Sunstone Fine Sterling Silver Jewelry Inc. roman Jezlaine Ltd.

September 1, 2006

Office of the United States Trade Representative
USTR Annex Room F-220
1724 F. St.
Washington, DC 20508

Re: GSP Initiation of Reviews and request for Public Comments

Dear Sir or Madam:

On behalf of Sunstone, Inc. and Roman Company, I appreciate the opportunity to provide background information from two jewelry industries and the impact of the GSP renewal on our companies.

Sunstone is a sterling silver jewelry wholesaler and Roman Company is a fashion jewelry wholesaler. Both companies have been in business for over 30 years and are proud to be mid-range companies that employ 350 employees in the Chicago and St. Louis areas.

Both the sterling and fashion jewelry industries have been faced with significant impacts over this past year in relation to incremental costs and expenses. First, the recent escalation of the price of silver to the highest levels in the past 20 years has resulted in the requirement of raising retail prices for U.S. consumers. This has already adversely affected the sales of sterling jewelry in 2006. Second, the recent settlement in California of Proposition 65 for fashion jewelry, is requiring the fashion jewelry industry to adhere to lead free standards. Currently there are at least four additional states and two cities that have bills in legislation regarding lead free fashion jewelry. Although, the fashion jewelry manufacturers and wholesalers agree with the position of protecting our children from potential lead poisoning, it is at least a 25% increase in manufacturing costs for our industry. This, similar to the price of sterling, will result in the raising of retail prices for the U.S. consumer and potentially impact the sale of fashion jewelry.

All U.S. sterling and fashion jewelry companies have been faced with these incremental cost burdens during 2006. Many companies will have a difficult time absorbing or offsetting these expenses and could result in those companies being forced to make staff reductions or potentially go out of business.

There are many components used in the manufacturing of jewelry that are not available in the United States. These materials come from India, Philippines, Romania, and Thailand. In addition members of the sterling and fashion jewelry industry import finished jewelry

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products from these countries.   Sunstone and Roman combined, import approximately 70% of our jewelry from the countries listed above, representing several thousand unique items. Although sourcing this product from other countries is a possibility, it will be a severe hardship to achieve in cost and time. In some cases, the materials needed and the artisan labor for sterling silver manufacturing is not currently developed in other countries, thus limiting the availability for alternate sourcing.

I understand that changes in the GSP status of these countries are being considered.
If waivers for these countries are eliminated the cost of materials and products from these countries would rise to a substantial extent. This would require the United States firms that manufacture and sell fashion jewelry to raise their prices.

Such price increases could adversely affect the sales of fashion jewelry for the wholesalers and the retailers they supply. This action could precipitate a loss of business and therefore a loss of tax revenue to our government. There could also be a loss of jobs in the United States. This would also result in a loss of tax revenue to state and the federal government. In addition there could be an increase in unemployment benefits and public assistance expense.

I appreciate your office's consideration of this information.   Both Sunstone and Roman Company If you would like any additional information, please feel free to contact me at 314-963-3604.

Respectfully,

Dee A. Marino
President
Sunstone, Inc. and Roman Company

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Pier 1 imports

September 5, 2006

GSP Subcommittee
Office of the United States Trade Representative
USTR Annex
Room F-220
1724 F Street, NW
Washington, DC 20508

Re: Generalized System of Preferences – Country Eligibility Review

Dear Members of the GSP Subcommittee:

This letter responds to the GSP Subcommittee's notice inviting comments on whether the President of the United States should limit, suspend, or withdraw benefits conferred on certain countries under the Generalized System of Preferences ("GSP"). *See* 71 Fed. Reg. 45,079 (Aug. 8, 2006). For the reasons discussed below, Pier 1 Imports, Inc. ("Pier 1") respectfully submits that the GSP Subcommittee should recommend the continuation of GSP benefits for India, Indonesia, the Philippines, and Thailand.

Pier 1 is a major importer of a wide range of consumer goods from these countries, and experiences significant duty savings through their GSP designation. Pier 1 imports hundreds of distinct products from the four above-referenced countries, and experiences annual GSP duty savings under multiple Harmonized Tariff Schedule ("HTS") subheadings. GSP designation has been a key factor in Pier 1's global sourcing decisions, and removal of GSP benefits would, for most products, lead us to shift our sourcing to other countries, including China.

Further, we believe that economic data provide compelling evidence that India, Indonesia, the Philippines, and Thailand are not sufficiently developed economically to warrant graduation from GSP status under the TSP Subcommittee's criteria. None of these countries has attained "upper-middle-income" rank under the World Bank's definition, which for 2005 requires gross national income ("GNI") per capita of at least $3,466. The World Bank classifies Indonesia, the Philippines, and Thailand, with GNI per capita ranging from just over $1,000 to well below $3,000, as "lower-middle-income" countries; India, with GNI per capita just above $700, remains a "low income" economy.[1] None of these countries has come close to reaching the income threshold for classification as an "upper-middle-income" economy.[2]

These countries' respective shares of total world exports provide further indication that graduation from GSP status is not warranted. WTO data for the most recent available years show that Indonesia and the Philippines each accounted for only roughly 0.25 percent of world goods exports.[3] India accounted for 1.76 percent of world goods exports in 2004.[4] However, in light of India's total population well above one billion and, as noted above, its continuing low per capita income, the country's exports relative to its population remain very small.

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[1] *See* http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20535285~menuPK:1192694~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html.

[2] According to the World Bank's World Development Indicators database, the Philippines and Indonesia had GNI per capita in 2005 of $1,300 and $1,280, respectively, while Thailand reached $2,750. India's GNI per capita was only $720. *See id.*

[3] *See* country profiles at http://stat.wto.org/CountryProfiles/ID_e.htm and http://stat.wto.org/CountryProfiles/PH_e.htm. Thailand accounted for well under one percent of world goods exports in 2004. *See* http://stat.wto.org/CountryProfiles/TH_e.htm. The WTO country profile data are for 2004, except for Indonesia, for which the most recently available data cover 2003.

[4] *See* http://stat.wto.org/CountryProfiles/IN_e.htm.

These factors, considered together, show that continued GSP benefits for the four countries at issue will likely have a measurable and positive effect on the economic development of these countries through exports for purposes of 19 U.S.C. § 2461(1).

Finally, Pier 1 notes for the GSP Subcommittee that the competitiveness of suppliers in India, Indonesia, the Philippines, and Thailand is directly impacted by the availability of GSP benefits. In the absence of GSP benefits for the items we import from these countries, Pier 1 would not be able to continue sourcing from these suppliers and would face increased pressure to move sourcing to lower-cost producers in China and Vietnam. We expect that many of our competitors would face the same pressure. Consequently, the withdrawal of GSP status for India, Indonesia, the Philippines, and Thailand could lead to a marked weakening of the export-oriented growth that these developing countries have experienced under GSP, and a shift in sourcing to countries such as China and Vietnam, which are outside the GSP program.

We appreciate the GSP Subcommittee's consideration of these comments. Please let us know if you have any questions about this submission or require further information.

Respectfully submitted,

/s/

Carrie Egan
Director – Import/Export Services and
Trade Compliance

" P-" : SUBMITTED ON BEHALF OF THE REPUBLIC OF THE PHILIPPINES

In Response to Federal Register Notice of August 8, 2006

Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

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INTRODUCTION

This submission is provided by the Department of Trade & Industry of the Government of the Philippines in response to the request made by the Trade Policy Staff Committee of the Office of the United States Trade Representative for comments on two issues. The first is whether to limit, suspend, or withdraw the eligibility of those GSP beneficiary countries for which the total value of U.S. imports under GSP exceeded US100 million in 2005, and (a) which the World Bank classified as an upper-middle-income economy in 2005; or (b) that accounted for more than 0.25 percent of world goods exports in 2005, as reported by the World Trade Organization. The second issue is whether or not the CNL waivers of such countries should be considered as no longer warranted due to changed circumstances.

The Philippines is one of the GSP beneficiary countries whose eligibility status would be affected by the proposed measure, and if the CNL waivers currently being enjoyed by 15 of its products would be considered as no longer warranted.

The evident purpose for adopting more restrictive criteria for country eligibility is two-fold: The first is to graduate, or limit the benefits of major beneficiary countries which no longer need the GSP, and the second is to ensure that the benefits of GSP are not concentrated on a few countries but are made available to others which have not benefited much, or at all, from GSP.

It is the burden of this submission to show (1) that the Philippines in fact continues to need the GSP; and (2) that the limitation, suspension, or withdrawal of the

Philippines from GSP would not in fact result in the increased participation in the GSP program of countries obversely favored by the new criteria. These would be the countries whose total value of U.S. imports under GSP did not exceed $100 million in 2005 and (a) which were classified as below the upper-middle income group of economies in 2005 or (b) which accounted for not more than 0.25% of world goods exports in 2005.

Continuing Need of the Philippines for GSP

The importance of GSP to the Philippines was given recognition at the highest level in a Joint Communiqué between President Bush and President Arroyo issued on the occasion of the latter's official visit to Washington, D.C. in 2001. That communiqué announced the goal of the former to work with the U.S. Congress for the reauthorization of the GSP and of both to work together to raise the $650 million export trade of the Philippines under the GSP program at that time to $1 billion.

Such a recognition of the continued importance of GSP to the Philippines is justified by development indicators obtaining in the Philippines, then and now. The most important of these indicators are:

- Gross National Income (GNI) Per Capita -- In the 2005 World Bank Development Report, the Philippine GNI per capita was reported as being $1,170. This placed the Philippines at the lower end of the lower-middle-income level of economies with GNIs per capita ranging from $825 to $3,255. The Philippine GNI per capita would have been still lower were it not for the remittances from overseas Filipino workers. In 2005, over a million of these overseas workers were able to remit to their home country $10 billion dollars, which constituted 10% of the GNP that year.

- Poverty Incidence -- The National Statistics Office (NSO) of the Philippines reported that some 23.5 million Filipinos, or 30.4% of the population, lived below the national poverty line in 2003. **In Muslim Mindanao, where the Philippines and the United States Governments cooperate as allies in the fight against international terrorism, the poverty incidence rate by population for the same year was 53.10%.** In the following year, the World Bank reported the poverty incidence rate by population for the whole country at 30%.

- Unemployment/Underemployment Rates – The NSO reported the unemployment rate in 2005 at 8.3%, or 2,909,000 workers, and the underemployment rate at 26.1%, or 8,421,000 workers. One should add to these numbers the 1.2 million Filipino workers who went and found work abroad in the same year.

- The 2005 World Competitiveness Report further showed that the Philippines ranked 49th in terms of overall global competitiveness based on such factors as economic

> performance, government efficiency, business efficiency and infrastructure. In terms of electricity access, the country ranked below China, Malaysia, Thailand and Vietnam. While the Philippines has the highest road network, it ranked among the poorest in terms of paved roads per land area. Access to telecommunications also remained low with internet access being lower than Malaysia, Thailand and China.

These are the very conditions which GSP was created to assist in addressing, by providing support for the efforts of developing countries to expand their export trade and thereby promote sufficient economic growth to increase employment and reduce poverty.

The most direct way in which GSP contributes to a developing country's ability to export in competition with more developed countries is by compensating, through its tariff preference, for the former's cost disadvantages. In the case of the Philippines, the most notable of these cost disadvantages are the following:

- High Cost of Electricity -- According to the Wholesale Electric Spot Market, 2005, the monthly commercial electricity rate of the Philippines at 13.58 U.S. Cents/Kwh in 2005 was higher than those of Indonesia (12.53), Singapore (10.58), Vietnam ((9.79), China (8.24), Malaysia (7.64), and Thailand (7.19).

- High Cost of Domestic Shipping -- The archipelagic nature of the Philippines makes domestic shipping an important cost factor in domestic and foreign trade. But the freight cost of domestic shipping especially in containerized cargoes, compared to that of ocean-going vessels, is very high, as illustrated in the table below.

Comparative Freight Rates (20 ft. container in US $)

	Manila-Davao	Hongkong-Manila	Bangkok-Manila	Klang-Manila
Freight	622.80	250	600	675
Distance (n.m.)	519	619	1189	1343
Sailing time (days)	1.5	1.5	8	8
Freight/N.M.	1.29	0.40	0.50	0.50

Source: Philippine Institute for Development Studies

- Disparity Between Wage Rates and Labor Productivity -- According to a Philippine Institute of Development Studies paper, "The minimum wages in the Philippines is one of the highest in Asia and labor productivity one of the lowest. Productivity level of the Philippines is no match to Thailand, which has a lower wage rate but has 3 times the labor productivity. On the other hand, high wage rates in Singapore, Malaysia, and Korea are matched by corresponding high labor productivity," as shown in the table below.

Comparative Wages and Labor Productivity in US Dollar

Country/City	Daily Wage	Labor Productivity (GDP/No. of Workers)
Singapore	14.1-39.48	37813
South Korea	15.04	5099.88
Malaysia	4.25-9.12	5801
Philippines/NCR	5.33	645
Thailand/Bangkok	3.11-3.92	2056
Indonesia/Jakarta	1.5	441
China/Beijing	0.31-1.28	--

Losing GSP at this time would be most inopportune for the Philippines because of two recent developments with potentially serious implications on the country's middle term prospects for economic growth, balance of trade, debt servicing, and employment rates:

- **New Trade Regime on Textile & Clothing** -- According to UNDP's Asia Pacific Human Development Report 2006, the new quota-less trade regime for textile & clothing which was inaugurated in January 2005 has already produced initial winners and losers. The Report says, "The 12 major Asian producers and exporters [including the Philippines] have collectively increased their share to both the US and EU markets. Within the Asian exporters, the biggest gains have been experienced by China and India. In the two markets combined (EU and US), China's share has increased from 20 per cent to 27 per cent, while that of India has gone up from around 5 per cent to over 6 per cent. The shares of Cambodia, Indonesia and Vietnam have remained largely unchanged. The initial losers, in terms of the decline in value of exports to the US and EU markets combined are Nepal, **the Philippines**, Thailand and Pakistan." The Report gives the magnitudes of the first year losses of the Philippines: decline by 5.7% in the value and by 10.1% in the volume of its exports to the US and EU markets combined; and a decline in its share of the US market from 2.1% to 2.0% and a decline in its share of the EU market from 0.5% to 0.3%.

- **Oil Price Increases** -- The price of standard crude oil increased from $25 in September 2003 to $78.40 in July13, 2006, with no prospects of returning soon to previous long-term levels. This development is a matter of serious concern to most countries but more so to the Philippines than to many others. This is because the Philippines is highly dependent on imports of oil and at the same time is a heavily indebted country. The IMF conducted a study in 2000 to estimate the effects after 1 year of a $5 oil price hike on selected countries. Its calculations with respect to the Philippines resulted in a decline by 0.8% in Real GDP, an increase by 0.8% in inflation, and a decline by 1.0% in current account.

Philippine Graduation Not Likely to Benefit the Intended Countries

In 2005, the Philippines succeeded in exporting $1 billion worth of goods to the United States under the GSP program, achieving the goal announced in the Joint Communique between President Bush and President Arroyo issued in 2001.

From this it would be easy to fall into assuming that if the Philippines were now graduated from GSP, there would become available $1 billion worth of GSP export trade for distribution to countries which have not enjoyed much, or any, trade under the GSP program. But a close look at selected examples of the 20 percent of GSP products of the Philippines which accounted for 80 percent (or $800 million) of its trade under the GSP Program in 2005 would not support this assumption.

Two sets of examples, selected from the **list of the top 77 GSP exports of the Philippines to the United States, are provided below.** The first set consists of 3 products taken from the top, middle, and bottom of the list in terms of Philippine export values. The second set consists of 12 products, or all the 15 CNL-waived products of the Philippines, minus the 3 which had no Philippine trade in 2005.

A table showing the suppliers of each of these products is provided so that it may be possible to see at a glance what the prospects would be for any of the intended beneficiaries of the 2006 GSP Review to benefit from the loss of GSP by the Philippines.

It should be noted that with respect to the export values presented in the 15 tables provided below, no distinction is made between those entering the US from GSP beneficiary and non-beneficiary countries, for the object is to show the countries, whether developed or developing, which dominate the export trade with the United States in each of the identified top 77 GSP products of the Philippines.

There is of course no substitute to looking at all of the top 77 GSP products of the Philippines. But including all their tables in this submission would have broken the 30-page length -limit placed on all submissions. However, should any member of the Trade Policy Staff Committee or the public be interested in examining all the tables of suppliers for the top 77 GSP products of the Philippines, the Philippine Trade and Investment Center of the Embassy of the Philippines would be happy to provide the data. Please refer to the first page of this submission for contacts.

In examining the two sets of tables provided below, the object is to see the structure of suppliers obtaining for each of the products. The first set of examples immediately below reveals, what the next set of examples will confirm, a structure of suppliers that may be characterized as follows:

- **China, Mexico and Canada** tend be among the dominant suppliers, since they are after all the dominant suppliers in the export trade with the United States as a whole.

- Other large suppliers are high income economies of Asia such as Japan, Korea or Taiwan and the high income economies of Europe such as the UK, Germany, Italy or France.
- When developing economies are dominant suppliers, they tend to be from the upper middle income group of economies, a characteristic more apparent in the second rather than the first set of examples.
- When lower-middle economies are significant suppliers, they tend to do well or as well or even better than the Philippines.
- There are no least developed countries in sight.
- Some suppliers, like **Thailand and Honduras and Mexico are negotiating or have FTA's with the US** and would thereafter have no need for GSP

First Set of Examples

1. **85545190 Insulated electric conductors nesi,** for a voltage exceeding 80v but not exceeding 1000v, fitted with connectors nesoi

Country Suppliers	US Imports (USD)
Mexico	677,207,979
China	489,191,582
Philippines	**66,241,317**
Taiwan	44,350,889
Canada	40,799,286
Japan	34,664,875
Indonesia	23,974,775
Germany	18,301,654
Hong Kong	10,358,268
India	7,687,433
Sweden	7,342,303
United Kingdom	4,288,488
Australia	4,238,216
Italy	3,573,517
Hungary	3,098,555
France	3,021,698
Thailand	2,858,954
Czech Republic	2,476,137
Sub-total	1,443,675,926
Total: All Sources	1,471,688,091

None of the above 2 dominant suppliers, the 2 other large suppliers with the Philippines, the 6 significant suppliers, or the 9 small suppliers, which would constitute the countries most likely to gain from a Philippine graduation, can be said to be an intended beneficiary of the 2006 GSP Review.

2. **HTS 63079098: National Flags and Other Made Up Articles of Textile Materials, Nesoi**

Country Suppliers	**2005 US Imports (USD)**
China	891,120,188
Mexico	134,144,639
Canada	62,360,001
India	47,184,192
Taiwan	40,656,588
Pakistan	20,304,260
Thailand	13,194,527
United Kingdom	10,433,909
Hong Kong	9,791,925
Japan	8,977,580
Vietnam	8,300,120
Philippines	***6,180,673***
Germany	5,527,589
Turkey	5,136,470
Italy	4,753,963
Sub-total	1,268,066,624
Total: All sources	1,317,288,812

Of the above 15 suppliers, only Pakistan and Vietnam could possibly be identified as an intended beneficiary, but on this product, at least, both countries are doing better than the Philippines, with Pakistan doing 3 times better.

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3. **HTS: 40111010: New Pneumatic Radial Tires, Of Rubber, Of a Kind Used On Motor Cars** (Including Station Wagons And Racing Cars

Country Suppliers	**2005 US Imports (USD)**
Japan	826,896,960
Canada	751,458,786
Germany	169,491,360
China	429,045,505
Korea	417,966,056
Mexico	160,760,223
France	135,120,340
Italy	98,978,530
Brazil	83,787,010
Costa Rica	58,862,473
Taiwan	55,255,586
Finland	48,763,986

Czech Republic	48,272,876
Romania	44,012,200
Portugal	39,744,942
Venezuela	32,666,431
Argentina	23,068,143
Indonesia	21,822,116
Thailand	7,990,591
Chile	5,693,842
Philippines	***4,292,303***
Sub-total	3,463,950,259
Total: All Sources	3,650,711,057

Of the above 21 suppliers, only Costa Rica could possibly be identified as an intended beneficiary, but on this product at least, it is doing 12 times better than the Philippines.

Withdrawal of CNL Waivers Would Not Benefit Intended Beneficiaries

When the President of the United States grants CNL waivers for country products that are presumed to have become competitive by reason of having reached the competitive need limits, he is required to receive advice from the U.S. International Trade Commission on whether domestic industry would be adversely affected by the grant of waiver and to base his reason for the grants on grounds of national economic interest. The GSP legislation further states that the waivers would remain effective until the President withdraws them as warranted by changed circumstances.

The legislation does not identify what changed circumstances would warrant withdrawal of a waiver. But based on the requirements for the grant of the waivers, these would include an emergent adverse effect of the waiver on domestic industry. No such advice has been given by the U.S. International Trade Commission with respect to any CNL waiver of the Philippines. Another possible changed circumstance would be that maintaining a waiver is no longer in the national economic interest of the United States. No such assertion has been made with respect to any or all of the CNL waivers enjoyed by the Philippines.

But there are still two circumstances that might be cited as justifications for the withdrawal of the waivers, namely, that the country enjoying the waivers no longer needs the GSP, an assertion that the first part of this submission has been at pains to deny; and that the country, being a major beneficiary of the GSP, is preventing other countries from participating in the benefits of the GSP. This is what this section of the submission is at pains to disprove.

Withdrawing the CNL Waivers of the Philippines Would Not Benefit the Intended Beneficiaries

Second Set of Examples: CNL Waived Products of the Philippines

1. **85443000 Insulated Ignition Wiring Sets & Other Wiring Sets Of A Kind Used In Vehicles, Aircrafts And Ships**

Country Suppliers	**2005 Imports (USD)**
Mexico	4,339,064,609
Philippines	***328,982,505***
Honduras	251,774,103
China	227,209,384
Nicaragua	120,999,746
Japan	87,736,364
Thailand	82,047,038
Indonesia	77,206,872
Canada	73,254,753
France	28,684,996
Brazil	23,971,697
United Kingdom	22,739,847
Germany	21,569,506
Czec republic	11,157,528
Morocco	11,082,553
Netherlands	9,455,703
TAIWAN	6,373,609
Sub-total	5,723,310,813
Total: All sources	5,782,030,154

Of the above 16 suppliers other than the Philippines, Honduras and Morocco might be argued as being among the intended beneficiaries; but **Honduras, a US FTA partner**, is already doing extremely well on this product ($252 Million) and Morocco as a small supplier ($11 Million) may not be positioned to compete for any opportunity provided by a possible loss of waiver by a large supplier like the Philippines in this case. **Besides some thought should be given to the interest of the U.S. automotive industry which faces great challenges. It benefits from the waiver and it would not welcome even the slightest disruption in the supply of automotive parts that might result from a possible major change in sourcing.**

2. **8544519000 Conductors: Other>80&<=1000V**

Country Suppliers	**2005 US Imports (USD)**
Mexico	677,207,979
China	489,191,582
Philippines	***66,241,317***

Taiwan	44,350,889
Canada	40,799,286
Japan	34,664,875
Indonesia	23,974,775
Germany	18,301,654
Sub-Total	1,394,732,357
Total: All sources	1,471,688,091

None of the above suppliers, which would be the likely gainers from a withdrawal of the waiver from the Philippines, is an intended beneficiary.

3. **17011110 Cane Sugar, Raw In Solid Form,Not Containing Added Flavoring Or Coloring Matter, Nesoi, Described In Additional U.S Note 5 (Chapter 17)& Provisional**

Country Suppliers	**2005 US Imports(USD)**
Brazil	115,497,945
Dominican republic	77,347,248
Philippines	***56,386,002***
Australia	40,498,499
Guatemala	30,959,954
Panama	20,577,673
Argentina	19,238,356
Sub-total	360,505,677
Total: All sources	540,447,585

Because of the sugar quota, none of the intended beneficiaries, which are not quota holders, could take advantage of a withdrawal of any waivers of existing suppliers. Only one country might profit and that is Mexico because under its FTA with the U.S. its sugar will be quota- and duty-free starting January 1, 2008.

The Philippines does not trade in 1701 1105 which refer to certain sugar syrups and 1701.1120 which is sugar used in production of polyhydric alcohols.

Philippine trade in 1701.1110 is substantial, and it refers to raw cane sugar entering the United States under tariff rate quota. Philippine exports to the US in 2005 is USD *** Million, and in terms of volume *** Million KG or *** percent of all US imports, These figures indicate that the Philippines has not come close to the CNL limit of 50 percent share of US imports or a dollar volume of USD 120 Million in a calendar year. The operation of the sugar quota makes it quite certain that its share of the in-quota imports will never exceed 50 percent of total US imports. However, the CNL waiver could come into play with regard to the dollar limit set at USD 120 Million in 2005. If the US sugar quota returns to or exceeds the two million ton level of 10 years ago, with higher prices, Philippine exports equal to *** percent of the quota could exceed USD 120 million or the CNL value limit set at that time. The CNL limit should clearly be waived in this case because the large dollar volume or large import share of the article is evidence only of a tight US sugar market and not of Philippine competitiveness.

4. 38231920 Industrial Monocarboxylic Fatty Acids or Acid Oils from Refining Derived From Coconut, Palm Kernel Or Palm Oil

Country Suppliers	2005 US Import (USD)
Malaysia	45,805,572
Philippines	***17,478,274***
Sub-total	63,283,846
Total: All sources	64,245,046

Only Malaysia would benefit from the withdrawal of the waiver from the Philippines but it is already an upper-middle –income country.

5. 46021018 Basket And Bags Of Vegetable Material, Nesoi

Country Suppliers	2005 US Imports (USD)
Philippines	***12,067,040***
China	69,487,032
Indonesia	2,961,901
Sub-total	69,487,032
Total: All sources	87,437,136

Either China or Indonesia would gain from the withdrawal of the waiver from the Philippines. But China is already the dominant supplier on this product, and Indonesia is already a major developing country beneficiary.

6. 90328960 Automatic Regulating Or Controlling Instruments, And Apparatus Nesi

Country Suppliers	2005 US Imports (USD)
Mexico	1,034,210,013
Japan	385,864,695

Germany	323,929,411
Canada	196,128,246
United Kingdom	117,668,975
Poland	98,799,732
France	75,400,662
Singapore	59,350,305
China	41,901,263
Brazil	16,288,115
Sweden	14,686,377
Hungary lll	13,163,428
Korea	12,931,684
Israel	11,376,787
Taiwan	11,159,635
Philippines	***9,501,052***
Hong kong	8,663,210
Croatia	8,439,430
Denmark	8,306,699
Switzerland	7,091,925
Spain	6,439,485
Netherlands	5,526,922
Australia	4,655,725
Thailand	4,041,326
Belgium	3,717,746
Sub-total	2,479,242,848
Total: All sources	2,513,029,816

None of the above 24 suppliers other than the Philippines is an intended beneficiary, and they are all more advanced in economic development than the Philippines.

7. 20089915 Bananas Other Than Pulp, Otherwise Prepared or Preserved

Country Suppliers	**2005 US Imports (USD)**
Philippines	***6,782,439***
Ecuador	2,391,307
Honduras	1,131,160
Costa Rica	1,062,276
Colombia	784,071
Sub-total	12,151,253
Total: All sources	12,808,355

The above competitors of the Philippines have the advantage of proximity to the market and soon a more permanent and stable duty-free treatment under FTA agreements with the U.S.

8. 46021080 Basketwork, Wickerwork And Other Articles of Vegetable Minerals

Country Suppliers	2005 US Imports (USD)
China	11,490,804
Canada	4,903,413
Philippines	***3,724,716***
Indonesia	2,161,232
Vietnam	584,523
Mexico	278,171
Thailand	240,826
India	217,044
Hong Kong	201,800
Sub-total	23,802,529
Total: All sources	24,912,285

The countries most likely to gain from the possible withdrawal of the waiver would be China, Canada, and Indonesia, none of whom is an intended beneficiary.

9. 46021016 Baskets and Bags of Rattan or Palm Leaf, Other Than Wickerwork

Country Suppliers	2005 US Imports (USD)
China	10,536,534
Philippines	***3,611,615***
Indonesia	1,676,568
Vietnam	808,004
Sub-total	16,632,721
Total: All sources	17,579,895

Again the most likely to gain would be China and Indonesia.

10. 29159010 Other Fatty Acids of Animals or Vegetable Origin

Country Suppliers	2005 US Imports (USD)
Malaysia	6,964,951
Philippines	***3,441,619***
United Kingdom	2,876,782
Germany	1,641,486
France	912,410
Netherlands	653,006
Indonesia	612,269
Singapore	333,657
Sub-total	17,436,180

Total: All sources	18,727,153

Malaysia is the most likely to gain, but none of the other suppliers is an intended beneficiary, either.

11. 96131000 Cigarette Lighters and Similar Lighters, Gas Fueled, Not Refillable, For The Pockets

Country Suppliers	2005 US Imports (USD)
France	42,927,350
China	17,320,909
Mexico	6,800,056
Spain	6,550,603
Thailand	4,690,885
Brazil	2,552,696
Hong Kong	1,313,280
Philippines	***1,187,027***
Sub-total	83,342,806
Total: All countries	84,417,800

The Philippines is the smallest supplier and none of the other and larger suppliers is an intended beneficiary.

12. 29157000 Palmitic Acid, Stearic Acid, Their Salts And Esters

Country Suppliers	2005 US Imports (USD)
Malaysia	22,852,117
Germany	4,055,350
Canada	3,768,467
Spain	2,488,666
Italy	2,094,969
Singapore	2,037,499
Japan	1,286,097
Indonesia	1,243,696
France	1,162,656
Philippines	***125,825***
Sub-total	41,115,342
Total: All sources	133,689,843

The Philippines is a small supplier of this product in 2005.

SUMMARY OF GENERAL PHILIPPINE POSITION

To conclude this submission briefly

- The Philippines continues to need GSP

- although it benefits greatly from it, neither graduation of the Philippine from GSP nor withdrawal of its CNL waivers would benefit the intended beneficiaries

- Continued GSP treatment for Philippine products benefit American producers and consumers

SPEC IFIC COMPANY CONCERNS ON THE CNL WAIVERS

HS 85 44 300: Insulated Ignition Wiring Sets and other Wiring Sets of a kind used in Vehicles, Aircraft or Ships

(1) Five companies comprise the Philippine Industry producing the subject product: (a) Yazaki Torres, (b) EDS Manufacturing Inc (c) (EMI), International Wiring Systems Philippines, (IWSP), (d) Pilipinas Kyohritsu, Inc. (PKI) and (e) Lear.

(2) Each company has a high dependence on the US market for their product which are mostly used by leading US car makers in various brands of cars and other motor vehicles. From *** percent to *** percent of their total export sales or revenues are derived from the US market. On this basis, estimated total exports to the US of the first four (4) companies in 2005 is USD *** Million.

(3) Employment by the first four companies for this line of product in 2005 is at about *** persons, with *** in YAZAKI Torres dedicated to the US market exclusively. Companies are among the largest employers in the provinces like IWSP who is the largest employer in Tarlac City Central Philippines and PKI who are large employers in the Southern Luzon Provinces of Batangas, Mindoro and Quezon.

(4) Loss of CNL waiver and the consequent payment of the 5 percent import duty would cause the Philippine companies to lose their competitiveness in the US market which is already giving the suppliers a cost squeeze due to the multiplicity of brands being produced in that market. With duty payment buyers would tend to recover duty payment from suppliers or shift to other suppliers. This would then result in massive labor displacement, brought about by and general loss of competitiveness and profitability for the Philippines companies given their higher costs of labor, electricity and interest rates compared to other suppliers, and the rising cost of transport due to oil prices. Local and regional ASEAN parts suppliers will also suffer from loss of Philippine exports to the US.

(5) More importantly, companies like EMI and PKI have undertaken massive new capital investment for new products development for the US market which is expected to increase new product capacity to boost exports to the United States from *** percent to *** percent from 2005-2007. Loss of GSP privileges will cause a bleak future for these new investments, the increased product output and the persons now being trained to run the new lines.

1701.1110, 1701.1120, 1701.1105, Various Cane Sugars

Information from the Philippine Sugar Millers Association indicate:

(1). The Philippines does not trade in 1701 1105 which refer to certain sugar syrups and 1701.1120 which is sugar used in production of polyhydric alcohols.

(2) Philippine trade in 1701.1110 is substantial, and it refers to raw cane sugar entering the United States under tariff rate quota. Philippine exports to the US in 2005 is USD *** Million, and in terms of volume *** Million KG or *** percent of all US imports, These figures indicate that the Philippines has not come close to the CNL limit of 50 percent share of US imports or a dollar volume of USD 120 Million in a calendar year. The operation of the sugar quota makes it quite certain that its share of the in-quota imports will never exceed 50 percent of total US imports. However, the CNL waiver could come into play with regard to the dollar limit set at USD 120 Million in 2005. If the US sugar quota returns to or exceeds the two million ton level of 10 years ago, in which case, Philippine exports equal to *** percent of the quota could exceed USD 120 million or the CNL value limit set at that time. The CNL limit should clearly be waived in this case because the large dollar volume or large import share of the article is evidence only of a tight US sugar market and not of Philippine competitiveness.

(3). Because of GSP Philippine sugar under 1701.1110 does not pay the *** cents per kg MFN duty, giving rise to duties not paid of about USD *** in 2005.The loss of GSP will raise the landed cost of Philippine sugar to US importers by *** cents per kilo Even so, if the sugar program remains in place, in-quota sugar will still be cheaper than over-quota sugar which pays a duty of 33.87 cents per kilo. It would appear then that the quota, rather than the price would affect Philippine sugar coming into the US. However, Mexican sugar will be coming in duty free and quota free to the US from 1 January 2008, which could provide US importers the price leverage they now lack, and cause US importers to pass on increase in landed cost to Philippine suppliers. At a time of expanded sugar production in the Philippines (up *** percent since 2000), the loss of USD *** in duty savings a year from loss or reduced exports would cause reduced funds for investment, leading to production declines and a reduction of support for government and private social programs such as housing, healthcare and education to sugar workers and their families now provided by the industry. The loss of GSP will have an adverse impact on the industry’s 500,000 workers as well as on planters, cooperatives mills and refineries that employ them. GSP privilege to this product should hence be retained.

HS 38231920 Industrial Mono Carboxylic Fatty Acid Derived from Coconut Oil

(1) For United Coconut Chemicals (Cocochem), sole producer of this product in the Philippines, continued grant of CNL waiver and zero duty preferential access to the US is crucial to the overall operation and financial standing of the company. Fatty acids accounted for *** percent or USD *** of the company's total export and domestic sales in 2005. The United States accounted for *** or USD *** of fatty acid export income in 2005. With continued CNL waiver, production capacity can be maintained.

(2) No less important is that continued GSP zero duty treatment would be crucial to the economic viability of the country's coconut sector and other allied services. Cocochem's feedstock comes from coconut produced by thousands of small farmers and their families as well as workers in the harvesting, copra and oil production that forms the feedstock. Termination of CNL waiver would result in reduced competitiveness and profitability, loss of exports and put the livelihood of thousands of farmers in serious jeopardy.

(3) Continued GSP treatment for this Philippine product would benefit US industries using fatty acids as raw material in terms of lower cost which will in turn benefit consumers.

HS 9613 1000 Cigarette Lighters

(1).Swedish Match Philippines, Inc requests the continued grant of CNL waiver for its product as this would help arrest a steady decline of its exports to the US over the last five (5) years from *** units in 2002 to *** units in 2006 mainly due to Chinese competition.

(2) Without GSP privilege which is the main reason Swedish Match chose the Philippines to supply the US market, the company may consider moving the supply to its factories either in the Netherlands or Brazil, or to other countries with GSP privileges.

END
REV 2

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September 5, 2006

Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the US Trade Representative
1724 F Street NW
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Submitted via Electronic Mail: FR0052@USTR.EOP.GOV

United States Confectionery and Chocolate Industries' Comments
Concerning the Eligibility of Certain GSP Beneficiaries

FR Doc E6-12870

This statement is submitted by the National Confectioners Association and the Chocolate Manufacturers Association (NCA and CMA) in response to USTR's request for comments on the eligibility of major GSP beneficiaries.

Four hundred companies, all members of the Chocolate Manufacturers Association and the National Confectioners Association, manufacture more than 90% of the chocolate and confectionery products in the United States. Another 250 companies supply those manufacturers. The industries are represented in 35 states with particular concentration in California, Colorado, Florida, Georgia, Illinois, Louisiana, New Jersey, New York, Pennsylvania, Tennessee and Texas. Over 56,000 jobs in the US are directly involved in the manufacture of confectionery and chocolate products. The employment effect triples when the distribution and sale of these products is taken into consideration.

The US confectionery and chocolate industries have made free trade and the maintenance of an open US market an operating principle for over 20 years. Our industries support duty-free access for imports from developing countries to support economic development goals and to maintain access to high-quality, world price commodities and intermediate goods that are key ingredients for our manufacturers.

- **Twenty nine developing countries supply 89% of US imports of raw cane sugar. However, only one-third of sugar imports from developing countries enter the US duty-free. Duty-free access is denied to major beneficiaries such as Argentina and Brazil. All GSP countries should have duty-free access to the United States for sugar imports.**

- **GSP major beneficiaries are an important source of cocoa raw materials used by the confectionery industry and GSP benefits should continue.**

- **Imports of sugar confectionery and chocolate confectionery from major beneficiaries of GSP[1] account for less than 1% of the US market and it is therefore not necessary to remove their eligibility.**

---

1 Imports of confectionery and cocoa inputs from "major beneficiaries of the GSP program" as defined by USTR include Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. There were no recorded GSP-eligible confectionery or cocoa imports from Kazakhstan or Romania in 2005.

I. Support for continuation and expansion of GSP benefits for imports of sugar

In 2005, US imports of raw cane sugar under HS code 1701.1110 totaled more than $547 million. Of the 33 countries that supply the US market with sugar, twenty nine developing countries supplied 89% of US imports. Five of the major GSP beneficiaries are sugar supplying countries. However, two of the five – Argentina and Brazil – are excluded from duty-free access. Sugar from these countries enters at the higher MFN rate of 1.4606 cents/kg. As a result, while nearly all imported sugar is sourced from developing countries, only one-third – or $177 million – enters the US duty-free.

Raw cane sugar enters the US under a tariff-rate quota which limits the quantity imported by eligible countries. Given that quantitative limits already exist for imports from developing countries, in-quota rates for commodities should be duty-free from all quota eligible developing countries. **All GSP countries should have duty-free access to the US for sugar imports. We strongly support continuation of the GSP benefits for sugar from South Africa and Thailand, as well as reinstatement of GSP benefits for sugar sourced from Argentina and Brazil.**

Table A: **GLOBAL IMPORTS INTO THE US OF RAW CANE SUGAR**

Source Country	2005 Total US Imports	2005 GSP Imports	Notes
Brazil	$115,497,945	$0	**Sugar excluded from GSP**
Dominican Rep	$77,355,995	$0	**Sugar excluded from GSP**
Philippines	$56,834,489	$56,834,489	
Australia	$40,498,499		Not a GSP beneficiary
Guatemala	$40,265,229	$9,305,284	
El Salvador	$24,773,892	$0	
Colombia	$21,079,902	$10,889,104	
Panama	$20,577,673	$11,125,684	
Argentina	$19,425,649	$0	**Sugar excluded from GSP**
Swaziland	$15,105,624	$15,105,624	
Peru	$15,023,583	$15,023,583	
Nicaragua	$13,011,664		Not a GSP beneficiary
South Africa	$12,933,017	$12,933,017	
Bolivia	$7,165,356	$4,054,342	
Honduras	$5,688,529	$0	
Uruguay	$5,593,158	$5,593,158	
Mozambique	$5,507,992	$5,507,992	
Zimbabwe	$5,251,313	$5,251,313	
Taiwan	$5,117,238		Not a GSP beneficiary
Ecuador	$4,927,071	$0	
Belize	$4,890,060	$0	
Thailand	$4,421,095	$4,421,095	
Fiji	$4,063,915	$4,063,915	
Costa Rica	$3,188,972	$0	
Paraguay	$2,774,429	$2,774,429	
Papua New Guinea	$2,766,358	$2,766,358	
Congo (ROC)	$2,620,854	$2,620,854	
Malawi	$2,607,352	$2,595,852	
Mauritius	$2,507,161	$2,433,130	
Cote d`Ivoire	$2,436,000	$2,436,000	
Jamaica	$1,238,011	$0	
Guyana	$1,179,770	$1,179,770	
Mexico	$815,393		Not a GSP beneficiary
TOTAL	**$547.1 million**	**$176.9 million**	

II. Cocoa inputs are important to US industry

In 2005, GSP-eligible imports into the US of cocoa inputs from the major beneficiaries were entered under six tariff lines as outlined in Table B below. GSP-eligible imports of cocoa inputs from the major beneficiaries totaled more than $24 million. More than one-quarter of US imports of *defatted cocoa paste* is sourced from major beneficiaries. Similarly, major beneficiaries account for 9% of the import of *unsweetened cocoa powder*. Brazil is one of the leading sources of these important inputs, and the industry has worked for many years to assist Brazil with sustainable cocoa production. **We support continuation of GSP benefits for the major beneficiaries in order to encourage value-added cocoa production in developing countries and to make these important cocoa inputs available to US industry at the lowest possible cost.**

Table B: **US IMPORTS OF COCOA INPUTS FROM MAJOR BENEFICIARIES OF THE GSP-PROGRAM**

USHTS	*Description of Cocoa Input*	*2005 US global imports*	*2005 GSP-eligible imports from major beneficiaries*	*% of global imports*
18032000	Defatted cocoa paste	$32,638,709	**$8,545,289**	**26.2%**
18050000	Unsweetened cocoa powder	$180,268,817	**$15,836,977**	**8.8%**
18061043	Cocoa powder subject to GN 15	$14,137	**$14,137**	**100.0%**
18062050	Bulk chocolate preps with no milk solids	$119,719,271	**$3,266**	**0.0%**
18062060	Confectionery coatings	$27,867,729	**$2,680**	**0.0%**
18069001	Cocoa preps subject to GN 15	$327,810	**$9,105**	**2.8%**
TOTALS		**$360.8 million**	**$24.4 million**	**6.8%**

III. Imports of finished confectionery from major beneficiaries

In 2005, US consumption of sugar confectionery and chocolate confectionery totaled more than $17.5 billion. Of that, imports into the US totaled $1.8 billion, or 10.3% of the US market. In the same period, duty-free imports of confectionery from the major beneficiaries of the GSP program totaled nearly $154 million representing less than 9% of all US imports of confectionery products, and less than 1% of all confectionery consumed in the United States. While imports of certain specific types of confectionery products from major beneficiaries together may account for as much as one-third of US imports, their overall presence in the US market is small. **Therefore, we do not believe it necessary to remove finished confectionery products or individual country beneficiaries from the GSP program.**

Table C: **US IMPORTS OF FINISHED CONFECTIONERY PRODUCTS FROM MAJOR BENEFICIARIES OF THE GSP-PROGRAM**

USHTS	*Description of Finished Confectionery Product*	*2005 US global imports*	*2005 GSP-eligible imports from major beneficiaries*	*% of global imports*
17041000	Chewing gum	$138,251,332	**$5,669,466**	**4.1%**
17049035	Sugar confectionery	$980,862,285	**$90,608,863**	**9.2%**
18063100	Filled chocolate confectionery bars	$187,061,572	**$7,233,342**	**3.9%**
18063230	Unfilled chocolate confectionery bars with no milk solids	$48,406,355	**$1,424,521**	**2.9%**
18063290	Unfilled chocolate confectionery bars	$77,758,729	**$28,987,022**	**37.3%**
18069090	Other chocolate confectionery	$405,949,807	**$19,717,795**	**4.9%**
TOTALS		**$1.8 billion**	**$153.6 million**	**8.5%**

On behalf of our members, we appreciate the opportunity to comment in support of continuing GSP benefits for key developing countries.

Sincerely,

Lawrence Graham

Lawrence T. Graham
President, National Confectioners Association

Lynn M. Bragg

Lynn Bragg
President, Chocolate Manufacturers Association

September 5, 2006

Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade
Policy Staff Committee *Transmitted by email:FR0052@USTR.EOP.GOV*
Office of the United States Trade Representative
USTR Annex, Room F-220 1724 F Street NW
Washington DC 20508

Dear Ms. Sandler:

The Motor and Equipment Manufacturers Association (MEMA) is pleased to respond to your request for comments regarding the eligibility of certain GSP beneficiaries and existing competitive need limitations (CNL) waivers. MEMA represents the automotive parts and components industry and includes as its members more than 700 manufacturers of automotive parts, components and related equipment used in the manufacture, maintenance and repair of all classes of passenger motor vehicles and heavy duty trucks.

Approximately $1.6 billion in automotive parts and components was imported under the GSP program in 2005. As a major stakeholder industry in GSP, MEMA supports retention of GSP benefits on automotive products with respect to Brazil, India, Turkey, Thailand, Indonesia, and the Philippines. GSP is a highly successful Federal program from the standpoint of our industry. The important and mutually beneficial supply relationships that have developed among American automotive parts and components companies and foreign suppliers under the GSP program should be preserved.

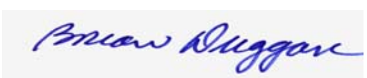
We wish to call to your attention certain unique characteristics of our industry with respect to this review. Automotive parts and components, including the specific items imported under GSP are precision manufactured products subject to rigorous quality control and safety requirements. With its focus on technology and quality, American suppliers spend millions of dollars on the competitive process of "qualifying" sub-suppliers; that is determining which sub-suppliers are able to meet quality, safety, delivery, cost and other terms and specifications. There are significant friction costs incurred in changing supply relationships. The technological sophistication of the products, the sunk costs of the supplier qualification process and other friction costs can significantly limit American suppliers' options for changing supply relationships. Removal of GSP benefits from Brazil, India or the other countries identified in this submission is not likely to result in a shift of sourcing of automotive products to other less developed GSP beneficiary countries, nor is it likely to result in a shift of sourcing to the United States.

The current “cost-price- squeeze” is another critical characteristic of the automotive supplier industry relevant to the GSP review. American automotive suppliers are under constant pressure to cut their costs and reduce prices to motor vehicle assemblers and other customers in the current market. GSP has been one tool used by American automotive suppliers to cope with the “cost-price-squeeze.” In the event GSP benefits were withdrawn from Brazil, India of any of the other countries identified in this submission, American automotive suppliers would have to absorb the additional cost of the duty. Experience in the current market proves, however, that American automotive suppliers would not be able to pass their added duty costs on in an increase in price to their customers. Elimination of GSP benefits would essentially put new costs on American suppliers and make them less competitive in global competition.

The automotive industry is one of the largest globally integrated manufacturing sectors in the world today. GSP has been very successful in achieving its goals of increasing industrial development of beneficiary countries while also fostering the competitiveness of American producers against their primary developed economy competitors in Europe and Japan.
We urge you to retain GSP benefits on automotive products for Brazil, India, Turkey, Thailand, Indonesia, and the Philippines.

Thank you for this opportunity to express our views on this important subject. Please do not hesitate to contact me if you require any further information or if MEMA can be of further assistance.

Very truly yours,



Brian Duggan
Director of Trade and Commercial Policy

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2006 GSP ELIGIBILITY & CNL WAIVER REVIEW WRITTEN COMMENTS

Submitted by

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PUBLIC VERSION

PETITIONER

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CORPORATE CUSTOMS COMPLIANCE MANAGER

INTERESTED PARTY

Lear Corporation ("Lear") hereby submits these comments as an "interested party" and maintains significant economic interest and may be materially affected by the actions undertaken by the United States ("U.S.") Government with regard to renewal of the Generalized System of Preferences ("GSP") Program.

More specifically, Lear is a commercial importer of product eligible for preferential treatment under GSP.

AFFECTED PRODUCT & COUNTRY

Lear submits these written comments with respect to the following product imported from the Philippines:

Commercial Name & Description	HTSUS	HTSUS Description
Wire Harnesses – Wire harness assemblies are a collection of terminals, connectors and wires that connect all the various electronic/electrical devices in the vehicle to each other and/or to a power source.	8544.30.0000	Insulated (including enameled or anodized) wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fiber cables, made up of individually sheathed fibers, whether or not assembled with electric conductors or fitted with connectors: Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships

ACTION REQUESTED

The U.S. Government is currently seeking comments on whether to limit, suspend, or withdraw the eligibility of those GSP beneficiaries for which the total value of U.S. imports under GSP exceeded $100 million in 2005, and a) which the World Bank classified as an upper-middle-income economy in 2005; or b) that accounted for more than 0.25 percent of world goods exports in 2005, as reported by the World Trade Organization.

The GSP beneficiaries that meet the criteria are Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, the Philippines, Romania, Russia, South Africa, Thailand, Turkey, and Venezuela.

Lear is providing written comments to request that the U.S. Government NOT suspend or withdraw GSP eligibility for the Philippines and/or limit GSP eligibility for Philippine wire harnesses (classified under Subheading 8544.30.0000, HTSUS).

PREVIOUS PRESENTATION

To best knowledge of Lear, we are unaware if similar written comments have been previously presented to the United States Trade Representative (“USTR”).

COMPANY BACKGROUND

Lear is a FORTUNE 500 company headquartered in Southfield, Mich., USA, that focuses on integrating complete automotive interiors, including seat systems, interior trim and electrical systems.

Lear supplies every major automotive manufacturer in the world, with the 'Big Three' American automakers constituting the majority of sales. (General Motors, Ford and DaimlerChrysler collectively accounted for approximately 64% of Lear's 2005 net sales). At year-end 2005, Lear net sales were $17.1 billion, making it the world's largest automotive interior systems supplier. The company reported a 2005 net loss of $1.4 billion.[1]

Lear's Electrical Systems Division ("ESD") consists of the manufacture, assembly and supply of vehicle wiring and electronic products. In 2005, the ESD accounted for approximately 14% of Lear's total net sales.

Electrical distribution systems are networks of wiring and associated control devices that route electrical power and signals throughout the vehicle. Wire harness assemblies consist of raw coiled wire, which is cut to length, inserted into connectors and wrapped or taped to form a wire harness assembly. The assembly process is labor intensive, and as a result, production is generally performed in a low-cost labor site such as Mexico, Honduras, the Philippines, Eastern Europe and Northern Africa.

Lear maintains several U.S. and world-wide competitors within the electrical system market segment, including Delphi (U.S.), Yazaki (Asia), Sumitomo (Asia), Alcoa-Fujikura (Asia) and Valco (Europe).

AUTOMOTIVE INDUSTRY BACKGROUND

The U.S. motor vehicle manufacturing industry is highly concentrated. U.S. passenger vehicle production accounts for more than 97% of total motor vehicle production, with foreign-based automakers accounting for a growing share of production. In 2001, traditional U.S. manufacturers (General Motors, Ford and DaimlerChrysler) accounted for 76% of passenger vehicle production. Japanese automakers Honda, Mitsubishi, Nissan, Subaru-Isuzu and Toyota accounted for 18%, and European automakers including VW, BMW and Mercedes-Benz accounted for 2%.[2]

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[1] Lear Corporation, Annual Report 2005, p. 56.

[2] Ward's Automotive Reports, vol. 77, No. 5, Feb. 4, 2002, p. 8.

U.S. motor vehicle production decreased from 12.1 million units in 1997 to 11.4 million units in 2001. Production by the Big Three registered an average annual percentage decrease of 2.4%. During the period, the Big Three share of U.S. production decreased from 80% in 1997 to 76% in 2001. Further, sales of imports (as a percentage of total motor vehicle sales) increased from 13% of retail sales in 1997 to 18% in 2001. The greatest competitive pressure on U.S. automakers is from Japanese passenger vehicle production.

Based on average hourly pay, automotive employees earn more than employees in virtually every other industry in the U.S. Motor vehicle industry employees in the U.S. are the second-highest paid in the world, with Germany ranking first. A large percentage of the U.S. motor vehicle industry is unionized under the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW").[3]

Due to recent reduced passenger vehicle demand, some industry analysts estimate that global overcapacity calls for the closure of 40 auto facilities and up to 12 of them in North America.[4]

BENEFITS TO THE PETITIONER

Current Trade

The Philippines is currently the 28th largest exporter to the U.S., totaling approximately $9.2 billion in 2005.[5] We prepared the following table to identify the amount and percentage that wire harnesses constitutes on a historical basis:[6]

	2003 (in millions)	2004 (in millions)	2005 (in millions)
Total GSP Value from the Philippines	$10,046	$9,144	$9,237
Total Wire Harnesses Imported under GSP	$162	$156	$148
% of GSP Value	1.6%	1.7%	1.6%

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[3] Ward's Automotive Yearbook 2001 (Southfield, MI: Ward's Communications, 2001), p. 293.

[4] Reuters, "Automakers face possible battle with UAW," Sept. 27, 2001, found at Internet address http://www.just-auto.com.

[5] U.S. International Trade Commission, USITC Dataweb, report run Sept. 4, 2006.

[6] U.S. International Trade Commission, USITC Dataweb, report run Sept. 4, 2006.

ANTICIPATED FINANCIAL IMPACT

Anticipated Benefits

Lear maintains three manufacturing facilities in the Philippines that produce wire harnesses for North American consumption. Lear is currently not using the GSP program when importing these wire harnesses but is in the process of developing internal controls and systems to utilize the program in coming months. Based on the company's U.S. Customs Importer Activity Data for calendar year 2005, Lear imported and paid the following amount of duties:

	2003 (in millions)	2004 (in millions)	2005 (in millions)
Total Duties Paid on Wire Harnesses Imported from the Philippines	$4.5	$3.0	$3.3

Wire harnesses classified under 8544.30.0000, HTSUS are dutiable at a 5.0% *ad valorem*. With the assistance of our external advisors, KPMG LLP, Lear conservatively quantified the company's estimated GSP savings at approximates **$1.5 million** per year.

These GSP savings represent a significant reduction in wire harness costs and would allow Lear to offset lower sales, rising operational and raw material costs and to continue investing in research and development. The duty savings afforded by GSP for Lear are a factor in the difference between profitability and survival in challenging market conditions.

Lower Sales

Demand for our products is directly related to the automotive vehicle production by our major customers. Automotive industry conditions have become increasingly challenging. In North America, the industry is characterized by significant overcapacity, fierce competition and significant pension and healthcare liabilities for domestic automakers. North American automotive production by General Motors and Ford, our two largest customers, has declined between 2000 and 2005. These two customers have recently announced facility closures and other restructuring actions that will negatively impact our sales.

Rising Cost of Operations and Raw Materials

Higher costs of raw materials and commodities, principally steel, resins and other oil-based commodities, as well as higher energy costs, had a significant adverse impact in our operating costs in 2005 and will continue to hurt profitability in 2006.

Research and Development Activities

Lear is a company whose industry segment is at the very forefront of research and development. Despite a worldwide decline in sales, Lear has not cut R&D spending which is critical to maintaining and increasing the high quality of its product output.

R&D activities consist primarily of activities centered on improving process control and manufacturing defect reduction and/or elimination.

In addition to the direct financial benefits that Lear could recognize, we are providing a description of the anticipated financial impact that will result from the removal of GSP benefits for wire harnesses from the Philippines. We believe that several positive public benefits result from maintaining GSP eligibility for the Philippines may include:

- Increased competitiveness of the U.S. automakers
- Stabilizing operations and employment levels throughout the U.S. automotive industry
- Increased U.S. export activity

Anticipated Impact to U.S. Automotive Industry

The economic climate of the U.S. automotive industry is troubled. Decline in U.S. market share of passenger car sales combined with the significant manufacturing and research costs necessary to support the industry have left the U.S. automakers struggling to be profitable.

The U.S. automakers produce their vehicles from manufacturing facilities in the regions where they are sold, in part due to differing customer demands and tastes. In addition, the U.S. automakers with their UAW workforce have committed to maintain production in the U.S. While the U.S. automakers have implemented various manufacturing cost-savings measures, the U.S. automakers struggle with high labor and healthcare costs.

As a primary supplier of electrical systems to the U.S. automakers, Lear's ability to maintain stable costs furthers the U.S. automakers ability to produce quality passenger vehicles at competitive prices. Further, we believe there is an amplification of GSP savings within the upstream automotive industry.

We conservatively estimate that the $1.5M in annual GSP savings that Lear could recognize from Philippine wire harnesses is magnified by automobile manufacturers by an undetermined multiple. The immediate and long-term implication is that U.S. automakers can produce vehicles in the U.S. at competitive prices. Subsequently, U.S. automakers are better positioned to stabilize their U.S. manufacturing operations and employment levels and potentially increase passenger vehicle exports.

SUMMARY

We urge the U.S. Government to consider the anticipated benefits and the financial impact on Lear and the U.S. automotive industry and **NOT** limit, suspend or withdraw GSP eligibility from the Philippines and/or wire harnesses manufactured in the Philippines.

KOHLER CO., KOHLER, WISCONSIN 53044 FOUNDED IN 1873 920-457-4441 Fax 920-459-1745 david.kohler.@kohler.com

KOHLER.

David Kohler
Group President
Kitchen & Bath Group

August 31, 2006

Dear Ms. Sandler:

I am writing in regard to your review of legislation to extend the Generalized System of Preferences (GSP) trade program for the United States, currently set to expire on December 31, 2006. Your committee also is reviewing thirteen countries for continued benefit under GSP and has asked for public comment. I believe the GSP program provides a significant benefit to the U.S. economy, helping create balanced global development, or *smart trading*. The GSP program is doing its job. But that job is not finished.

Kohler Co. is a global leader in the manufacture of kitchen and bath products, engines and power generation systems, cabinetry, tile and home furnishings, and international host to award-winning hospitality and world-class golf destinations. From the thirteen countries under review, we import the following products into the United States:

Country	GSP Product(s)	HTSUS Code
Argentina	Engine Parts	8409.91.99
Brazil		
Croatia		
India	Oil/Fuel Filters	8421.23.00
Indonesia	Framed and Unframed Mirrors	7009.92.10 & 7009.92.50
Kazakhstan		
Philippines		
Romania		
Russian Federation		
South Africa	Shower Door Parts	3925.90.00
Thailand	Vitreous China; Mirrors	6910.10.00 & 7006.00.40
Turkey	Vitreous China; Stone Flooring	6910.10.00 & 6802.92.00
Venezuela		

In the future we hope to import additional products from these countries, specifically from the Philippines, Russia and perhaps Brazil. Much of our product is sold to consumers through the nation's leading retailers (Home Depot, Lowe's), independent builders, Kohler showrooms, Baker Stores, and independent small businesses.

Kohler Co. is one of America's oldest and largest privately held companies, based in Kohler, Wisconsin. The company employs more than 31,000 associates on six continents, operates plants in 49 worldwide locations, and has dozens of sales offices around the globe. We are committed to preserving and creating jobs in the U.S., where more than half of our employees live and work.

Several of our current and potential source countries - Thailand, Philippines, Singapore and Indonesia - are members of ASEAN, the ten-member Association of Southeast Asian Nations that is collectively the United States' fourth largest export market. Thailand, for example, thrives in large part because of its biggest export partner is the United States.

Under the Enterprise for ASEAN Initiative (EAI) announced by President George W. Bush in October 2002, the U.S. Government is seeking to further strengthen U.S. trade and investment ties to ASEAN, both bilaterally and regionally. The Administration has been negotiating a Free Trade Agreement (FTA) with Thailand since 2003 under the premise that with many of Thailand's products already entering the U.S. market duty-free under the GSP, an FTA will make duty-free treatment a two-way street. What is implied here is that the GSP – or similar provisions – will remain.

Turkey is not nearly as well established in trading with the U.S. as Thailand. U.S. imports from Turkey amounted to $5.2 billion in 2005, approximately half of which are textiles. Kohler imports of vitreous china as toilets and sinks add up to just over one-tenth of 1% this amount. Two-way trade between the two countries was $9.5 billion in 2005. Keeping GSP benefits in place for Turkey encourages further trade with the United States.

At a minimum we request the continued duty-free treatment of vitreous china and stone flooring product. Far better is to extend the entire GSP program. In doing so, our nation grants not only market access, but legal access too. The implications of complying with a legal system cannot be underrated - it is the backbone for instituting institutional reform. With extremism and unrest growing in countries like Indonesia and Turkey, unemployment brought on by canceling the GSP will only fuel that flame. The promise of change is heard loud and clear among the disaffected – those without jobs, money, and few options. Employed workers throughout the world are good for the United States.

Encouraged by continued access to our markets and the possibilities that come with it, countries like Indonesia, Thailand and Turkey become consumers as well as producers. This clearly creates new opportunities for U.S. goods and services. Those opportunities enable improved quality of life, the rule of law and everything it enhances: better business, investment and consuming climates; improved infrastructure; better education; better health care; institutional reform; consumer rights; human rights; labor rights; environmental best practices; and so on. Prematurely ending the GSP provisions would cut short the important work of this development tool. It may negatively impact U.S. consumers through higher prices, and it will disable an important vehicle our government has for continuing free trade with bilateral agreements.

I urge you to extend the GSP program and its benefits for Argentina, Brazil, India, Indonesia, Russia, South Africa, Thailand, Turkey and the Philippines.

Sincerely,

David Kohler
Group President-Kitchen & Bath Group

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy

cc: Senator Russ Feingold
Senator Herb Kohl
Congressman Tom Petri
Herbert V. Kohler, Jr.

Kohler Co., Kohler, Wisconsin 53044 Founded in 1873 920-457-4441 Fax 920-459-1745 david.kohler@kohler.com
Import Duties

KOHLER.

David Kohler
Group President
Kitchen & Bath Group

August 31, 2006

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Import Duties

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I urge you to extend the GSP program and its benefits for Argentina, Brazil, India, Indonesia, Russia, South Africa, Thailand, Turkey and the Philippines.

Sincerely,

D. Kohler

David Kohler
Group President – K&B Group

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy

cc: Senator Russ Feingold
Senator Herb Kohl
Congressman Tom Petri
Herbert V. Kohler, Jr.

September 4, 2006

GSP SUBCOMMITTE
Office of the United States Trade Representative
USTR Annex, Room F-220,
1724 F Street, NW,
Washington, DC 20508

SUBJECT: 2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW
- HTSUS CODE #: 4202.92.04

Dear Sir/Madam:

Come September 5, 2006, USTR will be conducting a review regarding the cancellation of the GSP program to certain Beneficiary Developing Countries like the Philippines.

In behalf of our people, we would to ask your good office to kindly extend your assistance with regards to the planned graduation of the Philippine government from the GSP program.

We are DONG-IN ENTECH, with 5 manufacturing companies at Bataan Economic Zone area in Mariveles, Bataan, Philippines. We have been operating our business since 1995, and we have around 5,000 employees.

Our product lines include, Back Packs, Day Packs, Internal and External Frame Packs, Sit Harnesses, Child Carriers, Strollers, Hydration Packs, Luggage, Snow Shoes, Medical COT and other outdoor packs. Our main customers are the US, Europe, Canada, Japan, Korea and other countries. Almost 90% of our products are exported to the USA.

Among our product lines, Hydration Packs is our major product. We are exporting these to the US for Camelbak, who is the world leader in this industry. They have 85% market share and 90% of which are produced in the Philippines.

We are also producing these products for Kelty Packs, Inc. who holds 2% of the market share. Ultimate Direction is also our client who is also selling these products.

For over a decade, we have been producing and exporting our products to the US because of the GSP program. Our clients have been placing orders from us because of the benefits we and they got from the GSP. So it will really jeopardize our operation if such benefits will be taken away from us should the Philippines will be included in the countries that will be graduated from the GSP program.

In view of this, we would like to ask for your assistance and support of your good office to help on our plea for the reinstatement of the GSP program in the Philippines. We are very positive that you can help us be heard, so that the USTR may reconsider their plan to cancel or exclude the Philippines from being a beneficiary of the GSP program. Below are a few of the reasons why we feel GSP must be retained in the Philippines:

i. GSP program is one easily understood rule for all products (i.e., 35% value added, product requirement).
ii. Companies will experience more difficulties and more work to negotiate and administer separate FTAs than to maintain GSP. This includes training for Customs, the likelihood of fewer erroneous claims due to misunderstanding rules, etc.
iii. GSP is more flexible than individual FTAs affording the ability to graduate countries and/or products more easily than FTAs, possibly including countries and/or products which are obstructionist during multilateral trade negotiations (Doha).
iv. Disestablishing GSP in whole or in large part, and without the immediate substitution of FTAs, will provide a trade disadvantage to Philippines thereby creating a scenario of having a potential shifting of a major portion of dollars and jobs in other countries which is really bad considering the economic situation Philippines is experiencing.
v. Elimination of GSP will greatly affect the trade balance between Philippines and the US. As of now, US is benefiting from this trade balance.
vi. On economical point of view, compared to other countries that have been graduated out of GSP, Philippine economy is way too low compared to countries such as Singapore, Taiwan and South Korea to name a few. Below are the data that maybe considered to show that Philippines is not ready for the removal of its GSP benefits:

ECONOMIC STATUS OF COUNTRIES THAT HAVE GRADUATED FROM GSP PROGRAM IN 1987 (UNIT: BILLION $)

Country	GDP (Current Price) $	GDP World Share (P.P.P) %	GDP Growth Rate %	GDP Current Price $
S. Korea	140.110	1.037	11.10	3,366.27
Taiwan Province of China	105.658	0.729	12.70	5,356.55
Singapore	20.571	0.011	9.80	7,413.51
Hong Kong SAR	50.466	0.324	13.40	9,016.06

Above data where from the International Monetary Fund Site

ECONOMIC STATUS OF COUNTRIES THAT ARE CONSIDERED FOR GRADUATION FROM GSP PROGRAM BASED ON 2005 DATA (UNIT: BILLION $)

Country	GDP (Current Price) $	GDP World Share (P.P.P) %	GDP Growth Rate %	GDP Current Price $
Argentina	181.662	0.874	9.20	4,802.08
Brazil	792.683	2.581	2.30	4,315.70
Croatia	37.553	0.093	4.10	8,345.13
India	775.410	5.949	8.30	775.41
Indonesia	276.004	1.600	5.60	1,258.98
Kazakhstan	56.088	0.206	9.40	3,716.94
Philippines	97.653	0.679	5.10	1,159.21
Romania	98.566	0.312	4.10	4,539.20
Russia	766.180	2.580	6.40	5,369.17
South Africa	239.144	0.934	4.90	5,099.94
Thailand	168.774	0.892	4.40	2,576.88
Turkey	362.461	0.932	7.40	5,061.99
Venezuela	132.848	0.268	9.30	5,026.41

Above data where from the International Monetary Fund Site

As shown on the above data, Philippine GDP is too low compared to the GDP of those countries that have graduated considering the fact that the data shown has 18 years difference.

vii. It should be taken into consideration that programs like GSP, all FTAs and most other trade preference programs are very much needed to aid Philippine economy.

These are just a few of the reasons why we need to maintain GSP program in the Philippines.

Just like other companies which are benefiting from GSP program, our people and our company's future depends on GSP. As you may know, one of the main reason why are receiving orders from our clients is due to GSP. So, if GSP program will be removed in Philippines, we will surely run out of business and so many people's lives will be greatly affected.

Our main concern is our employees. For more than a decade, their livelihood depended on us. We have stayed in Philippines despite the pressure on moving to other countries due to cost and economic reasons, because we love our people.

Bataan is a remote area in Luzon, where fishing and farming is the main source of income. And through the jobs that have opened for them through the companies in Economic Zone, their livelihood got better. Most of the companies in our areas are running through the help of the GSP program. We can just imagine how greatly affected these people lives will be if companies like us will close as we can not get orders to keep our company running.

We do agree and support the policy and aim of the USTR, but we really hope that our plea to retain the GSP program in the Philippines will be taken with great consideration. And through your help, we hope that this will given to us.

Thank you very much for your kind assistance. And more power to you.

Very truly yours,

IN SOO JUNG
President

Supports India, Indonesia,
Philippines, Romania,
South Africa, & Thailand
Costume jewelry

From: fjta@aol.com
Sent: Friday, September 01, 2006 10:43 AM
To: FN-USTR-FR0052
Subject: Request for public comments

Office of the United States Trade Representative:

We are attaching our answer to your request for public comments regarding certain GSP beneficiaries of waivers.

Thank you for your attention.

Michael Gale
Executive Director
Fashion Jewelry Trade Association
FJTA@aol.com

August 17, 2006

Office of the United States Trade Representative
USTR Annex Room F-220
1724 F. St.
Washington, DC 20508

Re: GSP Initiation of Reviews and request for Public Comments

Dear Sir or Madam:

On behalf of its members, the Fashion Jewelry Trade Association ("FJTA") appreciates the opportunity to provide background information from our industry and.our answer to your request for comments
The FJTA is a trade association of manufacturers and importers of fashion jewelry, also known as costume jewelry.

There are many components used in the manufacturing of fashion jewelry that are not available in the United States. These materials come from India, Indonesia, Philippines, Romania, South Africa and Thailand. In addition members of the fashion jewelry industry import finished jewelry products from these countries.

We understand that changes in the GSP status of these countries is being considered.
If waivers for these countries are eliminated the cost of materials and products from these countries would rise to a substantial extent. This would require the United States firms that manufacture and sell fashion jewelry to raise their prices.

Such price increases could adversely affect the sales of fashion jewelry for our members and the retailers they supply. This action could precipitate a loss of business and therefore a loss of tax revenue to our government. There could also be a loss of jobs in the United States. This would also result in a loss of tax revenue to state and the federal government. In addition there could be an increase in unemployment benefits and public assistance expense.

We appreciate your office's consideration of this information. If you have any questions, I can be reached at 401-295-4564 or fjta@aol.com.

Very truly yours,

Michael Gale
Executive Director

PUBLIC VERSION

Comments of The Home Depot to the GSP Subcommittee of the Trade Policy Staff Committee re: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

September 14, 2006

Submitted by:

The Home Depot
2455 Paces Ferry Road
Atlanta, GA 30339
Contact: Kerry Shultz
Tel. 770/433-8211, ext. 83951
Fax. 770/384-3037

Comments of The Home Depot to the GSP Subcommittee of the Trade Policy Staff Committee re: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

September 14, 2006

These comments are submitted by The Home Depot in accordance with the *Federal Register* announcement of August 8, 2006 (Volume 71, Number 152) by the GSP Subcommittee of the Trade Policy Staff Committee (TPSC) regarding the Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments.

In 2005, Home Depot imported from [***]

Home Depot's imports from GSP beneficiary countries in 2005 included:

[***]

The specific products by GSP beneficiary country of origin are as follows:

[***]

[***]

[***]

[***]

About The Home Depot

At the end of the first quarter, The Home Depot operated a total of 2,051 retail stores, which included The Home Depot stores with 1,807 stores in the United States (including the Commonwealth of Puerto Rico and the territory of the U.S. Virgin Islands), 141 stores in Canada, and 56 stores in Mexico. The company also operates 34 EXPO Design Centers, 11 The Home Depot Landscape Supply stores, and two The Home Depot Floor Stores. Through its Home Depot Supply^SM businesses, The Home Depot is also one of the largest diversified wholesale distributors in the United States, with more than 900 locations, including 10 Contractors' Warehouse locations, in the United States and Canada offering products and services for building, improving and maintaining homes, businesses and municipal infrastructures.

The Company employs approximately 355,000 associates and has been recognized by FORTUNE magazine as the No. 1 Most Admired Specialty Retailer and the No. 13 Most Admired Corporation in America for 2006. The Home Depot's stock is traded on the New York Stock Exchange (NYSE: HD) and is included in the Dow Jones industrial average and Standard & Poor's 500 index.

[***].

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A PROFESSIONAL CORPORATION
THREE EMBARCADERO CENTER, SUITE 1160
SAN FRANCISCO, CALIFORNIA 94111
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September 5, 2006

GEORGE R. TUTTLE
CARL D. CAMMARATA
STEPHEN S. SPRAITZAR
GEORGE R. TUTTLE, III
GARY L. GRAFF, Of Counsel

GEORGE R. TUTTLE
(415) 288-0425
E-mail *grt@tuttlelaw.com*

FILE REFERENCE NO.
2699

The GSP Subcommittee
Office of the United States Trade Representative
USTR Annex, Room F-220
1724 F Street NW
Washington, DC 20508

Re: *Federal Register* Notice of August 8, 2006, Relating to the Request for Public Comments Regarding the Graduation of The Philippines & Thailand as GSP Beneficiary Developing Countries

Dear Sir:

These comments are submitted in response to the above-referenced *Federal Register* notice, which describes the potential graduation or extension of GSP to the Philippines and to Thailand. These comments in favor of the continuation of GSP eligibility for these two countries are filed on behalf of Hitachi Global Storage Technologies, located in San Jose, California. This company imports glass disks used in the manufacture of disk drive storage units. These glass disks are manufactured in the Philippines by Hoya Glass Disks Philippines, Inc. and in Thailand by Hoya Glass Disk Thailand, Ltd.

The trade policy staff of the Office of the Trade Representative has requested public comment to be filed to evaluate and report to Congress whether the eligibility of certain beneficiary companies should be changed to be consistent with the statutory criteria authorizing GSP because of the economic advancement of these countries.

The continuation of the GSP eligibility of the glass disks will contribute to the long-term economic development of the Philippines and Thailand and the advancement of the skills of their factory personnel. These glass disks are manufactured to precise tolerances, utilizing complex processing equipment requiring the use of skilled labor.

Although the Philippines and Thailand have developed economically, the competitiveness of these countries against other lower wage Asian countries, such as China and Vietnam, must be maintained on a long-term basis. The continuation of GSP eligibility of the glass disks is an offset against these lower competitive wages; the removal of GSP will result in the loss of this economic benefit to these countries.

Finally, although a formal free trade agreement is under negotiation between the United States and Thailand, no time of completion has been established when that agreement will take effect. In January 2006 the Special Trade Representative indicated that significant work needed to be completed before the agreement was finalized. Hence, Thailand should continue as a GSP eligible country while this agreement is under negotiation. As no agreement is under negotiation with the Philippines, the GSP benefits should continue for this country.

Very truly yours,

Law Office of
GEORGE R. TUTTLE
A Professional Corporation

/s/ George R. Tuttle
By: ______________________________
George R. Tuttle
grt@tuttlelaw.com

cc: Hitachi Global Storage Technologies, Inc.

September 5, 2006
CamelBak LLC
1310 Redwood Way, Suite C
Petaluma, Californian 94954

Marideth J. Sandler
Chairman, GSP Subcommittee
Office of the United States Trade Representative
USTR Annex, Room F-220
1724 F. Street, N.W.
Washington, D.C. 20508

Re: 2006 GSP Eligibility and CNL Waiver Review:
Federal Register Notice of August 8, 2006

Dear Ms. Sandler:

On August 8, 2006, the Office of the United States Trade Representative [USTR] published a Notice in the Federal Register (Vol. 71 Fed. Reg. No. 152 at Page 45079) requesting comments from the public on the eligibility, under the Generalized System of Preferences [GSP], of certain Beneficiary Developing Countries [BDCs]. Specifically, USTR requested comments on whether to limit, suspend, or withdraw the GSP eligibility of those BDCs for which the total value of U.S. imports under GSP exceeded $100 million in 2005, and (a) which the World Bank classified as an upper-middle-income economy in 2005; or (b) that accounted for more than 0.25 percent of world goods exports in 2005. Camelbak LLC currently imports products from the Philippines, which was identified in the subject Notice as a candidate for graduation from the GSP program. CamelBak is filing its comments regarding this action in this Submission.

I. CAMELBAK AND THE HANDS-FREE HYDRATION SYSTEM INDUSTRY:

CamelBak was born in Texas in 1989 when a former paramedic and novice cyclist, returning from his first one hundred mile bicycle race, decided to find an alternative to reaching for a water bottle mounted in his bicycle frame. He attached medical tubing to an I.V. bag, stuffed the bag into a sock, and sewed the sock to the back of a t-shirt. He dubbed the contraption the CamelBak for its hump-like shape on a cyclist's back. As the importance to proper hydration became more widely known, adoption of CamelBak's Hands-free Portable Hydration Systems grew. Today, CamelBak, headquartered in Petaluma, California, is the world's largest producer and importer into the United States of Hands-free Portable Hydration Systems.

Hands-free Portable Hydration Systems enable persons engaging in strenuous physical activities to stay hydrated by providing easy access to fresh water while allowing them use of their hands. CamelBak's early adopters were mountain bikers and motocross riders that needed the ability to hydrate without taking their hands off of the handlebars in technical terrain. CamelBak's R&D team has continued to refine and add features to the basic design to adapt it to specific activities include cycling, mountain-climbing, hiking, running, skiing, fire fighting, soldiering and law enforcement activities. In fact, a significant number of U.S. troops in Iraq, Afghanistan, etc. are equipped with CamelBak's Hydration Systems to permit them to properly hydrate themselves. Because of their specialized design and characteristics, Hands-free Portable Hydration Systems are recognized in the trade and commerce of the United States as being unique products, which are distinct from backpacks, canteens and other articles.

Hands-free Portable Hydration Systems are sold principally through stores specializing in outdoor activities, such as REI and Hudson Bay Outfitters, etc. Additionally, Camelbak maintains a Government, Military, and Industrial [GMI] division which designs and sells Hands-free Portable Hydration Systems directly to the military, law enforcement and other government agencies. Much additional material concerning the history, construction and uses of Hands-free Portable Hydration Systems can be viewed on Camelbak's website, www.camelbak.com.

Companies other than Camelbak manufacture, import or market Hands-free Portable Hydration Systems. To the best of Camelbak's knowledge, production of Hands-free Portable Hydration Systems and/or parts thereof is limited to the following countries: Philippines, China, Mexico, Vietnam and Sri Lanka. Of these countries, only the Philippines and Sri Lanka are GSP BDCs, with the Philippines producing an overwhelming proportion (over 90%) of those hands-free portable hydration systems which currently benefit from GSP.

Camelbak invented Hands-free Portable Hydration Systems and has numerous patents on various aspects of these products. Today it is the worldwide leader in the production and marketing of Hands-free Portable Hydration Systems, with approximately an 85 percent share of the market, as detailed in the chart below:

Manufacturer	Origin	Market Share
1. Camelbak	Philippines	85%
2. HydraPak	China	3%
3. Kelty	Philippines	2%
4. Outdoor Products	China	2%
5. High Sierra	China	1%
6. Cascade/Platypus	Mexico	1%
7. Platypus	Unknown	1%
Total		**95%**

Remaining 5%

1. Blackhawk	Vietnam
2. Coleman	Unknown
3. Columbia	China
4. DaKine	Vietnam
5. Deuter	Unknown
6. GoLite	Unknown
7. Gregory	China
8. Lowe Alpine	Vietnam
9. MountainSmith	Vietnam
10. MSR	Unknown
11. Nalgene	China
12. Source	China
13. Stansport	Unknown
14. The North Face	Sri Lanka
15. Ultimate Direction	Philippines

II. **GSP ELIGIBILITY CRITERIA:**

Pursuant to 19 U.S.C. §2462(d)(1), in determining whether the President should withdraw, suspend or limit the application of GSP benefits to BDCs, the factors set forth in 19 U.S.C. §§2461 and 2462(c) must be taken into consideration and include the following:

1. The effect such action will have on furthering the economic development of developing countries through the expansion of their exports

2. The extent to which other major developed countries grant GSP benefits

3. The anticipated impact of such action on United States producers of like or directly competitive products

4. The extent of the beneficiary developing country's competitiveness with respect to eligible articles

5. The level of economic development of the country involved, including its per capita gross national product, the living standards of its inhabitants and any other economic factors which the President deems appropriate

6. The extent to which a country provides to the United States equitable and reasonable access to its markets and commodity resources, and the extent to which it refrains from unreasonable export practices

7. The extent to which a country provides protection of intellectual property rights

8. The extent to which a country has taken to reduce trade distorting investment practices and to reduce barriers to trade in services

9. Whether a country has taken or is taking steps to afford workers internationally recognized worker rights

In its August 8 Federal Register Notice, USTR cites only criteria 1, 4 and 5 above. In the Supplementary Information section of the Federal Register Notice, USTR also specifically requests comments on whether countries should be graduated from the GSP Program on the basis of the following criteria which are met by the Philippines:

10. BDCs having total U.S. imports under the GSP program in excess of $100 million, and

11. Which the World Bank classified as an upper-middle-income economy in 2005, or

12. Which accounted for more than 0.25 percent of world goods exports in 2005.

III. EFFECT ON EXPANSION OF EXPORTS FROM THE PHILIPPINES AND ITS COMPETITIVENESS FOR HANDS-FREE PORTABLE HYDRATION SYSTEMS:

The effect of graduating the Philippines from the GSP Program will be devastating to the expansion of Hands-free Portable Hydration System exports from that country. Hands-free Portable Hydration Systems are currently classified in Subh. 4202.92.04, HTSUS[1]. This provision, which was written specifically to permit Hands-free Portable Hydration Systems to receive GSP benefits, carries a "General" or "NTR" rate of duty of 7% *ad val.*

Adding an additional 7% to the cost of these products will force Camelbak to reconsider the country[s] of manufacture from which it sources these products. Assuming that the Philippines, as well as the other countries listed in USTR's <u>Federal Register</u> Notice, are graduated from the GSP Program, the only other current GSP BDC which is known to produce any quantity of Hands-free Portable Hydration Systems is Sri Lanka. Camelbak does not consider Sri Lanka to be a viable source for its products for several reasons, including but not limited to the lack of adequate production facilities, the cost of production for our products relative to other countries, geographic and logistical considerations, stability of its government, etc. Should the Philippines be graduated from GSP, rather than producing our products in a GSP BDC, CamelBak will be forced consider sourcing its products, particularly in the case of recreation products, from China, or Vietnam, which clearly have the capacity to produce CamelBak's goods, are geographically and logistically well-suited to do so, and can produce them at a duty-paid cost equal or less than the duty-free cost from the Philippines.

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[1] This provision reads as follows:

		General	Special
	Insulated food or beverage bags:		
	With outer surface of textile materials:		
4202.92.04	Beverage bags whose interior incorporates only a flexible plastic container of a kind for storing and dispensing potable beverages through attached flexible tubing	7%	Free (A,AU,CA,CL,E.IL, J,JO,MX.SG) 6.2% (MA)

As is evidenced from the list in Section I of this submission, Camelbak is by far the major importer of Hands-free Portable Hydration Systems from the Philippines. CamelBak's supplier, DONG-IN ENTECH, INC. (with offices and factory located at Mindanao Avenue, Phase 2 BEZ, Mariveles, Bataan, Philippines) employs approximately 1,600 workers in the manufacture of CamelBak's hydration systems. Bataan is a remote area in Luzon, where fishing and farming is the main source of income. All 1,600 jobs would be in immediate jeopardy if the Philippines is graduated from the GSP program. In addition, Dong-In has four more sister companies, also located in the BEZ area in Bataan, that employee 3,400 employees. Approximately 80% of the sister factory production is exported to the U.S. and much of this business is dependent upon the GSP program to remain competitive in U.S. markets. As you can see, loss of GSP for the Philippines will be economically devastating for this area. In this instance, the GSP program is working as intended and has improved the economy of this region within the Philippines, while enabling U.S. based companies such as CamelBak to successfully compete in the market place. Graduation of the Philippines from GSP will not only severely impact the Philippines, it will also and force redeployment of production to other regions such as China or Vietnam. In addition, CamelBak may also be forced to look for other cost reduction avenues, for example, ceasing use of U.S.-origin nylon yarn now used in many products, which is produced by Invista in Chattanooga, Tennessee.

As illustrated above, the consequences of graduating the Philippines from the GSP Program will have the unintended outcome of benefiting one the United States' major trade rivals, while adversely affecting the Philippines and U.S. based companies like CamelBak and Invista.

IV. THE LEVEL OF ECONOMIC DEVELOPMENT IN THE PHILIPPINES:

In the past, countries other than those listed in the current Federal Register Notice have been graduated from the GSP Program. For example, in 1988, Bahrain, Bermuda, Brunei Darussalam and Nauru were graduated from GSP, and in 1989, the four so-called

"Asian Tigers," Hong Kong, Taiwan, Singapore and South Korea, were graduated. In commenting on the graduation of the four Asian Tigers, USTR stated, as follows:

> The President decided on January 29, 1988 to 'graduate' (i.e., remove) four participants (Hong Kong, the Republic of Korea, Singapore and Taiwan) from the GSP, because of their remarkable advancements in economic development and their recent improvements in trade competitiveness. The President took this action after examining a broad range of economic development and competitiveness indicators, including their per capita gross national product, their economic growth rates and their ability to export manufactured goods into the United States.[2]

In all these instances, the countries were graduated from the GSP Program because they had achieved "high income" status, which requires mandatory graduation from the GSP Program, or had otherwise achieved remarkable levels of economic development. In 1988, the high income status was $8,763 per capita. In 1990 it was $10,405 and in 2005 it is $10,066. According to the World Bank, in 2004 the Philippines had a per-capita income level of only $1,170, which is only a small fraction of the threshold limit for mandatory graduation under 19 U.S.C. §2462(e). Furthermore, unlike the other countries which were previously graduated from the GSP Program, the Philippines has not achieved "remarkable" levels of economic development, economic growth or the ability to export manufactured goods to the United States. Under these circumstances, there is no factual basis for graduating the Philippines from the GSP Program.

In its Federal Register Notice, rather than citing "high income" status or remarkable economic development as requirements for graduation, USTR solicited comments on the three criteria in Items 10 through 12 in Section II of this submission. While it is certainly permissible for USTR to use criteria reasonably related to a country's economic development to ascertain its status as a possible BDC under the GSP Program, USTR did not discuss how it chose any of these three new criteria and did not relate their significance to any individual country's continued designation as a GSP BDC.

[2] A Guide to the U.S. Generalized System of Preferences, Office of the United States Representative (October 1988) at Page xi.

Reviewing these three new criteria, it clearly appears that two of them (e.g. exports under the GSP Program in excess of $100 million and exports which accounted for more than 0.25 percent of all world exports in 2005) have little to do with a country's level of economic development or competitiveness. Rather, these criteria appear to impose unreasonably low-level monetary limits on the use of GSP as a condition precedent for a country to be designated as a BDC.

Similarly, the use by USTR of a country's classification by the World Bank as an upper-middle-income economy deviates from the traditional "high income" or remarkable level of economic development and competitiveness standard previously used for purposes of graduation. As a result of the above, through its Federal Register Notice, USTR has advised the public, without any discussion or analysis that, contrary to the criteria it has used to graduate countries in the past, in the future a much lower level of economic development and competitiveness will be used to graduate countries from the GSP Program. The USTR has altered the ground rules upon which the GSP has been administered, and as a result, is creating an unstable business environment for U.S. based companies involved with importing from the affected BDCs. Such actions will result in undesirable outcomes not anticipated by USTR and not in the interest of the United States. Specifically, CamelBak believes that before graduating the Philippines from the GSP Program, USTR should explain to the import/export community the rationale for this change from the previous standards used for graduation and articulate the expected outcome of these changes.

V. **GENERAL CONSIDERATIONS:**

1. History and Purpose of the GSP Program:

During the mid-1960s the industrialized nations of the world thought how best to assist developing countries to grow industrially, agriculturally and in world trade. Under the auspices of the United Nations, industrialized nations such as Japan, the Common Market [now the European Union], the United States, Canada, and others, agreed to provide “preferential treatment” to goods manufactured in and imported from developing countries. The United States was the last major industrialized nation to initiate a GSP program, which occurred after passage of the Trade Act of 1974.

The U.S. GSP Program has been highly successful in assisting BDCs to increase their exports for several reasons, which include but are not limited to the following:

- Unlike the numerous bilateral Free Trade Agreements to which the U.S. is a party, the U.S. GSP Program contains only one set of easily understood and easily administered rules which apply to all eligible goods and which must be met before goods qualify for duty-free treatment. These rules can be summarized as including a 35% value-added requirement, a “product of” requirement which mandates that goods originate in the BDC, and a “direct shipment” rule, requiring that goods be shipped directly from the BDC to the U.S. In contrast, the multiple individual rules contained in FTAs such as NAFTA are difficult to understand, difficult to comply with, and difficult for U.S. Customs and Border Protection to administer.

- The GSP Program is generally more flexible than are individual FTAs. For example, under GSP individual articles can more easily be added or deleted at the discretion of the U.S. than under FTAs. Under FTAs, changes in rules of origin cannot generally be made at the discretion of the U.S. and must be the subject of negotiations between the parties. Moreover, under the GSP Program, the U.S. can add criteria for qualification as has been done in the past with respect to issues like internationally recognized worker rights, intellectual property rights, cooperation with the U.S. on terrorism-related matters, etc.

- Up to now, it has been the intent of the United States to provide incentives to developing countries to increase their level of economic development and competitiveness, and their ability to export goods to this country. If this is still the goal, the only alternative to GSP is for the U.S. to negotiate FTAs with individual countries on a bilateral basis. In Camelbak's opinion, substituting FTAs for GSP is not good trade or administrative policy because it replaces a single program applicable to most or all BDCs with a multitude of different programs with voluminous and not easily understood rules. Moreover, the negotiation of individual FTAs as a potential substitute for GSP requires substantially more work by the U.S. Government and will be more difficult for the U.S. to administer, and will not provide enhanced benefits to either BDCs, the U.S. or the import/export community.

- Up to now, BDCs have been graduated from the GSP Program when they have met or exceeded the "high income" or remarkable economic development criteria previously utilized by USTR. If this practice is discontinued or reversed without substituting some preference program in its place, there will be three results, none of which are desirable. First, graduating the BDCs proposed by USTR without the immediate substitution of FTAs in its place will harm all of these countries. Second, the proposed graduation will principally benefit one country, China, and perhaps a few others such as Vietnam. Finally, graduating the Philippines and the other countries named in the Federal Register Notice is not likely to result in increased imports from any of the Least Developed Developing Countries [LDDCs].

2. USTR should not use factors extraneous to those in 19 U.S.C. §2461 *et seq.* in determining the future GSP status of current BDCs:

A Press Release dated August 7, 2006 announcing the current GSP review, contains a quotation from the U. S. Trade Representative which states, in pertinent part, as follows:

> One of the concerns that Congress has raised is that GSP benefits go largely to a few countries, while many developing countries are not trading much under the program. We want to ensure that we are operating the program as Congress intended.

As previously demonstrated, the elimination of some current BDCs from the GSP Program is likely not to result in other BDCs, and particularly LDDCs, benefiting more from the Program than they do currently. Rather, countries such as China, or Vietnam, are much more likely to benefit from such action.

Moreover, with respect to the GSP Program operating as Congress "intended," Camelbak has searched the legislative history of the GSP Program and has located nothing discussing a concern by Congress that benefits not go largely to a few countries. Camelbak is mindful that circumstances may dictate a re-examination of which countries benefit from the GSP Program. However, the imminent expiration of the GSP Program on December 31, 2006; the expiration of so-called "fast-track" negotiating authority granted by Congress to the President; the collapse of the Doha Round of Multilateral Trade Negotiations; and the recent statements by Congressmen and Senators concerning the continuation of the GSP Program and/or which countries should be designated as BDCs thereunder, etc., should have no effect whatsoever on which countries continue to be named as BDCs.

Rather, if Congress wishes to change the standards for qualifying as a BDC under the GSP Program, it should do so by enacting a new law. At that point, the public will advise its Congressional representatives of how to proceed. However, in the absence of Congressional direction in the form of a new law, or of any legislative history indicating a concern by Congress that benefits not go largely to only a few countries, Camelbak respectfully submits that it is improper for USTR to consider any of these factors in determining whether or not to graduate any country or group of countries from the GSP Program. Rather, USTR should confine its consideration exclusively to those factors currently listed in 19 U.S.C. §2461 *et seq.*, most of which purposely concern the degree of economic development and competitiveness attained by BDCs.

VI. **CONCLUSION AND SUGGESTIONS FOR IMPROVING THE GSP PROGRAM:**

Camelbak respectfully submits that the Philippines should not be graduated from the GSP Program because the Philippines is not sufficiently economically developed or competitive to justify or support such action. Moreover, graduating the Philippines is not likely to result in increased usage of the GSP Program by other BDCs, and particularly LDDCs, most or all of which lack production capacity, the necessary geographical and logistical ability to get products to market, stable governments, etc. Rather, the only countries which are likely to gain from the proposed action are China and Vietnam. Further, U.S. firms like CamelBak will be negatively impacted by this change.

It also appears from the Notice which USTR had published in the Federal Register and from the related USTR Press Release concerning this matter that, rather than being interested in the level of economic development and competitiveness achieved by developing countries, the U.S. is principally interested in curbing the number of GSP BDCs to insure that certain BDCs are not responsible for what USTR and some Congressmen regard as a disproportionate use of the Program. Because there is nothing in either the GSP statute or its legislative history regarding this criterion, it is not legitimate for USTR to use it or similar non-relevant matters in determining the GSP status of any country or group of countries.

Camelbak respectfully suggests that if USTR and the Congress wish to assist developing countries, instead of graduating them for new extra-legal reasons, the Program should be strengthened. This can be accomplished by Congress by:

- Making the GSP Program permanent, just like every FTA. Making the GSP Program permanent without need for renewal every few years, will enhance predictability for BDCs and the entire import/export community.

- Adjusting the criteria for being designated as a GSP BDC as necessary. In considering such a change, Congress is certain to have the benefit of input from all who may be affected, including potential BDCs, the import/export community, and the industries which service the import/export community.

Your courtesies in considering the above comments are greatly appreciated.

Very truly yours,

Marty ODonohue
CEO, CamelBak LLC

Sent 9/5/2006 by e-mail to FR0052@USTR.EOP.GOV, with a signed hard copy sent overnight to Ms. Sandler's address listed above.

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September 4, 2006

Office of the United States Trade Representative
USTR Annex, Room F-220
1724 F Street
NW, Washington D.C. 20508

Subject: 2006 GSP Eligibility and CNL Waiver Review
HTSUS 96131000

Calico Brands. Inc. is pleased to submit the following comments in response to the U.S. Federal Register Notice dated August 8, 2006 on the Eligibility of certain GSP Beneficiaries and existing Competitive Need Limitation (CNL) Waivers.

Calico Brands is a major distributor of cigarette lighters in the United States. Swedish Match in the Philippines manufactures one of the brands that Calico distributes. This brand is called “Cricket”.

Cricket lighters manufactured in the Philippines are one of the highest quality in the lighter industry. They are sold by Calico Brands in the United States as part of a Good, Better, Best approach to the market place. The Cricket brand represents the "Best" category for Calico. The lighters are molded of Nylon making them the strongest lighter on the market and a lighter that can resist very high temperatures. There simply is no higher quality lighter being manufactured in the world. To achieve this quality standard Cricket lighters must be made by robotics and automation to insure a consistent high quality. The materials used such as Nylon are more expensive that those of cheap lighters made of ABS coming from Asia. The dangers of cheap hand-made lighters from other countries in Asia have prompted the decision by the CPSC to pass a mandatory standard in the USA for cigarette lighters to protect consumers from needless injuries and even death.

The higher costs of manufacturing Cricket by automation and robotics and high-grade materials make the Cricket lighter very expensive compared to other lighters available throughout the world. Calico is successful in selling the Cricket lighter based on its high quality and superior safety record at higher prices but only to a point. The loss of the GSP benefits would adversely impact the current costing of Cricket lighters to Calico Brands from Swedish Match in the Philippines. The result would be drastic reductions in sales volumes of Cricket brand lighters which would result lower profits and ultimately eventual cut backs in Calico employment. Cricket was the original disposable lighter in the United States with a very long history and losing the GSP privileges actually could lead to a loss of this icon in the disposable lighter Industry.

Calico Brands strongly urges the Office of the United States Trade Representative against the elimination or reduction of the Philippines' GSP benefits.

Thank you for the opportunity to submit comments.

Sincerely,

Felix Hon
President
Calico Brands, Inc.

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September 5, 2006

BY ELECTRONIC MAIL

GSP Subcommittee
Trade Policy Staff Committee
Office of the U.S. Trade Representative
1724 F Street, N.W., Room F220
Washington D.C. 20508

Re: ***Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers***

To the Subcommittee:

The attached comments in response to the "Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers," with exhibits included in an accompanying document, are submitted on behalf of the American Watch Association ("AWA"). Please contact the undersigned if there are any questions concerning this submission.

Respectfully submitted,

/s/

David R. Grace

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BEFORE THE GENERALIZED SYSTEM OF PREFERENCES SUBCOMMITTEE
TRADE POLICY STAFF COMMITTEE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

SEPTEMBER 5, 2006

I. Introduction

The American Watch Association ("AWA") submits these comments to the Trade Policy Staff Committee ("TPSC") of the Office of the United States Trade Representative ("USTR") in response to the "Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers" contained in USTR's *Federal Register* notice published on August 8, 2006 ("FR Notice").[1]

The notice states that the TPSC is continuing its assessment of

> "whether the Administration's operation of the [GSP] program should be changed so that benefits are not focused on trade from a few countries and that developing countries that traditionally have not been major traders under the program receive benefits."[2]

To that end, the TPSC has requested comments as to

> "whether major beneficiaries of the program have expanded exports or have progressed in their economic development within the meaning of the statute to the

[1] 71 Fed. Reg. 45079-45080 (Aug. 8, 2006).

[2] FR Notice at 45079.

> extent that their eligibility should be limited, suspended, or withdrawn, pursuant to section 502(d) of the Trade Act of 1974 (19 U.S.C. 2462(d))."[3]

The TPSC identified 13 major GSP beneficiary countries, including the Philippines, that warranted being the focus of this review. The full list of countries consists of Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey, and Venezuela.

In determining whether the GSP eligibility of these countries should be limited, suspended, or withdrawn, the TPSC cites three statutory criteria: (1) the effect such action will have on furthering the economic development of other developing countries through the expansion of their exports; (2) the extent of the beneficiary developing country's competitiveness with respect to the eligible articles; and (3) a country's level of economic development, including its per-capita gross national product, the living standards of its inhabitants, and any other economic factors which the President deems appropriate.

Based on an analysis of these factors, the AWA believes that there is a basis for limiting the GSP eligibility of the 13 beneficiary countries, including the Philippines, that are subject to this review.

II. American Watch Association

The AWA is an association of more than fifty companies organized and doing business within the United States that are engaged in the manufacture, assembly, and importation of watches, watch movements, and watch products.[4] These watch products are sold in the United

[3] Id.

[4] AWA members include the firms that market such well-known brands as Accutron, Anne Klein, Audemars Piguet, Baume & Mercier, Belair, Bertolucci, Breguet, Breitling, Bulova, Cartier, Casio, Chopard, Christian Dior, Citizen, Cyma, Ebel, Tag Heuer, Longines, Lorus, Lucien Piccard/Arnex, Noblia, Omega, Perry Ellis, Pulsar, Rado, Raymond Weil, Richoh, Tolex, (continued…)

States and in markets throughout the world. Accordingly, the AWA, through its member companies, has a significant economic interest in the subject matter of duty-free treatment of watches.

As noted in the discussion below, the AWA has special concerns about the Philippines, which is a major producer of watches and which sought, but failed to achieve, GSP eligibility for its watch products during the most recent GSP review.[5]

III. As GSP Imports from the Thirteen GSP Beneficiary Countries Under Review Are Growing Rapidly and Are Highly Competitive, Limitation on the GSP Eligibility of these Countries Would Benefit the Economic Development of the Other Developing Countries

A. GSP Imports from the Thirteen Countries Under Review Are Growing Very Rapidly Compared to GSP Imports from Other Beneficiary Countries

The competitiveness of the GSP imports from the 13 countries under review is indicated by the fact that, as a group, they are growing rapidly and dominate U.S. GSP eligible imports from all beneficiary country sources. As shown in Exhibit 1, the Customs value of non-petroleum, GSP imports from these countries increased from $10.0 billion in 2001 to $18.8 billion in 2005. Thus, during the period from 2001 to 2005, non-petroleum, GSP imports from the 13 countries under review increased by 88.6 percent. The growth was consistent as the imports from these 13 countries rose in every year of the period at a compound average annual rate of 17.1 percent.[6] (See Exhibit 1.) Rapid growth of GSP imports from these countries

Seiko, Sutton, Swatch, Tissot, Vacheron Constantin, and Wittnauer.

[5] 71 Fed. Reg. 38190 (July 5, 2006) and http://www.ustr.gov/assets/Trade_Development/Preference_Programs/GSP/asset_upload_file401_9601.pdf ("2005 Results List").

[6] The value of GSP imports from the 13 countries under review increased in each of the years during this five-year period, rising 13.1 percent from 2001 to 2002, 18.2 percent from 2002 to 2003, 21.4 percent from 2003 to 2004, and 16.3 percent from 2004 to 2005.

continued during the January-June 2006 period with an increase of 15.4 percent, as compared to the comparable 2005 part-year period.

The Philippines participated in this import growth. Imports from Philippines under the GSP program totaled $676 million in 2001 and grew to $1 billion in 2005, an increase of 49.1 percent. GSP imports from the Philippines increased during each year of this period, rising 4.7 percent from 2001 to 2002, 26.4 percent from 2002 to 2003, 8.0 percent from 2003 to 2004, and 4.3 percent from 2004 to 2005, for a compound average annual growth rate of 10.5 percent. This growth continued during the January-June 2006 part-year period with a further increase of 14.7 percent above the level from the corresponding period in 2005.

In contrast, the Customs value of non-petroleum, GSP eligible imports from the 164 other beneficiary countries and territories ("countries") <u>fell</u> from $2.9 billion in 2001 to $2.1 billion in 2005, for a decline of 29.1 percent. During the January-June 2006 part-year period, GSP imports from these countries increased, but by only 3.7 percent.

B. The Competitiveness of GSP Imports from the Thirteen Countries Under Review Account for a Large and Increasing Share of Total U.S. GSP Imports

The competitiveness of the GSP imports from the 13 countries under review is also illustrated by the fact that, as a group, they account for a large and increasing share of total U.S. non-petroleum, GSP imports. As detailed in Exhibit 2, GSP imports from these 13 countries rose from 77.2 percent of total non-petroleum, GSP imports in 2001 to 90.0 percent in 2005. That share increased still further to 91.2 percent during the January-June 2006 period.

In contrast, the share of GSP imports from the other 164 beneficiary countries progressively declined over the same period. In 2001, these countries accounted for 22.8 percent of total non-petroleum, GSP imports. By 2005, however, these 164 countries provided only 10.0 percent of the total non-petroleum, GSP imports into the United States. During the first six months of 2006, these countries' share of such GSP imports fell still further, to a mere 8.2 percent.

These data suggest that GSP imports from the 13 countries under review have increased at the expense of GSP imports from the remaining 164 beneficiary countries. For example, the data suggest that, if the 13 countries under review had not increased their share of total GSP imports, but rather simply maintained the 77.2 percent share of GSP imports held in 2001, the imports from the other beneficiary countries might have increased to provide these goods such that their GSP imports would have more than doubled, increasing by more than $2 billion by 2005. The fact that imports from the 13 countries under review increased while imports from the remaining 164 countries actually declined suggests that the GSP imports from the 13 countries under review displaced imports from the other beneficiary countries.

IV. The Level of Economic Development of the Thirteen Countries Under Review Has Been Improving

An examination of data published by the World Bank indicates that the economic development of the 13 countries under review has been improving. For example, as shown in Exhibit 3, the per-capita gross national income ("per-capita GNI") levels in each of these countries, with one exception, increased significantly over the 2001-2005 period. Nine of the 13 countries had very rapid per-capita GNI increases ranging from 41.0 to 150.6 percent. Three countries had smaller per-capita GNI increases ranging from 5.0 to 25.0 percent over the same period. The single exception was Argentina, for which the 2005 per-capital GNI level was lower than the 2001 level. Since 2003, however, Argentina's per-capita GNI has resumed strong growth.[7]

With respect to the Philippines, additional measures published by the International Monetary Fund ("IMF") indicate that the Philippine economic development is progressing significantly. As shown in Exhibit 4, the Philippines' GNI grew by 51.6 percent from 2001 to 2005, household consumer expenditures increased by 18.2 percent, gross fixed capital formation rose by 24.1 percent, and its total exports of goods and services increased by 43.6 percent.[8]

While it is clear that the 13 countries under review benefit from duty-free access to the U.S. market under the GSP program and that such preferential access has benefited their economic development, it also appears that there are many other beneficiary countries, at significantly lower levels of economic development, which have been "crowded out" of the U.S. GSP import market by the success of the 13 countries under review.

V. The Philippines Has Demonstrated Its Competitiveness in the Global Watch Industry

The Philippines has been successful in using the GSP program to expand its exports of a variety of products. AWA is aware that there are few U.S. imports of GSP-eligible watches from any GSP beneficiary country, such as the Philippines, largely because China, which is not a GSP beneficiary country, is currently the major supplier in those watch categories which are already eligible for duty-free treatment under GSP.[9] In 2005, the Government of the Philippines, on

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[7] Argentina's economic crisis and currency devaluation of 2001-2003 caused its per-capital GNI to drop in U.S. dollar terms. From 2003 to 2005, however, its per-capita GNI increased by 21.8 percent.

[8] IFS defines gross fixed capital formation as "measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period, plus certain additions to the value of nonproduced assets."

[9] However, in the kindred product area covering clocks, which are GSP eligible products, the Philippines is expanding its share of GSP imports. The U.S. GSP import data for HTS Chapter (continued…)

behalf of Timex Corporation, submitted a petition seeking GSP eligibility for seven non-eligible watch categories for which the large Timex plant in the Philippines is already a dominant exporter. After opposition by the AWA and the U.S. Virgin Islands watch industry, which emphasized (i) the fact that the Philippines did not need GSP eligibility on these products to be competitive and (ii) the fact that the GSP duty-free advantage that Timex would gain for its Philippine exports of such watches[10] would cause injury to the U.S. and Virgin Islands industries, the U.S. Government properly denied the Philippines' petition.

VI. Conclusion

To the extent that USTR seeks to ensure that the "benefits of the [GSP] program are not focused on trade from a few countries and that developing countries that traditionally have not been major traders under the program receive benefits,"[11] the AWA believes that placing limitations on the GSP eligibility of the 13 countries under review is warranted. The data demonstrate that non-petroleum, GSP imports from the 13 nations under review have increased rapidly and have seized an ever-expanding share of total non-petroleum, GSP imports. In contrast, non-petroleum, GSP imports from the remaining 164 beneficiary countries have declined both absolutely and as a percentage of total imports. The level of economic development of the 13 countries under review has been improving. However, it appears that

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91, Clocks and Watches and Parts Thereof, show that the Philippines accounts for an increasing percentage of total GSP imports. While the Philippines accounted for 6.5 percent of the customs value of GSP imports in Chapter 91 in 2001, by 2004 it accounted for 13.0 percent of such imports. Although that percentage dropped to 11.2 percent in 2005, this level is still well above the 2001 level, and a source of concern. See Exhibit 5.

[10] Timex enjoys significant U.S. market share on these watches without the benefit of GSP duty-free entry.

[11] FR Notice at 45079.

there are many other beneficiary countries at significantly lower levels of economic development that have been "crowded out" of the U.S. GSP import market by the success of the 13 countries under review.

In particular, the Philippines has been very successful in making use of the GSP program to expand its exports of a variety of products. With respect to current GSP eligible products as well as with respect to non-GSP eligible products, such as the watch categories subject to the recent Philippines/Timex petition, the Philippines has demonstrated that it does not need GSP duty-free benefits to be commercially competitive.

Respectfully submitted,

/s/

Emilio G. Collado, III
Executive Director

Exhibit 1

U.S. Imports of GSP-Eligible Products, Excluding Petroleum Products
(Customs Value in U.S. dollars; excludes HTS Chapter 27)

						January-June	
Country	2001	2002	2003	2004	2005	2005	2006
India	1,334,384,831	2,040,840,973	2,646,301,936	3,270,065,551	4,179,231,954	1,783,940,850	2,422,702,723
Brazil	1,950,004,763	2,123,919,185	2,490,276,296	3,167,778,591	3,628,273,613	1,803,285,509	1,856,290,682
Thailand	2,201,288,763	2,311,981,019	2,701,770,723	3,143,243,191	3,575,229,715	1,547,481,308	2,049,733,310
Indonesia	1,321,809,589	1,513,091,075	1,346,916,871	1,290,215,688	1,593,996,645	724,448,430	916,880,759
Turkey	436,972,355	472,440,358	722,598,011	969,548,182	1,068,479,487	538,690,967	544,245,906
South Africa	505,986,554	553,041,677	670,142,766	948,597,939	1,017,036,023	516,687,375	520,835,431
Philippines	676,073,802	707,707,719	894,749,302	966,603,715	1,008,191,835	477,454,961	547,476,449
Venezuela	636,613,709	581,791,978	619,025,812	815,403,472	744,515,507	384,251,430	338,042,828
Russia	378,007,274	380,709,375	429,822,013	552,918,786	738,159,059	505,669,738	318,810,059
Argentina	196,277,770	287,472,710	451,294,098	562,857,606	616,577,035	299,176,102	325,033,114
Romania	101,349,554	102,785,678	118,721,211	211,407,074	283,319,032	125,149,055	117,878,880
Kazakhstan	214,082,626	166,063,210	166,648,631	158,448,500	206,392,514	112,701,145	222,482,248
Croatia	22,016,485	36,209,291	68,396,061	125,482,466	152,857,854	73,661,829	78,621,453
Subtotal	9,974,868,075	11,278,054,248	13,326,663,731	16,182,570,761	18,812,260,273	8,892,598,699	10,259,033,842
All other beneficiary countries	2,943,125,476	2,921,081,242	3,206,873,289	2,299,112,127	2,086,507,487	959,457,477	995,007,386
Total	12,917,993,551	14,199,135,490	16,533,537,020	18,481,682,888	20,898,767,760	9,852,056,176	11,254,041,228

Source: USITC, DataWeb

From: JackRoney@aol.com
Sent: Tuesday, September 05, 2006 3:49 PM
To: FN-USTR-FR0052
Subject: Amercian Sugar Alliance submission

September 5, 2006

To: FR0052@USTR.EOP.GOV
From: American Sugar Alliance
Subject: 2006 GSP Eligibility and CNL Waiver Review

The American Sugar Alliance welcomes the opportunity to respond to the Federal Register notice published on August 8, 2006, seeking comment on the eligibility of certain beneficiaries of the U.S. generalized system of preferences (GSP) and on existing waivers of competitive-need limitations (CNLs) that are part of the GSP program.

The American Sugar Alliance (ASA) is a coalition of sugarcane and sugarbeet farmers, processors, refiners, suppliers, workers, and others dedicated to preserving a strong domestic sugar industry.

The ASA recognizes the importance of the access granted to traditional U.S. developing country suppliers by the tariff-rate quota (TRQ) for sugar established under the WTO. Without such access these countries would be forced to rely more heavily on the world "dump" market for sugar, where prices have chronically been well below the production costs of such suppliers. Properly managed, the WTO TRQ program is compatible with the sound operation of the no-cost U.S. sugar program and provides for adequate supplies to the U.S. market in those occasional years when shortfalls in domestic production are experienced.

In contrast, ASA has repeatedly expressed concerns about the potential destabilizing effects of additional commitments entered into, or contemplated, in FTA and other trade negotiations. Such commitments threaten to swamp the U.S. market and depress U.S. sugar prices to the detriment not only of U.S. producers but of those developing-country suppliers enjoying access under the TRQ.

In light of the importance of this access to developing country suppliers, the ASA asks that GSP benefits be retained for raw sugar imports from the three countries under review that supply raw sugar under GSP to the U.S. market, the Philippines, South Africa, and Thailand.

The Federal Register notice identifies thirteen countries whose eligibility for benefits under GSP is under review: Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey, and Venezuela. Three of these countries, the Philippines, South Africa, and Thailand, supplied TRQ raw sugar to the U.S. market under GSP in 2005. The applicable tariff code is 1701.1110, which covers raw sugar entering the United States under a tariff-rate quota described in Additional U.S. Note 5(a) to Chapter 17 of the U.S. tariff schedule. GSP imports of 1701.1110 from these three countries in 2003-2005 were:

GSP TRQ sugar imports from selected countries, 2003-2005				
	Unit	**2003**	**2004**	**2005**
Philippines	$ 000	60,094	53,579	56,386
	kg 000	137,352	137,000	137,353
South Africa	$ 000	10,017	9,173	12,953
	kg 000	23,401	23,401	29,987
Thailand	$ 000	5,850	5,104	4,421
	kg 000	14,244	14,179	14,244
Source: USITC Dataweb				

The Federal Register notice also asks for comments on waivers of competitive need limitations (CNLs) on 83 products, of which three are sugar products: 1701.1105 (certain sugar syrups that are processed in a U.S. foreign trade zone that was in operation before June 1, 1990), 1701.1110 (raw sugar under TRQ), and 1701.1120 (sugar used in the production of polyhydric alcohols). CNLs apply when imports of a product from a GSP-beneficiary country exceed a dollar amount ($120 million in 2005), or exceed 50% of all U.S. imports of that product. These limits are for all practical purposes unreachable with regard to 1701.1105 and 1701.1120. The Philippines, which ordinarily supplies about 13.5 percent of U.S. imports of 1701.1110, could exceed the CNL of $120 million if the TRQ rose to two million tons or more.

Effect of GSP

Sugar entering the United States under 1701.1110 that benefits from GSP is spared the general duty of about 1.4606 cents per kilogram. For 2005, the duty saved amounted to:

Philippines: $2,005,000
South Africa: $445,000
Thailand: $208,000

If these countries lost GSP benefits with respect to sugar, we see no benefits accruing to U.S. sugar producers or any other U.S. interest from the loss of such benefits -- but some damage to the interests of these three suppliers.

For these reasons, the American Sugar Alliance supports retention of GSP benefits for raw sugar imports from the Philippines, South Africa, and Thailand, and retention of the CNL waiver for 1701.1110 from the Philippines.

In closing we would again note that additional import commitments that would prevent the current U.S. sugar program from operating properly, as dictated by Congress, or changes in the U.S. program that would reduce U.S. support prices for sugar would exact a heavy toll not only on U.S. sugar producers but on the nearly 40 developing countries that enjoy preferential access at remunerative prices to the U. S. market.

Please acknowledge you have received this submission. If there are any questions, please contact ASA economist Jack Roney at the below address.

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Public Version/Non-Confidential

September 5, 2006

GSP Subcommittee
Office of the US Trade Representative
1724 F Street Northwest
Washington, DC 20508

To the GSP Subcommittee:

The Whistler Group, Inc. is the one of the oldest producers of radar detectors in the United States; we have been in business for more than thirty five years. During this time we have enjoyed a productive partnership with our overseas supplier, Radix, Inc., whose manufacturing facilities are located in Rosario, Cavite, Philippines. Over the past three years we have imported more than ** of radar detectors and other consumer electronics from the Philippines. I write, on behalf of The Whistler Group, in opposition to the proposed withdrawl of eligibility for the Philippines for the Generalized System of Preferences. If the United States deems the Philippines ineligible for the GSP it will have several negative effects that I will outline briefly in this letter.

We at Whistler value long-standing business partnerships. Changes to the current GSP status of the Philippines would threaten the valuable relationship we have nurtured over the past twelve years with our supplier. Importing our product duty-free from the Philippines has been a choice strategy for us to maintain a lower overhead cost structure and uniquely position our sales in the marketplace as a provider of “low-cost, high quality” consumer electronics. Should the United States revoke the eligibility status of the Philippines for the GSP, The Whistler Group would not be able to absorb the 2.5% cost of duty; this increase would ultimately be passed on to the consumer. To maintain our position as a low-cost provider, it is probable that we would source a lower-cost manufacturer. If forced to do so we would look to China where our largest competitors are currently manufacturing.

Whistler places great value on being a responsible participant in the global economy. Changes to the current GSP status of the Philippines would threaten the livelihood and quality of life of the people in the Philippines who manufacture, test and repair our products. Our supplier’s production facilities in the Philippines not only employ, but also house more than 350 people. These individuals, each of whom must be at least 18 years old and have achieved a high school diploma, are enjoying an increased quality of life which includes a clean and safe workplace, vocational training, and overtime compensation for shifts that last more than eight hours. Individuals who work for Radix, Philippines are well-trained to perform highly skilled electronics testing and manufacturing. Often these skills provide a stepping stone to further education or skilled positions elsewhere. Should the GSP status of the Philippines change, it is likely that this production facility would soon close, leaving more than 350 people without work.

These are just two very brief summaries of our company-specific consequences that would be felt if the United States chooses to withdraw GSP eligibility of the Philippines, and yet they affect hundreds of people very directly, and thousands of U.S. consumers. The Philippines is classified by The World Bank as a lower-middle economy, and while their exports may have accounted for more than .25% of world goods exports in 2005, it is very unlikely that their frequency of exports would continue at the same rate should their GSP status change. We strongly support the continuance of the Philippines GSP eligibility.

Sincerely,

Jennifer Post
Customs Compliance Officer
The Whistler Group, Inc.

Public Version/ Non-Confidential

<u>**BEFORE THE**</u>
<u>**UNITED STATES TRADE REPRESENTATIVE**</u>
<u>**TRADE POLICY STAFF COMMITTEE,**</u>

COMMENTS OF TWIN RIVERS TECHNOLOGIES, L.P. CONCERNING THE ELIGIBILITY STATUS OF THE PHILIPPINES UNDER THE GENERALIZED SYSTEM OF PREFERENCES

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Counsel for ***Twin Rivers Technologies, L.P.***
Quincy, Massachusetts

Dated: September 5, 2006

Introduction

On behalf of our client, Twin Rivers Technologies L.P. and in accordance with the United States Trade Representative's (USTR) request for public comments, we respectfully request that the USTR recommend the continued eligibility of the Philippines under the Generalized System of Preferences (GSP). Twin Rivers Technologies is among the largest importers and domestic producers of oleochemicals in the US. Twin Rivers Technologies has twice appeared before the United States International Trade Commission and the USTR to provide testimony and insight into the oleo chemical industry in connection with proposed US trade initiatives. As a significant importer of merchandise from the Philippines, Twin Rivers respectfully submits the following comments regarding the potential graduation of the Philippines from the GSP program.

The Philippines Should Continue to Receive Benefits Under the Generalized System of Preferences

In reviewing a beneficiary country's continued eligibility to receive benefits under the Generalized System of Preferences (GSP) program, the Trade Policy Staff Committee is guided by section 502(d) of the Trade Act of 1974 (19 U.S.C. § 2463(d)). This statute provides that in considering whether or not a suspension or withdrawal of benefits under the GSP program is appropriate, the President shall consider, among other factors: (1) the level of economic development of such country, including its per capita gross national product, the living standards of inhabitants, and any other economic factors which the President deems appropriate; (2) Whether or not any other major developed countries are extending GSP treatment to such country; (3) the extent to which such country has assured the United States that it will provide equitable and reasonable access the markets and basic commodity resources of such country and the extent to which such country has assured the United States that it will refrain from engaging in any unreasonable export practices. Under each of the factors the President must consider, it is clear that the Philippines remains an eligible developing country within the meaning of the statute and as such, no withdrawal or suspension of its GSP benefits extended is appropriate.

In its Federal Register notice announcing its intent to review the GSP eligibility of certain countries, the United States Trade Representative (USTR) selected countries from which imports valued in excess of $100 Million were made in 2005 and were either classified by the World Bank as upper-middle income countries, or accounted for more than .25 percent of world goods exports for 2005 as reported by the World Trade Organization. See Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments, 71 Fed. Reg. 45079 (August 8, 2006). Such criteria can be misleading as to a particular beneficiary country's actual level of development. While it may be true that the Philippines' share of world exports exceeded .25 percent, the Philippines continues to import more than it exports. See World Trade Organization Country Profile of the Philippines *at* http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=PH (last viewed Sept. 1, 2006). This significant fact belies any conclusion that the Philippines has reached a level of development sufficient to warrant the withdrawal of its trade preferences.

In addition, the Philippines has been classified by the World Bank as a lower-middle income economy. See Data & Statistics, Country Groups by Income, *available at* http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20421402~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html (last viewed September 1, 2006). Classification as such, places the Philippines in the lower-half by income, of all countries world-wide. See id. In fact, the Gross Domestic Product per Capita of the Philippines was a mere $1,145.04 in 2005. See Asian Development Bank, Key Economic Indicators 2006, *available at* http://www.adb.org/Documents/Books/Key_Indicators/2006/pdf/Special-Chapter-2006.pdf. Furthermore, the unemployment rate of the Philippines has increased every year since 1988, soaring to over 10 percent in 2005. See id. It is critical that the Philippines continue to enjoy GSP benefits on its shipments to the United States, its largest trading partner.

While the Philippines continues to enjoy the benefits of GSP preferences for its shipments to the European Union as well as those to the United States, its share of imports into each of these origins remains relatively stable. In fact, according to the World Trade Organization, imports from the Philippines into the United States declined from 2000 to 2004—declines of 8 and 9 percent in 2003 and 2004 respectively. Moreover, an analysis of statistics compiled by the United States Department of Commerce, Bureau of Census, reveals that the import market share represented by imports from the Philippines has dropped each year from 2004 to date. See United States – General Imports – Customs Value by Country, World Trade Atlas (January – June 2005, 2005, 2006). This startling figure reveals that, although the Philippines currently enjoys a trade preference under the GSP, no undue competitive advantage has been given the Philippines under the GSP program nor is the Philippines unfairly gaining market share as a result of its preferential trade benefits; on the contrary, its market share has declined.

Significantly, exports from the United States to the Philippines from January through June of 2006 have increased almost 16 percent as compared to the same period for 2005. See id. The United States continues to be the single largest source of imports into the Philippines—representing almost 19 percent of all imports into the country. Accordingly, it is clear from even a cursory examination of the relevant trade statistics that the Philippines remains an open and significant market for United States exports.

Finally, it should be noted that the Philippines has been a strong supporter of the United States in the on-going war on terrorism. The Government of the Philippines has previously pointed out, in comments submitted to this committee, that U.S. troops have been deployed in Western Mindanao to assist Philippine armed forces in pursuit of terrorist groups and contributed to community building and other civic work. The Philippines is a long-standing ally of the United States and continues to support its war against terrorism. See 2003 GSP Annual Review: Petition to Grant Presidential Waiver on Competitive Need Limit on Imports from the Philippines of Industrial Monocarboxylic Fatty Acids or Acid Oils under Subheading 3823.19.20 at 11- 12.

It is apparent from its relatively low per capita gross domestic product, among the lowest in South East Asia, as well as its unemployment rate of over 10 percent, that the Philippines continues to be a developing country that desperately needs the preferential treatment extended to it under the GSP program. It has also been shown that such benefits have not served to expand the market share of Philippine imports into the United States at the expense of other developing countries—in fact Philippine market share has decreased. While the market share of Philippine imports into the U.S. has decreased, the market share of U.S. imports into the Philippines has increased significantly. It is thus clear that under each factor to which the President must look in determining the continued eligibility of a beneficiary country, the Philippines should not be "graduated."

Industrial Monocarboxylic Fatty Acids – Analysis of the 2005 Waiver of the Competitive Need Limitation

The USTR has further requested comments concerning its review of current Competitive Need Limitation Waivers (CNL waivers). The Government of the Philippines, supported by Twin Rivers, petitioned the USTR in the 2003 and 2004 annual GSP reviews for a waiver of the CNL with respect to certain industrial fatty acid products. The President, in accordance with the recommendation of the USTR, granted this waiver following the 2004 annual GSP review. The basis for this waiver remains unchanged and is critical to the oleochemical industry in the Philippines and its customers in the US.

The Philippines has a small oleochemical economy as compared with other regional economies such as Malaysian, which dominates the global oleo chemical industry. The Philippines produces primarily coconut oils for direct sale and to a lesser extent, oleo chemicals from coconut oils. By comparison, Malaysia produces primarily palm and palm kernel oils for direct sale as well as oleo chemicals made from palm, palm kernel and imported coconut oil. Malaysia is the world's largest oleochemical producing country, and is the largest source of such imports into the US

The fatty acids imported by Twin Rivers that are covered by the CNL waiver, are produced from coconut oil. A splitting process is applied to the oil, a triglyceride, in order to chemically transform the oil into crude fatty acid and crude glycerin. The crude fatty acid derived from the splitting process contains some unsplit oil from the remaining from the splitting process, contaminants, a small amount of glycerin, and a small amount of moisture. Thus, in order to produce a product useful in industrial application, further processing such as distillation and fractional distillation is necessary—processing completed at Twin Rivers' Quincy, Massachusetts plant.

Twin Rivers Technologies imports a Split Undistilled Coconut Fatty Acid (SUCNFA), classified under subheading 3823.19.20 of the Harmonized Tariff Schedule of the United States, from both Malaysia and the Philippines. This imported SUCNFA is an undifferentiated, unrefined, intermediate material resulting from the first (splitting) step in the creation of a myriad of refined fatty acids made to customer specifications. Malaysian oleo chemical producers are further capable of refining split undistilled fatty acids to the same customer specifications and directly exporting the finished product to the U.S. Twin Rivers continues to import the unrefined SUCNFA, however, in order to supplement its limited capacity to split crude coconut oil. This enables Twin Rivers to retain control of the "customer-specific" refining steps in the U.S.; retaining approximately 80% of the value-add for the finished product in the U.S. Twin Rivers generally imports equal quantities of SUCNFA from the Philippines and from Malaysia—reflecting a relative cost parity between the two origins.

In 2005, Twin Rivers provided testimony to the U.S.I.T.C. in connection with its support of the Philippine Government's petition for a CNL waiver. That testimony detailed significant logistical differences between Malaysia and the Philippines in sourcing such oleo chemical products. Specifically, Ken Thode, Senior Vice President of Twin Rivers Technologies, testified that the company's freight expenses from Pasir Gudang, Malaysia –a major port of call—was significantly lower than those costs from Batangas, Philippines—an out-port requiring additional shipping costs of approximately 2% of the value of the merchandise. Mr. Thode went further to explain that GSP benefits for the Philippines reduces to zero the additional costs associated with sourcing its product from the Philippines thereby ensuring the competitiveness of the Philippine product. Based largely on Twin Rivers testimony and written submissions, the USTR recommended to the President, that the Philippines be granted a permanent CNL waiver for imports under 3823.19.20, which waiver was granted.

Since this CNL waiver was granted, Twin Rivers submits that no change in circumstances exist that would warrant removal of the CNL waiver for industrial fatty acids under HTSUS subheading 3823.19.20. Specifically, the additional costs of shipping merchandise from Batangas, Philippines remains the same—an additional charge of approximately 2 percent of the value of the merchandise. Furthermore, as the principal U.S. importer of such merchandise, Twin Rivers' volume of SUCNFA imports under 3823.19.20 remains relatively unchanged:

Volume of Twin Rivers' Imports of SUCNFA (without GSP benefits—12 months prior to CNL waiver 7/1/2004 – 6/30/2005)		
Origin	Import Value	% Share
Philippines	$19.4 Million	48%
Malaysia	$20.8 Million	52%

Volume of Twin Rivers' Imports of SUCNFA (with GSP benefits—12 months after CNL waiver 7/1/2005 – 6/30/2006)		
Origin	Import Value	% Share
Philippines	$17.0 Million	40%
Malaysia	$25.4 Million	60%

It is also well to note that Malaysia exports an additional estimated $10 Million annually of finished fatty acid to the U.S. under 3823.19.20 while exports from the Philippines of the same finished product amount to an estimated $3 Million annually. It is therefore clear that the grant of a Competitive Need Limitation Waiver has not resulted in any unfair benefit to the Philippines, nor has it had any effect whatsoever on the import market share of this product.

Moreover, if a Malaysia free trade agreement is established—as is currently proposed—the Philippines will likely lose market share in the oleo chemical sector as a result of the lower relative costs and the increased capacity of Malaysia producers. Consequently, continuing GSP benefits for the Philippines supports that country's competitiveness in the oleo chemical sector.

Conclusion

The Philippines, as a lower-middle income economy with over 10 percent unemployment, benefits greatly from its status as a beneficiary developing country under the GSP program in both the European Union and the United States. The continued inclusion in this program is a critical to sustaining its global exports and its competitiveness with other regional economies. Such continued GSP eligibility becomes even more important for the Philippines should proposed free trade agreements with more developed regional economies be executed. Clearly the economic survival of the Philippines, a trusted ally in the global war on terror, continues to be in the best interests of the United States. The CNL waiver granted to the Philippines following the USTR's 2004 annual review has not distorted the import market share of the affected merchandise, in fact, it has had no appreciable effect whatsoever. Accordingly, the Philippines should continue to be a beneficiary developing country under the U.S. GSP program.

Respectfully Submitted,

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Quincy, Massachusetts

Dated: September 5, 20006

360075_1

September 5, 2006

GSP Subcommittee
Office of the United States Trade Representative
USTR Annex, Room F–220
1724 F Street, NW.
Washington, DC 20508

Via Email
"2006 GSP Eligibility and CNL Waiver Review"

RE: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers.
Federal Register on August 8, 2006 (Volume 71, Number 152)

Dear Sir / Madam:

PPG Industries, Inc. (PPG) and its affiliate Transitions Optical, Inc. (Transitions Optical) submit the following comments on the recently issued Notice on Initiation of Reviews and Request for Comments on the Eligibility of Certain Generalized System of Preferences (GSP) Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers (published in the Federal Register on August 8, 2006; Volume 71, Number 152).

Summary of Comments

PPG and Transitions Optical are aware that the Office of the United States Trade Representative (USTR) is reviewing the Generalized System of Preferences (GSP) program in light of expected Congressional consideration of the program's reauthorization. The GSP program is scheduled to expire December 31, 2006. PPG and Transitions Optical are also aware that the USTR is conducting a review of existing competitive need limitation (CNL) waivers and requesting comments on whether any waivers should be terminated, pursuant to section 503(d)(5) of the Act (19 U.S.C. 2463(d)(5)), because they are no longer warranted due to changed circumstances.

PPG is a global leader in the production and distribution of protective coatings, aircraft transparencies, aerospace coatings and sealants, flat and fabricated glass, continuous-strand fiber glass, chlor-alkali and specialty chemicals. Transitions Optical, with whom PPG is a majority parent, was the first company to successfully commercialize a plastic photochromic lens in 1990. Transitions® Lenses are the premier recommended photochromic lens worldwide. Transitions Optical operates manufacturing facilities in Pinellas Park; FL, Tuam, Ireland; and in Adelaide, Australia. In addition, Transitions Optical operates facilities in three countries that are beneficiaries of the GSP program: Laguna, Philippines; Sumare, Brazil; and Chonburi, Thailand. Transitions Optical also operates international sales offices in Cambridge, Canada and nine other countries.

PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs. PPG and Transitions Optical believe these programs provide both the desired benefits with beneficiary countries that they were designed to provide, and also provide benefits for US companies, their employees and consumers.

PPG and Transitions Optical Manufacture Quality Products

PPG is a leading diversified manufacturer that supplies products and services around the world. PPG products include protective and decorative coatings, sealants, adhesives, metal pretreatment products, flat glass, fabricated glass products, continuous-strand fiber glass products, and industrial and specialty chemicals. PPG employs more than 21,000 individuals in manufacturing facilities located in the United States, and another 13,000 around the world.

Transitions Optical manufactures and markets plastic photochromic ophthalmic lenses. Over the past 15 years, Transitions Optical has remained committed to advancing photochromic lens technology in order to provide the most comfortable, convenient protection from ultraviolet radiation and glare. As a result, Transitions® Lenses have become the most recommended photochromic lenses worldwide.

Founded in 1990, Transitions Optical had a production workforce consisting of less than 50 workers and only one lens manufacturer partner. Today the company employs over 1,200 workers worldwide and has partnerships with nearly a dozen lens manufacturers to offer more than 100 lens options in the fastest-growing categories of lens materials and lens designs.

PPG and Transitions Optical Support the GSP AND CNL Programs

PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs.

The GSP program is scheduled to expire on December 31 2006. PPG and Transitions Optical understand that certain specific beneficiary countries are prompting the USTR's particular interest in reviewing the GSP program. Those countries include Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. Further, PPG and Transitions Optical understand the review will consider the countries that, in 2005, exceeded $100 million in exports to the U.S. under GSP and were either classified as an upper-middle-income economy by the World Bank or accounted for more than 0.25% of world goods exports according to the World Trade Organization.

In addition, PPG and Transitions Optical are aware that the USTR is inquiring as to whether any of the 83 existing competitive need limitation (CNL) waivers are no longer warranted due to changed circumstances. Transitions Optical operates facilities in the following GSP program beneficiary countries with CNL waivers: Brazil, the Philippines and Thailand.

PPG and Transitions Optical support the underlying concept of the GSP program; namely, to promote economic growth in the developing world and provide preferential duty-free entry for products from the designated beneficiary countries. PPG and Transitions Optical contend that the program, in their experience with the several designated beneficiary countries where they operate facilities, has produced the desired benefits and results it was designed to provide, as well as benefits for US manufacturers, their employees and consumers.

In PPG's and Transition Optical's opinion, the GSP program should not be limited, suspended, or withdrawn. Further, PPG and Transition Optical urge the USTR to continue the current CNL waiver program. Should these programs be limited, suspended, or withdrawn, PPG and Transitions Optical anticipate substantial disruptions in relationships with the affected beneficiary countries; a significant increase in costs for certain key materials used in manufacturing activities; and potential impacts on employment at the company's US facilities.

Maintaining GSP and CNL Programs Avoids Adverse US Company Impact

US firms, like PPG and Transitions Optical, have made a number of investment, trade and manufacturing decisions based, in part, on the existence of programs like the GSP and CNL. Limiting, suspending or withdrawing these programs will have wide-ranging effects. Unfortunately, those effects will be felt not only in the countries who are no longer beneficiaries of the programs, but by US companies who made business decisions based, in part, on the benefits those programs provide.

For example, Transitions Optical currently receives finished goods and substrates produced at Transitions Optical facilities in Thailand and Philippines. The substrates received from overseas are used in manufacturing processes in the company's Pinellas Park, FL facility. If the GSP program should be limited, suspended or withdrawn, Transitions Optical would be forced to consider transfer of certain production activities to
company manufacturing facilities located outside the US, which in turn would reduce the company's US employment.

Further, PPG and Transitions Optical suggest that actions aimed at limiting, suspending, or withdrawing the GSP and CNL programs would provide competitive advantage to foreign companies located, for example, in the European Economic Community (EEC). It is likely that any effort made by the US to limit, suspend, or withdraw the GSP and CNL programs will not be matched by the EEC. In that case, it is likely that more substrates produced in facilities located in Thailand or Philippines would be diverted to EEC-based facilities, which would adversely affect the US workforce in favor of EEC workers.

Clearly, limiting, suspending or withdrawing these programs will cause disruption and significant costs for US-based manufacturers. These costs, if borne by the affected companies, will make the companies less competitive both here and abroad; negatively impact their employment; and reduce their shareholders' value. PPG and Transitions Optical support maintaining the GSP and CNL programs to avoid disruptive and costly impacts to US based firms.

Finally, PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs. PPG and Transitions Optical believe these programs provide both the desired benefits with beneficiary countries that they were designed to provide, and also provide benefits for US companies, their employees and consumers.

PPG and Transitions Optical Are a Resource

Thank you in advance for your attention to and consideration of these comments. If you have questions regarding this petition, please contact Michael Ruggeri (727-545-0400, Ext. 7190).

Sincerely,

Richard C. Elias
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September 5, 2006

VIA EMAIL (FR0052@USTR.EOP.GOV

Marideth J. Sandler
Executive Director for the GSP Program and
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the United States Trade Representative
1724 F Street, N.W.
Washington, DC 20506

Re: Eligibility of Certain Beneficiaries For Continued Benefits under the GSP Program: Ceramic Tile Classified in HTS headings 6907 and 6908

Dear Ms. Sandler:

On behalf of the Tile Council of North America, Inc. ("TCNA"), the trade association of the American ceramic tile industry,[1] we appreciate this opportunity to submit comments in response to the USTR's Federal Register notice regarding the potential termination or limitation of benefits under the GSP Program for certain countries that are major beneficiaries of the program. 71 Fed. Reg. 45079 (Aug. 8, 2006).

Among the largest beneficiaries of the GSP program are Argentina, Brazil, Indonesia, the Phillipines, Thailand, Turkey and Venezuela ("subject countries"). Each of these countries are also major suppliers of ceramic tile to the United States and their industries have proven to be world class producers and exporters of these ceramic tile products. The ceramic tile industries in these countries are characterized by modern facilities and state-of-the-art highly automated ceramic tile production equipment, and ready access to low cost raw materials. Importantly, just as the ceramic tile industries in these countries have grown to be world-class competitors, so too have the economies of these countries substantially progressed to the point that changed circumstances justifies limiting or terminating benefits available under the GSP program for ceramic tile imports classified in HTS headings 6907 and 6908. *See* 19 U.S.C. § 2462(c)(2), (d). Moreover, these low-priced ceramic tile imports from the major GSP-eligible suppliers have had a serious adverse impact on the domestic industry. For this further reason, the statute provides authority for the termination of GSP benefits to these major ceramic tile suppliers. *See* 19 U.S.C. §§ 2462(d), 2461(3)-(4).

[1] The American ceramic tile industry consists of approximately thirty-six regular tile manufacturers and a large number of smaller art/studio tile makers, located throughout the United States. Tile Council is an association of over forty manufacturers of ceramic tiles and related products that manufacture over fifty percent of the ceramic tile produced in the United States.

As you are no doubt aware, the U.S. ceramic tile industry is highly import-sensitive and has been subjected to repeated efforts by low-priced imports to gain or increase trade-favored access to the U.S. ceramic tile market – a market that already has reached an import penetration level of 78.7% for all ceramic tiles according to the most recent data available through the first quarter of 2006. Glazed ceramic tile -- the HTS subheading that is the most import-saturated of all categories of ceramic tile – has increased to an import market share of 80.3% of domestic consumption in Q1 2006. Glazed ceramic tiles in these dimensions in this HTS category (HTS subheading 6908.90) comprise, by far, the major category of ceramic tile sold in the U.S. market today. Simply put, GSP benefits should be immediately terminated for glazed ceramic tile imports from the subject countries.

The U.S. ceramic tile industry is an extreme case of economic trends that are less intense in most other domestic industries. For the last decade, the U.S. tile industry has been characterized by two primary factors - tremendous and increasing import penetration, and continuous decreases in unit prices. High import penetration levels already have driven down U.S. ceramic tile prices over the past decade, a trend that is expected to continue due to the surge of imported low priced foreign tile. Import penetration in glazed ceramic tiles has increased from 64.6% in 1996 to 80.3% this year. Competition from low-priced imports have forced prices down to levels that are unsustainable for U.S. producers. A comparison of import and domestic average unit values demonstrates that import prices for glazed ceramic tiles are approximately 25% lower than domestic prices.

The domestic ceramic tile industry already is struggling to compete against very low-priced imports flooding the U.S. market. Indeed, since 2000, several U.S. producers went out of business resulting in a significant loss of jobs in the United States. Winburn Tile Manufacturing Company of Little Rock, Arkansas went out of business July 6, 2001. Until the company closed its doors, it was a manufacturer of glazed and unglazed mosaic ceramic tiles. KPT USA, of Bloomfield, Indiana, formerly a producer of glazed ceramic floor and wall tiles went out of business on June 29, 2001. Summitville Tiles, Inc. of Summitville, Ohio, closed its plant in Morgantown, N.C. that produced glazed ceramic wall tile. Summitville estimates that the closure of this plant represents the loss and “closes the books” on a $100 million favorable economic impact on the community during the 12 years of its operation. Summitville also closed one of its two Ohio plants in Summitville, Ohio. The TileWorks in Redfield, Iowa outside Des Moines, closed its glazed ceramic tile production facilities in 2001; and its equipment was auctioned off to foreign producers in April 2003. Most recently, Florida Tile’s glazed floor tile facility in Shannon Georgia is being shut down. It is clear to U.S. industry members that the closure of these U.S. tile companies and consequent loss of manufacturing jobs in the U.S. is, in major part, the direct result of the ever increasing onslaught of low-priced imports. An extended list of American ceramic tile production facilities that have been shut down since 1991 is attached to this submission as Exhibit 1. Many of these injurious imports originate in the subject countries and receive duty-free treatment under the GSP program.

The domestic industry currently is operating at the thinnest margins in its history and has had overall revenues decline over the past decade. Many U.S. producers have not been able to increase prices even to meet the rate of inflation. Domestic tile producers will likely face even greater declines as recent construction declines deepen. Domestic producers have been forced to match the low-prices of foreign imports or lose long-standing customers. The net result has been diminished margins and flat revenues. At a time when the U.S. economy, and especially the construction sector, is facing declines or even bordering on recession, it is not appropriate or justifiable to grant further duty-favored access to a U.S. market for ceramic tiles in general and for the glazed ceramic tile category especially given that it is over 80% dominated by imports and operating on the thinnest margins in its history.

We respectfully submit that the U.S. domestic ceramic tile industry has been adversely impacted by the tariff preferences extended to the subject countries through the GSP program. In light of the dire circumstances of the U.S. ceramic tile industry, which in large measure has been caused by the 78.7% overall ceramic tile import penetration levels, many of which are accorded favorable tariff treatment under the GSP program, we respectfully request the United States to withdraw GSP eligibility for *all* ceramic tile categories in HTS headings 6907 and 6908 for the subject countries.

If you have any questions concerning these comments, please contact us directly at your convenience.

Respectfully submitted,

/s/

Juliana M. Cofrancesco
John F. Bruce

EXHIBIT 1
U.S. CERAMIC TILE PRODUCTION FACILITIES
THAT HAVE CLOSED SINCE 1991

1. American Olean, Lansdale, PA
2. American Olean, Jackson, TN
3. American Olean, Cloverport, KY
4. American Olean, Roseville, CA
5. GTE Products Corp, Portsmouth, NH
6. Huntington Tile, Ft. Worth, TX
7. Huntington Tile, Mt. Vernon, TX
8. Laufen, Tulsa, OK
9. KPT, Bloomfield, IN
10. Ludowici Stoneware Co., Richmond, IN
11. Mannington Ceramic Tile, Lexington, NC
12. Summitville, Morganton, NC
13. Summitville, Summitville, OH
14. The Tileworks, Redfield, Iowa
15. Universal Quarry Tile, Adairsville, GA
16. B&W Tile, Gardena, CA
17. B&W Tile, Riverside, CA
18. Monarch Tile, Florence, AL (now owned by Am. Marazzi)
19. Handcraft Tile, Milpitas, CA
20. KEPCOR, Minerva, OH
21. Florida Tile, Lakeland, FL
22. Florida Tile, Shannon, GA
23. Winburn Tile, Little Rock, AK
24. Glen-Gery – Hanley Plant, Summerville, PA
25. Terra Design, Dover, NJ
26. The Willette Corporation, New Brunswick, NJ
27. Dal Tile Keystones Plant, Gettysburg, PA

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September 5, 2006

GSP Subcommittee
Office of the United States Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, D.C. 20508

Re: 2006 GSP Eligibility and CNL Waiver Review
CNL Waiver for HTSUS 8544.30.00 (Philippines and Thailand)

Dear Subcommittee Members:

The following comments are submitted on behalf of our clients, Sumitomo Electric Wiring Systems, Inc., and K&S Wiring Systems, Inc., in connection with the above-cited GSP eligibility and CNL waiver reviews.

Sumitomo Electric Wiring Systems, Inc., (SEWS) is a Delaware corporation with its principal place of business in Bowling Green, Kentucky, while K&S Wiring Systems, Inc. (K&S), is a Delaware corporation with its principal place of business in LaVergne, Tennessee. SEWS and K&S produce and sell automobile wire harnesses to automotive original equipment manufacturers (OEMs) throughout the world.

Among the wire harnesses sold by SEWS, are harnesses produced by International Wiring Systems (Phils.) Corporation (IWSPC) at its manufacturing facility in San Miguel, Tarlac City, the Philippines, and harnesses produced by Sumitomo Electric Wiring Systems (Thailand), Limited, (SEWT) at its facility in Rayong, Thailand. Among the harnesses sold by K&S are those produced by Pilipinas Kyohritsu, Inc. (PKI) at its facility in the Batangas region of the Philippines.

Currently, when SEWS and K&S import and sell wire harnesses from these suppliers to OEMs, the harnesses enter the United States under GSP and free from the normal 5% Customs duty because of the CNL waivers in effect for merchandise classified in HTSUS subheading 8544.30.00 from the Philippines and from Thailand. SEWS and K&S wish to explain why they believe that these waivers should be continued.

The automotive parts industry is very competitive. OEMs evaluate suppliers based on several factors, but the most important are price and quality. Because of intense price competition among OEMs there is also constant price pressure on OEM part suppliers like SEWS and K&S. Each year a harness model is in production, it is expected that the prices for that model will drop 2%-3%. This pressure keeps profit margins in the industry quite low. Therefore, a 5% increase in the cost of a wire harness from the Philippines or from Thailand could easily have the effect of making that harness no longer competitive in the market.

If wire harnesses from the Philippines or from Thailand are no longer cost competitive, SEWS and K&S will need to look for alternative, lower cost suppliers for this product. The lowest cost supplier for this product currently is China. Therefore, since it is unlikely that Filipino or Thai harness producers could fully absorb a 5% cost increase through lowering their prices to SEWS and K&S, the foreseeable result of any decision to remove the CNL waivers for wire harnesses from the Philippines and Thailand will be to force companies like SEWS and K&S to shift their wire harness sourcing from these countries to China.

The subcommittee should also consider that, although wire harness imports from the Philippines exceeded the GSP competitive need threshold, in 2005 those imports still represented less than 6% of total U.S. imports of this product. Wire harness imports from Thailand did not exceed the GSP competitive need threshold in 2005 and Thai imports represented less than 2% of total U.S. wire harness imports last year. According to World Bank statistics, the per capita income levels of the Philippines and Thailand are still relatively low. The manufacturing operations of companies like IWSPC and PKI make significant contributions to economic development in the Philippines. We believe that IWSPC is the largest employer in Tarlac City, while PKI makes an important economic contribution to the depressed southern region of Batangas.

The IWSPC and PKI operations also are essential in affording local workers an opportunity to develop the skills necessary to effectively compete in the huge international market for automotive parts. Without those skills the country's nascent automotive parts industry will never be able to diversify its exports into other automotive parts and continue to operate as an engine of economic progress and development in the Philippines. The same is true of the SEWT manufacturing operations in Rayong.

Finally, the committee should consider that the availability of competitively priced wire harnesses from the Philippines and from Thailand also contributes to economic activity in the United States, not only through the operations of companies like SEWS and K&S, but also by making U.S. automobiles containing such harnesses more price competitive in the global market.

Respectfully submitted,

/s/ *R. Brian Burke*

Comments submitted as Microsoft Word file, by e-mail, to: F0052@USTR.EOP.GOV