examination of the proposed modifications, the Commission advises that most of these changes will likely have no more than a negligible effect on U.S. trade and production.

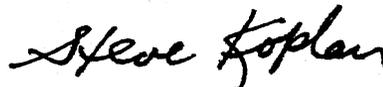
However, some greater than negligible effects are likely with respect to the following:

- HTS 1302.39, Carrageenan: Total U.S. exports and U.S. production are likely to experience a minor increase; U.S. exports to Mexico are likely to increase substantially.
- HTS 8504.40.40, Speed drive controllers for electric motors: Total U.S. exports, as well as U.S. exports to Canada and Mexico, are likely to experience a minor increase.
- HTS 8511.90, Parts of voltage regulators: Total U.S. exports, as well as U.S. exports to Canada and Mexico, are likely to increase substantially, causing a minor increase in U.S. production.
- HTS 8518.90, Parts of microphones and stands, headphones, earphones, telephone handsets, and amplifiers: Total U.S. imports, as well as U.S. imports from Mexico, are likely to increase significantly, causing a minor decrease in U.S. production.
- HTS 9030.90, Parts of oscilloscopes, spectrum analyzers, and other measuring instruments and apparatus: U.S. exports to Mexico are expected to increase substantially.

In providing its advice, the Commission also considered comments from the public on the effect of the proposed modifications. Attachment 3 contains the *Federal Register* notice requesting comments and a list of organizations that were contacted directly. Eight written submissions were received from the public, and are summarized in attachment 4. Attachment 5 is a compilation of the pertinent NAFTA and NTR tariff rates for the United States, Canada, and Mexico, and attachment 6 contains your request letter.

As requested, a public version of the report will be made available on the USITC Internet site. As with any advice and analysis of this type, it must be noted that the advice presented in this letter should not be construed as indicating how the Commission would find in an investigation conducted under other statutory authority covering the same or similar subject matter.

Sincerely,



Stephen Koplan

Attachments: As stated.

ATTACHMENT 1

**ADVICE ON THE PROBABLE EFFECT OF
CERTAIN PROPOSED MODIFICATIONS TO THE RULES OF ORIGIN
CONTAINED IN THE NORTH AMERICAN FREE TRADE AGREEMENT**

Investigation No. NAFTA 103-6

SPICES - Chapter 9

NO CHANGE: 0901, 0903, 0904.11, 0904.20, 0905, 0906.10, 0910.20, 0910.40

**PETITIONER: McCormick and Company, Inc., United States
(0902.10-0902.40 requested by USDA)**

HTS No.	Existing rule ¹	Proposed rule ²	Probable effect advice	Nature of modification and effect explanation ³
0902.10-0902.40	A change to heading 0901 through 0910 from any other chapter.	A change to subheading 0902.10 through 0902.40 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a chapter change to confer origin, allowing the processing (e.g., blending and/or packaging) of tea in North America to confer origin. <i>Effect:</i> No negative impact on U.S. production or trade of the covered products is expected. The United States does not produce tea but is a significant processor and packager. Most tea products covered by the rule change have U.S. NTR tariffs of free, with the exception of flavored green tea; however, there is no significant U.S. production of flavored green tea. U.S. tea industry sources have indicated that they have no objection to this origin rule change.
0904.12	A change to heading 0901 through 0910 from any other chapter.	A change to subheading 0904.12 from any other subheading.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a chapter change to confer origin, allowing the processing (e.g., grinding or crushing) of peppers in North America to confer origin. <i>Effect:</i> No negative effect on U.S. production of crushed and ground peppers is expected, as there is little or no U.S. production of the primary inputs for this product and the U.S. NTR duty is free for inputs and final products. The rule change may benefit U.S. processors of pepper products because it would confer origin on U.S. processed and packaged pepper, allowing duty free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 23 percent ad valorem and 3 percent ad valorem, respectively, on these products.
0906.20	A change to heading 0901 through 0910 from any other chapter.	A change to subheading 0906.20 from any other subheading.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a chapter change to confer origin, allowing the processing (e.g., grinding or crushing) of cinnamon in North America to confer origin. <i>Effect:</i> No negative effect on U.S. production of cinnamon is expected, as there is no commercial U.S. production of the primary inputs for this product and the U.S. NTR duty is free for inputs and final products. The rule change may benefit U.S. processors of cinnamon products because it would confer origin on U.S. processed cinnamon, allowing duty free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 13 percent ad valorem and 3 percent ad valorem, respectively, on these products.
0907	A change to heading 0901 through 0910 from any other chapter.	A change to a good of heading 0907 from within that heading or any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would confer origin on cloves that undergo any sort of processing, as well as any goods whose inputs meet the chapter shift rule. <i>Effect:</i> No negative effect on U.S. production of cloves is expected, as there is no commercial U.S. production and the U.S. NTR duty is free. The rule change may benefit U.S. processors of clove products because it would confer origin on U.S. packaged cloves, allowing duty free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 13 percent ad valorem and up to 3 percent ad valorem, respectively, on these products.

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
0908.10-0909.50	A change to heading 0901 through 0910 from any other chapter.	A change to a good of any of subheading 0908.10 through 0909.50 from within that subheading or any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<p><i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a subheading change to confer origin, allowing the processing (e.g., grinding, crushing, or packaging) of these spice products (nutmeg, mace, cardamoms; seeds of anise, badian, fennel, coriander, cumin, or caraway; juniper berries) in North America to confer origin, while retaining the chapter shift option.</p> <p><i>Effect:</i> No negative effect on U.S. production of the covered spice products is expected. There is no commercial U.S. production of the primary inputs for these products. The U.S. NTR duty is free for known inputs and, with the exception of mace, the final spice products. The proposed modification may benefit U.S. processors of these products because it would confer origin on U.S. processed and packaged spices allowing duty-free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 23 percent ad valorem and up to 3 percent ad valorem, respectively, on these products.</p>
0910.10	A change to heading 0901 through 0910 from any other chapter.	A change to a good of subheading 0910.10 from within that subheading or any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<p><i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a subheading change to confer origin, allowing the processing (e.g., grinding or packaging) of ginger in North America to confer origin, while retaining the chapter shift option.</p> <p><i>Effect:</i> No negative effect on U.S. production of ginger is expected. The U.S. NTR duty is free for ginger (not ground) and the U.S. NTR duty on ground ginger is minimal. The rule change may benefit U.S. processors of ginger products because it would confer origin on U.S. processed and packaged ginger, allowing duty-free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 13 percent ad valorem and up to 3 percent ad valorem, respectively, on these products.</p>
0910.30	A change to heading 0901 through 0910 from any other chapter.	A change to a good of subheading 0910.30 from within that subheading or any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<p><i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a subheading change to confer origin, allowing the processing (e.g., packaging) of tumeric in North America to confer origin, while retaining the chapter shift option.</p> <p><i>Effect:</i> No negative effect on U.S. production of tumeric is expected, as there is no commercial U.S. production and the U.S. NTR duty is free. The rule change may benefit U.S. processors of tumeric because it would confer origin on U.S. packaged tumeric, allowing duty-free exports to Mexico, which maintains an NTR duty of 23 percent ad valorem on these products. The Canadian NTR rate is free.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
0910.50-0910.91	A change to heading 0901 through 0910 from any other chapter.	A change to subheading 0910.50 through 0910.91 from any other subheading, including another subheading within that group.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a chapter change to confer origin, allowing the processing (e.g., blending) of curry and miscellaneous spice mixtures in North America to confer origin. <i>Effect:</i> No negative effect on U.S. production of curry and miscellaneous spice mixtures is expected. There is little or no U.S. production of the primary inputs (individual spices) of these spice mixtures and the U.S. NTR duties are free or minimal. The rule change may benefit U.S. processors of curry and other spice mixtures because it would confer origin on U.S. processed and packaged curry and other spice mixtures, allowing duty-free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 23 percent ad valorem and up to 3 percent ad valorem, respectively, on these products.
0910.99	A change to heading 0901 through 0910 from any other chapter.	A change to dill seeds, crushed or ground, of subheading 0910.99 from dill seeds, neither crushed nor ground, of subheading 0910.99, or any other chapter; or A change to any other good of subheading 0910.99 from any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a chapter change for dill seeds to confer origin, allowing the processing (e.g., crushing or grinding) of dill in North America to confer origin, while retaining the chapter shift option. Other goods of HTS subheading 0910.99 would continue to be subject to a chapter change rule. <i>Effect:</i> No negative effect on U.S. production of these products is expected. The U.S. NTR duty is free. The rule change may benefit U.S. processors of these products because it would confer origin on U.S. processed and packaged dill products, allowing duty-free exports to Mexico and Canada. Mexico and Canada maintain NTR duties of 23 percent ad valorem and up to 3 percent ad valorem, respectively, on these products.
SPICES - Chapter 12 NO CHANGE: 1201-1206, 1207.10-1207.60, 1207.99, 1208-1214			PETITIONER: McCormick and Company, Inc., United States	
HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
1207.91	A change to headings 1201 through 1214 from any other chapter.	A change to a good of subheading 1207.91 from within that subheading or any other chapter.	U.S. total trade: Imports: None Exports: Negligible U.S. production: None	<i>Modification:</i> The proposed rule is liberalizing because it would eliminate the requirement of a subheading change to confer origin, allowing the processing (e.g., cleaning or packaging) of poppy seeds in North America to confer origin, while retaining the chapter shift option. <i>Effect:</i> There would be no effect as there is little or no U.S. production of this crop, and the U.S. NTR rate of duty is minimal. The rule change may benefit U.S. processors of these products because it would confer origin on U.S. processed and packaged poppy seed products, allowing duty-free exports to Mexico, which maintains an NTR duty of 10 percent ad valorem on these products. The Canadian NTR rate is free.

CARRAGEENAN

PETITIONER: FMC Corp., United States

NO CHANGE: 1301, 1302.11-1302.32

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
1302.39	A change to headings 1301 through 1302 from any other chapter, except from concentrates of poppy straw of subheading 2939.11.	<p>A change to carrageenan of subheading 1302.39 from within that subheading or any other chapter, provided the non-originating materials of subheading 1302.39 do not exceed 50 percent by weight of the good; or</p> <p>A change to any other good of subheading 1302.39 from any other chapter, except from concentrates of poppy straw of subheading 2939.11.</p>	<p>U.S. total trade: Imports: None Exports: Minor +</p> <p>U.S. production: Minor +</p>	<p><i>Modification:</i> The proposed rule would liberalize origin determination by allowing inputs to be used from within subheading 1302.39, provided that the third-country materials do not exceed 50 percent by weight of the good.</p> <p><i>Effect:</i> The products classified under HS 1302.39 are carrageenan and “mucilages” that are used as thickeners. The seaweed used to produce carrageenan is mainly domestic or Canadian, but can come from Europe or the Philippines. Mucilages can be derived from seeds, vegetables, and/or seaweed, some of which may be imported. There is believed to be only one principal U.S. producer of these thickeners. Currently, some U.S. exports of these products to Mexico and Canada do not qualify for NAFTA tariff preferences under the existing rule of origin, despite containing 80 to 90 percent of NAFTA origin content. The Mexican NTR duty rates are either 13 or 18 percent ad valorem. The Canadian NTR rate is free.</p> <p>The proposed rule should strengthen the U.S. producer’s competitive position in the Mexican market relative to third-country exporters, and likely lead to increased U.S. exports and shipments. The United States accounted for about a quarter of Mexican imports of these products in 2002, the latest year for which data are available. There will likely be no effect on U.S. imports, because U.S. duty rates are minimal – the NTR rate is 3.2 percent ad valorem, and the rate for GSP-eligible suppliers is free. The proposed rule of origin limits the possibility of using third-country imports to no more than 50 percent of the weight of the domestic good. It is estimated (based on average Mexican tariffs) that the \$12 million in U.S. exports in 2003 to other NAFTA countries, particularly Mexico, would increase substantially. Since the Canadian NTR rate is free, there is likely to be no change in U.S. exports to Canada. Total U.S. trade with Canada in this product totaled about \$10 million in 2003. Canada is a significant producer of carrageenan, and exports the product to the United States and Mexico.</p> <p>Total U.S. exports are likely to increase by a minor amount (about 5 percent), but total U.S. imports are unlikely to change. Mexico accounts for about 13 percent of the \$50 million in U.S. exports in 2003 of carrageenan and mucilages, and thus, increased exports to Mexico would likely raise U.S. exports to all countries. Estimated U.S. production of carrageenan and other mucilages of \$100 million in 2003 would also increase, but only by a minor amount.</p>

SEASONINGS
NO CHANGE: 2103.30

PETITIONER: McCormick and Company, Inc., United States

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
2103.90	A change to subheading 2103.30 through 2103.90 from any other chapter.	<p>A change to mixed condiments or mixed seasonings of subheading 2103.90 from any other heading; or</p> <p>A change to any other good of subheading 2103.90 from any other chapter.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The first portion of the proposed rule would allow a change to HTS subheadings 2103.30 through 2103.90 from any other heading. The original rule requires a chapter change; thus, the proposed rule of origin for these mixed condiments and seasonings products is a significant liberalization. The second portion of the rule is the same as the existing rule.</p> <p><i>Effect:</i> The proposed change is likely to have a negligible effect on U.S. production, imports, and exports by the U.S. firm requesting the change. The proposed rule change is based on the desire of certain manufacturers to use yeasts of HTS heading 2102 and hydrolyzed vegetable protein (HVP) of HTS heading 2106 imported from non-NAFTA countries as inputs in mixed condiments and seasonings, which would then qualify for NAFTA status. Under the current rules, manufacturers could produce HVP from non-NAFTA soybeans or soybean meal for use in producing mixed condiments and seasonings and receive NAFTA-origin status for the final product. Under the proposed rule change, manufacturers would no longer have to process soybeans into HVP in North America, but will be allowed to use HVP imported from a non-NAFTA country in the production of mixed condiments and seasonings and receive NAFTA-origin status. This would allow manufacturers to use imported HVP instead of U.S.-produced HVP.</p> <p>This rule change could have consequences for trade in sugar- and dairy-containing products. The rule change would permit the use of dairy-containing products (HTS headings 2105 and 2106) and sugar and juice preparations (HTS heading 2106) imported from non-NAFTA countries in the production of mixed condiments and seasonings, and the finished products would receive NAFTA status. This change could potentially open a wide array of issues. Chapter 21 contains a plethora of sugar- and dairy-containing intermediate products that are otherwise subject to tariff-rate quotas. This change creates a potential for manufacturers in Canada to import sugar-containing products and manufacturers in Mexico to import dairy-containing products, and then mix or blend these with other ingredients and receive NAFTA status for exports to the United States, an option that the current rules do not permit.</p>

PRECIOUS METALS - GOLD, SILVER, PLATINUM, PALLADIUM, AND RHODIUM
 NO CHANGE: 7101-7105, 7107, 7109, 7111

PETITIONER: Government of Canada on behalf of Johnson Matthey

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
7106.10-7106.92	A change to heading 7101 through 7112 from any other chapter.	<p>A change to subheading 7106.10 through 7106.92 from any other subheading, including another subheading within that group; or</p> <p>No required change in tariff classification to subheading 7106.91, whether or not there is also a change from another subheading, provided that the non-originating materials undergo electrolytic, thermal or chemical separation or alloying.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The proposed rules would liberalize origin determination for unwrought and semi-manufactured forms of silver by allowing certain inputs from within chapter 71, and within HTS heading 7106, unlike the existing rule which requires all inputs to be from outside this chapter. Under these proposed new rules, NAFTA origin would be conferred on products manufactured from silver inputs that undergo either a subheading shift or the specified processes.</p> <p><i>Effect:</i> There would be a negligible tariff rate reduction effect but expanded sourcing options would have both minor positive and negative effects on U.S. on imports and exports, respectively, of silver with its NAFTA partners. The types of silver for which NAFTA countries impose NTR duties are limited in number and account for a small share of U.S. NAFTA silver trade. For example, unwrought silver other than bullion or doré (HTS 7106.91.50) produced from unwrought bullion, and semi-manufactured silver other than minted bars (HTS 7106.92.50) produced from unwrought forms, both would be eligible to enter the United States duty free under NAFTA rather than the NTR rate of 3 percent ad valorem. The value of non-NAFTA origin silver in these forms amounted to less than 1 percent of total imports of such silver. Likewise, certain semi-manufactured silver, other than bars, sheets, or plates, with purity of 92.5 percent or more (Canadian tariff item 7106.92.11) and semi-manufactured silver less than 92.5-percent purity containing copper (Canadian tariff items 7106.92.21 and 7106.92.22) that are all produced from unwrought forms of silver would be eligible to enter Canada duty free under NAFTA rather than at the NTR rates of 7.0, 2.5, and 6.5 percent ad valorem, respectively. The value of these forms of silver exported to Canada was 13 percent of such silver exported to all destinations. Silver in all forms is subject to Mexico's NTR duty of 18 percent ad valorem; but, the value of silver exported to Mexico was only 10 percent of silver exported to all destinations in 2003. Silver consumers would benefit because more products (i.e., unwrought, semi-fabricated, and downstream products) would be of NAFTA origin, as the proposed new rule expands options to consider non-NAFTA sources of imported silver, while remaining eligible for duty free entry under NAFTA. However, U.S. trade patterns for precious-metals refiners and fabricators can vary from year to year, being highly influenced by contracting terms among other nontariff factors. The proposed rule may induce shifts in U.S. trade patterns rather than affect the overall value of U.S. trade in silver.</p> <p>The proposed rule would have negligible impact on total U.S. trade, with shifts among source and destination countries rather than overall value, despite Canada and Mexico together accounting for significant shares of U.S. exports (19 percent) and U.S. imports (68 percent) of non-NAFTA origin silver in 2003, as dutiable items account for only a small share of U.S. NAFTA silver trade.</p> <p>The proposed rule would have negligible impact on U.S. domestic production because of the world-scale size of the U.S. silver refining, fabricating, and recycling industry, and because the United States is a major world producer of silver as well.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
7108.11-7108.20	A change to heading 7101 through 7112 from any other chapter.	<p>A change to subheading 7108.11 through 7108.20 from any other subheading, including another subheading within that group; or</p> <p>No required change in tariff classification to subheading 7108.12, whether or not there is also a change from another subheading, provided that the non-originating materials undergo electrolytic, thermal or chemical separation or alloying.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The proposed rules would liberalize origin determination for unwrought and semi-manufactured forms of gold by allowing certain inputs from within chapter 71, and within HTS heading 7108, unlike the existing rule which requires all inputs to be from outside this chapter. Under these proposed new rules, NAFTA origin would be conferred on products manufactured from gold inputs that undergo either a subheading shift or the specified processes.</p> <p><i>Effect:</i> There would be a negligible tariff rate reduction effect but expanded sourcing options would have both minor positive and negative effects on U.S. on imports and exports, respectively, of gold with its NAFTA partners. The types of gold for which NAFTA countries impose NTR duties are limited in number and account for a small share of U.S. NAFTA gold trade. For example, unwrought gold other than bullion or doré (HTS 7108.12.50) produced from unwrought bullion, and semi-manufactured gold other than minted bars (HTS 7108.13.70) produced from unwrought forms, both would be eligible to enter the United States duty free under NAFTA rather than at the NTR rate of 4.1 percent ad valorem. The value of non-NAFTA origin gold in these forms amounted to less than 1 percent of such gold imported from all sources. Likewise, semi-manufactured gold of less than 10-carat purity produced from unwrought forms (Canadian tariff item 7108.13.20 part) would be eligible to enter Canada duty free under NAFTA rather than the NTR rate of 4 percent ad valorem. The value of this gold of non-NAFTA origin exported to Canada was estimated at only a few percent of such gold exported to all destinations. Trade statistics were not readily available for U.S. exports of certain forms of monetary gold (Mexican tariff item 7108.20.99) subject to Mexico's NTR duty of 23 percent ad valorem. Gold consumers would benefit because more products (i.e., unwrought, semi-fabricated, and downstream products) would be of NAFTA origin, as the proposed new rule expands options to consider non-NAFTA sources of imported gold, while remaining eligible for duty free entry under NAFTA. However, U.S. trade patterns for precious-metals refiners and fabricators can vary from year to year, being highly influenced by contracting terms among other nontariff factors. The proposed rule may induce shift in U.S. trade patterns rather than affect the overall value of U.S. trade in gold.</p> <p>The proposed rule would have negligible impact on total U.S. trade, with shifts among source and destination countries rather than overall value, as Canada and Mexico together account for a small share (4 percent) of U.S. exports but a significant share (54 percent) of U.S. imports of non-NAFTA origin gold in 2003, but dutiable items account for only a small share of U.S. NAFTA gold trade.</p> <p>The proposed rule would have negligible impact on U.S. domestic production because of the world-scale size of the U.S. gold refining, fabricating, and recycling industry, and because the United States is a major world producer of gold as well.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
7110.11-7110.49	A change to heading 7101 through 7112 from any other chapter.	A change to subheading 7110.11 through 7110.49 from any other subheading, including another subheading within that group.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The proposed rule would liberalize origin determination for unwrought and semi-manufactured forms of platinum-group metals (PGMs) by allowing certain inputs from within chapter 71, and within HTS heading 7108, unlike the existing rule which requires all inputs to be from outside this chapter.</p> <p><i>Effect:</i> There would be a negligible tariff rate reduction effect but expanded sourcing options would have both minor positive and negative effects on U.S. imports and exports, respectively, of PGMs with its NAFTA partners. Tariffs on PGMs are free in both the United States and Canada. Although PGM imports from NAFTA sources are subject to a 13-percent ad valorem NTR duty into Mexico, most would be eligible for duty waivers as industrial inputs under various export-processing or other industry promotion programs. PGM consumers would benefit because more of their products (i.e., unwrought, semi-fabricated, and downstream products) would be of NAFTA origin, as the proposed new rule expands options to consider non-NAFTA sources of imported PGMs, while remaining eligible for duty free entry under NAFTA. Further, U.S. trade patterns for PGM refiners and fabricators can vary from year to year, being highly influenced by contracting terms among other non-tariff factors. The proposed rule may induce shifts in U.S. trade patterns rather than affect the overall value of U.S. trade in PGMs.</p> <p>The proposed rule would have negligible impact on total U.S. trade, with shifts among source and destination countries rather than overall value, as Canada and Mexico together account for a small share (10 percent) of U.S. exports but a minimal share (1 percent) of U.S. imports in 2003. The Canadian NTR rate is free, and the Mexican NTR rate is 13 percent ad valorem.</p> <p>The proposed rule would have negligible impact on U.S. domestic production because of the world-scale size of the U.S. PGM refining, fabricating, and recycling industry that, although is highly dependent on imports to meet consumption needs, derives most of its imports (99 percent in 2003) from sources other than its NAFTA partners.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
7112	A change to heading 7101 through 7112 from any other chapter.	A change to heading 7112 from any other heading.	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The proposed rule would liberalize origin determination for precious-metal waste and scrap by allowing inputs from within chapter 71, unlike the existing rule which requires all inputs to be from outside this chapter.</p> <p><i>Effect:</i> There would be no tariff rate reduction effect but both expanded sourcing options would have minor positive and negative effects on U.S. imports and exports, respectively, of precious-metal waste and scrap with its NAFTA partners. Tariff rates on precious-metal waste and scrap are free in the United States and Canada. Although Mexico's imports of precious-metal waste and scrap from NAFTA sources are subject to NTR duties ranging from free to 13 percent ad valorem, most imports would be eligible for duty waivers as industrial inputs under various export-processing or other industry promotion programs. Precious-metal waste and scrap consumers would benefit because more products (i.e., recovered precious metals or further downstream products) would be of NAFTA origin, as the proposed new rule expands options to consider non-NAFTA sources of waste and scrap, while remaining eligible for duty free entry under NAFTA. Further, U.S. trade patterns for precious-metals refiners and fabricators can vary from year to year, being highly influenced by contracting terms among other nontariff factors. Nevertheless, impact of the proposed new rule may be lessened somewhat by the fact that the United States is a significant generator as well as a major recoverer of precious-metal waste and scrap, particularly for its NAFTA partners.</p> <p>The proposed rule would have negligible impact on total U.S. trade, with shifts among source and destination countries rather than overall value, despite Canada and Mexico accounting for significant shares of U.S. trade—38 percent of exports and 24 percent of imports of precious-metal waste and scrap in 2003—as these items are free of duty into the United States and Canada, and are eligible for duty waivers into Mexico.</p> <p>The proposed rule would have negligible impact by not directly affecting the level of precious-metal waste and scrap generation in the United States, which is driven rather by production levels of upstream unwrought and semi-fabricated forms, and production and scrap-recovery levels of downstream precious-metal products.</p>

SPEED DRIVE CONTROLLERS			PETITIONER: American Electronics Association, United States	
HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8504.40.bb	<p>A change to tariff item 8504.40.bb from any other subheading, except from tariff items 8504.90.aa.</p> <p>NOTE: There is a discrepancy between the Annex 401 rule and the rule as it appears in general note 12 of the HTS, which reads: A change to tariff item 8504.40.40 from any other tariff item, except from tariff items 8504.90.65 or 8504.90.75.</p>	<p>A change to tariff item 8504.40.bb (U.S. HTS No. 8504.40.40) from any other subheading.</p>	<p>U.S. total trade: Imports: Negligible Exports: Minor + *</p> <p>U.S. production: Negligible</p> <p>* based on qualitative analysis</p>	<p><i>Modification:</i> The new rule would eliminate the restriction that currently exists with respect to the use of nonoriginating printed circuit assemblies (PCAs) (HTS items 8504.90.65 and 8504.90.75) in the production of speed drive controllers (SDCs) for electric motors (HTS item 8504.40.40).</p> <p><i>Effect:</i> The proposed rule change is expected to have a minor effect on total U.S. exports and U.S. exports to Canada and Mexico, but a negligible effect on U.S. imports and U.S. production. Use of nonoriginating PCAs, which typically represent a relatively small portion of the value of finished SDCs, now prevents the finished product from qualifying for duty-free treatment under NAFTA. U.S. production of low-value PCAs is minimal. While the current rule is not a significant concern for U.S. importers of SDCs, which are currently dutiable at the non-NAFTA rate of only 1.5 percent ad valorem, it represents a substantial impediment to U.S. exports to Mexico, which are dutiable at an NTR duty rate of 18 percent ad valorem, and to a lesser extent, Canada, with an NTR duty rate of 6.5 percent ad valorem. Because U.S. exports to Canada and Mexico account for one-third to one-half of this basket category, a minor increase in U.S. exports to Canada and Mexico, and a minor increase in total U. S. exports, is expected as a result of the proposed modification. Implementing the rule change would thus permit NAFTA producers of SDCs to increase their cost competitiveness with respect to their principal foreign competitors (located in China and East Asia) by securing lower cost PCAs from non-NAFTA sources, while still maintaining the majority of their production operations and employment in the region. The lower duty rates applicable to shipments of finished SDCs to Mexico and Canada would also be expected to result in a small increase in total U.S. exports, production, and employment.</p>

PRINTED CIRCUIT ASSEMBLIES

PETITIONER: American Electronics Association, United States

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8504.90.aa	None; the subheading rule for 8504.90 applies.	A change to tariff item 8504.90.aa (U.S. HTS Nos. 8504.90.65 and 8504.90.75) from any other tariff item.	U.S. total trade: Imports: Negligible Exports: Negligible U.S. production: Negligible	<p><i>Modification:</i> The proposed new rule would create a tariff line item rule under the rule that currently exists for 8504.90, to permit NAFTA suppliers of certain printed circuit assemblies (8504.90.65 and 8504.90.75) used as parts of electrical transformers, static converters (including rectifiers), and inductors to use nonoriginating parts classified under 8504.90.95 in the manufacture of these printed circuit assemblies and still qualify for duty-free treatment under NAFTA.</p> <p><i>Effect:</i> The proposed rule change would have a negligible effect on NAFTA trade, production, and employment. Most NAFTA suppliers of these products already have rationalized their production by moving certain labor-intensive portions of the manufacturing process to areas of low average labor costs, notably Mexico. They also seek to source certain critical components and materials from the lowest cost suppliers (both within and outside the region) in order to maintain their competitiveness vis-à-vis foreign suppliers, especially in East Asia. To the extent that they are able to lower their costs relative to non-NAFTA suppliers, production and employment levels are sustained and the incentive to move entire operations outside the region is diminished.</p> <p>The proposed rule would have little or no effect on U.S. imports of products under 8504.90.65, which are NTR duty free, and 8504.90.75, which have a minimal NTR duty of 2.4 percent ad valorem. No more than a negligible increase in U.S. exports is expected; the Mexican and Canadian NTR duty rates are free. Mexico accounts for approximately one-half of total U.S. exports under each of these tariff items, as U.S. producers take advantage of lower cost electrical transformer, static converter, and inductor assembly operations in Mexico. It is not expected that U.S. exports would increase more than negligibly beyond what is already supplied to Mexico. Thus, there will likely be little or no effect on total U.S. trade and production.</p>

HOUSEHOLD APPLIANCES - Chapter 84
 NO CHANGE: 8414.40, 8414.59-8414.80

PETITIONER: Government of Mexico

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8414.51	<p>A change to subheadings 8414.40 through 8414.80 from any other heading; or</p> <p>A change to subheading 8414.40 through 8414.80 from subheading 8414.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8414.51 from any other subheading.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The modification would liberalize NAFTA rules of origin for electric table, floor, wall, window, ceiling, or roof fans by eliminating the regional value content requirement when a change of heading did not occur, and by requiring only a subheading-level tariff shift.</p> <p><i>Effect:</i> There will likely be a negligible effect on NAFTA trade, producers' shipments, and employment resulting from this modification. Imports supply approximately 98 percent of the U.S. market for all types of electric table, floor, wall, window, ceiling, or roof fans. According to the Bureau of the Census, there were a total of 4 U.S. producers of all types of fans in 2002; these firms largely market fans produced in Thailand and China. One of these companies also produces fans in the United States for the Buy America program. Both Canada and Mexico produce a limited amount of these goods for export, primarily to NAFTA partners. Assembly of ceiling fans in Mexico for export to the United States is principally done by a single firm that accounted for 80 percent of total Mexican exports of ceiling fans in 2003. The company imports parts of fans from Hong Kong and Taiwan, assembles the complete units in Mexico, and exports them solely to the United States. These fans are currently dutiable at the NTR rate of 4.7 percent ad valorem when entering the United States because the value added by assembly in Mexico accounts for less than 60 percent of the transaction value. The rule change will not likely lead to a change in sourcing of parts, but it will make fans assembled in Mexico more competitive with fans imported from China and Thailand, the leading suppliers to the U.S. market.</p>

HOUSEHOLD APPLIANCES - Chapter 85

PETITIONER: Government of Mexico

NO CHANGE: 8509.10-8509.30

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8509.40-8509.80	<p>A change to subheadings 8509.10 through 8509.40 from any subheading outside that group, except from heading 8501 or tariff item 8509.90.aa (U.S. HTS Nos. 8509.90.05, 8509.90.25 and 8509.90.45); or</p> <p>A change to subheadings 8509.10 through 8509.40 from heading 8501 or tariff item 8509.90.aa (U.S. HTS Nos. 8509.90.05, 8509.90.25 and 8509.90.45), whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8509.40 through 8509.80 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The modification would permit a simple shift in tariff classification a the 6-digit level to confer origin on countertop appliances classified in HTS subheadings 8509.40 and 8509.80, eliminating the regional value content requirement.</p> <p>NOTE: Because of the tariff nomenclature, allowing a change from one subheading to another within that group would seem to have little practical application. For example, it is unlikely that a food processor will be transformed into a humidifier or a juice extractor into a can opener.</p> <p><i>Effect:</i> The rule change will have a negligible effect on NAFTA trade, producers' shipments, and employment. As production of such appliances has shifted to Asia, several producers of parts for these appliances have also shifted production to Asia or gone out of business, making it increasingly difficult for remaining small-appliance producers to find parts made in the NAFTA region. The bulk of NAFTA production of these appliances is limited to assembly plants in Mexico. If appliances from these plants cannot meet the 60 percent NAFTA value-added requirement (after assembly using parts classified in HTS subheading 8509.90), they are subject to a U.S. NTR duty of 4.2 percent ad valorem. The rule change is not likely to change the sources of components used by assembly plants in Mexico, but it will make countertop appliances assembled in Mexico more competitive with imports from Asia in the U.S. market. The Canadian NTR duty rate on these products (except grape crushers and ultrasonic vaporizers) is free, so U.S. exports are not expected to be affected by the proposed change. Although the NTR duty rate is much higher in Mexico, the effect on U.S. exports is expected to be negligible because the Mexican market for high-end appliances produced in the United States is very small.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8516.10-8516.80	<p>A change to subheadings 8516.10 through 8516.29 from subheading 8516.80 or any other heading; or a change to subheadings 8516.10 through 8516.29 from subheading 8516.90, whether or not there is also a change from subheading 8516.80 or any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.31 from any other subheading, except from subheading 8516.80 or heading 8501.</p> <p>A change to subheading 8516.32 from subheading 8516.80 or any other heading; or a change to subheading 8516.32 from subheading 8516.90, whether or not there is also a change from subheading 8516.80 or any other heading, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.33 from any other subheading, except form heading 8501, subheading 8516.80 or tariff item 8516.90aa (U.S. HTS No. 8516.90.25).</p> <p>A change to subheading 8516.40 from any other subheading, except from heading 8402, subheading 8481.40 or tariff item 8516.90.bb (U.S. HTS No. 8516.90.25).</p> <p>A change to subheading 8516.50 from any other subheading, except from tariff items 8516.90.cc and 8516.90.dd (U.S. HTS Nos. 8516.90.35 and 8516.90.45).</p> <p>A change to tariff item 8516.60.aa (U.S. HTS No. 8516.60.40) from any other tariff item, except from tariff items 8516.90.ee, 8516.90.ff, 8516.90.gg, or 8537.10.aa (U.S. HTS Nos. 8516.90.55, 8516.90.65, 8516.90.75 and 8537.10.30).</p> <p><i>continued.--</i></p>	<p>A change to subheading 8516.10 through 8516.80 from any other subheading, including another subheading within that group.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The rule change would permit a simple 6-digit shift in tariff classification to confer origin on certain electric appliances, eliminating the regional value content requirement and shifts from headings, subheadings, and tariff items that were previously excluded, such as heating resistors, flat iron housings and bases, oven doors and cooking chambers, and microwave oven printed circuit assemblies.</p> <p><i>Effect:</i> The proposed modification would have a negligible impact on NAFTA trade, producers' shipments, and employment. With the exception of electric storage water heaters, there is little U.S. production of these electric appliances. Most companies in the U.S. industry have contracted out production to suppliers in Asia. Some have tried to remain competitive with imports from Asia by shifting assembly from the United States to maquiladora plants in Mexico. Many producers of parts have had to shift production to Asia to be close to their largest customers. The trend has made it increasingly difficult to locate cost-effective suppliers of certain components and, therefore, to meet NAFTA's current 60 percent NAFTA value-added requirement applicable to most of the appliances imported under HTS heading 8516. The new rule would allow remaining NAFTA appliance producers greater flexibility in the sourcing of parts and, therefore, improve their competitive position relative to imports from Asia.</p> <p>The bulk of U.S. exports to Canada are products that are NTR duty free. As a result, the effect of the proposed rule change on U.S. exports to Canada should be negligible. Although the Mexican NTR rate on some of the items covered by this proposed rule is relatively high, little increase in U.S. exports is anticipated as a result of the proposed rule because the Mexican market for high-end appliances is very small.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8516.10-8516.80 (Cont.)	<p>A change to subheading 8516.60 from subheading 8516.80 or any other heading; or</p> <p>A change to subheading 8516.60 from subheading 8516.90, whether or not there is also a change from subheading 8516.80 or any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.71 from subheading 8516.80 or any other heading; or</p> <p>A change to subheading 8516.71 from subheading 8516.90, whether or not there is also a change from subheading 8516.80 or any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.72 from any other subheading, except from tariff item 8516.90.hh (U.S. HTS No. 8516.90.85), or subheading 9032.10; or</p> <p>A change to subheading 8516.72 from tariff item 8516.90.hh (U.S. HTS No. 8516.90.85), or subheading 9032.10, whether or not there is also a change from any other subheading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.79 from subheading 8516.80 or any other heading; or</p> <p>A change to subheading 8516.79 from subheading 8516.90, whether or not there is also a change from subheading 8516.80 or any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8516.80 from any other heading; or</p> <p>A change to subheading 8516.80 from subheading 8516.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p>			

LOUDSPEAKERS		PETITIONER: Bose Corporation, United States		
HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8518.10-8518.29	<p>A change to subheadings 8518.10 through 8518.21 from any other heading; or a change to subheadings 8518.10 through 8518.21 from subheading 8518.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8518.22 from any other heading; or a change to subheading 8518.22 from subheading 8518.29 or 8518.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheading 8518.29 from any other heading; or a change to subheading 8518.29 from subheading 8518.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 8518.10 through 8518.29 from any other heading; or</p> <p>A change to a good of any of subheading 8518.10 through 8518.29 from within that subheading or any other subheading within heading 85.18, including another subheading within that group, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 30 percent where the transaction value method is used, or</p> <p>(b) 25 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The second part of the new rule is liberalizing because it allows a change within any of the subheadings 8518.10 through 8518.29 or from any subheading within 8518 to confer origin, rather than from certain specific 6-digit subheadings within 8518, as long as the regional value content minimums are met. In addition the new rules lower the regional value content requirement to 30 percent of the transaction value or 25 percent of the net cost of the finished product (microphones and stands and loudspeakers). The option for a heading-level shift would continue.</p> <p>NOTE: There are some concerns regarding the inclusion of 8518.10 in this new rule. Allowing a change from 8518.10 (microphones and stands) to the other subheadings within this group would seem to have little practical application. For example, it is unlikely that a microphone or microphone stand will be transformed into a loudspeaker. In addition, the intent of the requester was to liberalize the rules applying to loudspeakers. That could be achieved by adding 8518.21 (single housed loudspeakers) to the rules governing 8518.22 (multiple housed loudspeakers). In that way, the transformation from unhoused loudspeakers (8518.29) and parts (8518.90) could confer origin on both provisions covering housed loudspeakers.</p> <p>NOTE: This value content threshold is lower than that for any other tariff preference program, and U.S. insular possessions' products may take advantage of it (see HTS general note 3).</p> <p><i>continued.--</i></p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8518.10-8518.29 (Cont.)				<p><i>Effect:</i> U.S. imports of the goods under these subheadings totaled \$1.6 billion in 2003, of which Mexico and Canada accounted for 26 percent and 3 percent, respectively. One-quarter of total imports were duty free, of which Mexico and Canada accounted for 73 percent. The NTR rate for the United States is 4.9 percent ad valorem. The NTR rates for Mexico and Canada are free to 30 percent ad valorem and free to 4.5 percent ad valorem, respectively. Imports of loudspeakers (8518.21-8518.29) from Mexico and Canada that qualified for duty-free treatment under NAFTA were less than 65 percent of total imports of these items from those countries.</p> <p>Because the value content threshold is relatively low, it would require little effort on the part of producers to add sufficient NAFTA content to achieve the proposed reduced regional content requirement, especially for goods where the non-regional content was from China. It is likely that the proposed rule would result in a higher proportion of value added by Asian producers than is now the case.</p> <p>As written, the rule likely would lead to a negligible increase in U.S. imports from Mexico, offset somewhat by reduced imports from China as more of these products might be assembled in Mexico. It is unlikely that U.S. imports from Asia of parts and unboxed loudspeakers would increase since these items are NTR duty free into Mexico and assembly operations there are lower cost than in the United States. The most significant effect of this rule change would likely be that nearly all U.S. imports of these items from Mexico and Canada would qualify for duty-free treatment under NAFTA. In addition, the rule would also allow downstream customers, notably the automotive industry, to claim higher NAFTA content in finished goods.</p> <p>The effect on U.S. exports would be minimal. The bulk of the high-end speakers produced in the United States meet the regional value content of the current rules. Low-end speakers are, for the most part, assembled from imported parts in lower wage countries such as Mexico.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8518.90	A change to subheading 8518.90 from any other heading.	<p>A change to subheading 8518.90 from any other heading; or</p> <p>A change to subheading 8518.90 from any other subheading within heading 85.18, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 30 percent where the transaction value method is used, or</p> <p>(b) 25 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Significant - * Exports: Negligible</p> <p>U.S. production: Minor - *</p> <p>* based on qualitative analysis</p>	<p><i>Modification:</i> The proposed rule is liberalizing in that it adds an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 30 percent of the transaction value or 25 percent of the net cost of the finished product originate in the region. The option for a heading-level shift would continue.</p> <p>NOTE: If the regional value content were met, the new rule would confer origin on (1) parts of microphones and stands, headphones and earphones (including line telephone handsets), and amplifiers in addition to loudspeakers that were advanced but did not become finished goods; or (2) finished goods (8518.10-50) that were disassembled into parts, perhaps as part of a refurbishing operation. If the intent of the new rule was to liberalize origin requirements for loudspeakers, it needs to be restricted. As written, it will affect all parts of all products in 8518.</p> <p>NOTE: This value content threshold is lower than that for any other tariff preference program, and U.S. insular possessions' products may take advantage of it (see HTS general note 3).</p> <p><i>Effect:</i> There could be a significant increase in U.S. imports of parts of microphones, loudspeakers, headphones, amplifiers, and the like. Mexico accounts for about 10 percent of total imports in this category and about 15 percent of these are dutiable. Canada supplies less than 5 percent of U.S. imports and a negligible amount of these are dutiable. The proposed rule includes products other than parts of loudspeakers, in particular parts of telephone handsets and repeaters that are dutiable at 8.5 percent ad valorem.</p> <p>It is unlikely that the new rule will have more than a negligible effect on U.S. exports since Canada is not a major market and many of the products in this subheading are NTR duty free into Canada and all are duty free into Mexico.</p>

THERMOSTATS
NO CHANGE: 9032.20-9032.89

PETITIONER: Whirlpool Corp., United States

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9032.10	<p>A change to subheadings 9032.10 through 9032.89 from any other heading; or</p> <p>A change to subheadings 9032.10 through 9032.89 from subheading 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(1) 60 percent where the transaction value method is used, or</p> <p>(2) 50 percent where the net cost method is used.</p>	<p>A change to subheading 9032.10 from any other heading; or</p> <p>A change to a good of subheading 9032.10 from within that subheading or subheading 9032.89 through 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule for thermostats is liberalizing in that it adds a provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originate in the region. The option for a heading-level shift would continue.</p> <p>NOTE: As it is written, the rule would confer origin when a good shifts from 9032.89 as well as 9032.90 as long as the regional content requirement is met. It is likely that HTS subheading 9032.89 was inadvertently transferred to the new rule from one of the current rules because it does not represent a reasonable product transformation. For example, it is unlikely that control instruments for air conditioning systems would be transformed into thermostats.</p> <p><i>Effect:</i> Mexico accounts for about 45 percent of total imports in this category but less than 13 percent of dutiable imports. Canada supplies 5 percent of U.S. imports and a negligible amount of these are dutiable. Since the U.S. NTR duty rate on these goods is only 1.7 percent and only half of total imports were dutiable, it is unlikely that either U.S. NAFTA imports or total imports would be affected more than negligibly as a result of the rule change. The effect on U.S. exports is expected to be minimal. Although Canada and Mexico are the largest markets for U.S. exports of thermostats, much of this trade is duty free either because the NTR rate is free, the thermostats are free under the Automotive Parts Trade Agreement, or they are for incorporation into appliances that are exported, mainly to the United States.</p>

PARTS OF PARTS - Chapter 84

PETITIONER: Government of Mexico

NOTE: Because this HTS subheading includes a large number of disparate parts and/or accessories, it is difficult to determine the universe of companies involved and their production and sourcing patterns. Therefore, the Commission is only able to analyze trade flows and tariff rates in making its assessment of the probable effect of the proposed modification, and upstream and downstream effects cannot be readily ascertained.

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8473.30	A change to subheading 8473.30 from any other heading.	<p>A change to subheading 8473.30 from any other heading; or</p> <p>No required change in tariff classification to subheading 8473.30, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of automatic data processing machines, magnetic or optical readers, machines for transcribing data onto data media in coded form, and machines for processing such data, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Because all products in this heading subheading are already free of duty on an NTR basis for all NAFTA partners, no effect is expected on U.S. NAFTA trade and U.S. total trade.</p>

PARTS OF PARTS - Chapter 85

PETITIONER: Government of Mexico

NOTE: Because each of these HTS subheadings includes a large number of disparate parts and/or accessories, it is difficult to determine the universe of companies involved and their production and sourcing patterns. Therefore, the Commission is only able to analyze trade flows and tariff rates in making its assessment of the probable effect of the proposed modification, and upstream and downstream effects cannot be readily ascertained.

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8504.90	A change to subheading 8504.90 from any other heading.	<p>A change to subheading 8504.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8504.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of electrical transformers, static converters, and inductors, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>NOTE:</i> An example of the possible changes as a result of the proposed new rule is the following: A recent Customs ruling reclassified ferrites in 8504.90 instead of chapter 72. The current rule would preclude the assembly of ferrites into ferrite cores from conferring origin. The proposed rule would reestablish the assembly of ferrite cores as an origin-conferring activity, provided the regional value content was met.</p> <p><i>Effect:</i> The effect on trade, producers' shipments, and employment of the proposed rule change is expected to be negligible given the fact that most NAFTA suppliers already have shifted the production of these articles to locations such as Mexico where they have access to inexpensive labor inputs in order to compete with low cost suppliers, principally in East Asia. The proposed rule would allow these companies greater flexibility in choosing component suppliers. U.S. exports of these items to Mexico could register a small increase, as the current Mexican NTR duty rates are free to 18 percent. The Canadian NTR rate is free. Mexico accounts for approximately one-half of total U.S. exports of these items; although most of these would be dutiable at the NTR rate of 13 percent, it is likely that the majority are already qualifying for NAFTA duty-free status. The proposed modification is likely to have little or no effect on U.S. imports, as the U.S. NTR duty rates are free and 2.4 percent ad valorem.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8505.90	A change to subheading 8505.90 from any other heading.	<p>A change to subheading 8505.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8505.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for magnetic work holders and miscellaneous magnetic and electromagnetic apparatus and parts by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The proposed rule change is expected to have a negligible impact on NAFTA trade, producers' shipments, and employment. The major effect of this proposed modification is that NAFTA suppliers of articles classified under 8505.90 would be permitted to use nonoriginating inputs and still qualify for duty-free NAFTA benefits, providing the NAFTA value-added requirements are met. These inputs are classifiable under 8505.11 (permanent magnets of metal), 8505.19 (permanent non-metallic magnets), 8505.20 (electromagnetic couplings, clutches, and brakes), 8505.30 (electromagnetic lifting heads), and 8505.90 (other electromagnetic and magnetic articles and parts). The new rule would give NAFTA suppliers the increased flexibility to secure inputs from within or outside the region, depending upon where they were most competitively priced, but would still establish a barrier to non-NAFTA suppliers that might attempt to employ subtle classification changes to gain NAFTA originating status. The impact of the rule change on U.S. imports of these products would be expected to be minimal, as the current applicable duty rates are free (8505.90.40) and 1.3 percent ad valorem (8505.90.80). However, U.S. exports of magnetic work holders and miscellaneous magnetic and electromagnetic apparatus and parts to Mexico could register a small increase as the current NTR rates are 3-18 percent ad valorem. The Canadian NTR rate is free.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8506.90	<p>A change to subheading 8506.90 from any other heading, except from tariff item 8548.10.aa (U.S. HTS Nos. 8548.10.05 and 8548.10.15).</p> <p>NOTE: There is a discrepancy between the Annex 401 rule and the rule as it appears in general note 12 of the HTS, which reads: A change to subheading 8506.90 from any other heading.</p>	<p>A change to subheading 8506.90 from any other heading, except from tariff item 8548.10.aa (U.S. HTS Nos. 8548.10.05 and 8548.10.15); or</p> <p>No required change in tariff classification to subheading 8506.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for miscellaneous parts of primary batteries by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> U.S. non-NAFTA imports from Mexico and Canada, which are subject to a relatively low U.S. NTR rate of duty of 2.7 percent ad valorem, accounted for 1 percent of U.S. imports from these countries in 2003. Any change in the level of U.S. imports from these countries resulting from the liberalization of the rule of origin is expected to be negligible. However, U.S. exports to Mexico could experience an increase if future exports meet the regional value content level proposed in the rule change, thus eliminating the current 13-percent ad valorem tariff. U.S. production could increase under this scenario. However, based on currently available information, no known shifts in production or sourcing are expected as a result of the rule of origin liberalization. Consequently, the effect on U.S. NAFTA and total trade and U.S. production is likely to be negligible. The Canadian NTR rate is free to 2.5 percent ad valorem.</p>
8507.90	<p>A change to subheading 8507.90 from any other heading, except from tariff item 8548.10.aa (U.S. HTS Nos. 8548.10.05 and 8548.10.15).</p>	<p>A change to subheading 8507.90 from any other heading, except from tariff item 8548.10.aa (U.S. HTS Nos. 8548.10.05 and 8548.10.15); or</p> <p>No required change in tariff classification to subheading 8507.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for miscellaneous parts of secondary batteries by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Non-NAFTA imports from Mexico and Canada, which are subject to rates of duty of 3.4 or 3.5 percent ad valorem, accounted for 3 percent of U.S. imports from these countries in 2003. Any change in the level of U.S. imports from these countries resulting from the liberalization of the rule of origin is expected to be negligible. However, U.S. exports to Mexico could experience an increase if future exports meet the regional content value proposed in the rule change, thus eliminating the current 13- and 18-percent ad valorem NTR tariffs. U.S. production could increase under this scenario. However, based on currently available information, no known shifts in production or sourcing are expected as a result of the rule of origin liberalization. Consequently, the effect on U.S. NAFTA and total trade and U.S. production is likely to be negligible. The Canadian NTR rate is free or 3 percent ad valorem.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8509.90	A change to subheading 8509.90 from any other heading.	<p>A change to subheading 8509.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8509.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and housings for electromechanical appliances with self-contained electric motors (vacuum cleaners, floor polishers, disposals, food processors, humidifiers, and the like) by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> There will likely be a negligible effect on NAFTA trade, producers shipments', and employment resulting from this modification. The U.S. industry producing parts and housings for electromechanical appliances with self-contained electric motors is mature and highly consolidated. Both the Canadian and Mexican industries producing these parts are predominately integrated with the U.S. industry manufacturing the finished appliances. There is very little production remaining in the NAFTA region of the countertop appliances classified in HTS heading 8509. Most of the U.S. market for those appliances is supplied by imports from Asia. Trade among NAFTA partners is being displaced by imports from China, especially in the United States, even though most NAFTA trade is duty free. The proposed modifications in this rule are not expected to have more than a negligible effect on this trend. The proposed modification would liberalize NAFTA eligibility, permitting producers or assemblers greater flexibility in the global sourcing of components used in the assembly of appliances classified in heading 8509. It is possible that the rule modification could result in the increased use of Chinese or other low-cost inputs in these U.S.-produced components. This proposed modification would provide a benefit to remaining NAFTA producers in their competition with imports from Asia.</p>
8511.90	A change to subheading 8511.90.	<p>A change to subheading 8511.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8511.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Substantial +</p> <p>U.S. production: Minor +</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of voltage regulators by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Non-NAFTA imports from Mexico and Canada, which are subject to rates of duty ranging from free to 3.1-percent ad valorem, accounted for 17 percent of U.S. imports from these countries in 2003. Any change in the level of U.S. imports from these countries resulting from the liberalization of the rule of origin is expected to have a negligible impact on total U.S. imports. Despite the duty-free status of most of these imports, Mexico and Canada have been losing import market share to Japan. However, U.S. exports to Mexico and Canada could experience a substantial increase if future exports meet the liberalized regional content value proposed in the rule change, which would then enter duty free rather than subject to the current MFN tariffs of 13 and 18 percent ad valorem (Mexico) and up to 6 percent ad valorem (Canada). U.S. production could increase under this scenario. Based on currently available information, however, no known shifts in production or sourcing are expected as a result of the rule of origin liberalization. Moreover, because U.S. exports are believed to account for 10 percent or less of U.S. production, the effect on the level of U.S. production is likely to be minor.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8514.90	A change to subheading 8514.90 from any other heading.	<p>A change to subheading 8514.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8514.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts for industrial or laboratory electric furnaces and ovens, including induction or dielectric equipment, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> There will likely be a negligible effect on NAFTA trade resulting from this modification. The U.S. industry producing parts for industrial or laboratory electric furnaces and ovens, including induction or dielectric equipment, is relatively small and highly specialized. The U.S. industry producing custom parts for these products is a small net exporter to its NAFTA partners, Canada and Mexico. The Mexican NTR rate on these products is 13 percent ad valorem; the Canadian NTR rate is free. The bulk of U.S. exports of parts for these products is for the steel and semiconductor industries in Canada and Mexico. Both Canada and Mexico produce a wide range of heat treatment equipment used for export, primarily in supporting production of steel, direct reduced iron (e.g., sponge), aluminum, and magnesium in the United States. Any change in NAFTA rules of origin will not likely result in shifts in trade as production of these products is relatively technologically integrated and highly specialized. The rule change will give producers greater flexibility in deciding which components and materials to purchase regionally and which to import from non-NAFTA suppliers.</p>
8516.90	A change to subheading 8516.90 from any other heading.	<p>A change to subheading 8516.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8516.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts for electric water heaters, space heaters, hairdressing apparatus, flat irons, stoves, ovens, coffeemakers, and toasters, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> There will likely be a negligible effect on NAFTA trade, producers shipments, and employment resulting from these modifications. Following consolidations and mergers in recent years, the U.S. industry producing parts for electric water heaters, space heaters, hairdressing apparatus, flat irons, stoves, ovens, coffeemakers, and toasters is now divided among a handful of multinational firms. The U.S. industry is relatively small, primarily specializing in engineering and design services, and is also a net exporter of parts for these products to its NAFTA subsidiaries or affiliates. Both Canada and Mexico share integrated NAFTA production of these goods, with multinational firms based primarily in the United States. The Mexican NTR rate for this subheading is 18 percent ad valorem; the Canadian rate is free. The proposed modification would liberalize NAFTA eligibility, permitting producers and assemblers greater flexibility in the sourcing of components.</p> <p>Despite duty-free treatment under NAFTA, Mexican producers are losing import market share to their Asian competitors. The new rule is not expected to reverse this trend, because U.S. duties are 3.9 percent ad valorem or less. U.S. exports are not expected to change markedly, even to Mexico with its significantly higher NTR duty rate, because U.S. production of these parts is declining.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8517.90	A change to subheading 8517.90 from any other heading.	<p>A change to subheading 8517.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8517.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for certain parts of telephone and telegraph apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The proposed NAFTA rule change for 8517.90 would likely have no effect on U.S. NAFTA trade, total U.S. trade, and U.S. production. Only 2 of 17 8-digit tariff items under 8517.90 are affected by the proposed rule change, because specific rules exist for the other 15 tariff items. The 2 items affected by the rule change are 8517.90.08 (certain parts of facsimile machines) and 8517.90.16 (parts for teleprinters). The U.S., Mexican, and Canadian NTR duty rates are free.</p>
8529.10	A change to subheading 8529.10 from any other heading.	<p>A change to subheading 8529.10 from any other heading; or</p> <p>No required change in tariff classification to subheading 8529.10, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for antennas and antenna reflectors by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The value of imports from Canada and Mexico makes up a very small percentage of the value of total U.S. imports. Furthermore, U.S. imports from Canada and Mexico either already receive NAFTA preference or enter at an NTR rate of free. Thus, the actual value of goods that may benefit from this rule change is likely to be minimal compared to total U.S. imports, and the likely effect of this proposed modification on U.S. imports is negligible. The majority of U.S. exports are to countries other than Canada and Mexico, and the Mexican and Canadian NTR duty rates are free. However, based on current available information, no known shifts in production or sourcing are expected due to the proposed rule of origin liberalization. Thus, the likely effect of this rule change on U.S. exports is negligible. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8529.90	A change to subheading 8529.90 from any other heading.	<p>A change to subheading 8529.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8529.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for certain parts of radio transmission, radar, television, and similar equipment, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> In 2003, Mexico accounted for less than 5 percent of dutiable imports, and Canada accounted for about 2 percent. Total dutiable imports accounted for only about 11 percent of total U.S. imports under HTS subheading 8529.90. Thus, the actual value of goods that may benefit from this rule change is likely to be minimal compared to total U.S. imports, and the likely effect of this proposed modification on U.S. imports is negligible. The majority of U.S. exports are to countries other than Canada and Mexico. The Mexican NTR rate is free-18 percent ad valorem, and the Canadian NTR rate is free. U.S. exports to Mexico could increase if future exports meet the regional value content proposed in the rule change. U.S. production could increase under this scenario. However, based on current available information, no known shifts in production or sourcing are expected because of the proposed rule of origin liberalization. Thus, the likely effect of this rule change on U.S. exports is negligible. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>
8530.90	A change to subheading 8530.90 from any other heading.	<p>A change to subheading 8530.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8530.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: None</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of certain electric sound or visual signaling apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> U.S. and Canadian imports under this subheading are already free of NTR duty. U.S. exports are minimal and not likely to grow appreciably. Mexico accounts for about 30 percent of U.S. exports of these items, and has an NTR duty of 13 percent ad valorem. It is possible that the proposed rule could have a small effect on U.S. exports, but because many of the products are specialized and not produced in large quantities, it is unlikely that the increase would be more than negligible.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8531.90	A change to subheading 8531.90 from any other heading.	<p>A change to subheading 8531.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8531.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of printed circuit assemblies for electric sound or visual signaling apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> One-third of the goods imported into the United States under this subheading are already NTR free of duty. The U.S. NTR rate on the remaining goods is 1.3 percent ad valorem; therefore, it is unlikely that U.S. imports would increase more than negligibly as a result of the new rule. The majority of U.S. exports are to countries other than Canada and Mexico. The Mexican NTR rate is 13-18 percent ad valorem, and the Canadian NTR rate is free. U.S. exports to Mexico could increase if future exports meet the regional value content proposed in the rule change. U.S. production could increase under this scenario. However, based on current available information, no known shifts in production or sourcing are expected because of the proposed rule of origin liberalization. Thus, the likely effect of this rule change in U.S. exports is negligible.</p>
8532.90	A change to subheading 8532.90 from any other heading.	<p>A change to subheading 8532.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8532.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of electrical capacitors by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> All U.S. imports affected by this rule change already enter free of NTR duty. Therefore, the proposed rule would have no effect on U.S. imports. Mexico accounts for the majority of U.S. exports as U.S. producers take advantage of cheaper assembly in Mexico. A strong and consistent U.S. export destination for this item, Mexico has accounted for at least 87 percent of total U.S. exports in 7 of the last 8 years. Given this well-established relationship between U.S. and Mexican firms, it is unlikely this proposed modification will change U.S. exports. Even though the Mexican NTR duty rate is 13 percent ad valorem, U.S. exports to Mexico are likely to increase only if the market for the finished goods they are incorporated into in Mexico increases, not as a result of the proposed modification. Thus, the effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports. The Canadian NTR duty rate is free.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8533.90	A change to subheading 8533.90 from any other heading.	<p>A change to subheading 8533.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8533.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of electrical resistors by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> All U.S. imports affected by this rule change already enter free of NTR duty. The proposed rule would therefore have no effect on U.S. imports. Mexico has been the leading U.S. export destination of this item for the past 5 years, as U.S. producers take advantage of cheaper assembly in Mexico. Given this well-established relationship between U.S. and Mexican firms, it is unlikely this proposed rule will change U.S. exports. Thus, the effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports. The Canadian NTR duty rate is free. Despite the Mexican NTR duty rate of 13 percent ad valorem, U.S. exports to Mexico are likely to increase only if the market for the finished goods they are incorporated into in Mexico increases, not as a result of the proposed modification.</p>
8538.10-8538.90	A change to heading 8538 from any other heading.	<p>A change to subheading 8538.10 through 8538.90 from any other heading; or</p> <p>A change to subheading 8538.10 through 8538.90 from any other subheading within that group, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of electrical switching apparatus by adding an optional provision that states that origin is conferred if there is a subheading shift within the group, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p>NOTE: The language in the proposed rule is such that the nature of the modification is different from most of the other "Part of Parts" modifications. If this is not the intent of the negotiating parties, the language should be revised.</p> <p><i>Effect:</i> The value of imports from Canada and Mexico account for a small percentage of the value of total U.S. imports. Furthermore, the majority of the value of U.S. imports from Canada and Mexico either already receives NAFTA preference or enters under an 8-digit tariff item that is NTR free of duty. Thus, the actual value of goods that may benefit from this rule change is likely to be minimal compared to total U.S. imports. The likely effect of this rule change on U.S. imports is negligible. Mexico has been the leading U.S. export destination of this item for the past 8 years, as U.S. producers take advantage of cheaper production costs. The Canadian NTR duty rate is free to 3.5 percent ad valorem. Despite the Mexican NTR duty rate of 13 percent ad valorem, U.S. exports to Mexico are likely to increase only if the market for the finished goods they are incorporated into in Mexico increases, not as a result of the change. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8540.91	A change to subheading 8540.91 from any other heading.	<p>A change to subheading 8540.91 from any other heading; or</p> <p>No required change in tariff classification to subheading 8540.91, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of cathode ray tubes by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Imports of these goods from Mexico account for less than 10 percent of dutiable U.S. imports under 8540.91. Dutiable imports from Canada are insignificant. The NTR tariff on duty-eligible U.S. imports under this subheading is 5.4 percent ad valorem. Liberalizing the rule would likely have a negligible effect on U.S. trade and production, and could have a favorable effect on the U.S. cathode-ray tube industry by making imported inputs less expensive. Canada's NTR rate of duty is free, and Mexico's is 5-18 percent ad valorem. The bulk of U.S. exports to Mexico are duty-free under NAFTA, or dutiable at the NTR rate of 5 percent ad valorem. Because of the low duty and the integration of the U.S. and Mexican industries, little change in trade is expected as a result of this proposed modification.</p>
8540.99	A change to subheading 8540.99 from any other heading.	<p>A change to subheading 8540.99 from any other heading; or</p> <p>No required change in tariff classification to subheading 8540.99, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for certain parts of thermionic cold cathode or photocathode tubes by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> All U.S. imports affected by this rule change already enter free of NTR duty. The proposed rule would therefore likely have no effect on U.S. imports. U.S. exports have historically been diversified among many countries, though Mexico has consistently been the leading destination as U.S. producers with lower cost assembly operations in Mexico source parts from the United States. The Mexican NTR rate is 13 percent ad valorem, and the Canadian rate is free. U.S. exports to Mexico could increase if future exports meet the regional value content proposed in the rule change. However, based on current available information, no known shifts in production or sourcing are expected because of the proposed rule of origin liberalization. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
8543.90	A change to subheading 8543.90 from any other heading.	<p>A change to subheading 8543.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 8543.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for certain parts of certain electrical machines and apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The value of imports from Canada and Mexico account for a very small percentage of the value of total U.S. imports. Furthermore, the majority of the value of the imports of these items from Canada and Mexico either already receives NAFTA preference or enters NTR free of duty. Thus, the actual value of goods that may benefit from this rule change is likely to be minimal compared to total U.S. imports. The likely effect of this rule change on U.S. imports is negligible. The majority of U.S. exports are to markets other than Canada and Mexico. Canada's NTR duty rate is free to 2.5 percent ad valorem, and Mexico's NTR duty rate is free. This rule change is not likely to increase or decrease U.S. exports. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>

PARTS OF PARTS - Chapter 90

PETITIONER: Government of Mexico

NOTE: Because each of these HTS subheadings includes a large number of disparate parts and/or accessories, it is difficult to determine the universe of companies involved and their production and sourcing patterns. Therefore, the Commission is only able to analyze trade flows and tariff rates in making its assessment of the probable effect of the proposed modification, and upstream and downstream effects cannot be readily ascertained.

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9005.90	A change to subheading 9005.90 from any other heading.	<p>A change to subheading 9005.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9005.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for certain nonoptical parts and accessories of binoculars, telescopes, and other astronomical instruments, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The proposed NAFTA rule change for 9005.90 would have a negligible, if any, effect on U.S. NAFTA trade, total U.S. trade, and U.S. production. HTS 9005.90.80 (certain non-optical parts and accessories of binoculars, telescopes, and other astronomical instruments) is the only HTS tariff item affected by the rule change, because the other tariff item under subheading 9005.90, 9005.90.40, has its own rule. U.S. production of parts for binoculars, telescopes, and other astronomical instruments is limited almost entirely to some very specialized high-end components. It is not expected that U.S. production of these specialized parts will be shifted to either Mexico or Canada due to the proposed rule change. Of those parts and accessories that are imported by the United States under subheading 9005.90.80, Mexico and Canada together already supply 99 percent, all of which enter under NAFTA duty-free provisions. Such imports are not expected to increase more than negligibly in the future. Despite the fact that the Mexican NTR rate is 13-25 percent ad valorem, U.S. exports to Mexico are not expected to increase more than negligibly, because Mexico has not been a major market for U.S. exports of astronomical instrument parts in the past, accounting for less than 1 percent of the total. Although Canada accounts for a greater portion of U.S. exports in this area, most of such exports have entered Canada free of duty because the parts have been meeting the current NAFTA rule of origin. Canada's NTR rate is 0 or 6 percent ad valorem. Because future U.S. exports to that country are expected to continue to be made up of NAFTA-originating components, the new rule is expected to have a negligible effect, if any, on U.S. exports.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9006.91-9006.99	A change to subheading 9006.91 through 9006.99 from any other heading.	<p>A change to subheading 9006.91 through 9006.99 from any other heading; or</p> <p>A change to a good of any of subheading 9006.91 through 9006.99 from within that subheading, whether or not there is also a change from any other heading, provided that there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories for cameras and other photographic equipment by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p>NOTE: The nature of the proposed modification is the same as most of the other “Parts of Parts” modifications. However, it may be possible to simplify the wording.</p> <p><i>Effect:</i> There are few U.S. producers of goods under this subheading, and the imaging industry has been moving away from photographic technology to digital image technology. It is unlikely that there would be more than a negligible effect on total U.S. trade or U.S. NAFTA trade as a result of this rule change. The effect on U.S. imports would be at most negligible because over 90 percent of total U.S. imports enter duty free.</p>
9007.91	A change to subheading 9007.91 from any other heading.	<p>A change to subheading 9007.91 from any other heading; or</p> <p>No required change in tariff classification to subheading 9007.91, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories for cinematographic cameras by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> There are few U.S. producers of goods under this subheading, and the imaging industry has been moving away from photographic technology to digital image technology. It is unlikely that there would be more than a negligible effect on total U.S. trade or U.S. NAFTA trade as a result of this rule change. U.S. imports are not likely to be affected by the proposed modification because Mexico and Canada combined supply less than 5 percent of total U.S. imports, most of these enter duty free.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9008.90	A change to subheading 9008.90 from any other heading.	<p>A change to subheading 9008.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9008.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories for noncinematographic image projectors, and photographic enlargers and reducers, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The U.S. NTR tariff rate on goods imported under 9008.40 is free, and the U.S. NTR rate on goods imported under 9008.80 is 2.9 percent ad valorem. Liberalizing the NAFTA rule of origin for goods imported under 9008.90.80 would likely have a negligible effect. Because the U.S. industry producing these parts is relatively small and specialized, it is unlikely that duty-free treatment alone will significantly boost exports. With the Canadian NTR tariff on accessories at 7 percent ad valorem and the Mexican NTR tariffs on parts ranging from 13-18 percent ad valorem, it is possible that a small increase in exports could occur as a result of the new rule. However, for exports to increase more than that, there would have to be an increase in demand for the finished goods into which these parts are incorporated.</p>
9010.90	A change to subheading 9010.90 from any other heading.	<p>A change to subheading 9010.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9010.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of certain apparatus and equipment for photographic laboratories, negatoscopes, and projection screens, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The U.S. NTR rate of duty on goods imported under 9010.90 is no greater than 3.4 percent ad valorem, so it is unlikely that the rule change would have a significant effect on U.S. imports. Goods classified in 9010.90.70 are already imported NTR free of duty into the United States, and account for about 40 percent of total imports under 9010.90. In addition, the majority of imports under this subheading are from Japan and west European countries. The effect of the new rule on exports is expected to be negligible. The Canadian and Mexican NTR duty rates are free. It is unlikely that Mexican processing or labor could add enough regional content to high-end goods in order to confer NAFTA origin; thus, it is unlikely that there would be a significant shift in the sourcing of imports by the United States to Mexico from other countries.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9013.90	A change to subheading 9013.90 from any other heading.	<p>A change to subheading 9013.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9013.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of riflescopes, flat panel displays, and other optical appliances and instruments, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The proposed NAFTA rule change for 9013.90 would have little or no effect on U.S.-NAFTA trade, total U.S. trade, and U.S. production. Of the three tariff items under HTS subheading 9013.90, tariff item 9013.90.20 (parts and accessories of riflescopes), continues to have the highest U.S. NTR duty rate, at 16 percent ad valorem. However, U.S. imports under that tariff item constitute only 6 percent of total U.S. imports under subheading 9013.90. Further, Canada currently supplies only about 8 percent of total U.S. imports of riflescope parts, while Mexico supplies none. While NAFTA duty-free imports from Canada and Mexico are expected to increase somewhat due to the rule change, the effect on U.S. NAFTA imports and U.S. imports from the world is expected to be negligible.</p> <p>For the second HTS tariff item, 9013.90.50 (flat panel display parts and accessories), the United States maintains an NTR duty rate of free, so there should be no effect on U.S. imports of such goods due to the rule change.</p> <p>For the final tariff item under the subheading, tariff item 9013.90.90 (parts and accessories for other optical appliances and instruments), the United States has a 4.5 percent ad valorem NTR rate of duty. Although Canada and Mexico together account for about 10 percent of such imports, including duty-free imports under NAFTA provisions, Germany, the United Kingdom, and Japan are the largest suppliers of U.S. imports under 9013.90.90, and it is unlikely that either Canada or Mexico can more than negligibly increase their share of U.S. imports at those countries' expense, even given the liberalized rule. Thus, imports of such parts and accessories are not expected to increase more than negligibly as a result of the rule change.</p> <p>Finally, although it is possible that the United States could benefit from the new rule to increase its exports of optical components and parts to assembly operations in Mexico as a result of the rule change, such an increase is likely to have a negligible effect on total U.S. exports and production of such goods. The Canadian NTR rate is free or 5 percent ad valorem, and the Mexican rate is free.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9014.90	A change to subheading 9014.90 from any other heading.	<p>A change to subheading 9014.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9014.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of compasses and other navigational instruments and appliances by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> All U.S. imports affected by this rule change already enter NTR free of duty. The proposed rule would likely therefore have no effect on U.S. imports. The vast majority of U.S. exports are to markets other than Canada and Mexico. The Mexican NTR rate is 13 percent ad valorem, and the Canadian rate is free. U.S. exports to Mexico could increase if future exports meet the regional value content in the rule change. However, based on current available information, no known shifts in production or sourcing are expected because of the proposed rule of origin. Thus, the likely effect of this rule change on U.S. exports is negligible. The effect on U.S. production would likely be negligible because of the minimal effect on U.S. imports and exports.</p>
9024.90	A change to subheading 9024.90 from any other heading.	<p>A change to subheading 9024.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9024.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of machines and appliances for testing the hardness, strength, compressibility, elasticity, or other mechanical properties of materials, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The NTR duty on U.S. imports under this subheading is 1.7 percent ad valorem. Liberalizing the requirements for NAFTA imports under this subheading to be declared originating goods would likely have a negligible effect on the U.S. domestic industry. Together, Canada and Mexico accounted for less than 6 percent of U.S. trade (imports and exports). These products are highly specialized and have a limited number of producers and a small market. The proposed modification would have little effect on U.S. exports because of the nature of the product, and because the larger NAFTA export market, Canada, has no duty on these items.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9026.90	A change to subheading 9026.90 from any other heading.	<p>A change to subheading 9026.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9026.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: None Exports: None</p> <p>U.S. production: None</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of instruments and apparatus for measuring or checking the flow, level, pressure, or other variables of liquids or gases, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Imports of goods under 9026.90 by all three NAFTA members are NTR free of duty. The change would have no effect on U.S. trade and production.</p>
9027.90	A change to subheading 9027.90 from any other heading.	<p>A change to subheading 9027.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9027.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for microtomes, parts, and accessories, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Only 25 percent of U.S. imports under 9027.90 are dutiable, at NTR rates up to 3.5 percent ad valorem. Mexico and Canada account for about 5 percent of total imports and less than 1 percent of dutiable imports. The actual value of goods that may benefit from this new rule is minimal. As a result, the change in U.S. imports is likely to be negligible. These products are specialized and not well suited for assembly by unskilled or semiskilled labor. In addition, there are a limited number of producers and a small market. U.S. exports to Canada are unlikely to change, because the NTR duty is free. U.S. exports to Mexico are expected to show little increase despite the higher NTR duty rate, because there is little demand for these products. A negligible increase in U.S. trade with NAFTA partners would have a negligible effect on U.S. industry.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9029.90	A change to subheading 9029.90 from any other heading.	<p>A change to subheading 9029.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9029.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of revolution counters, production counters, taximeters, pedometers, certain speedometers and tachometers, and stoboscopes, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Dutiable U.S. imports, at NTR rates of up to 6 percent ad valorem, accounted for less than 1 percent of U.S. imports in 2003. The Canadian NTR duty rate is free, except for parts for motor vehicles, but the bulk of those products likely enter duty free under the Automotive Products Trade Act. Mexico accounts for 85 percent of U.S. exports. The Mexican NTR tariff is 13 percent ad valorem; however, most of these products enter Mexico duty free under NAFTA. Because of the integration of the North American automotive industry, it is unlikely that this proposed modification will have a notable effect on U.S. exports to Mexico. The larger market is for NTR duty-free products. The new rule likely would have a negligible effect on the U.S. industry.</p>
9030.90	A change to subheading 9030.90 from any other heading.	<p>A change to subheading 9030.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9030.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts of oscilloscopes, spectrum analyzers, and other measuring instruments and apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> Although the overall export effect is expected to be negligible, this rule change is expected to have a substantial positive effect on U.S. NAFTA exports. U.S. exports to Canada should remain unchanged, as goods under this tariff item enter Canada NTR free of duty. However, exports to Mexico are expected to increase substantially, as Mexican NTR tariffs on this item range up to 13 percent ad valorem. The production effect is probably negligible because Mexico accounts for a small share of current U.S. exports. Total exports are not expected to increase more than negligibly, as U.S. production should remain steady. As Mexico accounts for a very small share of total exports, even a substantial effect on U.S. exports to Mexico would amount to a negligible effect on total exports.</p> <p>The effect on U.S. imports is expected to be negligible, as imports from Canada and Mexico are already free of duty under NAFTA and are very low. The U.S. NTR rates of duty under this subheading range from free to 1.7 percent ad valorem.</p>

HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9032.90	A change to subheading 9032.90 from any other heading.	<p>A change to subheading 9032.90 from any other heading; or</p> <p>No required change in tariff classification to subheading 9032.90, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for parts and accessories of automatic regulating or controlling instruments and apparatus by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> The U.S. NTR duty rate on these goods does not exceed 1.7 percent ad valorem. One-third of total U.S. imports and 95 percent of those from Canada and Mexico enter duty free. Therefore, it is unlikely that either U.S. NAFTA trade or U.S. total imports would be affected more than negligibly as a result of the new rule. U.S. exports to Canada are unlikely to be affected because they are NTR duty free. The largest U.S. export market is Mexico, which maintains an NTR duty rate of 13 percent ad valorem. Although most U.S. goods enter duty free under NAFTA, it is possible that U.S. exports could increase slightly as a result of this proposed modification. However, the effect on total trade and production is expected to be negligible.</p>
9033	A change to heading 9033 from any other heading.	<p>A change to heading 9033 from any other heading; or</p> <p>No required change in tariff classification to heading 9033, provided there is a regional value content of not less than:</p> <p>(a) 60 percent where the transaction value method is used, or</p> <p>(b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The new rule would liberalize the origin restriction for miscellaneous parts and accessories not elsewhere classified for machines, appliances, instruments, or apparatus of chapter 90, by adding an optional provision that no change in classification would be required to confer NAFTA origin status, as long as 60 percent of the transaction value or 50 percent of the net cost of the finished product originates in the region.</p> <p><i>Effect:</i> It is unlikely that this change will have more than a negligible effect on the U.S. industry. Virtually all U.S. imports were dutiable in 2003, at 4.4 percent ad valorem, with most coming from west European countries and almost none from NAFTA partners. U.S. imports are comparatively small, and are likely to consist mainly of replacement parts. As a result, the proposed modification is unlikely to have an effect on U.S. imports. A large portion of U.S. exports is thought to be replacement parts as well, with a significant portion of U.S. exports to Mexico undergoing assembly or rework. As such, they are less responsive to changes in tariffs and more dependent on commercial and technical relationships. For these reasons, only negligible effects are expected on U.S. exports, despite the higher Mexican NTR duty. U.S. exports exceed imports by a factor of 12, with 20 percent of those exports going to Mexico in 2003 and 40 percent year to date through June 2004.</p>

TOYS		PETITIONER: Mattel Corp., United States, supported by the Canadian Toy Manufacturers Association		
HTS No.	Existing rule	Proposed rule	Probable effect advice	Nature of modification and effect explanation
9501.00-9505.90	<p>A change to heading 9501 from any other chapter.</p> <p>A change to subheading 9502.10 from any other chapter; or a change to subheading 9502.10 from subheadings 9502.91 through 9502.99, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (1) 60 percent where the transaction value method is used, or (2) 50 percent where the net cost method is used.</p> <p>A change to subheadings 9502.91 through 9502.99 from any other heading.</p> <p>A change to headings 9503 through 9505 from any other chapter.</p>	<p>A change to subheading 9501.00 through 9505.90 from any other chapter; or</p> <p>A change to a good of any of subheading 9501.00 through 9505.90 from within that subheading or any other subheading within Chapter 95, including another subheading within that group, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than: (a) 60 percent where the transaction value method is used, or (b) 50 percent where the net cost method is used.</p>	<p>U.S. total trade: Imports: Negligible Exports: Negligible</p> <p>U.S. production: Negligible</p>	<p><i>Modification:</i> The proposed rule change would add an optional basis to gain NAFTA status by eliminating the need for a tariff shift, as long as there is sufficient regional value content.</p> <p><i>Effect:</i> U.S. duties on all toys, dolls, and games (HTS headings 9501-9505) were eliminated under the Uruguay Round. The only advantage to importing toys and dolls from Mexico under NAFTA is exemption from application of the merchandise processing fee for originating goods. Parts and materials used at Mattel's assembly plants in Mexico are purchased globally. Although the proposed rules of origin would permit Mattel the flexibility of using more non-NAFTA components at its assembly plants in Mexico (and retain exemption from the merchandise processing fee), conferring NAFTA origin to toys and dolls that are currently not eligible for exemption to the merchandise processing fee will make those operations incrementally more profitable for Mattel and may discourage Mattel from shifting production from Mexico to China. Given the small size of the U.S. merchandise processing fee, the effect on U.S. employment and production, whether a net positive or negative, will likely be negligible.</p> <p>According to company representatives, Mattel continually reviews its costs of production in determining whether to manufacture specific toys in China or Mexico. Toys produced in Mexico tend to be larger than the toys produced in China, have shorter production runs, and/or have shorter lead times. However, toys frequently can be manufactured economically in either country. In deciding whether to manufacture in China or Mexico, the deciding factor may merely be a few pennies when comparing total cost per unit.</p> <p>Because Mattel's Mexican assembly plants use more U.S.-made components and materials than do its plants in China, the proposed rules of origin may lead to increased U.S. exports, particularly in light of the Mexican NTR tariff rates, which are 13-30 percent ad valorem.</p>

¹ Existing rules were taken from Annex 401, Specific Rules of Origin, Amended as of January 1, 2003, found at <http://www.dfait-maeci.gc.ca/nafta-alena/ann-401-en.asp>.

² Proposed rules were taken from the USTR request letter to the USITC, which is included in attachment 6.

³ NTR tariff rates cited in this section were taken from *The Harmonized Tariff Schedule of the United States (2004)*; the Mexican tariff schedule, found at http://www.economia-snci.gob.mx/sic_php/ls23al.php?s=24&p=1&l=2#; and the Canadian tariff schedule, found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2004/ch21ne.pdf>. A compilation of these tariff rates is included in attachment 5.

ATTACHMENT 2

NAFTA RULES OF ORIGIN PROBABLE EFFECT METHODOLOGY

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

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

For those modifications determined to have no substantive change in the application of the rules of origin, there will be no probable effect on U.S. trade and industry. **For such cases, the effect on total U.S. trade and industry is listed as "None."** In certain other cases, substantive changes in the coverage of individual rules of origin may be identified, but further analysis is not warranted because of the production and sourcing patterns of the affected products in the NAFTA countries, or because production and trade of the affected products are negligible, or NTR duty rates are minimal. **In these cases, the effect on total U.S. trade and production is listed as "Negligible."**

For those rule modifications with a substantive change that would produce an effect greater than negligible, further analysis was conducted using a partial equilibrium model to estimate the change in the NAFTA trade value for the affected products covered by the modification. To estimate the change in trade value, this model uses: (1) the difference in the NAFTA and non-NAFTA tariff rates; (2) an elasticity of substitution, an aggregate demand elasticity, and price elasticities of supply for domestic shipments and for imports; and (3) the value of preferential or non-preferential trade in the NAFTA markets for the affected products.² The values used for the elasticities were designed to estimate the extreme effects of the proposed modification in a base case analysis.³ If this analysis resulted in a minor effect on the U.S. production for the affected products (i.e., a change in production of less than 6 percent),

¹ It is difficult to predict the extent of liberalization or restriction that would occur with a substantive modification. In the analysis for a liberalization situation, it is assumed that all nonpreferential trade would enter under NAFTA preferential tariff rates.

² Preferential trade includes U.S. imports from Canada and Mexico that enter under the provisions of the NAFTA and all exports from NAFTA countries to Canada and Mexico because separate data are not available for exports from NAFTA countries to Canada and Mexico that enter under the provisions of the NAFTA and those that do not enter under these provisions. Non-preferential trade includes U.S. imports from Canada and Mexico that do not enter under the provisions of the NAFTA and U.S. imports from non-NAFTA countries and exports from non-NAFTA countries to Canada and Mexico. Although U.S. production and shipments of U.S. production to the U.S. market were estimated where appropriate, estimates were not available for shipments of Canadian production to the Canadian market and shipments of Mexican production to the Mexican market.

³ These values included an elasticity of substitution of 4, an aggregate demand elasticity of -0.5, a price elasticity of supply for domestic shipments of 10, and a price elasticity of supply for imports of 100.

the analysis was concluded. If greater than minor effects are determined, then the elasticities were further researched and modified, if appropriate, to more closely reflect industry conditions.

Tariff rates for the year 2004 are used for each NAFTA country. Preferential imports are eligible for the NAFTA tariff rate in each NAFTA market, which is free in most cases.⁴ The non-NAFTA rate is assumed to be each country's normal trade relations (NTR) rate.⁵

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

In summary, staff used the following code words and definitions in the final report to indicate the probable effect on the level of total U.S. trade and production:

None:	No effect.
Negligible:	Insignificant effect, trade or production value changes of less than 1 percent based on qualitative assessment of production, sourcing, and trade patterns, and tariff rates.
Minor:	Trade or production value changes of 1 or more percent but less than 6 percent based on economic model.
Significant:	Trade or production value changes of 6 percent to 15 percent based on economic model.
Substantial:	Trade or production value changes of more than 15 percent based on economic model.

In addition, modifier codes were placed after the code words "minor," "significant," and "substantial" as follows:

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

⁴ Certain Mexican NAFTA tariff rates are in the process of elimination by staged reductions.

⁵ Although the non-NAFTA rate could conceivably be, in the U.S. case, the column 2 rate (which is usually much higher than the NTR rate), virtually all U.S. imports qualify for the NTR rate based on WTO membership or statute.

ATTACHMENT 3

ORGANIZATIONS CONTACTED AND *FEDERAL REGISTER* NOTICE

The Commission solicited comments on the proposed modifications by issuing a public notice which was published in the *Federal Register* (see following pages). The organizations listed below were contacted directly and informed of the opportunity to submit written comments. The Commission also received numerous requests from interested parties for technical information regarding the proposed modifications.

Organizations contacted:

Agilent Technologies, Inc.
Air Conditioning and Refrigeration Institute
American Gas Association
American Electronics Association
American Soybean Association
American Sugar Alliance
Applied Materials
Ark-Les Corp.
Association of Home Appliance Manufacturers
Automotive Aftermarket Industry Association
Battery Council International
Burriss Company
Bushnell Performance Optics
Celestron International
Coherent, Inc.
Collier, Shannon, Scott on behalf of FMC Corp.
Delphi Corporation
Electronic Components, Assemblies & Materials Association
Electronic Industries Alliance
Five Rivers Electronic Innovations
General Dynamics Land Systems
General Electric
Grocery Manufacturers of America
Hewlett-Packard
Honeywell International Inc.
Information Technology Industry Council
International Housewares Association
IPC - Association Connecting Electronics Industries
JDS Uniphase
Johnson Matthey, Ltd.
Learjet Inc.
Leupold & Stevens, Inc.
Liebert Corp.
Mattel Inc.
McCormick & Co.
Meade Instruments
Molex Inc.
Motor & Equipment Manufacturers Association

National Electrical Manufacturers Association
National Food Processors Association
National Milk Producers Federation
National Mining Association
Nordx CDT Corp.
Nortel Networks
Northrop Grumman Systems Corp.
Panasonic/Matsushita Electric Corp. Of America
Portable Rechargeable Battery Association
Raytheon Co.
Ricoh Corp.
Rockwell Collins
Sanyo Manufacturing Co., Inc.
SEMI
Senstar Stellar, Inc.
The Silver Institute
Simplex Grinnell
Smiths Detection
Solae Company
Solectron Corp.
Sony
Soy Protein Council
Square D Company
Synrad, Inc.
System Sensor
The Tea Association of the United States
Telecommunications Industry Association
Teledyne Electronic
Telex Communications
Toy Manufacturers Association of America
US Optics
Virtual Inc. For International Imaging Industry Association
Whirlpool Corporation
Xerox Corp.

April 1, 1981, under the terms and conditions of the Act of May 24, 1928, as amended, (49 U.S.C. 211–214) and the regulations there under 43 CFR 2911. Notice is hereby given that Airport Lease N–31078, involving the following described lands, has been terminated: T. 38 N., R. 42 E., Sec. 34: N $\frac{1}{2}$ N $\frac{1}{2}$ (within); Sec. 35: N $\frac{1}{2}$ N $\frac{1}{2}$ NW $\frac{1}{4}$ (within); Mt. Diablo Meridian, Nevada. The lease area described contains 12.63 acres in Humboldt County, Nevada.

At 9 a.m. on September 3, 2004, the land described in this notice, will be opened to the operation of the public land laws generally, subject to valid existing rights, the provisions of existing withdrawals, other segregations of record, and the requirements of applicable law. All valid applications received at or prior to 9 a.m. on September 3, 2004, shall be considered as simultaneously filed at that time. Those received thereafter shall be considered in the order of filing.

At 9 a.m. on September 3, 2004, the land described in this notice, will be opened to location and entry under the United States mining laws, the operation of the mineral leasing laws, and the mineral material laws subject to valid existing rights, the provisions of existing withdrawals, other segregations of record, and the requirements of applicable law. Appropriation of any of the land described in this order under the general mining laws prior to the date and time of restoration is unauthorized. Any such attempted appropriation, including attempted adverse possession under 30 U.S.C. 38 (2000), shall vest no rights against the United States. Acts required to establish a location and to initiate a right of possession are governed by State law where not in conflict with Federal law. The Bureau of Land Management will not intervene in disputes between rival locators over possessory rights since Congress has provided for such determinations in local courts.

Dated: May 28, 2004.

Terry A. Reed,

Field Manager, Winnemucca.

[FR Doc. 04–17737 Filed 8–3–04; 8:45 am]

BILLING CODE 4310–HC–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1047 (Final)]

Ironing Tables and Certain Parts Thereof From China

Determination

On the basis of the record¹ developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from China of ironing tables and certain parts thereof, provided for in subheadings 9403.20.00 and 9403.90.80 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV).²

Background

The Commission instituted this investigation effective June 30, 2003, following receipt of a petition filed with the Commission and Commerce by Home Products International, Inc. (HPI), Chicago, IL. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of ironing tables and certain parts thereof from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of March 8, 2004 (69 FR 10753) and March 8, 2004 (69 FR 16954). The hearing was held in Washington, DC, on June 16, 2004, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determination in this investigation to the Secretary of Commerce on July 28, 2004. The views of the Commission are contained in USITC Publication 3711 (July 2004), entitled Ironing Tables and

Certain Parts Thereof from China: Investigation No. 731–1047 (Final).

Issued: July 29, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–17694 Filed 8–3–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. NAFTA–103–6]

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

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and request for written submissions.

EFFECTIVE DATE: July 29, 2004.

SUMMARY: Following receipt of a request on July 26, 2004, from the United States Trade Representative (USTR) under authority delegated by the President and pursuant to section 103 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3313), the Commission instituted investigation No. NAFTA–103–6, *Probable Effect of Certain Modifications to the North American Free Trade Agreement Rules of Origin*, to provide advice to the President on the probable effect on U.S. trade under the NAFTA and on domestic industries of certain modifications to the rules of origin in NAFTA Annexes 401 and 403.

FOR FURTHER INFORMATION CONTACT:

Information may be obtained from Laura Polly, Office of Industries (202–205–3408, laura.polly@usitc.gov), or Warren Payne, Office of Industries (202–205–3317, warren.payne@usitc.gov). For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel (202–205–3091, william.gearhart@usitc.gov). The media should contact Margaret O'Laughlin, Office of Public Affairs (202–205–1819, margaret.olaughlin@usitc.gov).

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

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

² Commissioner Daniel R. Pearson determines that the domestic industry is threatened with material injury by reason of subject imports from China.

the President, subject to the consultation and layover requirements of section 103 of the Act, to proclaim such modifications to the rules as may from time to time be agreed to by the NAFTA countries. One of the requirements set out in section 103 of the Act is that the President obtain advice from the United States International Trade Commission.

A list of the proposed modifications to Annexes 401 and 403 is available from the Office of the Secretary to the Commission or by accessing the electronic version of this notice at the Commission's Internet site (<http://www.usitc.gov>). The current U.S. rules of origin can be found in General Note 12 of the 2004 Harmonized Tariff Schedule of the United States (see "General Notes" link at http://hotdocs.usitc.gov/tariff_chapters_current/toc.html).

As requested, the Commission will forward its advice by September 24, 2004. This investigation, although the first to be formally designated as a "NAFTA-103" investigation, has been designated as investigation No. NAFTA-103-6 because the Commission has previously provided NAFTA rules of origin advice to the President pursuant to section 103. For docketing and record keeping purposes, we are designating advice provided on September 5, 1995 as investigation No. NAFTA-103-1 (also docketed as investigation No. 332-363, see description in the **Federal Register** of June 7, 1995 (60 FR 30099)); advice provided on September 29, 1995 as investigation No. NAFTA-103-2 (also docketed as investigation No. 332-364, see description in the **Federal Register** of September 7, 1995 (60 FR 46626)); advice provided on September 10, 1999 as investigation No. NAFTA-103-3 (see description in the **Federal Register** of August 6, 1999 (64 FR 42961)); advice provided on September 14, 2001 as investigation No. NAFTA-103-4 (see description in the **Federal Register** of August 7, 2001 (66 FR 41268)); and advice provided on October 24, 2001 as investigation No. NAFTA-103-5 (see description in the **Federal Register** of October 4, 2001 (66 FR 50680)).

Written Submissions: No public hearing is being scheduled in connection with preparing this advice. However, interested parties are invited to submit written statements (original and 14 copies) concerning any economic effect of the modifications. All written submissions must conform with the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8); 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 201.8 of the rules require that a signed original (or a copy designated as an original) and fourteen (14) copies of each document to be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted. Section 201.6 of the rules require that the cover of the document and the individual pages clearly be marked as to whether they are the "confidential" or "nonconfidential" versions, and that the confidential business information be clearly identified by means of brackets.

All written submissions, except for confidential business information, will be made available for inspection by interested parties. The Commission may include confidential business information submitted in the course of this investigation in the report that it sends to the President. The USTR has also requested that the Commission prepare and make available a public version of its report; the Commission will not publish confidential business information in the public version of its report in a manner that would reveal the operations of the firm supplying the information.

To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted to the Commission at the earliest practical date and must be received no later than the close of business on August 27, 2004. All submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules (19 CFR 201.8) (see Handbook for Electronic Filing Procedures, ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or edis@usitc.gov).

The public record for this report may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing impaired individuals are advised that information on this matter can be obtained by contacting our 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.

List of Subjects

NAFTA, rules of origin.

By order of the Commission.

Issued: July 29, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-17812 Filed 8-3-04; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-1046 (Final)]

Tetrahydrofurfuryl Alcohol From China

Determination

On the basis of the record¹ developed in the subject investigation, the United States International Trade Commission (Commission) determines², pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from China of tetrahydrofurfuryl alcohol (THFA), provided for in subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective June 23, 2003, following receipt of a petition filed with the Commission and Commerce by Penn Specialty Chemicals, Inc., Plymouth Meeting, PA. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of THFA from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of February 9, 2004 (69 FR 6005). Subsequent to Commerce's postponement of its final determination, the Commission gave notice of the

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

² Vice Chairman Okun and Commissioners Lane and Pearson dissenting.

ATTACHMENT 4

POSITIONS OF INTERESTED PARTIES

American Soybean Association¹

The American Soybean Association (ASA) is a membership-driven, grassroots policy organization that represents over 25,000 U.S. soybean farmers. ASA states that the protein concentrate market in the United States is valued at over \$1 billion and that U.S. produced products have established 100-percent market share in Canada and Mexico. Due to the dramatic benefits the U.S. soybean industry has received from the current NAFTA rules of origin, ASA opposes the proposed rule change for HTS subheading 2103.90.

FMC Corporation²

FMC Corporation, BioPolymer Division is a global producer of customized ingredients used in the food and pharmaceutical industries, and is the sole North American producer of carrageenan products. These are highly specialized blends, and FMC BioPolymer produces over 100 types of carrageenan. The company states that, under the current rule of origin, carrageenan products produced in the United States may not qualify for NAFTA treatment, even if the finished products contain over 90 percent NAFTA content. Mexican NTR tariffs on these products are 13 percent ad valorem. FMC BioPolymer asserts that the current rule of origin puts them at a competitive disadvantage vis-à-vis their competitors in the EU and Asia. According to the FMC BioPolymer, the proposed modification to the rule of origin for carrageenan would allow flexibility in sourcing, offering the opportunity for FMC BioPolymer to reduce costs and promote NAFTA production of carrageenan and downstream products.

¹ Stephen Censky, CEO, American Soybean Association, Aug. 20, 2004.

² John B. Brew and Jennifer E. McCadney, counsel for FMC Corporation, BioPolymer Division, Aug. 27, 2004.

Mattel, Inc.³

Mattel, Inc. asserts that the existing rules of origin on toys generally fail to create an incentive for manufacturing in North America as toy manufacturers cannot meet the applicable origin rules without cost-prohibitive changes in sourcing patterns. Specifically, the current rules disqualify a substantial portion of Mattel's Mexican production from NAFTA eligibility when such items are exported to the United States and Canada. Although the NTR rate of duty for all toys is "free," importers of toys from Mexico benefit from NAFTA eligibility because such designation exempts the toys from application of the U.S. merchandise processing fee. The exemption is the only duty-related incentive to source these articles from North America rather than from China, which supplies over 80 percent of U.S. toy imports. In addition, NAFTA rules of origin require amendment because the World Customs Organization HS Committee has approved a U.S. government proposal that would consolidate all existing HS 9501-9503 subheading for toys into a single subheading, effective January 1, 2007.

Mattel proposes that the NAFTA rules of origin for toys be amended as follows:

Chapter 95

1. (A) A change to heading 9501 through 9505 from any other chapter; or
- (B) No required change in tariff classification to headings 9501 through 9505, provided there is a regional value content of not less than:
 - (1) 60 percent where the transaction value method is used; or
 - (2) 50 percent where the net cost method is used.

Mattel indicated that, should the proposed regional value content rule not be adopted, the de minimis rule as it applies to products entered under HTS 9501-9505 should be increased from the current level of 7 percent to 15 percent.

A virtually identical proposal was submitted by Mattel to USTR on February 6, 2004. Mattel stated that during the course of the trilateral review of Mattel's proposal, associations representing the toy industries of the United States, Canada, and Mexico (the Toy Industry Association, the Canadian Toy

³ Thomas F. St. Maxens, St. Maxens and Company, on behalf of Mattel, Inc., Aug. 26, 2004.

Association, and the AMIJU, respectively) registered support with their respective governments for the Mattel proposal. The proposal was approved by the NAFTA Free Trade Commission as part of a broader package of rules of origin changes on July 16, 2004.

Meade Instruments Corporation⁴

Meade Instruments Corporation is a California company that manufactures, markets, and distributes optical telescopes, binoculars, and riflescopes. Meade produces and assembles its products not only in the United States but in other countries as well, including Mexico. As such, Meade generally supports changes to the tariff schedule that promote efficient global products. Therefore, the company believes that the proposed modifications to the NAFTA rules of origin for certain HTS numbers, including HTS subheading 9005.90 (including parts of telescopes and binoculars) and 9013.90 (including parts of riflescopes) may allow Meade more flexibility to the extent it assembles parts and accessories of telescopes, binoculars, or riflescopes in Mexico.

McCormick & Company, Inc.⁵

McCormick & Company requested the proposed rule change related to HTS subheading 2103.90. McCormick states that this rule change is with regard to trade in hydrolyzed vegetable protein (HVP) and yeast products only. McCormick states that it understands this rule change could prompt concerns in the sugar and dairy industry. To address these concerns, McCormick states that it would accept a revision to the proposed rule such that the proposed rule would apply only to yeast and HVP. Specifically, McCormick suggests the following rule:

A change to mixed seasonings of 2103.90 from any other chapter, or from yeast of 2102.10 or 2102.20, or from hydrolyzed vegetable protein of 2106.10.

⁴ Mark D. Peterson, senior vice president and general counsel, Meade Instruments Corp., Aug. 26, 2004.

⁵ Teresa A. Gleason, Baker and McKenzie, on behalf of McCormick and Company, Inc., Aug. 25, 2004.

National Milk Producers Federation⁶

The National Milk Producers Federation (NMPF) is the national farm commodity organization that represents dairy farmers and the dairy cooperative marketing associations throughout the United States. NMPF is concerned that the proposed modifications to the rules of origin for HTS subheading 2103.90 would undermine the current rules of origin for milk and dairy products and have a probable negative impact on the domestic dairy industry. NMPF states that the proposed change would permit butter substitutes and other food preparations containing dairy components of subheading 2106.90 to be manufactured into condiments or mixed seasonings of HTS subheading 2103.90. NMPF states that this change would have the effect of weakening the strong and effective rules of origin for milk and dairy products in NAFTA and have a probable negative impact on the U.S. dairy industry. Therefore, the NMPF opposes the proposed modification.

Soy Protein Council⁷

The Soy Protein Council represents three major U.S. manufacturers that process and sell soy proteins or food products containing soy proteins. The three member companies are Archer Daniels Midland Company, Cargill, and the Solae Company. The Soy Protein Council states that the proposed changes to the rules of origin for HTS subheading 2103.90 would endanger current U.S. production of hydrolyzed vegetable protein (HVP). Members of the Soy Protein Council produce HVP under the registered trademark TVP (textured vegetable protein). The Soy Protein Council states that the production of TVP utilizes \$31 million worth of U.S. grown soybeans, and over \$14 million in payroll is associated with the production of TVP in the United States. The Soy Protein Council states that sourcing HVP from

⁶ Peter Vitaliano, vice president, economic policy and market research, National Milk Producers Federation, Aug. 23, 2004.

⁷ David A. Saunders, executive vice president, Soy Protein Council, Aug. 27, 2004.

non-NAFTA countries will endanger the industry in the United States and will adversely affect the value of the U.S. soybean industry and the related jobs.

Whirlpool Corporation⁸

Whirlpool Corp. is the largest household appliance manufacturer worldwide, employing 28,000 persons in the United States and approximately 60,000 abroad. Whirlpool supplies microwave ovens to the U.S. market from factories in China and Sweden. The company states that its foreign production supports U.S. workers engaged in engineering, design, sales, and marketing.

Whirlpool opposes any change to the NAFTA rules of origin provisions for microwave ovens. At present, the U.S. import duty is 2 percent for finished microwave ovens. The proposed rule of origin change would allow larger subassemblies⁹ to be built in non-NAFTA countries and then shipped to Mexico for minor assembly. These products could then enter the United States duty free. The elimination of a 2 percent duty for imports of microwave products from Mexico would adversely impact Whirlpool's competitive position in the U.S. market.

⁸ Heather O. West, director, government relations, Whirlpool Corp., Sept. 17, 2004.

⁹ These subassemblies could include the printed circuit assembly, cooking chamber, and/or structural chambers.

ATTACHMENT 5

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

Table 1:
Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico

HTS No.	U.S. NAFTA RATE (percent ad valorem)	CANADA NAFTA RATE (percent ad valorem)	MEXICO NAFTA RATE (percent ad valorem)	U.S. NTR RATE (percent ad valorem)	CANADA NTR RATE (percent ad valorem)	MEXICO NTR RATE (percent ad valorem)
SPICES - Chapter 9						
0902.10-0902.40	Free	Free	Free	Free or 6.4	Free	23.0
0904.12	Free	Free	Free	Free	3.0	23.0
0906.20	Free	Free	Free	Free	3.0	13.0
0907	Free	Free	Free	Free	Free or 3.0	13.0
0908.10-0909.50	Free	Free	Free	Free (except 0908.20.20, 7.4 cents/kg)	Free or 3.0	23.0
0910.10	Free	Free	Free	0910.10.20, free; 0910.10.40, 1 cent/kg	Free or 3.0	13.0
0910.30	Free	Free	Free	Free	Free	23.0
0910.50-0910.91	Free	Free	Free	0910.50, free; 0910.91, 1.9	Free or 3.0	23.0
0910.99	Free	Free	Free	free or 1.9 or 3.4	Free or 3.0	23.0
SPICES - Chapter 12						
1207.91	Free	Free	Free	0.06 cents/kg	Free	10.0
CARRAGEENAN						
1302.39	Free	Free	Free	3.2	Free	13.0 or 18.0

Table 1—Continued

Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico

HTS No.	U.S. NAFTA RATE (percent ad valorem)	CANADA NAFTA RATE (percent ad valorem)	MEXICO NAFTA RATE (percent ad valorem)	U.S. NTR RATE (percent ad valorem)	CANADA NTR RATE (percent ad valorem)	MEXICO NTR RATE (percent ad valorem)
SEASONINGS						
2103.90	Free	Free	Free	2103.90.20, free; 2103.90.40, 3.2; 2103.90.72, 7.5; 3103.90.74, 7.5; 2103.90.78, 30.5 cents/kg + 6.4 2103.90.80, 6.4; 2103.90.90, 6.4	8.0 - 11.0	23.0
PRECIOUS METALS - GOLD, SILVER, PLATINUM, PALLADIUM, AND RHODIUM						
7106.10-7106.92	Free	Free	Free	Free or 3.0	Free - 7.0	18.0
7108.11-7108.20	Free	Free	Free	Free or 4.1	Free or 4.0	Free or 23.0
7110.11-7110.49	Free	Free	Free	Free	Free	13.0
7112	Free	Free	Free	Free	Free	Free - 13.0
SPEED DRIVE CONTROLLERS						
8504.40.bb	Free	Free	Free	1.5	6.5	18.0
PRINTED CIRCUIT ASSEMBLIES						
8504.90.aa	Free	Free	Free	Free or 2.4	Free	Free
HOUSEHOLD APPLIANCES - Chapter 84						
8414.51	Free	Free	Free	4.7	Free or 8.0	18.0 - 30.0

Table 1—Continued

Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico

HTS No.	U.S. NAFTA RATE (percent ad valorem)	CANADA NAFTA RATE (percent ad valorem)	MEXICO NAFTA RATE (percent ad valorem)	U.S. NTR RATE (percent ad valorem)	CANADA NTR RATE (percent ad valorem)	MEXICO NTR RATE (percent ad valorem)
HOUSEHOLD APPLIANCES - Chapter 85						
8509.40-8509.80	Free	Free	Free	4.2	Free or 8.0	23.0 - 30.0
8516.10-8516.80	Free	Free	Free	Free to 5.3	Free or 8.0	Free - 30.0
LOUDSPEAKERS						
8518.10-8518.29	Free	Free	Free	Free or 4.9	Free or 6.5	Free - 30.0
8518.90	Free	Free	Free	Free or 4.9 or 8.5	Free - 4.5	Free
THERMOSTATS						
9032.10	Free	Free	Free	1.7	Free or 5.0	13.0 - 23.0
PARTS OF PARTS - Chapter 84						
8473.30	Free	Free	Free	Free	Free	Free
PARTS OF PARTS - Chapter 85						
8504.90	Free	Free	Free	Free or 2.4	Free	Free - 18.0
8505.90	Free	Free	Free	Free or 1.3	Free	3.0 - 18.0
8506.90	Free	Free	Free	2.7	Free - 2.5	13.0
8507.90	Free	Free	Free	3.4 or 3.5	Free or 3.0	3.0 - 18.0
8509.90	Free	Free	Free	2.0 or 3.4 or 4.2	Free - 8.0	13.0 - 18.0
8511.90	Free	Free	Free	Free or 2.5 or 3.1	Free or 6.0	13.0 - 18.0
8514.90	Free	Free	Free	Free or 4.0	Free	13.0

Table 1—Continued

Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico

HTS No.	U.S. NAFTA RATE (percent ad valorem)	CANADA NAFTA RATE (percent ad valorem)	MEXICO NAFTA RATE (percent ad valorem)	U.S. NTR RATE (percent ad valorem)	CANADA NTR RATE (percent ad valorem)	MEXICO NTR RATE (percent ad valorem)
PARTS OF PARTS - Chapter 85—Continued						
8516.90	Free	Free	Free	Free or 3.7 or 3.9	Free	18.0
8517.90	Free	Free	Free	Free	Free	Free
8529.10	Free	Free	Free	Free or 1.8 or 3.0	Free	Free
8529.90	Free	Free	Free	Free to 4.0	Free	Free - 18.0
8530.90	Free	Free	Free	Free	Free	13.0
8531.90	Free	Free	Free	Free or 1.3	Free	13.0 or 18.0
8532.90	Free	Free	Free	Free	Free	13.0
8533.90	Free	Free	Free	Free	Free	13.0
8538.10-8538.90	Free	Free	Free	Free or 3.5 or 3.7	Free - 3.5	13.0
8540.91	Free	Free	Free	Free or 5.4	Free	5.0 - 18.0
8540.99	Free	Free	Free	Free	Free	13.0
8543.90	Free	Free	Free	Free or 2.6	Free or 2.5	Free
PARTS OF PARTS - Chapter 90						
9005.90	Free	Free	Free	Free to 6.7	Free or 6.0	13.0 - 25.0
9006.91-9006.99	Free	Free	Free	3.9 or 5.8	Free - 5.0	13.0 - 18.0
9007.91	Free	Free	Free	Free or 3.9	Free	13.0
9008.90	Free	Free	Free	Free or 2.9	Free or 7.0	13.0 - 18.0

Table 1—Continued

Compilation of applicable NAFTA tariff rates and NTR tariff rates for the United States, Canada, and Mexico

HTS No.	U.S. NAFTA RATE (percent ad valorem)	CANADA NAFTA RATE (percent ad valorem)	MEXICO NAFTA RATE (percent ad valorem)	U.S. NTR RATE (percent ad valorem)	CANADA NTR RATE (percent ad valorem)	MEXICO NTR RATE (percent ad valorem)
PARTS OF PARTS - Chapter 90—Continued						
9010.90	Free	Free	Free	Free or 2.9 or 3.4	Free	Free
9013.90	Free	Free	Free	Free or 4.5 or 16.0	Free or 5.0	Free
9014.90	Free	Free	Free	Free	Free	13.0
9024.90	Free	Free	Free	1.7	Free	Free
9026.90	Free	Free	Free	Free	Free	Free
9027.90	Free	Free	Free	Free - 3.5	Free	Free - 13.0
9029.90	Free	Free	Free	Free - 6.0	Free or 4.5	13.0
9030.90	Free	Free	Free	Free or 1.6 or 1.7	Free	Free - 13.0
9032.90	Free	Free	Free	1.7	Free	13.0
9033	Free	Free	Free	4.4	Free or 4.0	13.0
TOYS						
9501.00-9505.90	Free	Free	Free	Free	Free or 8.0	13.0 - 30.0

Source: *The Harmonized Tariff Schedule of the United States (2004)*; the Mexican tariff schedule, found at http://www.economia-snci.gob.mx/sic_php/ls23al.php?s=24&p=1&l=2#; and the Canadian tariff schedule, found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2004/ch21ne.pdf>.

ATTACHMENT 6

**USTR REQUEST LETTER,
INCLUDING LIST OF PROPOSED MODIFICATIONS
TO THE RULES OF ORIGIN CONTAINED IN THE
NORTH AMERICAN FREE TRADE AGREEMENT**

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

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

JUL 23 2004

DOCKET NUMBER 2390
Office of the Secretary Int'l Trade Commission

Dear Chairman Koplan:

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

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

Under authority delegated by the President, and pursuant to section 103 of the Act, I request that the Commission provide advice on the probable effect of the modifications reflected in the enclosed proposals on U.S. trade under the NAFTA and on domestic industries. I request that the Commission provide this advice at the earliest possible date, but not later than September 24, 2004. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Thanks!

Sincerely,



Robert B. Zoellick

Enclosure

July 12, 2004

NAFTA RULES OF ORIGIN LIBERALIZATION
Tentatively Agreed Proposals in Response to Industry Submissions

A. Annex 401:

Spices

Chapter 9, 09.01-09.10: Delete heading 09.01-09.10 and the rule of origin applicable thereto and replace with the following:

- | | |
|-----------------|---|
| 09.01 | A change to heading 09.01 from any other chapter. |
| 0902.10-0902.40 | A change to subheading 0902.10 through 0902.40 from any other subheading, including another subheading within that group. |
| 09.03 | A change to heading 09.03 from any other chapter. |
| 0904.11 | A change to subheading 0904.11 from any other chapter. |
| 0904.12 | A change to subheading 0904.12 from any other subheading. |
| 0904.20 | A change to subheading 0904.20 from any other chapter. |
| 09.05 | A change to heading 09.05 from any other chapter. |
| 0906.10 | A change to subheading 0906.10 from any other chapter. |
| 0906.20 | A change to subheading 0906.20 from any other subheading. |
| 09.07 | A change to a good of heading 09.07 from within that heading or any other chapter. |
| 0908.10-0909.50 | A change to a good of any of subheading 0908.10 through 0909.50 from within that subheading or any other chapter. |
| 0910.10 | A change to a good of subheading 0910.10 from within that subheading or any other chapter. |
| 0910.20 | A change to subheading 0910.20 from any other chapter. |
| 0910.30 | A change to a good of subheading 0910.30 from within that subheading or any other chapter. |

- 0910.40 A change to subheading 0910.40 from any other chapter.
- 0910.50-0910.91 A change to subheading 0910.50 through 0910.91 from any other subheading, including another subheading within that group.
- 0910.99 A change to dill seeds, crushed or ground, of subheading 0910.99 from dill seeds, neither crushed nor ground, of subheading 0910.99 or any other chapter; or
- A change to any other good of subheading 0910.99 from any other chapter.

Chapter 12, 12.01-12.14: Delete heading 12.01-12.14 and the rule of origin applicable thereto and replace with the following:

- 12.01-12.06 A change to heading 12.01 through 12.06 from any other chapter.
- 1207.10-1207.60 A change to subheading 1207.10 through 1207.60 from any other chapter.
- 1207.91 A change to a good of subheading 1207.91 from within that subheading or any other chapter.
- 1207.99 A change to subheading 1207.99 from any other chapter.
- 12.08-12.14 A change to heading 12.08 through 12.14 from any other chapter.

Carrageenan

Chapter 13, 13.01-13.02: Delete heading 13.01-13.02 and the rule of origin applicable thereto and replace with the following:

- 13.01 A change to heading 13.01 from any other chapter, except from concentrates of poppy straw of subheading 2939.11.
- 1302.11-1302.32 A change to subheading 1302.11 through 1302.32 from any other chapter, except from concentrates of poppy straw of subheading 2939.11.
- 1302.39 A change to carrageenan of subheading 1302.39 from within that subheading or any other chapter, provided the non-originating materials of subheading 1302.39 do not exceed 50 percent by weight of the good; or

A change to any other good of subheading 1302.39 from any other chapter, except from concentrates of poppy straw of subheading 2939.11.

Seasonings

Chapter 21, 2103.30-2103.90: Delete subheading 2103.30-2103.90 and the rule of origin applicable thereto and replace with the following:

- | | |
|---------|---|
| 2103.30 | A change to subheading 2103.30 from any other chapter. |
| 2103.90 | A change to mixed condiments or mixed seasonings of subheading 2103.90 from any other heading; or

A change to any other good of subheading 2103.90 from any other chapter. |

Precious Metals - Gold, Silver, Platinum, Palladium and Rhodium

Chapter 71, 71.01-71.12: Delete heading 71.01-71.12 and the rule of origin applicable thereto and replace with the following:

- | | |
|-----------------|---|
| 71.01-71.05 | A change to heading 71.01 through 71.05 from any other chapter. |
| 7106.10-7106.92 | A change to subheading 7106.10 through 7106.92 from any other subheading, including another subheading within that group; or

No required change in tariff classification to subheading 7106.91, whether or not there is also a change from another subheading, provided that the non-originating materials undergo electrolytic, thermal or chemical separation or alloying. |
| 71.07 | A change to heading 71.07 from any other chapter. |
| 7108.11-7108.20 | A change to subheading 7108.11 through 7108.20 from any other subheading, including another subheading within that group; or

No required change in tariff classification to subheading 7108.12, whether or not there is also a change from another subheading, provided that the non-originating materials undergo electrolytic, thermal or chemical separation or alloying. |
| 71.09 | A change to heading 71.09 from any other chapter. |

- 7110.11-7110.49 A change to subheading 7110.11 through 7110.49 from any other subheading, including another subheading within that group.
- 71.11 A change to heading 71.11 from any other chapter.
- 71.12 A change to heading 71.12 from any other heading.

Speed Drive Controllers

Chapter 85, 8504.40.bb: Delete the rule of origin for tariff item 8504.40.bb and replace with the following:

- 8504.40.bb A change to tariff item 8504.40.bb from any other subheading.

Printed Circuit Assemblies

Chapter 85, 8504.90.aa: Add tariff item 8504.90.aa and the following rule of origin:

- 8504.90.aa A change to tariff item 8504.90.aa from any other tariff item.

Household Appliances

Chapter 84, 8414.51: Delete subheading 8414.40-8414.80 and the rules of origin applicable thereto and replace with the following:

- 8414.40 A change to subheading 8414.40 from any other heading; or
A change to subheading 8414.40 from subheading 8414.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
(a) 60 percent where the transaction value method is used, or
(b) 50 percent where the net cost method is used.
- 8414.51 A change to subheading 8414.51 from any other subheading.
- 8414.59-8414.80 A change to subheading 8414.59 through 8414.80 from any other heading; or
A change to subheading 8414.59 through 8415.80 from subheading 8414.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

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

Chapter 85, 8509.10-8509.80: Delete subheading 8509.10-8509.40 and 8509.80 and the rules of origin applicable thereto and replace with the following:

8509.10-8509.30 A change to subheading 8509.10 through 8509.30 from any subheading outside that group, except from heading 85.01 or tariff item 8509.90.aa; or

A change to subheading 8509.10 through 8509.30 from heading 85.01 or tariff item 8509.90.aa, whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:

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

8509.40-8509.80 A change to subheading 8509.40 through 8509.80 from any other subheading, including another subheading within that group.

Chapter 85, 8516.10-8516.80: Delete subheadings 8516.10 through 8516.80 and the rules of origin applicable thereto and replace with the following:

8516.10-8516.80 A change to subheading 8516.10 through 8516.80 from any other subheading, including another subheading within that group.

Loudspeakers

Chapter 85, 8518.10-8518.21, 8518.22, 8518.29 and 8518.90: Delete subheadings 8518.10-8518.21, 8518.22, 8518.29 and 8518.90 and the rules of origin applicable thereto and replace with the following:

8518.10 – 8518.29 A change to subheading 8518.10 through 8518.29 from any other heading; or

A change to a good of any of subheading 8518.10 through 8518.29 from within that subheading or any other subheading within heading 85.18, including another subheading within that group, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 30 percent where the transaction value method is used, or

- (b) 25 percent where the net cost method is used.

8518.90

A change to subheading 8518.90 from any other heading; or

A change to subheading 8518.90 from any other subheading within heading 85.18, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

- (a) 30 percent where the transaction value method is used, or
- (b) 25 percent where the net cost method is used.

Thermostats

Chapter 90, 9032.10-9032.89: Delete subheading 9032.10-9032.89 and the rules of origin applicable thereto and replace with the following:

9032.10

A change to subheading 9032.10 from any other heading; or

A change to a good of subheading 9032.10 from within that subheading or subheading 9032.89 through 9032.90, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

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

9032.20-9032.89

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

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

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

Parts of Parts

Chapter 84: Delete the rules of origin applicable to subheading 8473.30 and replace with the following:

8473.30

A change to subheading 8473.30 from any other heading; or

No required change in tariff classification to subheading 8473.30, provided there is a regional value content of not less than:

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

Chapter 85: Delete the rules of origin applicable to subheadings 8504.90, 8505.90, 8506.90, 8507.90, 8509.90, 8511.90, 8514.90, 8516.90, 8517.90, 8529.10, 8529.90, 8530.90, 8531.90, 8532.90 and 8533.90, heading 85.38 (subheading 8538.10-8538.90), subheading 8540.91, 8540.99 and 8543.90 and replace with the following:

- 8504.90 A change to subheading 8504.90 from any other heading; or

No required change in tariff classification to subheading 8504.90, provided there is a regional value content of not less than:
 - (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.

- 8505.90 A change to subheading 8505.90 from any other heading; or

No required change in tariff classification to subheading 8505.90, provided there is a regional value content of not less than:
 - (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.

- 8506.90 A change to subheading 8506.90 from any other heading, except from tariff item 8548.10.aa; or

No required change in tariff classification to subheading 8506.90, provided there is a regional value content of not less than:
 - (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.

- 8507.90 A change to subheading 8507.90 from any other heading, except from tariff item 8548.10.aa; or

No required change in tariff classification to subheading 8507.90, provided there is a regional value content of not less than:
 - (a) 60 percent where the transaction value method is used, or

- (b) 50 percent where the net cost method is used.

8509.90

A change to subheading 8509.90 from any other heading; or

No required change in tariff classification to subheading 8509.90, provided there is a regional value content of not less than:

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

8511.90

A change to subheading 8511.90 from any other heading; or

No required change in tariff classification to subheading 8511.90, provided there is a regional value content of not less than:

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

8514.90

A change to subheading 8514.90 from any other heading; or

No required change in tariff classification to subheading 8514.90, provided there is a regional value content of not less than:

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

8516.90

A change to subheading 8516.90 from any other heading; or

No required change in tariff classification to subheading 8516.90, provided there is a regional value content of not less than:

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

8517.90

A change to subheading 8517.90 from any other heading; or

No required change in tariff classification to subheading 8517.90, provided there is a regional value content of not less than:

- (c) 60 percent where the transaction value method is used, or
- (d) 50 percent where the net cost method is used.

8529.10

A change to subheading 8529.10 from any other heading; or

No required change in tariff classification to subheading 8529.10, provided there is a regional value content of not less than:

- (e) 60 percent where the transaction value method is used, or
- (f) 50 percent where the net cost method is used.

8529.90

A change to subheading 8529.90 from any other heading; or

No required change in tariff classification to subheading 8529.90, provided there is a regional value content of not less than:

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

8530.90

A change to subheading 8530.90 from any other heading; or

No required change in tariff classification to subheading 8530.90, provided there is a regional value content of not less than:

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

8531.90

A change to subheading 8531.90 from any other heading; or

No required change in tariff classification to subheading 8531.90, provided there is a regional value content of not less than:

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

8532.90

A change to subheading 8532.90 from any other heading; or

No required change in tariff classification to subheading 8532.90, provided there is a regional value content of not less than:

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

8533.90

A change to subheading 8533.90 from any other heading; or

No required change in tariff classification to subheading 8533.90, provided there is a regional value content of not less than:

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

8538.10-8538.90 A change to subheading 8538.10 through 8538.90 from any other heading; or

A change to subheading 8538.10 through 8538.90 from any other subheading within that group, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:

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

8540.91 A change to subheading 8540.91 from any other heading; or

No required change in tariff classification to subheading 8540.91, provided there is a regional value content of not less than:

- (c) 60 percent where the transaction value method is used, or
- (d) 50 percent where the net cost method is used.

8540.99 A change to subheading 8540.99 from any other heading; or

No required change in tariff classification to subheading 8540.99, provided there is a regional value content of not less than:

- (e) 60 percent where the transaction value method is used, or
- (f) 50 percent where the net cost method is used.

8543.90 A change to subheading 8543.90 from any other heading; or

No required change in tariff classification to subheading 8543.90, provided there is a regional value content of not less than:

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

Chapter 90: Delete the rules of origin applicable to subheadings 9005.90, 9006.91-9006.99, 9007.91, 9008.90, 9010.90, 9013.90, 9014.90, 9024.90, 9026.90, 9027.90, 9029.90, 9030.90 and 9032.90 and heading 90.33 and replace with the following:

- 9005.90 A change to subheading 9005.90 from any other heading; or
- No required change in tariff classification to subheading 9005.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9006.91-9006.99 A change to subheading 9006.91 through 9006.99 from any other heading; or
- A change to a good of any of subheading 9006.91 through 9006.99 from within that subheading, whether or not there is also a change from any other heading, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9007.91 A change to subheading 9007.91 from any other heading; or
- No required change in tariff classification to subheading 9007.91, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9008.90 A change to subheading 9008.90 from any other heading; or
- No required change in tariff classification to subheading 9008.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9010.90 A change to subheading 9010.90 from any other heading; or
- No required change in tariff classification to subheading 9010.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.

- 9013.90 A change to subheading 9013.90 from any other heading; or
- No required change in tariff classification to subheading 9013.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9014.90 A change to subheading 9014.90 from any other heading; or
- No required change in tariff classification to subheading 9014.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9024.90 A change to subheading 9024.90 from any other heading; or
- No required change in tariff classification to subheading 9024.90, provided there is a regional value content of not less than:
- (c) 60 percent where the transaction value method is used, or
 - (d) 50 percent where the net cost method is used.
- 9026.90 A change to subheading 9026.90 from any other heading; or
- No required change in tariff classification to subheading 9026.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9027.90 A change to subheading 9027.90 from any other heading; or
- No required change in tariff classification to subheading 9027.90, provided there is a regional value content of not less than:
- (a) 60 percent where the transaction value method is used, or
 - (b) 50 percent where the net cost method is used.
- 9029.90 A change to subheading 9029.90 from any other heading; or

No required change in tariff classification to subheading 9029.90, provided there is a regional value content of not less than:

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

9030.90

A change to subheading 9030.90 from any other heading; or

No required change in tariff classification to subheading 9030.90, provided there is a regional value content of not less than:

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

9032.90

A change to subheading 9032.90 from any other heading; or

No required change in tariff classification to subheading 9032.90, provided there is a regional value content of not less than:

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

90.33

A change to heading 90.33 from any other heading; or

No required change in tariff classification to heading 90.33, provided there is a regional value content of not less than:

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

Toys

Chapter 95, 95.01-95.05: Delete heading 95.01, subheading 9502.10, 9502.91-9502.99 and heading 95.03-95.05 and the rules of origin applicable thereto and replace with the following:

9501.00-9505.90

A change to subheading 9501.00 through 9505.90 from any other chapter; or

A change to a good of any of subheading 9501.00 through 9505.90 from within that subheading or any other subheading with Chapter 95, including another subheading within that group, whether or not there is also a change from any other chapter, provided there is a regional value content of not less than:

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