Supports All, & Indon & Brazil
Supports CNLW Indon 4412.13.40

From: Suzanne Morgan [suzanne@iwpawood.org]
Sent: Thursday, August 17, 2006 1:58 PM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

Suzanne Morgan
Manager, Government Affairs & Membership Outreach
International Wood Products Association
4214 King Street, West
Alexandria, VA 22302
703.820.6696 (T)
703.820.8550 (F)
suzanne@iwpawood.org
www.iwpawood.org

INTERNATIONAL WOOD PRODUCTS ASSOCIATION
4214 King Street, West
Alexandria, VA 22302

August 17. 2006

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

To Whom It May Concern:

The International Wood Products Association (IWPA) is committed to the promotion and enhancement of imported hardwood and softwood products. We believe strongly that free trade among all countries should be the ultimate objective. Our 220 member companies include U.S. importers, manufacturers, transportation companies, port authorities, customs brokers, and overseas producers. The expiration of the Generalized System of Preferences (GSP) on December 31, 2006, would have a decidedly negative impact on imported wood products used by U.S. consumers and the negative impact on those who supply these products to the market.

GSP is a trade preference program maintained by the United States to promote development, through trade, of selected developing countries. Using GSP, U.S. companies can import products from these countries free of U.S. tariffs. GSP allows our members to import wood products, such as plywood and wood flooring, benefiting U.S. manufacturing industries (e.g., kitchen cabinet, RV, manufactured housing, and homebuilders) while also supporting critical economic development for developing economies.

A permanent lapse of GSP benefits or removal of any existing CNL waivers (e.g., HTSUS 4412.13.40 from Indonesia) would harm U.S. consumers by raising the costs of materials used to build or remodel a home while pushing back the economic growth of the most important developing nations. Narrowing duty-free benefits to "least developed countries" would eliminate important wood products suppliers, like Brazil and Indonesia, at the very point we need to be pro-actively engaging with these countries.

We strongly urge the USTR and the Administration to impress upon Congressional leaders the importance of renewing GSP, in its entirety, this year. American jobs depend on it.

Sincerely,

Suzanne Morgan
Manager, Government Affairs and
Membership Relations

AURAFIN®

GSP Renewal Survey

1. Does your company take advantage of the GSP program? X Yes ___No

2. What is the principal industrial sector or product in which GSP helps your business?

   GOLD JEWELRY

3. Do you support renewal of GSP? X Yes ___No

4. For what period should congress renew GSP?

   ___1 year

   ___5 years

   ___Other

   X Permanently, unless Congress affirmatively determines to terminate.

5. Should the United States use GSP as leverage in the Doha Round? ___Yes X No

6. Should the dominant GSP beneficiary countries be further restricted in their access to GSP benefits if such restrictions result in more developmental support for smaller beneficiary countries?

   ___Yes X No

7. What GSP beneficiary countries do you import from? TURKEY, THAILAND, D.R., INDONESIA, & INDIA

8. Do you have any specific suggestions for modifications in the program, such as new product graduation criteria, new value added qualifications, etc.? We would like to add that GSP has played a large part in the growth of our company. We have been able to keep our prices down and be competitive in the gold jewelry industry. Our industry is already feeling the ill effects from the rapid increase of the gold market and if GSP is not renewed or if the above countries are no longer consider GSP eligible most of the gold jewelry importers will be greatly affected in a negative way.

Thank you for participating in this survey. The committee will use the results to recommend any action to the AAEI Board in support of its members.

Sincerely,

Carlos Viera

Carlos Viera
Customs Mgr. - Aurafin LLC

US-ASEAN
BUSINESS COUNCIL, INC.

BUILDING U.S. COMPETITIVENESS IN SOUTHEAST ASIA

1101 17th Street, NW
Suite 411
Washington, DC 20036
ph: 202 289-0911
fx: 202 289-0519
mail@usasean.org

September 5, 2006

Ms. Marideth Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the United States Trade Representative
USTR Annex
1724 F Street, NW
Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of the U.S.-Indonesia Business Council (the "Council") of the U.S.-ASEAN Business Council, I am writing to you in support of Indonesia's continued eligibility under the Generalized System of Preferences (GSP) program and for the program's renewal. The U.S.-Indonesia Business Council applauds the achievements made by USTR through the GSP program and believes that continuing the GSP is instrumental to Indonesia's emergence as a free trade partner with the U.S..

Indonesia's positions on global issues, including trade, have been moving closer to those shared by U.S. despite incredible pull from China, Japan, the E.U., Brazil, India, Venezuela and others. We have seen this increase in bilateral partnership in the American business community. Members of the US-Indonesia Business Council, welcomed by USTR at the U.S.-Indonesia TIFA session this Spring, witnessed the enormous value that Indonesian officials and private sector representatives placed on the reinvigoration of the dialogue. Not coincidentally, for this first time, the Council is conducting two trade missions to Indonesia in one year.

It is precisely support to developing nations like the GSP program that has distinguished the U.S. in Indonesia's eyes from global trade leaders pressing their case for another path. This sentiment is strongest with respect to the rebuilding of the most sensitive regions of Indonesia from the tsunami disaster less than two years ago. The rebuilding effort is seen there as a landmark in fiscal management and transparency for the nation. The U.S. decision to support that effort with expansion of GSP for Indonesia is having astounding multiplier effects. It is a decisive vote of confidence in the direction that the Government of Indonesia is taking to attack corruption, to open up to international trade and to work in visible partnership with the U.S.

How Indonesia has made use of the program is a good indicator of the importance that it places on it and what it represents as a growing partnership with the United States. The most recent product under the program for Indonesia is contact lenses. Through the GSP, Indonesia is exporting high-quality contact lenses to the United States and investing in the competitiveness of this business. Indonesia is not yet able to readily redistribute these contact lenses to its other export markets, as found by the U.S. International Trade Commission in its May, 2005 paper on modifications to the GSP (USITC Publication 3773). Making productive use of the generous motion by the U.S., however, Indonesia is far outpacing growth in this business when compared to other eligible GSP countries like India.

Indonesia is a great potential market for U.S. products. It is on the threshold of resuming the growth that it has not seen since the mid 1990s and raising interest among American companies. Now, however, after tremendous democratic reforms, we are finding that Indonesia also has great potential as an American partner on the world stage, including at the WTO.

Sincerely,

Robert W. Haines
Chairman

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.

[***].

HOWREY LLP

1299 Pennsylvania Avenue, NW
Washington, DC 20004-2402
www.howrey.com

Juliana M. Cofrancesco

202-383-7252
202-383-6610
cofrancescoj@howrey.com

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

100 Pier 1 Place
Fort Worth, TX 76102
P.O. Box 961020
Fort Worth, TX 76161-0020

(817) 252-6000

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

PET Resin Coalition
355 Lexington Avenue 15th Floor
New York, NY 10017
(212) 297-2125

Ralph Vasami
Executive Director
RVasami@kellencompany.com

September 5, 2006

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

Re: **<u>2006 Generalized System of Preferences ("GSP") Eligibility and Competitive Need Limit Waiver Review</u>**

Dear Subcommittee Members:

The PET Resin Coalition appreciates the opportunity to provide public comments as requested in the August 7, 2006 *Federal Register* notice relating to the review of the GSP program. The PET Resin Coalition represents U.S. producers of polyethylene terephthalate ("PET") resin. The members of the PET Resin Coalition are DAK Americas LLC, Charlotte, NC; M&G Polymers USA, Houston, TX; Nan Ya Plastics Corp., Livingston, NJ; Eastman Chemical Co., Kingsport, TN; and Wellman, Inc., Fort Mill, SC.

In its request, the Subcommittee asked for comments on whether the eligibility of certain beneficiary countries should be limited, suspended, or withdrawn based on specific statutory eligibility criteria relating to economic development and competitiveness. While the PET Resin Coalition will defer from commenting on the economic development policy issues raised in this review, it is concerned that some developing countries have been benefiting from the GSP program while engaging in unfair trade practices. In the PET Resin Industry's view, the GSP program should not provide additional and unneeded benefits to exporters who have been found to be trading unfairly.

Imports of PET resin under the GSP program offer an example of note. India, Thailand, and Indonesia, three of the largest GSP beneficiaries, are each significant suppliers of PET resin imports to the United States. These imports enter duty-free under the GSP program. Industry concerns about PET resin imports from these countries led to the filing of antidumping and countervailing duty petitions against them in March 2004. In its final determination dated March 21, 2005, the U.S. Department of Commerce found that Thai, Indian, and Indonesian PET producers were dumping at rates as high as 52 percent. Commerce also found that India was providing subsidies worth up to 20 percent of the value of the imported merchandise.

Despite the Commerce decision, the U.S. International Trade Commission held that the imports in question were not causing “material injury” to the U.S. industry – in part, because the Commission found other factors such as increased raw material costs to be more important causes of the industry’s financial difficulties. However, there is no doubt that dumping at rates as high as 52 percent and subsidies amounting to 20 percent suppress prices and negatively affect domestic PET producers. PET resin is a commodity product and even a small amount of unfairly priced PET in the U.S. market can dramatically lower industry prices.

PET resin is obviously just one product shipped under the GSP program by India, Thailand, and Indonesia, each of which is a major user of the GSP program. However, with or without GSP, PET resin producers in these countries are highly competitive in the U.S. market. If they continue to receive GSP, at a minimum they should be denied duty-free treatment for products such as PET resin where they have been found to engage in unfair trade practices. Such an approach would not only be more equitable to the U.S. industry, but would also benefit other developing countries that may be interested in participating in the U.S. market on fair terms.

We thank you for your consideration of these comments and look forward to the Administration’s completion of this review.

Sincerely,

//s//

Ralph Vasami
Executive Director

CONFIDENTIAL BUSINESS INFORMATION
HAS BEEN REDACTED IN THE ENCLOSED SUBMISSION

September 5, 2006

VIA E-MAIL

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

Re: Comments in Support of Indonesia's Eligibility Under the GSP Program and Continuation of the CNL Waiver on Camcorders from Indonesia

Dear Ambassador Schwab:

Pursuant to the August 8, 2006 *Federal Register* notice (71 Fed. Reg. 45079), please find the Comments of PT Panasonic Shikoku Electronics Indonesia (PSECI), in Support of Indonesia's Eligibility Under the GSP Program and Continuation of the CNL Waiver on Camcorders from Indonesia (HTSUS 8525.40.80). As provided for in the *Federal Register* notice, this submission contains both the business-confidential and non-confidential versions. Please treat the enclosed confidential version as business proprietary information in its entirety. The asterisks in the non-confidential version indicates where confidential information has been redacted.

Please do not hesitate to contact the undersigned should you have any questions about the attached.

Respectfully submitted,

/s/ James P. Durling
James P. Durling
Miriam Bishop
Robert DeFrancesco
Matthew McCullough
Rebecca Griffin

rdefrancesco@willkie.com

Counsel to PT Panasonic Shikoku Electronics Indonesia

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
TRADE POLICY STAFF COMMITTEE
GSP SUBCOMMITTEE

2006 GENERALIZED SYSTEM OF PREFERENCES ELIGIBILITY

AND

COMPETITIVE NEED LIMIT WAIVER REVIEW

COMMENTS IN SUPPORT OF INDONESIA'S ELIGIBILITY UNDER THE GSP PROGRAM AND CONTINUATION OF THE CNL WAIVER ON CAMCORDERS FROM INDONESIA (HTSUS 8525.40.80)

PT PANASONIC SHIKOKU ELECTRONICS INDONESIA

By Counsel:

James P. Durling
Miriam A. Bishop
Robert DeFrancesco
Matt McCullough
Rebecca Griffin

WILLKIE FARR & GALLAGHER LLP
1875 K Street, N.W.
Washington, D.C. 20006
(202) 303-1000
rdefrancesco@willkie.com

September 5, 2006

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I. INTRODUCTION

In accordance with the August 8, 2006 *Federal Register* notice (71 Fed. Reg. 45079), P.T. Panasonic Shikoku Electronics Indonesia ("PSECI") hereby presents its comments regarding: (1) whether Generalized System of Preferences ("GSP") benefits should continue to be extended to Indonesia; and (2) whether the competitive need limitation ("CNL") waiver set forth in the GSP program with respect to camcorder products imported from Indonesia under subheading 8525.40.80 of the Harmonized Tariff Schedules of the United States ("HTSUS") is still warranted.

PSECI requests that Indonesia's GSP benefits not be limited, suspended, or withdrawn, and that the CNL waiver for camcorder imports from Indonesia not be terminated. Circumstances have not changed sufficiently to warrant removal of GSP benefits or termination of the CNL waiver for camcorders. The comments presented below will address each of these issues.

II. INDONESIA'S COUNTRY ELIGIBILITY UNDER THE GSP PROGRAM SHOULD BE PRESERVED

A. The Purpose of the GSP Program is to Promote Economic Development and Stability in Countries Like Indonesia.

The GSP program was instituted over 30 years ago to promote economic growth in the developing world by providing preferential, duty-free treatment for specific products from beneficiary countries and territories throughout the world. The program has been a vital foreign policy tool and commercial success since its establishment in 1976. Indeed, the U.S. Congress has continued to renew the program 20 years beyond its original 10 year term. Currently, the United States Trade Representative is considering whether thirteen countries that may have developed significantly over the years still need the benefits of GSP and whether graduation from the GSP program is warranted.

In these comments, we submit that the GSP eligibility of Indonesia, one of the thirteen countries to be considered for graduation from, should not be limited, suspended or withdrawn. Instead, Indonesia should continue to be designated a beneficiary country under GSP. We will provide further detail on Indonesia's economic progress and qualifications for the program in subsequent sections of these comments. Here, we emphasize that the GSP program was established with countries like Indonesia in mind — a developing country that is still struggling economically and benefits substantially from the GSP program; a country that has reciprocated the free trade policies of the United States by opening its doors to U.S. products and services and by working to resolve U.S. trade concerns, such as the protection of intellectual property rights, customs practices, and illegal logging; and finally, a country that has become a key ally of the United States in the global war on terrorism.

Continuation of Indonesia's GSP eligibility is consistent with the U.S. trade policy toward Indonesia in recent years and would bolster the ongoing trade talks that United States Trade Representative ("USTR") Rob Portman and Indonesia trade minister Mari Pangestu began this spring.[1] USTR's efforts to engage in trade liberalization negotiations and work towards a bilateral free trade agreement would no doubt be enhanced by continuing GSP treatment for Indonesian products. Consideration of these policy goals and the statutory criteria lead to the overwhelming conclusion that Indonesia's eligibility for GSP benefits should not be limited, suspended, or withdrawn at this time. In fact, continuing GSP benefits for Indonesia meets the GSP program's purpose and overall goals.

B. GSP Benefits are a Proven and Important Factor Behind Indonesian Economic Growth.

Indonesia remains a lower middle income country and has one of the lowest gross national incomes ("GNI") per capita in the world. Nonetheless, Indonesia has shown impressive economic growth over the last 15 years, and the GSP program has been a significant factor in expanding exports and contributing to this growth. For example, in 1990, Indonesia's per capita GNI was $621. At that time, it was ranked in the bottom 30th percentile in the world. By 2005, however, Indonesia's per capita income rose 106 percent, to $1280.[2] During those 15 years, Indonesia's per capita income surpassed countries like Honduras, Bolivia, Senegal and Cameroon and have become much closer to countries like the Philippines.[3]

While the Indonesian economy showed significant improvement during this period, Indonesia also greatly increased its use of the GSP program. In 1990, the value of imports from Indonesia under the GSP program was $216 million. By 2005, however, GSP imports from Indonesia rose to $1.6 billion. In fact, as the chart below shows, there is a correlation between GSP imports from Indonesia and per capita income in Indonesia -- as GSP imports have increased so has per capita income. The chart also illustrates the effects of the Asian financial crisis in the late 1990's and that Indonesia's ability to rebound was aided by the ability to export goods to the United States under the GSP program.

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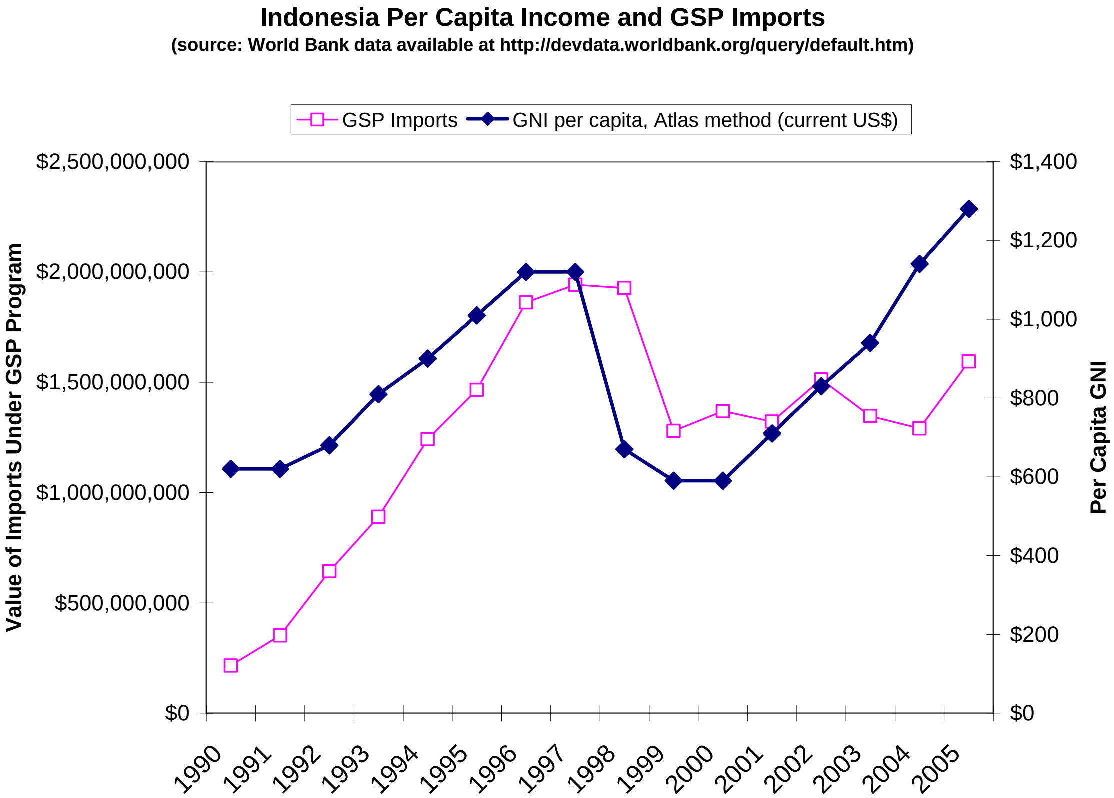
[1] Donna Borak, "U.S. Indonesia aim to increase trade ties," UPI (Apr. 5, 2006). *See also* USTR Press Release "U.S. Trade Representative Susan C. Schwab Meets with ASEAN Economic Ministers and Signs TIFA," (Aug. 25, 2006) ("The U.S.-ASEAN TIFA signed today reflects our commitment to establishing the architecture that will facilitate an even more vigorous U.S. economic engagement in the ASEAN region.").

[2] World Bank Development database *available at* http://devdata.worldbank.org/query/default.htm

[3] *See id.*

Figure 1



In addition to per capita income growth, Indonesia has also seen dramatic improvements in its social indicators. From 1990 to 2004, life expectancy increased from 62 to 67 years. The infant mortality rate dropped in half, from 60 per 1,000 live births in 1990 to only 30 in 2004. And, the literacy rate rose from 95 to 99 percent.[4] These long-term improvements in Indonesia's standard of living demonstrate that Indonesia's economic progress, which is in part due to the assistance the United States has provided under the GSP program, has truly benefited the Indonesian people.

Thus, the United States can take some credit for the marked progress Indonesia has made as a beneficiary of the GSP program. However, as further discussed below, despite this progress, Indonesia is still considered a lower middle income country by the World Bank. It has a long road ahead before it reaches a level of economic development that would warrant termination of its eligibility for the GSP program.

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4 *See id.*

C. Indonesia Meets None of the Criteria for Graduation from the GSP Program

In the Federal Register notice announcing the USTR's initiation of country reviews and request for public comment, the USTR stated it would focus on three statutory criteria for graduation, which are set forth at 19 U.S.C. § 2462(d).

> 1) the effect such action will have on furthering the economic development of developing countries through the expansion of their exports;
>
> 2) extent of the beneficiary developing country's competitiveness with respect to 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 factors which the President deems appropriate.[5]

As we discuss further below, any limitation on Indonesia's GSP benefits, including withdrawal or suspension of benefits, would be detrimental to the Indonesian economy as well as U.S. interests. With projected unemployment for 2006 at 10.6 percent—the highest in over seven years,[6] Indonesia's economic situation is still precarious. The aftermath of the Tsunami in 2004 and the terrorist bombings in 2002 and 2004 have also contributed to Indonesia's economic fragility and uncertainty.

Having to compete in the United States at developed country duty rates would put Indonesian products at a severe disadvantage. Moreover, because the bulk of Indonesian goods imported under the GSP program compete primarily with those from developed countries or countries outside the GSP system, Indonesia's GSP status is crucial and does not disadvantage other needy countries. The United States can only benefit from Indonesia's economic stability, which is enhanced through the GSP Program. With economic stability, Indonesia can provide a market for U.S. goods and services and stand firm as a democratic ally in the war on terrorism.

1. While Indonesia's economic progress has improved over the long term, Indonesia is still a developing country that needs GSP benefits.

As noted above, Indonesia has made significant economic progress over the last 15 years with the help of the GSP program. Nonetheless, Indonesia's economy is still far behind many developing countries in the world, and the country still needs the benefits of the GSP program to help it grow and prosper. The United States was Indonesia's second largest export market in

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5 71 Fed. Reg. 45079 (Aug. 8, 2006).

6 World Bank: Indonesia Key Indicators 2006 *available at* http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20535285~menuPK:1192694~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html

2005, second only to Japan.[7] Therefore, Indonesia relies heavily on its exports to the United States for economic stability and growth. Removing preferential treatment for many of Indonesia's exports to the United States would significantly reduce Indonesia's competitive position in the U.S. market and precipitate a decline in Indonesian economic growth.

Despite recent growth, there are a number of troubling economic indicators for Indonesia. Projected unemployment in Indonesia for 2006 is expected to be 10.6 percent.[8] This is a 31 percent increase in unemployment since 2001. Net foreign direct investment has not only declined, foreign investors appear to be fleeing the Indonesian market. Foreign direct investment was a negative $3 billion in 2004/2005.[9] Inflation in 2006 is expected to reach 14.2 percent. Indeed, for 15 years, Indonesia has remained a lower middle income country. According to the World Development Indicators database published by the World Bank on July 1, 2006, Indonesia's GNI per capita was ranked 139th out of 208 countries in the world. This means Indonesia is in the bottom third for per capita income in the world. Compared to the other 12 countries the USTR is currently considering for graduation, Indonesia's per capita income is the second to last.

The table below provides a comparison of 2005 GNI per capita statistics and country classification for the 13 countries being considered for graduation from the GSP Program.

Table 1

Country	**World Bank Classification (July 2006)**	**2005 Gross National Income per capita**
Croatia	Upper middle income	$8,060
South Africa	Upper middle income	$4,960
Venezuela	Upper middle income	$4,810
Turkey	Upper middle income	$4,710
Argentina	Upper middle income	$4,470
Russia	Upper middle income	$4,460
Romania	Upper middle income	$3,830
Brazil	Lower middle income	$3,460
Kazahstan	Lower middle income	$2,930
Thailand	Lower middle income	$2,750
Philippines	Lower middle income	$1,300
Indonesia	**Lower middle income**	**$1,280**
India	Low income	$720

7 Market and Information and Analysis Section, Indonesia Fact Sheet.

8 World Bank: Indonesia Key Indicators 2006.

9 *See id.*

Thus, from a statistical perspective, these data demonstrate that Indonesia has not risen to the same level of economic development as other countries, such as Croatia and Turkey.

In other words, while some economic progress has been made, Indonesia remains at the lower end of the economic spectrum and much more progress is required before Indonesia could be considered a middle or upper middle income economy. That combined with the other economic factors discussed above illustrate that Indonesia's economy remains fragile and its reliance on and need for the GSP program great.

2. Any limitation on Indonesia's GSP benefits would severely hamper Indonesian economic progress.

If the USTR graduates Indonesia from the GSP program, the potential for lost sales, increased unemployment, declining production, and stagnating growth is enormous. During the past five years, imports from Indonesia under the GSP program have averaged $1.5 billion.[10] While GSP eligible imports make up only about 13 percent of all Indonesian imports into the United States, should Indonesia lose preferential treatment, it would likely lose sales to other competing developed countries. In fact, Indonesia stands to lose millions in actual and potential lost revenue, and thousands of Indonesian workers producing these products could lose their jobs.

With unemployment already expected to exceed 10 percent and inflation likely to reach 14 percent in 2006, the potential for $1.5 billion in lost sales to the U.S. market would seriously weaken Indonesia's already fragile economy. It has been noted that Indonesia may be "fertile ground" for terrorism and weak economies and weak governments are the seeds for terrorist growth.[11] If Indonesia were to lose its GSP eligibility, it could exacerbate the terrorism problem and hinder current counter-terrorism efforts.

3. Articles imported from Indonesia under GSP compete primarily with developed countries or countries outside of the GSP system.

In 2005, Indonesia exported a wide variety of products to the United States that benefited from the GSP program. Almost 700 different types of products, worth about $1.5 billion were imported from Indonesia into the United States under the GSP program.[12] In fact, most of the product categories were small in value, accounting for less than $100,000. However, the largest volume products coming from Indonesia, which account for 2 to 5 percent of total GSP imports, can encounter fierce competition in the U.S. market, and this is precisely where Indonesia needs the most help from the United States.

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[10] Department of Commerce import statistics *available at* http://dataweb.usitc.gov/

[11] Council on Foreign Relations, Terrorist Havens: Indonesia, , December 2005 *available at* http://www.cfr.org/publication/9361/

[12] Department of Commerce import statistics.

The table below identifies the top ten product categories for Indonesia under the GSP Program. In these crucial markets, Indonesia primarily competes with developed countries, such as Canada, Germany, Japan, and Singapore or much more developed countries, such as Brazil, Mexico, Malaysia, and China. More specifically, Indonesia competes with China in 8 of the 10 product categories, with Mexico and Canada in 5 of the product categories, and with Japan in 3. If the USTR were to terminate Indonesia's GSP benefits, Indonesia would lose a significant competitive advantage in these markets.

Table 2

Product Description	**HTSUS Code**	**Percent of Indonesia's 2005 GSP Imports**	**Major Suppliers to the U.S.***
Camcorders	8525.40.80	5%	Japan, Malaysia, China
PET Resin	3907.60.00	5%	Mexico, Canada, China
Precious metal (other than silver)	7113.19.50	4%	Mexico, Canada, China
Plywood sheets	4412.13.40	4%	Malaysia, China, Brazil
Sheets/plates/strip of Aluminum alloy	7606.12.30	3%	Canada, Germany, South Africa
Radial rubber tires	4011.10.10	3%	Japan, Canada, China
Batteries	8506.10.00	3%	China, Singapore, Japan
Ignition wiring sets	8544.30.00	2%	Mexico, Philippines, Honduras
Motor Vehicles Parts	8708.91.50	2%	Mexico, China, Canada
Wooden frames	4414.00.00	2%	China, Thailand, Mexico
Total		**35%**	
*Top three or four suppliers based on import value			

In fact, even with GSP benefits, Indonesia is struggling to compete in these 10 product categories. The table below provides the total value of imports from Indonesia and these four countries of the products that comprise Indonesia's top GSP exports to the United States. The total value of Indonesia's imports under these product categories is less than a third of its nearest rival and accounts for only about 5 percent of what the United States imports from these other countries.

Table 3

Country	Total Imports by Value under Indonesia's Top 10 HTS Codes
Indonesia	555,525,391
China	1,996,661,146
Mexico	5,313,719,128
Canada	2,252,176,015
Japan	2,323,760,091

Thus, the volume of Indonesia's exports to the United States pales in comparison with those of its major competitors. Indonesia is not a threat to these countries. In fact, these countries provide stiff competition for Indonesia in its most important product categories (*e.g.,* camcorders, included in HTSUS subheading 8525.40.80). Removing or limiting GSP eligibility for Indonesia would deprive Indonesia of a significant advantage in its struggle to compete with countries who already have sufficient resources and production capability to knock Indonesia out of the U.S. market entirely.[13]

Indonesia's graduation from the GSP program could have dire consequences for Indonesia's most important export industries and its future economic health. Such treatment is not only unwarranted based on the economic indicators for Indonesia, it would also be contrary to the purposes of the GSP program, contravene U.S. policy, and undermine U.S.-Indonesian relations.

D. Extending GSP benefits to Indonesia would help assure crucial benefits for the United States.

1. Indonesia is an important export market to the United States.

In recent years, Indonesia has focused on liberalizing its domestic trade policies and opening its market to foreign imports. In 2003, about 70 percent of Indonesia's duty rates ranged between zero and five percent. Its average tariff is now about 6.9 percent, which represents a 13 percent decrease in the average tariff rate since 1994.[14] Even though Indonesia still has higher tariffs for its more sensitive products, it continues to examine and reconsider its tariff programs as well as reconfigure its trade bureaucracy and policies to alleviate the administrative burden associated with international trade. Overall Indonesia's liberalization of trade has

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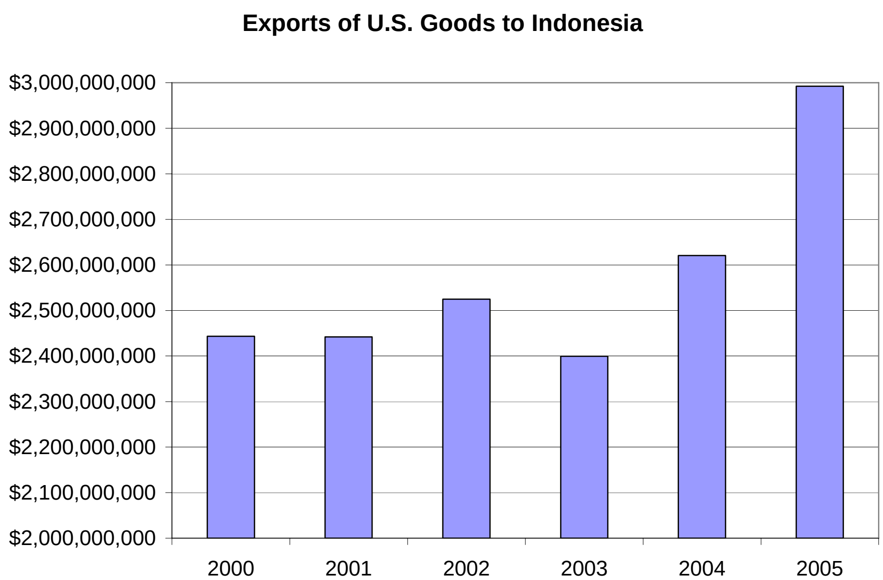
[13] In fact, two of these countries -- Mexico and Canada -- already receive preferential duty free treatment under NAFTA. Therefore, the loss of GSP benefits will put products from Indonesia at an even greater disadvantage to its major competitors that already receive preferential tariff treatment.

[14] USTR Foreign Trade Barriers, Country Analysis, Indonesia, at 315-318.

resulted in a 100 percent increase in foreign imports over 6 years. Imports of goods in 2006 is projected to be $68 billion. In 2001, imports were only $34 billion.[15]

The United States has been a beneficiary of Indonesia's trade liberalization. The chart below shows U.S. exports to Indonesia since 2000. Currently, Indonesia is the 39th largest export market for U.S. goods. In 2005, U.S. good exports to Indonesia were valued at $3.0 billion, up 14 percent from the previous years. Likewise, in 2004, U.S. exports of private commercial services to Indonesia were valued at more than $1 billion, and the most recent figures show U.S. foreign direct investment in Indonesia was $10.5 billion in 2001.[16]

Figure 2



The United States has publicly recognized the importance of Indonesia as a trading partner and has taken steps to strengthen that relationship. In 2002, President Bush announced the Enterprise for ASEAN Initiative (EAI), whose goals are to strengthen U.S. trade and investment ties with ASEAN, both regionally and bilaterally. Just a few days ago, USTR Susan Schwab met with the ASEAN countries and stressed the importance of the U.S. trade relationship with them.[17] USTR Schwab signed the U.S.-ASEAN TIFA stating that this "reflects

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[15] World Bank: Indonesia Key Indicators 2006.

[16] USTR Foreign Trade Barriers, Country Analysis, Indonesia, at 315.

[17] "U.S. Trade Representative Susan C. Schwab Meets with ASEAN Economic Ministers and Signs TIFA," (Aug. 25, 2006).

our commitment to establishing the architecture that will facilitate an even more vigorous U.S. economic engagement in the ASEAN region." [18]

Additionally, this past spring, top U.S. and Indonesia trade ministers, Rob Portman and Mari Pangestu, engaged directly in discussing trade liberalization and are working towards launching talks for a bilateral free trade agreement. As a part of the "stronger relationship" between the two governments, for its part, Indonesia has been making progress on economic reforms involving important issues to the United States, such as intellectual property rights, customs, and illegal logging issues.[19]

Maintaining Indonesia's GSP eligibility serves U.S. export interests because it helps to grow the Indonesian economy, which creates a potential market for U.S. goods, and can help open the doors to the Indonesian market for U.S. products. Terminating Indonesia's GSP eligibility at this point in its growing partnership would not be consistent with the USTR's recent overtures to Indonesia and may jeopardize the progress the United States and Indonesia have made thus far.

2. Indonesia is a key ally in the war on terrorism.

U.S. foreign policy is best served when Indonesia's democracy and economy are strong. Indonesia is the world's most populous Muslim country. Some believe it may be a fertile ground for terrorist groups. While Indonesia has traditionally been a secular society, radical Islamists have increased their presence in Indonesia, and terrorism experts are concerned that al-Qaeda may use Indonesia as a base for its Southeast Asian terrorist activities.[20]

Because of this, the United States and Indonesia have worked together as allies in the war on terrorism. In 2002, the United States contributed over 50 million dollars for a counter-terrorism training project with Indonesia.[21] The Indonesian government has cooperated with U.S. officials to disrupt terrorist networks in Southeast Asia. In particular, after the bombing of the Australian embassy in Jakarta in 2004, Indonesia has increased its counter-terrorism initiatives and enforcement efforts. Since then, Indonesian officials have arrested dozens of terrorist suspects and convicted more than 100 terrorists.[22]

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[18] *Id.*

[19] Donna Borak, "U.S. Indonesia aim to increase trade ties," UPI (Apr. 5, 2006).

[20] Terrorist Havens: Indonesia, Council on Foreign Relations, December 2005 *available at* http://www.cfr.org/publication/9361/

[21] U.S. Department of State; Fact Sheet: U.S., Indonesia Start Long-Term Counter-terrorism Program, *available at* http://www.usembassyjakarta.org/irc/us-indo-terrorism.html

[22] Council on Foreign Relations, Terrorist Havens: Indonesia, , December 2005 *available at* http://www.cfr.org/publication/9361/

Again, Indonesia's economic stability and closeness to the United States are key factors in its ability to help the United States win the war on terrorism. The GSP program is an important initiative the United States can use to continue to help with Indonesia's economic development, grow the trade relationship, and build on the partnership against terrorism.

III. THE CNL WAIVER ON CAMCORDERS FROM INDONESIA (HTSUS 8525.40.80) SHOULD ALSO BE PRESERVED

A CNL waiver petition was filed with respect to camcorders from Indonesia on September 2, 2003. The CNL waiver for camcorders was approved by Presidential Proclamation on July 1, 2004.[23] The CNL waiver became effective on the same day. PSECI is the sole producer and exporter of camcorders from Indonesia and is therefore uniquely positioned to provide comments on whether the CNL waiver on camcorders from Indonesia should be maintained. As noted in the previous section, for Indonesia, camcorders imported under HTSUS subheading 8525.40.80 is the single largest product category that benefits from GSP treatment.

Continuation of the CNL waiver presents a unique opportunity to save jobs, generate much needed foreign exchange, and expand camcorder production in Indonesia without hurting any U.S. industry or other beneficiary developing country. PSECI exports the vast majority of its products to the United States. PSECI has been producing consumer electronics products in Indonesia for more than 13 years and expanded its production facilities to begin producing analog camcorders in November 2000. This camcorder production was transferred from Japan to Indonesia in large part because of the availability of GSP treatment for this merchandise. In September 2003, PSECI began producing digital camcorders in Indonesia. In 2006, production of *************** was transferred from Japan to Indonesia, ********* the number of digital camcorder models produced in Indonesia. The vast majority of PSECI's camcorder production is exported to the United States.

To remain competitive in the camcorder market over the long term, Indonesia must be able to expand its production capacity to include additional camcorder product lines. Loss of GSP benefits will make this expansion difficult. The market for analog camcorders has practically disappeared as consumers migrate to digital and DVD camcorders. The disappearing analog market and an overall decline in camcorder demand has translated into a significant decline in total camcorder sales and production. If this contraction of the market were to be coupled with a loss of GSP benefits, it could have disastrous effects on PSECI's camcorder production and employment, forcing steep cuts in production and employment.

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[23] *See Proclamation 7800 -- To Modify Duty-Free Treatment Under the Generalized System of Preferences*, 69 Fed. Reg. 40299 (July 1, 2004).

A. CNL Waivers Serve As An Important Check on Mechanical Application of Product Graduation Criteria When Continuing Benefits Would Best Serve The Purposes Of The GSP Program.

PSECI obtained a waiver of the dollar value CNL pursuant to 19 U.S.C. § 2463(d)(1). The dollar value CNL provision excludes a beneficiary developing country ("BDC") from GSP eligibility for a product if the appraised value of U.S. imports of the product from the BDC exceeds a specified amount in any calendar year. As discussed below, exports of camcorders from Indonesia to the United States under HTSUS subheading 8525.40.80 were graduated from the GSP program because they exceeded the $105 million limit for 2002.

CNL waivers allow for the seamless extension of GSP treatment in cases where eligible articles from certain BDCs trigger program graduation limits based on annual trade performance, but the continued extension of benefits is warranted. The waivers provide the necessary flexibility to preserve GSP benefits when annual trade performance alone is an insufficient gauge of competitiveness and economic development and/or where important U.S. national economic interests are at stake.

B. There Are No Changed Circumstances That Warrant Termination of the CNL Waiver For Camcorders From Indonesia.

1. The same factors that existed when the CNL waiver was granted continue to exist.

PSECI remains focused on preserving jobs and expanding production in Indonesia. PSECI is the sole producer of camcorders in Indonesia. Its camcorder production facilities are located in Bekasi, Indonesia. While the camcorder market has completed the transition from analog to digital camcorders, the factors that existed in 2003 and that led to the granting of the CNL waiver for camcorders from Indonesia have not changed.

At the time the CNL waiver petition was filed, PSECI employed 596 workers at its camcorder production facilities in Indonesia. Since that time, employment increased significantly, to over 3,300 workers in 2005. In 2006, however, the number of production workers declined to 1,934 workers. This is a decline of more than 40 percent from fiscal year ("FY") 2005 (April 2005 through March 2006) to the end of July 2006.

PSECI began producing camcorders in Indonesia in late 2000. The merchandise was not fully qualified for GSP benefits until 2001. Since camcorder production began in Indonesia, camcorder exports have become the single largest GSP beneficiary product by value for Indonesia. Prior to the commencement of production in Indonesia, Panasonic Shikoku Electronics Co., Ltd. ("PSEC") only produced camcorders in Japan. The camcorders produced by PSECI in Indonesia are sold under the Panasonic and Quasar brand names.

Camcorders are classified under the eight-digit tariff subheading 8525.40.80. This item provides for still image video cameras and other video camera recorders including digital cameras. The import data for subheading 8525.40.80 may also include merchandise other than camcorders. Specifically, this subheading includes three separate tariff provisions, only two of which are for camcorders -- 8525.40.80.20 and 8525.40.80.50.

A table showing U.S. import data for tariff subheading 8525.40.80 is included as **Attachment 1**. The general duty rate for this provision is 2.1 percent ad valorem. The import data for camcorders alone is also provided in **Attachment 2**.

Camcorder production in Indonesia increased steadily from 2001 until 2004, but has declined sharply since then. A table showing PSECI's production is set forth below.

Table 4

PSECI Camcorder Production in Indonesia; Imports from Indonesia										
Unit: US$ 1,000	2003		2004		2005		2005 (Jan-Jul)		2006 (Jan-Jul)	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Production										
******** *********	*********	*********	*********	********	********	********	********	*******	*******	*******
******** *********	********	********	********	********	********	********	********	********	********	********
******** *********	********	********	********	********	********	********	********	********	********	********
Total Production	********	********	********	********	********	********	********	********	********	********
U.S. Imports (8525.40.80.20 and 8525.40.80.50)							2005 (Jan-Jun)		2006 (Jan-Jun)	
Totals	610,185	106,897	556,445	115,657	397,337	98,666	161,460	42,540	194,557	47,380

The camcorders are shipped to the United States fully assembled, packed, and ready for sale to U.S. consumers. The major retail outlets for Indonesian camcorders are *********, ********************. In 2003, exports of camcorders to the United States accounted for *** percent of Indonesian production and were valued at more than ***** million.[24] As demand has increased in other markets, PSECI's percentage of production exported to the United States ****************. By 2005, **** percent of PSECI's production was imported into the United States and was valued at over ***** million, which is well below the CNL of $120 million for 2005. Moreover, based on PSECI's declining production quantities and values in 2006, it is expected that the 2006 import values will continue to decline. On an annualized basis, the 2006 import values are projected to be nearly $4 million below the 2005 import values.

If the CNL waiver were terminated, Indonesia would lose its GSP eligibility for camcorders because it exceeded the CNL in the past and had been graduated with respect to this product. However, because Indonesia's imports of camcorders have not exceeded the CNL in

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[24] *See* **Attachment 2** (ITC Data web import statistics). Because PSECI is the only camcorder producer in Indonesia, 100 percent of all camcorder imports from Indonesia are produced by PSECI.

recent years, PSECI could seek redesignation under 19 U.S.C. § 2463(c)(2)(C).[25] It seems unnecessary to force Indonesia to go through this additional effort, as there is no reason to terminate the CNL waiver.

A significant portion of the camcorder accessories, such as the battery charger and the cassette adaptors, are also produced in Indonesia. In FY 2005, PSECI produced ******** worth of camcorder accessories.[26] PSECI also purchased ***** million of component parts from local suppliers during FY 2005. At the same time, PSECI also procured ****** million in services from local contracts in FY 2005. This additional accessory production and local content is important, because if GSP eligibility is lost for imports of camcorders from Indonesia, there will also be declines in these areas.

In its waiver petition PSECI noted that it was transitioning from analog to digital camcorder production. Since 2003, demand shifted rapidly to digital camcorders from the analog models, and the shrinking price difference between digital and analog models accelerated the shift. Digital camcorders are the cutting edge of technology. In June 2005, PSECI completed the transition, as the production data above illustrates. Currently, only digital camcorders are produced in Indonesia. By the end of 2005, PSECI ceased production of analog camcorders.

The Consumer Electronics Association ("CEA") reports that "{s}ales of camcorders continue to shift toward digital models that offer clear images, dual motion and till image recording capability and compact body designs. … With the decline in prices for digital formats, the old analog models that dominated sales a short time ago virtually have disappeared from manufacture line-ups in 2006."[27] The table below illustrates the per unit cost difference between digital and analog camcorder production.

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[25] On July 1, 2004, camcorders from Indonesia were removed from the list of products designated to receive GSP benefits contained in General note 4(d) to the HTS. *Proclamation 7800 -- To Modify Duty-Free Treatment Under the Generalized System of Preferences*, 69 Fed. Reg. 40299, 40302 Annex I (July 1, 2004). The same Presidential Proclamation that removed camcorders from Indonesia from the list of products designated for GSP benefits, also granted a CNL waiver to camcorders from Indonesia. *Id.*, at 40304 Annex III.

[26] Camcorder accessories are generally not included in the same HTS category as camcorders.

[27] *See* "Digital Camcorder Sales Rise as Category Sales Slip," Consumer Electronic Association, *available at* http://www.ce.org/print/Press/CEA_Pubs/2016.asp? (last visited on August 28, 2006).

Table 5

PSCEI Camcorder Production Average Unit Values (AUVs)[28]					
	2003	**2004**	**2005**	**2005 (April-July)**	**2006 (April-July)**
*****************	********	********	********	********	********
***********	********	********	********	********	********
******************	********	********	********	********	********
Total Digital	********	********	********	********	********

The shift in camcorder sales is further reflected in the import AUV data from Indonesia.

Table 6

U.S. Camcorder Import AUVs[29]					
Country	**2003**	**2004**	**2005**	**1st Half 2005**	**1st Half 2006**
Indonesia	$175.2	$207.9	$248.3	$263.5	$243.5

PSECI's AUVs were lowest when its production of analog camcorders were at their peak. As production shifted to digital camcorders, PSECI's overall import AUVs began to climb. Thus, the increase in digital technology in the market place has allowed PSECI to increase its per unit revenues and profits.

2. Continuation of the CNL waiver for camcorders from Indonesia will continue to benefit Indonesia.

Maintaining the CNL waiver for camcorders from Indonesia would permit the merchandise to continue to enter the United States on a duty-free basis, without the assessment of the 2.1 percent ad valorem duties that would otherwise apply. Although this duty benefit may appear modest, it is a very important benefit for Indonesia. The availability of GSP benefits for camcorders from Indonesia helped to diversify Indonesia's industrial base, significantly increased foreign exchange earnings for the country, and provided increased employment to a needy population. At the same time, the duty savings provided have not adversely affected any U.S. producer or any other developing country, but rather benefited U.S. consumers.

The continuation of GSP benefits made possible by maintaining the CNL waiver provides an important cost advantage for Indonesian camcorders. As with many other consumer electronics products, the camcorder market in the United States is very price sensitive. The availability of GSP treatment for camcorders provided the necessary incentive for an important upgrade in production operations in Indonesia. Specifically, GSP benefits were a significant factor leading to the transfer of camcorder production from Japan to Indonesia. As discussed

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28 *See supra*, Table 4.

29 *See* **Attachment 3**.

above, PSECI facilities employed 3,338 people in 2005 and produced about ******* million in foreign exchange earnings on camcorders alone. Thus, the existence of GSP benefits has had very real benefits for Indonesia.

In addition, because PSECI sources a number of the components used in its camcorder production locally, the loss of GSP benefits will have a ripple effect on the Indonesian economy. Declining camcorder production has already reduced purchases from local suppliers. Any further reductions in production due to the loss of GSP benefits will place further strain on already vulnerable local suppliers. Any further reductions in sales and employment will lead to increased social welfare costs for the Government of Indonesia and a significant reduction in revenues.

3. Maintaining the CNL waiver does not result in adverse consequences for the United States.

a. There remains No U.S. production of camcorders.

A very important consideration in any GSP proceeding is whether granting GSP treatment for a particular product would adversely affect a U.S. company. In this case, there remains no U.S. production of camcorders. There was no U.S. production at the time the CNL waiver was granted, and there is no U.S. production now. As a result, there would be no adverse impact on any U.S. company if the CNL waiver for camcorders from Indonesia were maintained. Instead, maintaining the waiver would continue to directly benefit U.S. retailers, U.S. consumers, and the U.S. economy.

b. There are no imports of camcorders from other BDCs.

Another critical consideration with respect to assessing the competitive position of Indonesia is determining whether the CNL is meaningful under the circumstances. The U.S. GSP program was designed to extend tariff benefits to sectors of developing country economies in an effort to accelerate economic growth in the country. Product graduations based on CNL were created as one method to reduce the benefits provided to the more economically advanced countries in order to provide greater opportunities for less advanced countries.

In this case, the primary source of imported camcorders continues to be Japan. The other major sources are Malaysia, China, Korea, and Singapore none of which are GSP eligible. Although U.S. import statistics show some merchandise being imported from other BDCs, such as Thailand, we believe these are digital cameras (or accessories), not camcorders. In fact, we are unaware of any significant camcorders production for the U.S. market in any country other than Indonesia and the five countries listed above. As a result, the “graduation” of Indonesia with respect to camcorders will not have beneficial effects for other developing countries. Indeed, the only beneficiary in such case is likely to be China or Malaysia. Therefore, eliminating GSP benefits for Indonesian camcorders will cause significant economic harm to Indonesia without serving the purposes of the GSP program.

C. Other Factors Warrant Continuing the Waiver.

Since the CNL waiver for camcorders from Indonesia was granted in 2004, the camcorder market has changed dramatically. In the intervening years, there has been increasing competition among suppliers. The increased competition has had a negative affect on PSECI's production of camcorders, making the GSP benefits derived from the CNL waiver all the more critical to PSECI's competitive position and, by extension, that of Indonesia.

The loss of GSP benefits through termination of the CNL waiver would have severe repercussions for the production of camcorders in Indonesia. As shown in Table 4 above, even with GSP benefits, camcorder production in Indonesia has declined steadily since 2004. The market shift to the more competitive digital camcorder segment has negatively affected PSECI's camcorder production. In 2004, PSECI occupied a unique market position. PSECI was one of the few analog camcorder producers in the market. However, any price advantage PSECI had in producing the lower cost analog camcorders was lost in the shift to digital camcorder production.

Figure 3

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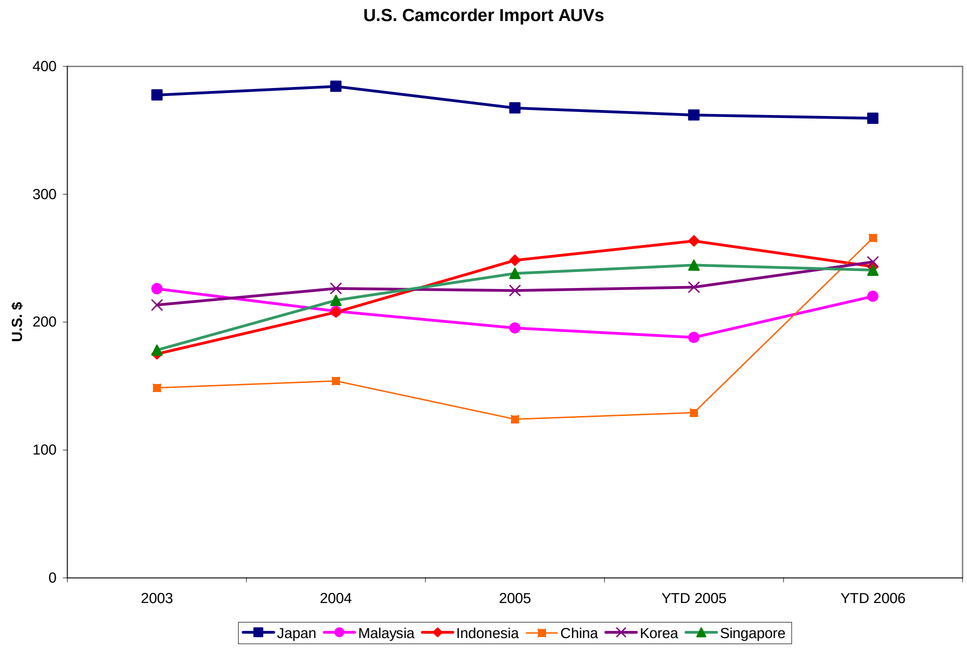
Figure 4



As the charts above demonstrate, during 2003 when PSECI's analog production was at its peak, Indonesian import AUVs were lower than all PSECI's major competitors except China. Over time, Indonesian import AUVs increased along with PSECI's digital production. By 2005, when PSECI's digital production was at its peak, Indonesian AUVs were priced higher than all of its major competitors except for Japan. Therefore, the shift from analog to digital, while increasing per unit profitability, has reduced the price competitiveness of camcorder imports from Indonesia.

At the same time, the camcorder market has recently experienced an overall decline in sales due to competition from alternative products. As noted by the CEA, "The impact of new digital still cameras with the ability to record short video sequences on Flash memory cards has given consumers new options to consider when looking to make home movies, and this is expected to escalate in 2006."[30] The CEA projects a 37 percent decline in the value of total U.S. camcorder sales from the peak year in 2002 to present, and a 21 percent decline in unit sales over that same period.[31] Conversely, the CEA projects a 265 percent increase in the value of total U.S. digital camera sales from 2001 to 2006, and a 371 percent increase in unit sales over

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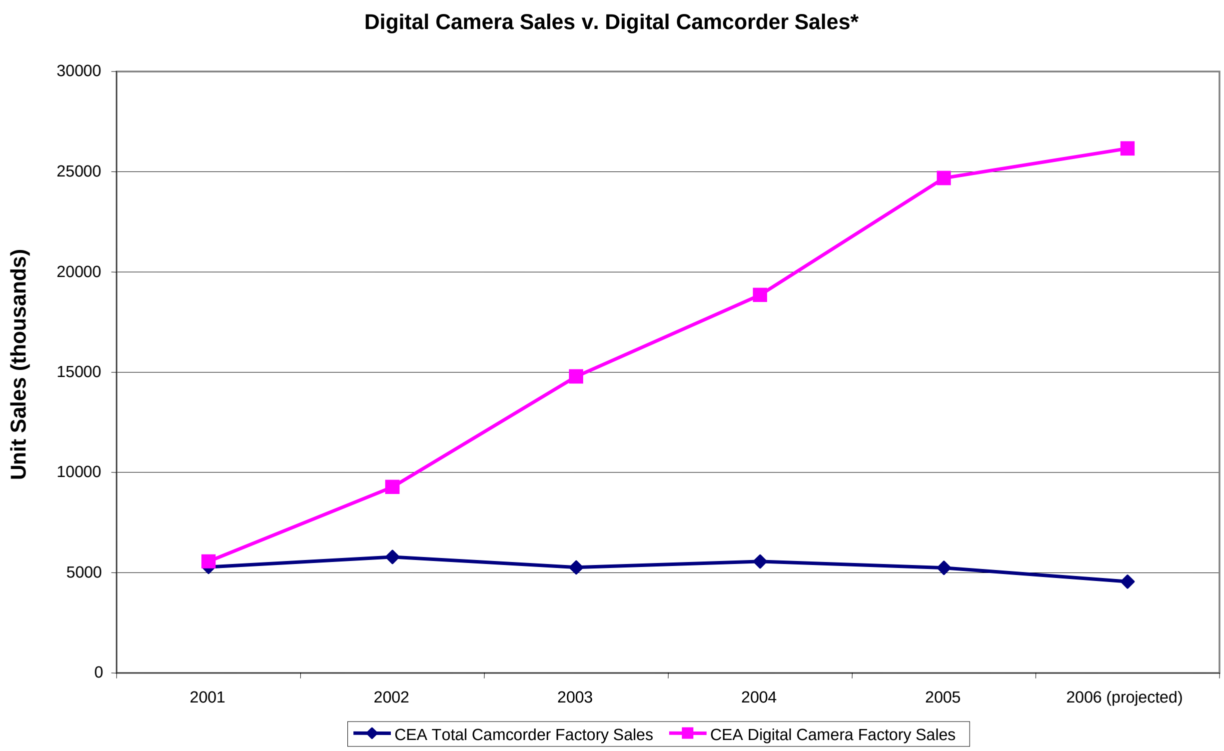
30 *See* "Digital Camcorder Sales Rise as Category Sales Slip," Consumer Electronic Association, *available at* http://www.ce.org/print/Press/CEA_Pubs/2016.asp? (last visited on August 28, 2006).

31 *See* **Attachment 4**.

the same period.[32] The table below illustrates the dramatic increase in demand for digital cameras and the depressing effects this increase has had on digital camcorder sales.

Figure 5



* Source: *See* **Attachment 4.**

The steady decline in camcorder demand is also reflected in the U.S. import statistics provided in **Attachment 4**.[33] U.S. import statistics reflect a small amount of inventory overhang in the U.S. as compared to the CEA data. However, the steady decline in camcorder demand is apparent. The import statistics show a 10 percent decline in the value of total U.S. camcorder sales from 2002 to 2005, and a 5 percent decline in unit sales over that same period. Camcorder demand continued to decline in the first half of 2006, by 11.5 percent from first half of 2005 to first half of 2006. In fact, since the digital camcorder revolution, Indonesia's U.S. market share has declined steadily.

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32 *See* **Attachment 4**.

33 Because there is no domestic production of camcorders, total imports of camcorders make-up 100 percent of apparent domestic consumption.

Table 7

U.S. Market Share[34]						
	2002	2003	2004	2005	1st Half 2005	1st Half 2006
Total Apparent U.S. Consumption	6,208,649	6,077,786	5,678,003	5,893,891	2,818,028	2,493,571
Japan	56.3	58.9	55.9	60.7	63.8	55.0
Malaysia	15.8	15.8	15.8	21.8	20.1	20.2
Indonesia	14.0	10.0	9.8	6.7	5.7	7.8
China	1.3	7.5	11.2	5.6	3.9	14.2
Korea	12.2	6.6	3.7	2.5	3.0	1.6

From 2002 to 2005 Indonesia has lost over 52 percent of its camcorder market share, with only a slight increase in the first half of 2006 as compared to the first half of 2005. The slight increase in first half 2006 market share is attributed to the transfer of ************** ***********************************. In contrast, China's market share increased by 264 percent from first half 2005 to first half 2006. With China's rapid reentrance into the camcorder market and the steady decline in camcorder demand, Indonesia's competitive position in the market for its most important GSP product is under siege. Duty free treatment is one of the few remaining competitive advantages Indonesia has left to combat imports from its more economically advanced competitors. Loss of GSP benefits would cripple any ability Indonesia had to reverse the precipitous decline in its market position.

Moreover, the steady decline in camcorder demand in the United States has increased competition in the already hypercompetitive market. Making Indonesian camcorders increasingly more vulnerable to competition from its more economically advanced competitors. PSECI is forced to compete for a perpetually shrinking piece of the pie in its largest export market. This has made the narrow competitive advantage gained through the CNL waiver more important than ever. Thus, the removal of GSP benefits through termination of the CNL waiver would only exacerbate the effects of the current market situation on Indonesian camcorder sales and would lead to additional declines in production, sales, and employment in Indonesia.

IV. CONCLUSION

PSECI respectfully requests that Indonesia's GSP benefits not be limited, suspended, or withdrawn, and that the USTR maintain the CNL waiver for camcorders imported from Indonesia. There are compelling reasons to not graduate Indonesia and to keep the waiver in place. The waiver continues to benefit Indonesia without adversely affecting the United States or any other BDC. The waiver is thus consistent with the GSP program. The purpose of the GSP program is to foster economic development among developing countries through trade, not foreign aid. The duty-free treatment provided to camcorders from Indonesia under the GSP

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34 *See* **Attachment 3** (U.S. ITC Data web import statistics).

program has promoted the economic development of Indonesia, providing product diversity, substantial employment, capital investment, foreign exchange earnings, and above-average working conditions and compensation.

If the CNL waiver is terminated, Indonesia will lose a measure of its competitive advantage and the economic benefits provided to its economy and its workers may be compromised. Moreover, the economic benefits Indonesia loses are likely to be transferred to a more highly developed country, which is contrary to the purposes of GSP.

For the foregoing reasons, PSECI respectfully requests that the CNL waiver granted for camcorders from Indonesia be maintained, not terminated.

Respectfully submitted,

/s/ James P. Durling
James P. Durling
Miriam A. Bishop
Robert E. DeFrancesco
Matthew McCullough
Rebecca Griffin

WILLKIE FARR & GALLAGHER LLC
1875 K Street, N.W.
Washington, D.C. 20006
(202) 303-1000
rdefrancesco@willkie.com

Attorneys For P.T. Panasonic Shikoku Electronics Indonesia

Dated: September 5, 2006

Attachment 1

HTS - 85254080: Still image video cameras and other video camera recorders; digital cameras: Other

For All Countries
U.S. Imports For Consumption

Customs Value

Country	2003	2004	2005	2005 YTD thru June	2006 YTD thru June
	In Actual Dollars				
Japan	1,363,552,931	1,258,040,052	1,365,389,925	667,930,670	521,364,231
Malaysia	217,021,394	186,879,456	252,965,053	107,415,209	110,736,663
Indonesia	106,905,359	115,659,782	98,665,725	42,540,346	47,380,212
China	89,181,686	114,879,856	88,003,368	33,260,517	126,102,631
Korea	102,213,950	71,127,975	62,314,603	36,049,072	22,505,468
Singapore	4,504,600	35,852,966	34,212,493	22,689,790	4,940,897
All Others	57,882,813	66,620,062	64,214,568	31,566,649	36,741,496
Total	**1,941,262,733**	**1,849,060,149**	**1,965,765,735**	**941,452,253**	**869,771,598**

Volume

Country	2003	2004	2005	2005 YTD thru June	2006 YTD thru June
	In Actual Units of Quantity				
Japan	3,614,000	3,311,136	3,666,412	1,830,632	1,443,908
Malaysia	960,076	897,267	1,293,888	570,617	503,570
Indonesia	610,186	556,451	397,337	161,460	194,557
China	1,447,247	1,267,152	1,304,618	609,610	1,051,385
Korea	609,785	507,020	468,374	264,035	207,123
Singapore	24,787	164,182	143,051	92,334	20,487
All Others	411,874	366,293	332,918	192,006	176,302
Total	**7,677,955**	**7,069,501**	**7,606,598**	**3,720,694**	**3,597,332**

Attachment 2

Camcorders: Customs Value by Customs Value
For ALL Countries
U.S. Imports For Consumption
Annual + Year-To-Date Data from Jan - Jun

Country	2001	2002	2003	2004	2005	2005 YTD (Jan-Jun)	2006 YTD (Jan-Jun)
	In Actual Dollars						
Japan	1,196,609,469	1,427,614,753	1,352,621,609	1,220,791,799	1,314,958,477	650,241,197	492,843,725
Malaysia	338,509,799	203,258,560	216,976,296	186,784,458	250,787,635	106,509,493	110,658,153
Indonesia	168,110,243	171,443,408	106,896,609	115,657,130	98,665,725	42,540,346	47,380,212
China	130,568,699	20,911,096	67,438,387	97,616,109	40,725,032	14,107,532	93,932,645
Singapore	2,109,599	586,285	4,064,416	35,559,782	34,012,556	22,526,565	4,897,049
Korea	59,362,255	152,827,545	85,792,605	48,031,427	33,318,248	19,130,032	9,791,819
Thailand	3,999,414	5,849,737	6,055,727	7,660,422	8,347,545	1,202,232	3,280,066
Canada	536,509	18,275	51,715	426,405	538,224	206,023	97,163
Philippines	0	0	0	0	474,519	474,519	0
United Kingdom	205,094	261,757	404,937	122,185	417,917	60,829	381,503
All Others	1,668,710	2,844,711	3,678,064	2,971,933	1,830,368	934,870	722,610
Total	**1,901,679,791**	**1,985,616,127**	**1,843,980,365**	**1,715,621,650**	**1,784,076,246**	**857,933,638**	**763,984,945**

Camcorders: First Unit of Quantity by Customs Value
For ALL Countries
U.S. Imports For Consumption
Annual + Year-To-Date Data from Jan - Jun

Country	2001	2002	2003	2004	2005	2005 YTD (Jan-Jun)	2006 YTD (Jan-Jun)
	In Actual Units of Quantity (Number)						
Japan	2,553,389	3,493,042	3,582,300	3,176,532	3,579,165	1,796,674	1,371,136
Malaysia	1,368,120	982,922	959,885	895,724	1,283,775	566,478	502,740
Indonesia	685,390	866,901	610,185	556,445	397,337	161,460	194,557
China	435,619	83,515	454,011	634,301	328,112	109,147	353,438
Korea	272,201	755,650	402,114	212,252	148,246	84,167	39,635
Singapore	9,400	2,303	22,827	163,851	142,842	92,145	20,345
Thailand	3,975	11,693	14,840	22,414	6,294	2,285	2,491
Taiwan	373	4,345	16,082	4,154	4,745	3,227	8,592
Philippines	0	0	0	0	1,230	1,230	0
Canada	1,813	6	38	705	946	680	75
All Others	2,637	8,272	15,504	11,625	1,199	535	562
Total	**5,332,917**	**6,208,649**	**6,077,786**	**5,678,003**	**5,893,891**	**2,818,028**	**2,493,571**

Source: USITC Data web HTS 8525.40.80.20 and 8525.40.80.50

Attachment 3

Country	2001	2002	2003	2004	2005	2005 YTD (Jan-Jun)	2006 YTD (Jan-Jun)
	Average Unit Values						
Japan	$468.6	$408.7	$377.6	$384.3	$367.4	$361.9	$359.4
Malaysia	$247.4	$206.8	$226.0	$208.5	$195.4	$188.0	$220.1
Indonesia	$245.3	$197.8	$175.2	$207.9	$248.3	$263.5	$243.5
China	$299.7	$250.4	$148.5	$153.9	$124.1	$129.3	$265.8
Korea	$218.1	$202.2	$213.4	$226.3	$224.7	$227.3	$247.0
Singapore	$224.4	$254.6	$178.1	$217.0	$238.1	$244.5	$240.7
Total Import AUV	**$356.6**	**$319.8**	**$303.4**	**$302.2**	**$302.7**	**$304.4**	**$306.4**

Country	2001	2002	2003	2004	2005	2005 YTD (Jan-Jun)	2006 YTD (Jan-Jun)
	U.S. Market Share Percentage						
Japan	47.9%	56.3%	58.9%	55.9%	60.7%	63.8%	55.0%
Malaysia	25.7%	15.8%	15.8%	15.8%	21.8%	20.1%	20.2%
Indonesia	12.9%	14.0%	10.0%	9.8%	6.7%	5.7%	7.8%
China	8.2%	1.3%	7.5%	11.2%	5.6%	3.9%	14.2%
Korea	5.1%	12.2%	6.6%	3.7%	2.5%	3.0%	1.6%
Singapore	0.2%	0.0%	0.4%	2.9%	2.4%	3.3%	0.8%
Total Apparent U.S. Consumption	**5,332,917**	**6,208,649**	**6,077,786**	**5,678,003**	**5,893,891**	**2,818,028**	**2,493,571**

Source: USITC Data web HTS 8525.40.80.20 and 8525.40.80.50

Attachment 4

CEA Total Camcorder Factory Sales[35]			
Year	**Quantity (1,000s)**	**Value ($1,000,000)**	**AUVs**
2001	5,284	$2,236	$423
2002	5,790	$2,361	$408
2003	5,262	$2,002	$356
2004	5,559	$1,651	$297
2005	5,243	$1,704	$319
2006 (projected)	4,555	$1,486	$326

CEA Digital Camera Factory Sales[36]			
Year	**Quantity (1,000s)**	**Value ($1,000,000)**	**AUVs**
2001	5,556	$1,972	$355
2002	9,267	$2,794	$301
2003	14,786	$3,921	$265
2004	18,852	$4,739	$251
2005	24,682	$7,468	$303
2006 (projected)	26,159	$7,190	$275

U.S. Camcorder Apparent Consumption[37]			
Year	**Quantity (1,000s)**	**Value ($1,000,000)**	**AUVs**
2001	5,333	$1,902	$357
2002	6,209	$1,986	$320
2003	6,078	$1,844	$303
2004	5,678	$1,716	$302
2005	5,894	$1,784	$303
2005 1st half	2,818	$858	$304
2006 1st half	2,494	$764	$306

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35 *See* "Digital Camcorder Sales Rise as Category Sales Slip," Consumer Electronic Association, *available at* http://www.ce.org/print/Press/CEA_Pubs/2016.asp? (last visited on August 28, 2006).

36 *See* "Digital Cameras Overview," Consumer Electronic Association, *available at* http://www.ce.org/print/Press/CEA_Pubs/1995.asp? (last visited on August 28, 2006).

37 Source: U.S. Import Statistics from the ITC Data web HTS Nos. 8525.40.80.20 and 8525.40.80.50.

PUBLIC VERSION

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

STATEMENT OF NEWELL RUBBERMAID CONCERNING ADVERSE EFFECTS OF SUSPENDING, WITHDRAWING OR LIMITING GSP STATUS FOR BRAZIL, INDIA, INDONESIA AND THAILAND

September 5, 2006

Patricia A. Zinski
Counsel to Newell Rubbermaid
806 Cherry Street
Wheaton, Illinois 60187
(630) 690-5760
pattie.zinski@sbcglobal.net

Dale Matschullat
Vice President, General
Counsel and Corporate Secretary
Newell Rubbermaid Legal Services
10B Glenlake Parkway, Suite 600
Atlanta, GA 30328
(770) 407-3830

PUBLIC VERSION

I. INTRODUCTION

This submission responds to the request for public comments issued by the Office of the United States Trade Representative to determine whether major beneficiaries of the GSP program have expanded exports or have progressed in their economic development such that their eligibility should be limited, suspended or withdrawn. 71 Fed. Reg. 45,079 (August 8, 2006).

For the reasons stated herein, Newell Rubbermaid Inc. and its Sanford North America, Levolor/Kirsch, Lenox, Amerock, Bernzomatic, Irwin Industrial Tool, Shur-Line and Goody divisions respectfully request that the Trade Representative advise the Congress that limiting, suspending or withdrawing the GSP eligibility for Brazil, India, Indonesia or Thailand would significantly adversely affect U.S. businesses and the economies of these developing countries and, therefore, the GSP tariff preference for these countries should be preserved.

II. INTEREST OF NEWELL RUBBERMAID

Newell Rubbermaid is a global manufacturer and marketer of branded consumer and commercial products with 2005 sales of six billion dollars. Newell Rubbermaid's businesses are divided into the following five segments: cleaning and organization; office products; tools and hardware; home fashions; and other (principally comprised of hair care accessory products and infant and juvenile products). Newell Rubbermaid products are sold through retail channels including department stores, discount stores, warehouse clubs, home centers, hardware stores, commercial distributors, and office superstores. The Newell Rubbermaid family of brands includes Sharpie®, Paper Mate®, Dymo®, Expo®, Waterman®, Parker®, Rolodex®, Irwin®, Lenox®, Bernzomatic®, Rubbermaid®, Graco®, Calphalon®, Levolor® and Goody®. The company has 28,000 employees distributed across twenty American states and nineteen foreign countries. Newell Rubbermaid makes its headquarters in Atlanta, Georgia.

In this global economy, most, if not all, Newell Rubbermaid divisions depend on reliable, cost-effective foreign suppliers to provide material inputs to the manufacturing process or finished goods meeting the exacting standards required of branded products. All of the Newell Rubbermaid companies share a deep concern over the potential loss of GSP benefits for the thirteen countries targeted for this investigation. These comments will focus on Newell Rubbermaid divisions with particularly keen interests in preserving the GSP eligibility of Brazil, India, Indonesia, and Thailand.

A quick review of the numbers underscores the importance of the GSP program in helping Newell Rubbermaid companies to forge successful partnerships with developing country suppliers, which, in turn, leads to effective sales strategies to Newell's mass merchandiser customers. Sanford North America is shifting new product line sourcing to India with expected annual U.S. sales of [************] . In 2006, Sanford expects to import roughly[********] in ball point pens and [**********] in mechanical pencils from India. In 2007, Sanford projects that these imports will jump to [************] in ball point pens and [************] in mechanical pencils, assuming that India continues to enjoy GSP benefits in 2007. In addition, Sanford projects [************] in writing instrument purchases from Indonesia, and [********] from Thailand in 2006. Levolor/Kirsch imports approximately [*************] annually in decorative window and drapery hardware from Thailand. Shurline projects painting supply purchases from Indonesia will total [************] in 2006. Irwin Tool imports approximately [************] annually in drill bits from a plant it operates in Brazil. The Lenox division imports approximately [*********] annually in saw blades and powertool accessories from India from a plant it operates in Ankleshwar, plus an additional [********] annually from product it sources from Indian producers. Bernzomatic imports approximately [********] in blow torches annually from India. Goody imports more than [************] annually in hair accessories from Thailand. The importance of these supplier relationships for the overall financial health of the affected companies will be further explored herein.

III. PRESERVING GSP ELIGIBILITY FOR BRAZIL, INDIA, INDONESIA, AND THAILAND IS IMPORTANT FOR THE CONTINUED FINANCIAL HEALTH OF NEWELL RUBBERMAID.

A. IRWIN INDUSTRIAL TOOL RELIES ON GSP ELIGIBILITY FOR BRAZIL.

Newell Rubbermaid's Irwin Tool division operates a manufacturing facility in Carlos, Barbosa, Brazil, that manufactures drilling and cutting accessories. Irwin imports into the United States approximately [************] annually from this facility. Because of the complex technology involved in manufacturing industrial grade tools, Irwin has invested significant resources in this facility, including teaching the associates how to manufacture these products to Irwin's exacting standards. Irwin believes this provides it with a competitive advantage that could not be duplicated in another country. Without GSP treatment, the tariff on these imports from Brazil would be between 4.8 and 5.0 percent (HTS 8207.90.30 and 8207.90.45). The preferential duty treatment received by Brazil pursuant to the GSP program offsets the relatively higher cost of manufacturing in Brazil versus certain other low cost countries, such as China.

B. LENOX , SANFORD NORTH AMERICA AND BERNZOMATIC RELY ON GSP ELIGIBILITY FOR INDIA.

The Lenox division operates a manufacturing facility in Ankleshwar, India, that manufactures saw blades and other power tool accessories. Annual imports into the United States from this facility total approximately [*******]. Additional power tool imports from India total approximately [*******]. These imports are classified in HTS categories 8202.10.0000 and 8207.50.20 with tariff rates of zero and 5.0 percent, respectively. As with the Brazilian plant, Lenox has invested significantly in training local associates to efficiently manufacture high grade industrial power tools that meet exacting performance standards. The GSP benefit accorded to India enables Lenox to cost-effectively run this plant rather than sourcing from other potentially lower-cost supplier nations.

India is now Sanford's source for new product lines, with U.S. sales in 2006 expected to exceed [*********]. Sanford sources ball point pens and mechanical pencils from a factory in [***********]. Sanford expects to import approximately [**********] in ball point pens (HTS # 9608.10.00) from this facility in 2006. With an estimated [***********] pens imported in this category from India in 2006, at a duty rate of 0.8 cents each plus 5.4%, GSP will save Sanford [*********] in this category in 2006. In 2007, Sanford projects to purchase roughly [***********] pens for a total import value of [**********], with GSP savings estimated to be [**********]. Sanford expects to spend approximately [**********] on mechanical pencil (HTS # 9608.40.40) purchases from India in 2006 and, with a non-GSP duty rate of 6.6 percent, GSP savings to Sanford will total [********] in 2006. In 2007, Sanford plans to purchase [************] in mechanical pencils from India, yielding a GSP savings of [********]. In addition, Sanford coordinates a direct purchase program for Wal*Mart purchases from India, which results in an additional [************] annually in writing instruments purchases from India. If the GSP preference for India were eliminated, Wal*Mart would likely seek alternative low-cost suppliers.

Bernzomatic will import a projected [********] in blow torches of HTS category 8205.60.00 from India in 2006. These products carry a tariff rate of 2.9 percent for non-GSP beneficiaries.

C. SHURLINE AND SANFORD RELY ON GSP ELIGIBILITY FOR INDONESIA.

Newell Rubbermaid's Shurline division imports painting accessories from Indonesia, which are manufactured by a supplier with whom Shurline has developed a close working relationship over several years. Annual imports from this supplier total approximately [************]. These imports fall into HTS category 9603.40 and would carry a duty rate ranging from 4.0 to 7.5 percent, in the absence of GSP treatment.

Sanford imports the wood slats used in the manufacture of pencils from Indonesia. Imports in this HTS category 4421.90.97.20 are expected to be [***********] in 2006. Sanford imports annually an additional [***********] from Indonesia in finished writing instruments of HTS category 9609.10.00, which carries a non-GSP tariff rate of $0.14/gross plus 4.3 percent.

D. LEVOLOR/KIRSCH, AMEROCK, GOODY AND SANFORD RELY ON GSP ELIGIBILITY FOR THAILAND.

The Levolor/Kirsch division imports decorative drapery hardware from Thailand. These imports include mid- and high-price point curtain rods and finials. Levolor has worked closely with its supplier to develop high quality designs and finishes which would be difficult to replicate with another manufacturer in an alternate location. Imports of these decorative drapery hardware from Thailand are expected to be [**********] in 2006. Tariffs on the imported items range from 3.0 to 5.0 percent for non-GSP countries.

Newell Rubbermaid's Amerock division imports cabinet hardware from Thailand. Amerock has worked closely with its supplier to develop specific decorative looks for this hardware which would be hard to reproduce with a different supplier. Annual imports are about [********].

The Goody hair products division has imported approximately [************] in hair accessories from Thailand from January through August, 2006. Tariffs for these products normally range from 2.3 percent (HTS # 4016.99.60) to 14.6 percent (HTS#s 6117.80 and 6217.10).

Sanford imports from Thailand exceeded [********] from January through August of 2006, in HTS categories 3824.90.45, 3923.10.00, and 4420.90.80, carrying tariff rates of 6.5, 3.0 and 3.2 percent, respectively. These products consist of components and packaging materials.

E. CURRENT TRENDS IN MASS MERCHANDISING COMPEL AMERICAN COMPANIES TO SEEK OUT THE LOWEST COST SUPPLIER ON A GLOBAL BASIS.

Consolidation in the mass merchandise retail market has resulted in the emergence of large multi-category retailers which exercise negotiating power over suppliers. Newell Rubbermaid's top ten customers, listed alphabetically, are Ace Hardware, Lowe's, Office Depot, Office Max, Staples, Target, The Home Depot, Toys 'R' Us, United Stationers, and Wal*Mart. These customers demand not only innovative products and highly responsive customer service, but also low cost suppliers. Particularly with respect to products that do not rely on innovation or strong brand recognition, mass merchandisers routinely look directly to foreign producers to source their own private label consumer products. These trends converge to press profit margins ever slimmer for consumer products companies such as Newell Rubbermaid, and drive the need for reliable, low-cost foreign suppliers.

Establishing a successful partnership with a foreign supplier in a developing country, such as those partnerships Newell Rubbermaid has forged in Brazil, India, Indonesia and Thailand, requires patience, extensive training, and investment of both time and treasure. Such relationships are slowly nurtured and not readily supplanted. Thus, revoking the current GSP benefits for the subject countries would result in substantial dislocation of existing business partnerships and could not be quickly, affordably or easily corrected by moving production to some other low-cost country.

F. WITHDRAWING, SUSPENDING OR LIMITING GSP BENEFITS FOR BRAZIL, INDIA, INDONESIA, OR THAILAND WOULD UNDERCUT THOSE COUNTRIES EFFORTS AT SUSTAININABLE ECONOMIC DEVELOPMENT AND PROVIDING THEIR WORKERS WITH A LIVABLE WAGE.

Newell Rubbermaid has invited some of its important foreign suppliers to share their thoughts on the prospect of losing GSP eligibility. The [*********] manufactures writing instruments in India for purchase by Sanford and other American buyers. <u>See</u> Exhibit 1. GSP has enabled [*****]to expand its business and help workers earn a livable wage that enables them to send their children to school. [*****] reports that its workers are paid a minimum wage of [********************* ***] Clearly, GSP has not allowed India to develop economically to a point that it no longer requires the GSP preference to enhance exports and fuel development. In fact, [*****]stresses that the GSP preference is required to somewhat offset the state subsidies provided by the Chinese government to exporters in China, thereby allowing Indian exports to compete effectively with goods from China for the U.S. marketplace.

Sanford is in discussions with [******] located in [*******************], India, for future production opportunities. [*****] reports that it pays 80 percent of its 2500 workers at these facilities a wage of [*******] per eight hour workday. <u>See</u> Exhibit 2. These workers depend on sales to the United States made possible by the GSP benefit to support their families. In [*******] estimation, loss of GSP benefits for India would likely result in businesses like Sanford seeking out alternative low-cost producers, having a destructive impact both on [*******] business and on their workers' livelihood.

[*** *** *** *** **] work force is comprised of women, who are uneducated, unskilled and need their jobs to contribute to their families' well-being. Loss of GSP benefits would likely result in this work force becoming unemployed, and the company suffering tremendous business losses. Accordingly, [***********] appeals to the U.S. Government to support their industry and their people by continuing to include India as a GSP beneficiary.

IV. CONCLUSION

For all the reasons stated herein, the Newell Rubbermaid family of companies hereby requests that the Trade Representative advise the Congress that suspending, limiting or withdrawing GSP eligibility for Brazil, India, Indonesia or Thailand would severely adversely affect U.S. business interests and damage the economies of these developing countries, which remain poor and in need of GSP benefits to sustain economic growth and offer the hope of a brighter future to their workers.

EXHIBIT 1

[***
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Our Key Features

- All products suitable for school , Home & Office . Private labeling of Product
- Production facilities with 100% compliance to Labour Laws , social welfare , Health & Safety Regulations

Main Countries to which we export:

Argentina, Brazil, Bangladesh, Colombia, Denmark, Egypt, El Salvador, Honduras, Hungary, Israel, KSA (Kingdom of Saudi Arabia), Nepal, Portugal ,Sri Lanka, Turkey, Tanzania, U.K., U.S.A. etc

Factory Locations

[***

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***]

Indian workers are not getting rich by GSP but it is only helping them earn their livelihood as evidenced by the wages prevailing in INDIA.

Benefits of GSP –

It gives us a fair chance to compete in price with similar products from China and other South East Asian Countries. The importers in USA are therefore able to buy the products from INDIA at a competitive price and subsequently offer better prices to their consumers.

With GSP in force, there is every likelihood of Greenfield Projects and expansions to take place in India. This means more jobs for workers in INDIA who can now earn a living and can send their children to school.

Primarily, China is our main competitor, where the writing instrument manufacturers get a considerable benefit on exports. In India it is not so. However, with GSP in force from India, more and more US Buyers are interested in sourcing the products from INDIA. In the last few years the trade with USA has increased considerably and GSP has been a key factor, for both the suppliers from INDIA and the US Buyers to take a business decision. The exports are growing every month and this means that the Buyers are happy with the performance of the goods and their suppliers. The Buyers have put enough time and efforts to develop the Indian suppliers who match and meet their expectations.

India is the next source destination for all products and therefore it must be supported in all respects to emerge as a counterbalance to China. This would give the US buyers an alternate sourcing channel.

Negative Effect of possibility of withdrawal of GSP -

The store cost of writing instrument sourced from INDIA would increase without a GSP and that would not be a welcome situation for the Buyers and the consumers in USA. This would mean buyers would look for another source/country, for products, earlier sourced from India. The Buyers will have to again spend all the time, energy and money to find this alternate source which would again have to go through a rigorous qualifying criteria set by the Buyers. The negative effect for Indian exporters would be that exports would fall drastically, all expansion projects with USA would stop, factories would cut down production or even close, leading to a miserable situation for the workers and their families who worked so hard to make a living.

This is not a desirable situation for anyone.

Thanks.

[*******************

***********************]

EXHIBIT 2

Dated: September 1, 2006

[**************************

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**]

[********] exports to major developed countries and mostly exports to USA and Europe .

The workforce for production base which is 225,000 sq.ft. is approx. 2000 workers with 100 *Supervisors and Quality Analyst.*

Factory Locations

[**
****
****
**]

Out of the total people employed 80% of the people in the factory get paid the minimum wages. Most of these people are having very poor financial back ground for their daily survival and to support their family.

Benefits of GSP

Currently amongst the countries which enjoys GSP, there is a price parity and the countries are competitive with each other. If GSP is withdrawn from Indian products, these product will be expensive compared to the countries which will continue to enjoy GSP. This will result in our major customers like Sanford USA, to look towards countries which are protected by GSP, as these countries will be more competitive on the price front.

This will result in our company loosing good amount of existing as well as future business opportunity from American customers including Sanford USA.

Contd.----- page 2

India is as developing country with vast unemployed, educated man power.
India is the largest Democracy in the World with free Judiciary.
Their is no discrimination for Sex, colour, religion , caste in the country.
Child labour is banned in **India** and all these export oriented units are strictly adhereing to the code of Social conduct.

It is very essential to continue the GSP benefits to **India** as it will continue to build healthy trades between USA and India and it is mutually beneficial to both countries – US will get competitive products for their market and in turn India can socially support a huge unemployed and educated youth

Best regards,

[***

****
**]

Nestlé USA

1101 PENNSYLVANIA AVE. NW
SUITE 600
WASHINGTON, DC 20004

Nestlé

PUBLIC VERSION

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508
DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

This letter is sent on behalf of Nestlé USA, Based in Glendale, California and Nestlé Waters North America, based in Greenwich, Connecticut in response to the August 8, 2006 Federal Register notice requesting comment on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries. Our companies are in strong support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging of a wide range of consumer goods. Nestlé requirements are approximately *********** pounds of PET resin annually for use in packaging for our dairy, juice, bottled water and frozen foods businesses. Without duty-free imports under the GSP program, there will be an effective tax increase on industrial consumers of PET resin and on U.S. products packaged in PET plastics.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. Twenty-one other GSP beneficiaries, including fourteen countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.**
  Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, Nestlé USA and Nestlé Waters North America strongly favor the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

Louise Hilsen
Vice President, Government Relations

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

The Motor and Equipment Manufacturers Association
1225 New York Ave., NW, Suite 300 Washington DC 20005
Tel 202-393-6362 Fax 202-737-3742 www.mema.org

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

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.

Import Duties

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 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.

Import Duties

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,

D.L. 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.

Our Ref. No. : /M-DAG/9/2006 Jakarta, 5 September 2006

H.E. Ambassador Susan C. Schwab
US Trade Representative
Washington, DC
U. S. A.

Dear Ambassador Schwab,

In relation to the 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, please find enclosed the written request in support of the extension of the GSP program for Indonesia.

Indonesia proposes that GSP duty free treatment for Indonesia be continued and expanded when the US GSP program is reauthorized, based on the reason that the GSP facility is essential for the economic development of Indonesia.

For the tsunami relief in Aceh, President Bush restored GSP benefits for two important Indonesian imports, namely plywood and contact lenses, and granted a waiver for two products exceeding the GSP Competitive Needs Limitations, specifically, edible products of animal origin and odoriferous or flavoring compounds.

Bearing in mind the devastating effect of the earthquake in Yogyakarta, Indonesia requests the U.S. Government to consider providing temporary GSP access for textile and garment companies in the affected area. This access will not only contribute to the recovery process of the companies affected, but it will also represent a form of acknowledgement of the efforts they have made in trying to restore some form of normality in their immediate environment.

I look forward to working with you in furthering the consideration of the request and I hope to hear from you soon.

Sincerely yours,

MARI ELKA PANGESTU

Cc. Ambassador of the Republic of Indonesia to the USA
Washington, D.C.

INDONESIA'S COMMENTS ON THE REVIEWS OF THE ELIGIBILITY OF CERTAIN GSP BENEFICIARIES AND EXISTING COMPETITIVE NEED LIMITATION (CNL) WAIVERS

I. INTRODUCTION

- The U.S. Generalized System of Preferences (GSP) program will come to an end by December 31, 2006. In the notice given, the U.S. Administration conveys their intention to review 13 out of 133 GSP beneficiaries countries deemed eligible for graduation from the program, which includes Indonesia. The notice also stated that the review will cover existing Competitive Need Limitation (CNL) waivers.

- In conjunction with the U.S. Trade Policy Staff Committee (TPSC) Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) waivers, the Government of the Republic of Indonesia would like to submit this document as its official position on this matter.

II. U.S. – INDONESIA: A STRONGER PARTNERSHIP

- President Bush and President Yudhoyono issued a joint statement on May 25, 2005, reaffirming the longstanding friendship between the United States of America and the Republic of Indonesia, and committed to expanding and deepening their cooperation based on the partnership and our shared values of democracy and pluralism. The U.S. fully supports Indonesia's role in maintaining regional and world peace and security, and its strategic role in the global fight against terrorism.

- The two countries signed a Trade and Investment Framework (TIFA) on July 16, 1996 and re-engaged in regular and intensive dialogue on trade and investment issues under the framework since April 1, 2005, after four years of postponement. There was a TIFA meeting held at the Ministerial level on April 4, 2006. Similar discussions are taking place on energy, after being put on hold for eight years.

- The two countries continue to launch initiatives to further strengthen economic and development partnership, among others by discussing a possible setting up of a Strategic Economic Engagement Dialogue (SEED); finalizing an MOU on Fighting Illegal Logging; discussing the possibility of a bilateral Investment Incentive Agreement; and finalizing an MOU on Customs Cooperation.

III. INDONESIA'S STRONG COMMITMENT TO FREE AND FAIR INTERNATIONAL TRADE

- Indonesia plays an active role in promoting free and fair trade internationally through multilateral and regional fora.

- As the coordinator of the ASEAN members on the ASEAN-US Trade and Investment Framework Arrangement negotiations, Indonesia played an active role in successfully completing the agreement and having it signed in Kuala Lumpur on August 25, 2006. Indonesia welcomes and feels that it is crucial for the U.S. to be actively engaged in South-East Asia and that the U.S. can play a critical role in ensuring prosperity and development of the region.

- Indonesia has played a constructive role in the Doha Round and is supportive of its resumption and completion.

IV. INDONESIA'S VIEW ON THE U.S. GSP REVIEW PROCESS

- Indonesia is in transition towards an open-market democracy. The direct presidential and parliamentarian elections of 2004 were deemed a remarkable step forward for Indonesia in developing its democratic institutions. Indonesia's democratic transition should be viewed in the context of the wider benefits for the region and the world in promoting democratic values, freedom and open-market economies. As the world's most populous Muslim country, Indonesia's success in this transition is very critical, to send a strong signal that Islam and democracy are compatible.

- Indonesia emphasizes that the U.S. GSP program is of vital importance to the country's development and therefore hopes to retain its status as a beneficiary country.

- In order for Indonesia to be able to maintain its role well in line with its aforementioned, strategic importance, the U.S. would be expected to assist Indonesia in developing its economy through assistance in the form of a grant and economic facilitation, such as the GSP program.

V. FACTORS TO BE CONSIDERED FOR INCLUSION OF INDONESIA AS A BENEFICIARY COUNTRY

- **Indonesian Economic Development: The importance of the U.S. GSP Program for Indonesia**

  1. The GSP facility is very important for Indonesia to penetrate the markets of developed countries, including in the U.S. It is an important

component for millions of Small and Medium Enterprises (SMEs) in Indonesia to improve their competitiveness, which has resulted in an improvement of the standard of living of the people involved. Most of Indonesia's products using the U.S. GSP facility are produced with labor-intensive technology, which has strong backward and forward linkages. These products include wood products, fisheries products, plantation products (coffee, tea, chocolate, rubber, CPO), handicrafts, electrical equipment, textile products, etc;

2. Indonesia exports to the U.S. utilizing GSP benefits in 2005 amounted to US$1.57 billion, which is not too much different from the 2002 figure of US$1.51 billion.

3. Indonesia is classified by the World Bank as a lower-middle-income economy based on its per capita income in 2005. Based on World Bank data, Indonesia's Gross National Income (GNI) per capita in 2004 reached US$1,140. Badan Pusat Statistik (BPS) data shows that Indonesia's income per capita in 2005 was US$1,308, which is far below the upper-middle income economy of US$ 3,255 according to the World Bank.

4. In spite of considerable economic progress generally, poverty remains in Indonesia, with 17.8 percent of the population below the poverty line.

5. The review threshold of 0.25 percent of world goods exports in 2005 is NOT a fair comparison for large-population countries to measure their share of the global market. Instead, the threshold should use per capita exports in comparing one country with another. Based on this more appropriate criterion, it is very clear that Indonesia should not be included in the list of countries whose GSP eligibility should be reviewed.

6. Higher oil prices have negatively impacted Indonesia, especially now that it has become a net oil importing country.

- **Best Practices Policy In Trade, Investment And Worker Rights**

1. Indonesia is a member of the WTO and consequently implements all rules and regulations under the WTO.

2. Indonesia is undertaking a comprehensive economic reform program, which includes improving the investment climate, infrastructure development and monetary and financial sector policy.

3. A number of laws to revise taxation, customs, and investment are currently being considered in parliament. One of the main components

of the investment law is the provision for national treatment between foreign and domestic investors.

4. Indonesia is currently reviewing the Labor Law on freedom of union, work contract, labor dispute settlement, wage policy and laborer's cut-off pay.

5. Indonesia has ratified 16 (sixteen) International Labour Organization (ILO) conventions, such as equality of treatment for national and foreign workers as regards to workmen's compensation for accident, forced labor, certification of ship's cook, freedom of association, right to organize and collective bargaining, equal remuneration, abolition of forced labor, labor inspection, employment service; marking of weight on heavy packages transported by vessel; the employment of women in under ground work in mines of all of kind; and discrimination in respect of employment and occupation.

6. A policy framework for investment in infrastructure is being developed which focuses on best practices in public-private partnership and includes changes in laws and regulations. The Ministry of Finance has recently issued the regulatory framework for risk sharing.

- **The importance of GSP for Indonesia**

7. Since the Asian financial crisis, which affected Indonesia in 1997/98, Indonesia is still recovering its competitiveness. After a series of major transformations, it is only now that the government can address comprehensively economic reforms that will improve the investment climate, provide certainty and reduce the costs of doing business. Indonesia is also still catching up in its capacity to fulfill the higher standards and quality requirements for products sold into developed countries.

8. The grant of the U.S. GSP facility is of utmost importance due to its multiplier effect in Indonesia's development, particularly in the current economic situation.

9. The U.S. GSP facility is important for thousands of Indonesian SMEs to improve their competitiveness in the U.S. market. The U.S. GSP is also important to Indonesia for improving the standard of living of the people, because the majority of products receiving U.S. GSP is produced in densely populated areas, with low income, involving labor from rural areas, namely wood products, fisheries products, plantation products (coffee, tea, chocolate, rubber, CPO), handicraft, electrical equipment, textile products, etc.

10. The U.S. GSP facility has had a positive impact on development and absorption of labor, industrial development, especially for SMEs, and rural development.

11. Indonesia has been utilizing the U.S. GSP facility since 1980. The export value of Indonesian products benefiting from duty-free treatment under the U.S. GSP during 2001-2005 varied as follows: US$1.32 billion (2001), US$1.51 billion (2002), US$ 1.34 billion (2003), US$ 1.28 billion (2004), US$ 1.57 billion (2005). Thus, although Indonesia's exports to the U.S. utilizing GSP in 2005 increased quite significantly from the previous year, the value was not much different from the 2002 figure. This shows that Indonesia's is still very much in need of U.S. support to improve its competitiveness.

12. If the GSP facility were to be eliminated, it would amount to a potential loss and result in the decrease of Indonesia's exports to the U.S. This, in turn, will have a negative impact on economic growth in Indonesia.

VI. OTHER RELEVANT INFORMATION

GSP has had a positive effect on Indonesia's economic recovery in the midst of the various natural disasters and terrorist bombs attacks experienced in the last two years. Indonesia appreciates the Competitive Needs Limitation (CNL) waiver given as part of the Tsunami disaster of 2004 in Aceh. As a response to the Tsunami disaster, President Bush re-included the following Indonesian products in the list of GSP eligible products -- plywood (HS. 4412.13.40), contact lenses (HS. 9001.30.00), edible products of animal origin (HS. 0410.00.00), and odoriferous or flavoring compounds (HS. 2909.50.40). This was a positive sign for Indonesia in that the U.S. government is aware that the GSP is very important to Indonesia's development. A termination of this facility in the second year after the disaster and a year after the terrorists attacks, when most of the producers are still struggling to get back on their feet would be an unbearable situation for them. Thus, Indonesia appeals to the U.S. to continue including these products in the U.S. GSP Program list;

- In relation to the natural disaster in Yogyakarta and Central Java, Indonesia also requested preferences from the U.S. government for Indonesian textile and textile products (Dyes for Textile and Textile Products were amongst products excluded from the GSP recipient list) originating from those areas only. The grant of GSP will contribute tremendously to the recovery of textile and garment companies from the affected areas, many of which are SMEs. It will also of course help overall economic recovery.

- Some products that were able to take advantage of the GSP facility in 2005 reached over US$120 million exports to the U.S. These products were jewelry and furniture. These products are mainly produced in Yogyakarta and Central Java, areas hit by the major earthquake, and Bali where the terrorists attacked last year. This is still adversely affecting economic activity. It is for this humanitarian reason the Indonesian Government requests that the U.S. provide a CNL waiver for these products.

- Furthermore, some products already taking advantage of the U.S. GSP facility, such as jewelry (HS. 7113.11.00 to 7117.90.00) and furniture (HS. 9401.69.40 and HS. 9403.60.80) which reached over US$120 million exports to the U.S. are essential for Indonesia's SMEs, which largely originate from areas affected by the 2006 earthquakes of Yogyakarta and Central Java and by the 2005 terrorists attack of Bali. It is for these humanitarian and developmental reason, the Indonesian Government appeals to the US to continue to provide CNL waiver for these products

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VII. INFORMATION ON SPECIFIC PRODUCTS

- Indonesia requests that it be made eligible to receive GSP benefits for all products included in the GSP coverage, including leather batting gloves; certain plywood sheets with an outer ply of tropical woods; still-image video cameras; certain radio-broadcast receivers; printed circuit assemblies for TVs and other tuners; and contacts lenses (Indonesia enjoyed benefits from CNL waivers for those 8 GSP-eligible products in 2005).

- **Plywood products (HS. 4412.13.40),** The GSP is needed for the following reasons:

1. Normative Reasons
   Indonesia's total export value in 2005 was still far below 50% of total U.S. imports of hardwood, amounting to only 13.8% (source: USDA Foreign Ag. Service);

2. Macro Role to Development:
   Continuation of GSP for exports of Indonesian plywood will yield the following continued benefits:

   a. The industry provides wide employment opportunities and is a development agent for remote areas, with wide multiplier effects (Most plywood mills are in remote areas outside Java), i.e.:
      - Promoting transmigration to balance population density in remote areas;
      - Promoting development in agricultural, trade and other sectors;
      - Promoting infrastructure development in surrounding areas;
      - Labor opportunities for the local community, which still have very few options due to the ongoing national economic crisis; and
      - Promoting sustainable forest management and preventing illegal logging.

   b. Continuation of contribution of revenue and other direct returns (from tax and related income) supporting Indonesia's development costs.

   c. The overall abovementioned benefits are factors sustaining improvement of socioeconomic level of the society, eradication of poverty, and sustaining environment quality.

- **Camcorders (HS. 8525.40.80)**: The GSP CNL waiver should be continued for the following reasons:

1. Since camcorder production began in Indonesia in late 2000, camcorder exports have become the single largest GSP beneficiary product by value for Indonesia. Camcorder production in Indonesia creates thousands of manufacturing jobs, including those relating to the direct production of the camcorders and those relating to camcorder accessories.

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3. The U.S. has no domestic production of camcorders. Therefore, continuing the CNL waiver on these products would have no detrimental impact on U.S. companies. On the contrary, maintaining the waiver would benefit U.S. retailers, U.S. consumers, and the U.S. economy.

- **Temporary GSP For Textile Products from Disaster Hit Areas:**

1. The U.S. is Indonesia's main market for Textile and Textile Products and absorbs around 30% of the country's exports. Indonesia's competitiveness in the U.S. market is threatened by a large surge of some other countries' products. Therefore, it is important for Indonesia to have preferential access to remain competitive.

2. The textile and clothing sector absorbs around 2 million workers directly and provides jobs for another 3.7 million indirectly. This is around 16 percent of labor in the manufacturing sector. The sector's contribution to provide jobs and reduce poverty is very critical.

3. <u>Specific reasons</u>:

   a. The continuing reconstruction and rehabilitation process from damage sustained as a result of the tsunami disaster in Aceh, is expected to continue up to 2009. This is in combination with the on going efforts to reduce tension in Aceh which is an important activity.

   b. Reconstruction and rehabilitation of the earthquake hit areas of Yogyakarta and Central Java, the Pangandaran area of West Java, in Papua, and Gorontalo.

   c. If the GSP was revoked the plywood industry will decline and in turn will result in the flourishing of Illegal Logging, which will injure other countries besides Indonesia. The GSP provides relief for Indonesia's competitiveness as the industry adjusts to increased competition from Malaysia and China.

   d. The Government of Indonesia is undergoing a transition period of decentralization and support for economic development is crucial during this transition period.

4. An expanded US-GSP facility was granted to Sri Lanka by the US during economic recovery from the 2005 tsunami disaster. We respectfully request consideration of the similar or same treatment for the disaster-wrecked Yogyakarta area.

VIII. CONCLUSION

As the discussion above indicates, the continuation of GSP benefits for Indonesia is vital to the long term economic stability of Indonesia. The GSP program was established with countries like Indonesia in mind — a developing country that is still struggling economically and benefits substantially from the GSP program; a country that has reciprocated the free trade policies of the United States by opening its doors to U.S. products and services and by working to resolve U.S. trade concerns, such as the protection of intellectual property rights, customs practices, and illegal logging; and finally, a country that has become a key ally of the United States in the global war on terrorism. The fact is, Indonesia simply does not meet any of the criteria for graduation from the GSP program.

Indonesia remains a lower middle income country and has one of the lowest gross national incomes ("GNI") per capita in the world. Nonetheless, Indonesia has shown impressive economic growth over the last 15 years, and the GSP program has been a significant factor in contributing this growth through expanding exports. Indonesia has increased its use of the GSP program over the last 15 years. In 1990, the value of imports from Indonesia under the GSP program was $216 million. By 2005, however, GSP imports from Indonesia rose to $1.6 billion. This growth in Indonesia export values under GSP has translated into significant long-term improvements in Indonesia's standard of living. Thus, Indonesia's economic progress, which is in part due to the assistance the United States has provided under the GSP program, has truly benefited the Indonesian people.

While, Indonesia has made significant economic progress over the last 15 years with the help of the GSP program, its economy is still far behind many developing countries in the world. Indonesia relies heavily on its exports to the United States for economic stability and growth. Removing preferential treatment for many of Indonesia's exports to the United States would significantly reduce Indonesia's competitive position in the U.S. market and precipitate a decline in Indonesian economic growth.

In fact, most of the companies that produce products that receive GSP benefits are small and medium size enterprise. GSP benefits are vital to these companies' ability to compete with their larger global competitors. The articles imported from Indonesia under GSP compete primarily with developed countries or countries outside of the GSP system. If the USTR graduates Indonesia from the GSP program, it would likely lose sales to other competing developed countries. In fact, Indonesia stands to lose millions in actual and potential lost revenue, and thousands of Indonesian workers producing these products could lose their jobs. With unemployment already expected to exceed 10 percent and inflation likely to reach 14 percent in 2006, the potential for $1.5 billion in lost sales to the U.S. market would seriously weaken Indonesia's already fragile economy.

For the foregoing reasons the Government of Indonesia respectfully requests that Indonesia's GSP benefits not be limited, suspended, or withdrawn, and that the USTR maintain the CNL waivers for products from Indonesia not be terminated.

JAKARTA, SEPTEMBER 2006
THE GOVERNMENT OF REPUBLIC OF INDONESIA

ST. MAXENS & COMPANY

1200 17th Street, NW, Suite 500
Washington, DC 20036 USA

Tel: 202.966.9000
Fax: 202.966.9110
consultants@st.maxens.com

Supports Indonesia and Venezuela
Re alkylbenzenes (HBAB)-which
not have CNLW
Shrieve Chemical Products, Inc.

From: Tom St.Maxens [tst.maxens@st.maxens.com]
Sent: Wednesday, August 30, 2006 10:45 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

August 30, 2006

electronic e-mail submission

Ms. Marideth J. Sandler
Chairman, GSP Subcommittee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20506

Dear Marideth:

On behalf of Shrieve Chemical Products, Inc., we are pleased to submit these comments in response to the GSP Subcommittee's *Federal Register* notice of August 8, 2006 soliciting public comment concerning the eligibility of certain beneficiary countries under a renewed U.S. Generalized System of Preferences (GSP) extending beyond the current expiration date of December 31, 2006. Shrieve wishes to convey to the TPSC its strong support for maintaining Indonesia and Venezuela's GSP eligibility with respect to certain input materials used by Shrieve in its U.S. manufacturing operations.

Shrieve is a U.S. distributor of branched alkylbenzenes and a U.S. manufacturer of specialty insulating and lubricating oils, for which heavy branched alkylbenzenes provide the base stock. Headquartered in Houston, Texas, Shrieve also has operations in Utah, California and Florida. The company has 36 employees (most based in the United States), and had sales of approximately $80 million in 2005.

The specific GSP-eligible product of primary interest to Shrieve is heavy branched alkylbenzenes (HBAB) as provided for under HTS 3817.00.15 imported from both Indonesia and Venezuela. This product is not manufactured in the United States as previously confirmed by the U.S. International Trade Commission and the GSP Subcommittee in a Section 504(d) finding of no U.S. production for purposes of waiving the GSP's 50 percent competitive need limit on this article. Maintaining duty-free GSP treatment for HBAB is critical to ensuring the continued competitiveness of Shrieve in the lubricating and refrigeration oils market.

Please do not hesitate to contact us if members of the GSP Subcommittee would like any additional information concerning Shrieve's position on this matter.

Sincerely,

Tom St.Maxens

Thomas F. St.Maxens

METAL EXCHANGE CORPORATION
111 West Port Plaza, Suite 700
St. Louis, MO 63146 U.S.A.
Phone: 314-434-5635
FAX: 314-434-6727

Supports Indonesia
Re Aluminum Products – no CNLW

From: Michael Kelley [mkelley@metalexchangecorp.com]
Sent: Friday, September 01, 2006 11:08 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

September 1, 2006

Metal Exchange Corporation is a large supplier of aluminum flat rolled products to industry throughout the United States. We strongly urge the TPSC to retain the GSP status for HTUS 7606 products for the country of Indonesia.

Aluminum is ubiquitous in our economy, but is particularly critical to the following industries:

- Building and Construction
- Transportation
- Packaging

These industries are forced to compete in the global marketplace. To increase raw material costs to these industries here while their competitors outside the U.S. face no such increase puts them at an economic disadvantage. The U.S. has already lost many of these industries and jobs to competitors in Mexico, China and even Canada.

Aluminum coil and sheet imports from Indonesia are one part of a very competitive U.S. market. Having Indonesian origin metal in the marketplace maintains competitiveness among suppliers, keeping prices down for consuming industries and benefiting the U.S. consumer. All industry in the U.S. is already under economic strain. Raising the price of aluminum sheet to the industry by discontinuing the GSP status for Indonesia will adversely affect domestic industry.

In addition to the negative effects on the national economic interest of the United States, Metal Exchange Corporation will be forced to replace Indonesian origin material elsewhere at higher cost. The U.S. consumer must always bear the brunt of such increases, resulting in increasing cost of living and probably inflation.

We strongly urge the TPSC to maintain Indonesia's GSP status as currently structured for aluminum flat rolled products under HTUS 7606.

Sincerely,

Thomas Akers
Executive Vice President
Metal Exchange Corporation

The Republic of Indonesia’s Submission

From: Harry Y. Tirtakusumah [kusumah@embassyofindonesia.org]
Sent: Tuesday, September 05, 2006 5:05 PM
To: FN-USTR-FR0052; FN-USTR-FR0052
Subject: Eligibility of Certain GSP Beneficiaries and Existing CNL Reviews

Our Ref. No. : /M-DAG/9/2006 Jakarta, 5 September 2006

H.E. Ambassador Susan C. Schwab
US Trade Representative
Washington, DC
U. S. A.

Dear Ambassador Schwab,

In relation to the 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, please find enclosed the written request in support of the extension of the GSP program for Indonesia.

Indonesia proposes that GSP duty free treatment for Indonesia be continued and expanded when the US GSP program is reauthorized, based on the reason that the GSP facility is essential for the economic development of Indonesia.

For the tsunami relief in Aceh, President Bush restored GSP benefits for two important Indonesian imports, namely plywood and contact lenses, and granted a waiver for two products exceeding the GSP Competitive Needs Limitations, specifically, edible products of animal origin and odoriferous or flavoring compounds.

Bearing in mind the devastating effect of the earthquake in Yogyakarta, Indonesia requests the U.S. Government to consider providing temporary GSP access for textile and garment companies in the affected area. This access will not only contribute to the recovery process of the companies affected, but it will also represent a form of acknowledgement of the efforts they have made in trying to restore some form of normality in their immediate environment.

I look forward to working with you in furthering the consideration of the request and I hope to hear from you soon.

Sincerely yours,

MARI ELKA PANGESTU

Cc. Ambassador of the Republic of Indonesia to the USA
Washington, D.C.

INDONESIA'S COMMENTS ON THE REVIEWS OF THE ELIGIBILITY OF CERTAIN GSP BENEFICIARIES AND EXISTING COMPETITIVE NEED LIMITATION (CNL) WAIVERS

I. INTRODUCTION

- The U.S. Generalized System of Preferences (GSP) program will come to an end by December 31, 2006. In the notice given, the U.S. Administration conveys their intention to review 13 out of 133 GSP beneficiaries countries deemed eligible for graduation from the program, which includes Indonesia. The notice also stated that the review will cover existing Competitive Need Limitation (CNL) waivers.

- In conjunction with the U.S. Trade Policy Staff Committee (TPSC) Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) waivers, the Government of the Republic of Indonesia would like to submit this document as its official position on this matter.

II. U.S. – INDONESIA: A STRONGER PARTNERSHIP

- President Bush and President Yudhoyono issued a joint statement on May 25, 2005, reaffirming the longstanding friendship between the United States of America and the Republic of Indonesia, and committed to expanding and deepening their cooperation based on the partnership and our shared values of democracy and pluralism. The U.S. fully supports Indonesia's role in maintaining regional and world peace and security, and its strategic role in the global fight against terrorism.

- The two countries signed a Trade and Investment Framework (TIFA) on July 16, 1996 and re-engaged in regular and intensive dialogue on trade and investment issues under the framework since April 1, 2005, after four years of postponement. There was a TIFA meeting held at the Ministerial level on April 4, 2006. Similar discussions are taking place on energy, after being put on hold for eight years.

- The two countries continue to launch initiatives to further strengthen economic and development partnership, among others by discussing a possible setting up of a Strategic Economic Engagement Dialogue (SEED); finalizing an MOU on Fighting Illegal Logging; discussing the possibility of a bilateral Investment Incentive Agreement; and finalizing an MOU on Customs Cooperation.

III. INDONESIA'S STRONG COMMITMENT TO FREE AND FAIR INTERNATIONAL TRADE

- Indonesia plays an active role in promoting free and fair trade internationally through multilateral and regional fora.

- As the coordinator of the ASEAN members on the ASEAN-US Trade and Investment Framework Arrangement negotiations, Indonesia played an active role in successfully completing the agreement and having it signed in Kuala Lumpur on August 25, 2006. Indonesia welcomes and feels that it is crucial for the U.S. to be actively engaged in South-East Asia and that the U.S. can play a critical role in ensuring prosperity and development of the region.

- Indonesia has played a constructive role in the Doha Round and is supportive of its resumption and completion.

IV. INDONESIA'S VIEW ON THE U.S. GSP REVIEW PROCESS

- Indonesia is in transition towards an open-market democracy. The direct presidential and parliamentarian elections of 2004 were deemed a remarkable step forward for Indonesia in developing its democratic institutions. Indonesia's democratic transition should be viewed in the context of the wider benefits for the region and the world in promoting democratic values, freedom and open-market economies. As the world's most populous Muslim country, Indonesia's success in this transition is very critical, to send a strong signal that Islam and democracy are compatible.

- Indonesia emphasizes that the U.S. GSP program is of vital importance to the country's development and therefore hopes to retain its status as a beneficiary country.

- In order for Indonesia to be able to maintain its role well in line with its aforementioned, strategic importance, the U.S. would be expected to assist Indonesia in developing its economy through assistance in the form of a grant and economic facilitation, such as the GSP program.

V. FACTORS TO BE CONSIDERED FOR INCLUSION OF INDONESIA AS A BENEFICIARY COUNTRY

- **Indonesian Economic Development: The importance of the U.S. GSP Program for Indonesia**

  1. The GSP facility is very important for Indonesia to penetrate the markets of developed countries, including in the U.S. It is an important

component for millions of Small and Medium Enterprises (SMEs) in Indonesia to improve their competitiveness, which has resulted in an improvement of the standard of living of the people involved. Most of Indonesia's products using the U.S. GSP facility are produced with labor-intensive technology, which has strong backward and forward linkages. These products include wood products, fisheries products, plantation products (coffee, tea, chocolate, rubber, CPO), handicrafts, electrical equipment, textile products, etc;

2. Indonesia exports to the U.S. utilizing GSP benefits in 2005 amounted to US$1.57 billion, which is not too much different from the 2002 figure of US$1.51 billion.

3. Indonesia is classified by the World Bank as a lower-middle-income economy based on its per capita income in 2005. Based on World Bank data, Indonesia's Gross National Income (GNI) per capita in 2004 reached US$1,140. Badan Pusat Statistik (BPS) data shows that Indonesia's income per capita in 2005 was US$1,308, which is far below the upper-middle income economy of US$ 3,255 according to the World Bank.

4. In spite of considerable economic progress generally, poverty remains in Indonesia, with 17.8 percent of the population below the poverty line.

5. The review threshold of 0.25 percent of world goods exports in 2005 is NOT a fair comparison for large-population countries to measure their share of the global market. Instead, the threshold should use per capita exports in comparing one country with another. Based on this more appropriate criterion, it is very clear that Indonesia should not be included in the list of countries whose GSP eligibility should be reviewed.

6. Higher oil prices have negatively impacted Indonesia, especially now that it has become a net oil importing country.

- **Best Practices Policy In Trade, Investment And Worker Rights**

1. Indonesia is a member of the WTO and consequently implements all rules and regulations under the WTO.

2. Indonesia is undertaking a comprehensive economic reform program, which includes improving the investment climate, infrastructure development and monetary and financial sector policy.

3. A number of laws to revise taxation, customs, and investment are currently being considered in parliament. One of the main components

of the investment law is the provision for national treatment between foreign and domestic investors.

4. Indonesia is currently reviewing the Labor Law on freedom of union, work contract, labor dispute settlement, wage policy and laborer's cut-off pay.

5. Indonesia has ratified 16 (sixteen) International Labour Organization (ILO) conventions, such as equality of treatment for national and foreign workers as regards to workmen's compensation for accident, forced labor, certification of ship's cook, freedom of association, right to organize and collective bargaining, equal remuneration, abolition of forced labor, labor inspection, employment service; marking of weight on heavy packages transported by vessel; the employment of women in under ground work in mines of all of kind; and discrimination in respect of employment and occupation.

6. A policy framework for investment in infrastructure is being developed which focuses on best practices in public-private partnership and includes changes in laws and regulations. The Ministry of Finance has recently issued the regulatory framework for risk sharing.

- **The importance of GSP for Indonesia**

7. Since the Asian financial crisis, which affected Indonesia in 1997/98, Indonesia is still recovering its competitiveness. After a series of major transformations, it is only now that the government can address comprehensively economic reforms that will improve the investment climate, provide certainty and reduce the costs of doing business. Indonesia is also still catching up in its capacity to fulfill the higher standards and quality requirements for products sold into developed countries.

8. The grant of the U.S. GSP facility is of utmost importance due to its multiplier effect in Indonesia's development, particularly in the current economic situation.

9. The U.S. GSP facility is important for thousands of Indonesian SMEs to improve their competitiveness in the U.S. market. The U.S. GSP is also important to Indonesia for improving the standard of living of the people, because the majority of products receiving U.S. GSP is produced in densely populated areas, with low income, involving labor from rural areas, namely wood products, fisheries products, plantation products (coffee, tea, chocolate, rubber, CPO), handicraft, electrical equipment, textile products, etc.

10. The U.S. GSP facility has had a positive impact on development and absorption of labor, industrial development, especially for SMEs, and rural development.

11. Indonesia has been utilizing the U.S. GSP facility since 1980. The export value of Indonesian products benefiting from duty-free treatment under the U.S. GSP during 2001-2005 varied as follows: US$1.32 billion (2001), US$1.51 billion (2002), US$ 1.34 billion (2003), US$ 1.28 billion (2004), US$ 1.57 billion (2005). Thus, although Indonesia's exports to the U.S. utilizing GSP in 2005 increased quite significantly from the previous year, the value was not much different from the 2002 figure. This shows that Indonesia's is still very much in need of U.S. support to improve its competitiveness.

12. If the GSP facility were to be eliminated, it would amount to a potential loss and result in the decrease of Indonesia's exports to the U.S. This, in turn, will have a negative impact on economic growth in Indonesia.

VI. OTHER RELEVANT INFORMATION

GSP has had a positive effect on Indonesia's economic recovery in the midst of the various natural disasters and terrorist bombs attacks experienced in the last two years. Indonesia appreciates the Competitive Needs Limitation (CNL) waiver given as part of the Tsunami disaster of 2004 in Aceh. As a response to the Tsunami disaster, President Bush re-included the following Indonesian products in the list of GSP eligible products -- plywood (HS. 4412.13.40), contact lenses (HS. 9001.30.00), edible products of animal origin (HS. 0410.00.00), and odoriferous or flavoring compounds (HS. 2909.50.40). This was a positive sign for Indonesia in that the U.S. government is aware that the GSP is very important to Indonesia's development. A termination of this facility in the second year after the disaster and a year after the terrorists attacks, when most of the producers are still struggling to get back on their feet would be an unbearable situation for them. Thus, Indonesia appeals to the U.S. to continue including these products in the U.S. GSP Program list;

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   b. Reconstruction and rehabilitation of the earthquake hit areas of Yogyakarta and Central Java, the Pangandaran area of West Java, in Papua, and Gorontalo.

   c. If the GSP was revoked the plywood industry will decline and in turn will result in the flourishing of Illegal Logging, which will injure other countries besides Indonesia. The GSP provides relief for Indonesia's competitiveness as the industry adjusts to increased competition from Malaysia and China.

   d. The Government of Indonesia is undergoing a transition period of decentralization and support for economic development is crucial during this transition period.

4. An expanded US-GSP facility was granted to Sri Lanka by the US during economic recovery from the 2005 tsunami disaster. We respectfully request consideration of the similar or same treatment for the disaster-wrecked Yogyakarta area.

VIII. CONCLUSION

As the discussion above indicates, the continuation of GSP benefits for Indonesia is vital to the long term economic stability of Indonesia. The GSP program was established with countries like Indonesia in mind — a developing country that is still struggling economically and benefits substantially from the GSP program; a country that has reciprocated the free trade policies of the United States by opening its doors to U.S. products and services and by working to resolve U.S. trade concerns, such as the protection of intellectual property rights, customs practices, and illegal logging; and finally, a country that has become a key ally of the United States in the global war on terrorism. The fact is, Indonesia simply does not meet any of the criteria for graduation from the GSP program.

Indonesia remains a lower middle income country and has one of the lowest gross national incomes (“GNI”) per capita in the world. Nonetheless, Indonesia has shown impressive economic growth over the last 15 years, and the GSP program has been a significant factor in contributing this growth through expanding exports. Indonesia has increased its use of the GSP program over the last 15 years. In 1990, the value of imports from Indonesia under the GSP program was $216 million. By 2005, however, GSP imports from Indonesia rose to $1.6 billion. This growth in Indonesia export values under GSP has translated into significant long-term improvements in Indonesia’s standard of living. Thus, Indonesia’s economic progress, which is in part due to the assistance the United States has provided under the GSP program, has truly benefited the Indonesian people.

While, Indonesia has made significant economic progress over the last 15 years with the help of the GSP program, its economy is still far behind many developing countries in the world. Indonesia relies heavily on its exports to the United States for economic stability and growth. Removing preferential treatment for many of Indonesia’s exports to the United States would significantly reduce Indonesia’s competitive position in the U.S. market and precipitate a decline in Indonesian economic growth.

In fact, most of the companies that produce products that receive GSP benefits are small and medium size enterprise. GSP benefits are vital to these companies’ ability to compete with their larger global competitors. The articles imported from Indonesia under GSP compete primarily with developed countries or countries outside of the GSP system. If the USTR graduates Indonesia from the GSP program, it would likely lose sales to other competing developed countries. In fact, Indonesia stands to lose millions in actual and potential lost revenue, and thousands of Indonesian workers producing these products could lose their jobs. With unemployment already expected to exceed 10 percent and inflation likely to reach 14 percent in 2006, the potential for $1.5 billion in lost sales to the U.S. market would seriously weaken Indonesia's already fragile economy.

For the foregoing reasons the Government of Indonesia respectfully requests that Indonesia's GSP benefits not be limited, suspended, or withdrawn, and that the USTR maintain the CNL waivers for products from Indonesia not be terminated.

JAKARTA, SEPTEMBER 2006
THE GOVERNMENT OF REPUBLIC OF INDONESIA

Supports Indonesia
Wood Flooring – not CNLW

From: Melvin Burkhardt [mburkhardt@mullicanflooring.com]
Sent: Thursday, August 31, 2006 2:51 PM
To: FN-USTR-FR0052
Subject: Gsp 2007

To Whom it May Concern

My name is Melvin Burkhardt, Director of Sourced Products, Mullican Flooring. I am writing in relationship to the upcoming decision on GSP status of 2007.

We currently import wood flooring from Indonesia and currently it is duty free under GSP. To change the status of this would make us less competitive especially against imports from China and may result in us having to import from China instead of Indonesia. The GSP status for Indonesia allows them to be competitive while at the same time increase their exports. Indonesia is a country which needs economic incentives to grow its economy.

We strongly urge that Indonesia be granted GSP status for 2007. Countries such as this need this for continued growth, as well as gives companies alternatives to China, which we feel is needed. There is a real fear that without the GSP status for countries such as Indonesia world trade will be dominated by a few large countries, something that long term may not be beneficial to our countries long term benefit. We believe that countries such as Indonesia should not only be granted the renewal but the number of products allowed under GSP be expanded.

Respectfully

Melvin Burkhardt
Director of Sourced Products
Mullican Flooring
Fax: (432) 204 - 8038
Mobile: (469) 766-4129
mburkhardt@mullicanflooring.com

Supports Indonesia
(supports PET Resin which not have CNLW)
Mr. Chandrashekharan of Indorama Synthetics

From: Chandrashekharan [schandra@indorama.com]
Sent: Tuesday, August 22, 2006 4:14 AM
To: FN-USTR-FR0052
Cc: Agarwalla Sachin
Subject: RE : Maintain GSP Status for Imports from Indonesia

Importance: High

19-Aug-06

To,
Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

THRU Email: FR0052@USTR.EOP.GOV

RE : Maintain GSP Status for Imports from Indonesia

Dear Chairman Sandler,

The General System of Preferences (GSP) program expires on 31-Dec-06 and the Trade Policy Staff Committee, (TPSC) has decided to initiate a further review and request additional comments to determine whether major beneficiaries of the program have expanded exports or have progressed in their economic development within the meaning of the statute to the extent that their eligibility should be limited, suspended, or withdrawn.

Why GSP duty-free treatment for Indonesia should continue :

A. GSP imports : Indonesia is among a group of 13 countries that may lose preferential trade benefits from the U.S. due to this GSP review plan . Nearly US$1.6 billion worth of Indonesian exports to the U.S. -- currently part of the GSP program - could be at stake, with the potential to jeopardize the livelihood of local industries whose products currently enjoy the duty-free treatment. Indonesia's $1.6 billion GSP-eligible exports accounts for 13 percent of the $12 billion worth of goods that the U.S. imported last year from Indonesia.

B. Industry competitiveness : Our industries (footwear, plywood, copper ore, tuna, Pet resin etc) are still weak. While we are struggling to maintain & reduce costs of production to compete in export markets with large production houses of other developed / developing countries, removal of GSP advantage from traditional big markets like USA would spell doom for our nascent & fragile economy.

C. Economic indicators : Nil export & non-competing industries will surely lead to factory closures & unprecedented lay offs. Indonesia has one of the lowest GNI per capita income (USD 1140 in 2004) in the world which is well below the

GSP statutory limits & is ranked 139th on the World's bank world development indicator's database. Further, the country has rising unemployment levels & inflation running into double digits with increasing numbers of people falling below the poverty line. Indonesia is categorized as "lower middle income economy" and is on review list only due to its exports being higher than 0.25% of world trade. However, considering the population size, per capita foreign trade would be lesser than some other GSP beneficiaries (e.g., Angola).

GSP benefit for Pet resin exports from Indonesia :

Pet resin is a popular raw material for making packages for food & non-food products. Pet resin is commonly used to manufacture bottles and other containers for packaging of soft drinks, water, juices, butter, salad dressings, dairy products, toiletries, cosmetics, edible oils, sauces etc.

A limitation, suspension or withdrawal of GSP benefits for bottle-grade Polythelene Terepthalate chips (Pet Resin -HS Code : 3907.60.00.10) will result in tariff imposition of 6.5% on imports and would rather harm U.S. importers & final consumers.

A change in such advantage will not shift trade to other "less developed" GSP beneficiaries as these countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

Pet resin export from Indonesia accounted for 6% and the total exports under GSP scheme was only 18.3% of total imports into USA in 2005. Moreover, where the total share of these GSP countries have lowered, the exports from China & Mexico has increased at an alarming rate.

Submission from PT.Indorama Synthetics :

P.T.Indorama Synthetics Tbk. (Indorama) is a "go public" company and has been operating in Indonesia for about 30 years. Indorama employs directly about 7,000 employees and indirectly many more. Indorama's main manufacturing facility is at Purwakarta. Indorama's current annual turnover is about USD 400 million. Of this about 60% is directly exported by Indorama to United States, North and South America, Europe. Most of our domestic customers are also exporters.

Conclusion :

U.S. & our interest are best served by continuing GSP status. We ourselves are employing 7,000 workers and there are several other companies in different industries employing comparable number of workers. Denying GSP status for Indonesia will mean putting the life of thousand of workers in jeopardy. This will bode ill to Indonesia's continued efforts to recover and stabilize the economy by providing the much needed employment & reducing the number of packets of poverty, which in turn will allow the Government to prevent the seeds of extremism and intolerance from flourishing – a goal that is shared by U.S. too.

Further, the U.S. has been working closely with other countries including GSP countries for tariff cuts and lowered non-tariff barriers within the DOHA round of world trade negotiations (WTO). It will appear to be contradictory for the U.S. to push for greater access to these foreign markets while imposing a trade barrier in the U.S. by waiving duty advantage for the existing GSP beneficiary countries.

Hence, we earnestly request the GSP committee to take all matters into consideration while reviewing change in this policy as this may severely impact the well-being & development of countries like Indonesia who are still struggling to hold their feet in this highly competitive world trade.

Thanking you,

Yours sincerely,

R.Chandrashekharan,
Director, Finance

Supports Indonesia &
Thailand
Re jewelry

From: Maureen Kelley [Maureen@CNA-CORP.COM]
Sent: Saturday, September 02, 2006 6:20 PM
To: FN-USTR-FR0052
Cc: Crystaline General EMail
Subject: 2006 GSP Eligibility and CNL Waiver Review

Dear Sirs,

Crystaline North America is writing to voice our concerns regarding the repeal of the GSP. If this tax advantage is revoked, Thailand and all GSP nations would suffer an inordinate disadvantage in the marketplace. Currently all manufacturers in the GSP favored pact are suffering from the unfair pricing being forced on them by China. The negative impact from the removal of the GSP will cripple the economies of all effected nations, especially Thailand and Indonesia, which are still trying to recover from the devastation of the Tsunami.

China once dominated the under $18.00 per dozen promotional jewelry and has now decided to cannibalize the higher end product which sells for over $18.00 per dozen. This higher end product is the only product to be effected if the GSP is reinstated and in large part is the product which Thailand has the most expertise. If the GSP is reinstated everyone concerned manufacturers, USA business, as well as the USA consumer will all be effected.

The USA consumer, as always, will be the most effected if the GSP is reinstated. The consumer will be forced to pay higher retail prices to acquire quality products from Thailand. The products coming in from Thailand will not impact the USA jewelry labor as these types of products are not being produced here.

The end result of the GSP, if not reinstated, will impact the lowest wage factory workers. These are the people that are the backbone of any economy and can least afford the work slow down or downsizing. Thailand is making great strides recovering from the Tsunami and would implore the US Government to consider extending the tax free status to keep their economy growing.

Sincerely,
Maureen Kelley
Vice-President, Operations
Crystaline North America, Inc.
1 Wholesale Way
Cranston, RI 02920

ST. MAXENS & COMPANY

1200 17th Street, NW, Suite 500
Washington, DC 20036 USA

Tel: 202.966.9000
Fax: 202.966.9110
consultants@st.maxens.com

Supports Indonesia and Thailand
Pro CNLWs for Indonesia,8527.31.40
and 8527.39.00
Re certain other electrnc art’cles
from Indonesia and Thailand
JVC Americas Corp.

From: Tom St.Maxens [tst.maxens@st.maxens.com]
Sent: Wednesday, August 30, 2006 10:45 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

August 30, 2006

electronic e-mail submission

Ms. Marideth J. Sandler
Chairman, GSP Subcommittee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20506

Dear Marideth:

On behalf of JVC Americas Corp., we are pleased to submit these comments in response to the GSP Subcommittee's *Federal Register* notice of August 8, 2006 soliciting public comment concerning the eligibility of certain beneficiary countries under a renewed U.S. Generalized System of Preferences (GSP) extending beyond the current expiration date of December 31, 2006. Further to its submission to the Subcommittee of November 14, 2005, JVC wishes to convey to the TPSC its strong support for maintaining Indonesia and Thailand's eligibility for duty-free GSP treatment with respect to certain electronic articles as detailed below. In addition, JVC supports the continuation of two outstanding competitive need waivers for Indonesia as identified below.

Headquartered in Wayne, New Jersey, JVC Americas Corp. has over 1,000 U.S. employees. In addition to its New Jersey headquarters, the company has U.S. manufacturing operations in Tuscaloosa, Alabama and sales, service and research and development facilities in several states including, *inter alia*, California, Illinois, Georgia, Hawaii and Texas.

The specific GSP-eligible products of interest to JVC are automotive CD/cassette receivers (HTS 8527.21.10) from Indonesia, stereo audio receivers with tape players (8527.31.40) from Indonesia (currently subject to competitive need waiver), stereo audio receivers (HTS 8527.39.00) from Indonesia (currently subject to competitive need waiver), and security cameras (HTS 8525.30.90) from Thailand. We note that the level of U.S. imports from the subject countries is as high as $20 million for certain of these products, and we urge the Administration to bear those trade volumes in mind in the event it considers reduced competitive need limits or competitive need waiver withdrawals as options for pursuing partial country graduation objectives.

To the extent that there exist alternative sources for these products, those sources invariably are in China or other non-beneficiary countries, and not in less developed beneficiary countries. Accordingly, graduating either Indonesia or Thailand from a renewed GSP program would be unlikely to contribute to a redistribution of GSP benefits to lesser developed countries, at least from the perspective of the electronic products relating to JVC's operations.

For these reasons, we urge the Administration not to terminate Indonesia or Thailand's GSP eligibility with respect to the subject products. In the case of Thailand, should the Administration nonetheless decide to proceed with country-wide graduation, JVC urges that that action be delayed until the implementation of the U.S.-Thailand free trade agreement currently under negotiation, which is expected to provide duty-free treatment to the electronics products of interest to JVC when imported from Thailand.

Please do not hesitate to contact us if members of the GSP Subcommittee would like any additional information concerning JVC's position on this matter.

Sincerely,

Tom St.Maxens

Thomas F. St.Maxens

NATIONAL ASSOCIATION FOR THE SPECIALTY FOOD TRADE

Fancy Food Show

Supports India, Indonesia,
& Thailand
Re PET resin

From: mechols@earthlink.net
Sent: Friday, September 01, 2006 12:50 PM
To: FN-USTR-FR0052
Subject: GSP (India, Indonesia, Thailand) & Bottle Grade PET Resins

Attn: Ms. Maribeth J. Sandler
Chairman, GSP Subcommittee

Re: GSP- Initiation of Reviews and Request for Comments

Dear Ms. Sandler:

Please find attached the comments of my client, the National Association for the Specialty Food Trade, Inc., in support of the continuation of tariff-free treatment for food imports from India, Indonesia and Thailand, especially bottle-grade PET resins.

Please feel free to contact me if you have any question or would like additional information.

Law Office of Marsha A. Echols
3286 M Street, N.W.
Washington, D.C. 20007
202 625 1451
202 625 9126 fax

September 1, 2006

By Email
Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

RE: Maintenance of GSP Status for Food Imports from India, Indonesia and Thailand - Bottle-Grade PET Resins (HS 3907.60.00.10)

Dear Chairman Sandler:

The National Association for the Specialty Food Trade, Inc. (NASFT) urges the Office of the U.S. Trade Representative to maintain India, Indonesia and Thailand within the Generalized System of Preferences duty-free program, especially with regard to bottle-grade PET resins.

NASFT, based in New York City, is the trade association for all segments of the specialty food industry. Specialty food products are foods and beverages that are differentiated from those in the mainstream, for example, by their creativity and novelty, their ingredients and their exceptional packaging. By virtue of their differentiation, specialty food products maintain a high perceived value and often command a premium price. According to the NASFT/Mintel *The State of the Specialty Food Industry 2006*, total specialty food sales at retail were $34.77 billion. However, NASFT members are small businesses with an entrepreneurial spirit and most have annual sales under $5 million.

NASFT has a national membership of approximately 2,500 companies located throughout the United States. The membership includes manufacturers and processors, brokers, distributors and retailers. Each year NASFT sponsors three NASFT Fancy Food Shows: in New York (July), San Francisco (January) and Chicago (May). It publishes *Specialty Food Magazine* and recently launched a consumer magazine *foodspring* (the magazine for the food adventurist).

PET resins are important factors in the success of many NASFT members. Packaging made from bottle-grade PET resins are used for many specialty foods, including high value juices, jams and marmalades, beverages and other processed food products. NASFT members use packaging (and labeling) to connote quality and distinctiveness.

It is important for NASFT's small business members to have a broad and reliable supply of quality packaging. Experienced suppliers like those from India, Indonesia and Thailand serve this purpose and so contribute to the success of small food companies. The limitation, suspension or withdrawal of GSP benefits for these three beneficiary countries for this product might adversely affect the reliable supply of bottle-grade PET resins and lead to higher prices.

NASFT favors encouraging new sources of supply from “developing countries that have not been major traders under the [GSP] program”, as stated in your August 8, 2006 Federal Register *Request for Comments*. In fact NASFT Members are extremely creative and anxious to find new products and new suppliers, but not at the cost of uncertain and more costly supplies.

For these reasons, NASFT supports the continuation of duty-free treatment for bottle-grade PET resins from India, Indonesia and Thailand.

September 1, 2006

Supports India, Indonesia, & Thailand
Re Bottle-Grade PET Resin Imports –
not CNLW

2006 GSP Eligibility and CNL Waiver ReviewFrom: Bouchard, Beth [bbouchard@oceanspray.com] on behalf of McDonough, Jim [JMcDonough@oceanspray.com]
Sent: Friday, September 01, 2006 10:00 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

Importance: High

Please find pages 1 and 2 of Ocean Spray Cranberries, Inc. letter attached.

<<Resin letter page 2.pdf>> <<Resin Letter Page 1.pdf>>

Thanks,

Beth Bouchard
Administrative Assistant - Operations
508-923-3963
508-946-7924 (fax)
bbouchard@oceanspray.com

Ocean Spray Cranberries, Inc.
One Ocean Spray Drive
Lakeville-Middleboro, MA 02349
(508) 946-1000 FAX (508) 946-7704

September 1, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

In response to the August 8, 2006 Federal Register notice requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries, Ocean Spray Cranberries, Inc. submits this letter in support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. The limitation, suspension or withdrawal of GSP benefits for these countries, especially for bottle-grade PET resin, would not serve to shift trade to other "less developed" GSP beneficiaries and would harm U.S. consumers.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging of a wide range of consumer goods. Ocean Spray Cranberries, Inc. consumes approximately 60 million pounds of PET resin annually for use in the bottling of juice and juice drinks. Without duty-free imports under the GSP program, there will be an effective tax increase on industrial consumers of PET resin and on U.S. products packaged in PET plastics.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. 21 other GSP beneficiaries, including 14 countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "Least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.** Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, Ocean Spray Cranberries, Inc. strongly favors the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

James McDonough
Director of Procurement

JM:bb

700 Anderson Hill Road, Purchase, New York 10577 www.pepsico.com
TEL: (914) 253-3584 FAX: (914) 253-3234

ELIZABETH H. AVERY
VICE PRESIDENT
INTERNATIONAL GOVERNMENT AFFAIRS

Supports Renewal GSP
Supports India, Indonesia, & Thailand
Re PET Resin

From: Avery, Elizabeth {PEP} [Elizabeth.Avery@pepsi.com]
Sent: Thursday, August 31, 2006 4:40 PM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility & CNL Waiver Review

Please find attached PepsiCo's comments in support of GSP.

Elizabeth Avery
VP, International Government Affairs
PepsiCo
700 Anderson Hill Road
Purchase, NY 10577

August 31, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

In response to the August 8, 2006 Federal Register notice requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries, PepsiCo submits this letter in support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. The limitation, suspension or withdrawal of GSP benefits for these countries, especially for bottle-grade PET resin, would not serve to shift trade to other "less developed" GSP beneficiaries and would harm U.S. consumers.

PepsiCo is a world leader in convenient foods and beverages, with 2005 revenues of more than $32 billion and more than 157,000 employees. PET resin is used in the bottling of PepsiCo's carbonated soft drinks, juices and juice drinks, ready-to-drink teas, isotonic sports drinks, bottled water and enhanced waters. Among the well-known brands packaged in PET bottles are Pepsi, Diet Pepsi, Sierra Mist, Gatorade, Tropicana juices, Dole juices, Aquafina water, Propel, and Lipton Iced Tea. Without duty-free imports under the GSP program, there will be an effective tax increase on U.S. products packaged in PET plastics that our customers use.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. Twenty-one other GSP beneficiaries, including 14 countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "Least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.** Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, PepsiCo strongly favors the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

Supports India, Indonesia, and Thailand
Re PET Resin Imports – which not have CNLW
Plastipak Packaging Inc.

sandler.docFrom: Busard, Tom [TBusard@Plastipak.com]
Sent: Wednesday, August 30, 2006 4:16 PM
To: FN-USTR-FR0052
Subject: sandler.doc

<<sandler.doc>> Dear Ms. Sandler,
Attached please find our letter in support of maintaining GSP status for Bottle-Grade Pet Resin Imports from India ,Indonesia and Thailand

(HS 3907.60.00.10) .
If you have any questions or need any additional information please do not hesitate to contact me.
Sincerely,

Thomas Busard

Plastipak Packaging

Direct office number: 734-354-7256
Cell Number : 313-215-2340

August 28, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

In response to the August 8, 2006 Federal Register notice requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries Plastipak Packaging Inc. submits this letter in support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. The limitation, suspension or withdrawal of GSP benefits for these countries, especially for bottle-grade PET resin, would not serve to shift trade to other "less developed" GSP beneficiaries and would harm U.S. consumers.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging of a wide range of consumer goods. Plastipak's usage levels are confidential and considered proprietary, however we can say that we use in excess of 600 million pounds annually. Without duty-free imports under the GSP program, there will be an effective tax increase on industrial consumers of PET resin and on U.S. products packaged in PET plastics.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. 21 other GSP beneficiaries, including 14 countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "Least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.**
  Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin-supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, Plastipak Packaging Inc. strongly favors the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

Thomas Busard
Vice President Global Procurement & Material Systems

From:	Kate Williams
To:	FN-USTR-FR0052;
CC:	Patti Vaughan; Barbara Hiden; Judith Thorman; Kelly Youngken;
Subject:	GSP Comments for Submission
Date:	Monday, August 28, 2006 11:37:11 AM
Attachments:	GSP Review.pdf

Dear Chairman Sandler:

Attached please find the American Beverage Association's comments in response to the August 7, 2006 *Federal Register* (71 Fed. Reg. 152) notice regarding the GSP program.

If you have any questions, please do not hesitate to contact my colleagues or me.

Regards,

Kate Williams

Kate A. Williams
Assistant General Counsel
American Beverage Association
1101 16th St., NW
Washington, D.C. 20036
Tel. (202) 463-6786
Fax (202) 463-8172
kwilliams@ameribev.org
www.ameribev.org

Supports India, Indonesia & Thailand
Re PET Resin which not have CNLW

From: Mullock, Dan [DMullock@Constar.Net]
Sent: Thursday, August 17, 2006 5:17 PM
To: FN-USTR-FR0052
Cc: Waksman, David
Subject: 2006 GSP Eligibility and CNL Waiver Review

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

Delivery by Email: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

In response to the August 8, 2006 Federal Register notice requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries, Constar International Inc. submits this letter in support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. The limitation, suspension or withdrawal of GSP benefits for these countries, especially for bottle-grade PET resin, would not serve to shift trade to other “less developed” GSP beneficiaries and would harm U.S. consumers.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging of a wide range of consumer goods. Constar is one of the largest US manufacturers of soda and water bottles from PET at our fourteen production locations, employing approximately 1,800 people. We have traditionally used a substantial amount of Indian, Thai and Indonesian PET resin. Without duty-free imports under the GSP program, there will be an effective tax increase on industrial consumers of PET resin such as ourselves and on U.S. products packaged in PET plastics that our customers use.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

· Development Indicators Argue Against the Removal of These Countries. By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. 21 other GSP beneficiaries, including 14 countries not on USTR’s review, have achieved “upper-middle-income economies,” while India is categorized as a “low-income” economy, and India and

Indonesia are “lower-middle-income economies.” India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR’s list.

· Import Share Would Not Go to “Least Developed” GSP Beneficiaries. PET resin from “Least-developed countries” would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

· India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.
Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries’ share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments’ intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government’s ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, Constar strongly favors the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,
Daniel Mullock, VP Purchasing, Constar International Inc.
One Crown Way, Philadelphia, PA 19154
215-698-5274, fax 215-552-3767, cell 215-694-6385

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

International Bottled Water Association

September 5, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

The International Bottled Water Association (IBWA)[1] submits this letter in response to the August 8, 2006, Federal Register notice requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries. In particular, IBWA supports maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. The limitation, suspension or withdrawal of GSP benefits for these countries, especially for bottle-grade PET plastic resin, would not shift trade to other "less developed" GSP beneficiaries and would harm U.S. consumers.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. PET resin market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging a wide range of consumer goods. Without duty-free imports under the GSP program, there will be a de facto tax on industrial consumers of PET resin and on U.S. products packaged in PET plastics.

[1] IBWA is the trade association representing all segments of the bottled water industry. Founded in 1958, IBWA member companies includes U.S. and international bottlers, distributors and suppliers. IBWA is committed to working with the U.S. Food and Drug Administration (FDA), which regulates bottled water as a packaged food product, and state governments to set stringent standards for safe, high quality bottled water products. In addition to FDA and state regulations, the Association requires member bottlers to adhere to the IBWA Code of Practice, which mandates additional standards and practices that in some cases are more stringent than federal and state regulations. A key feature of the IBWA Code of Practice is an annual, unannounced plant inspection by an independent, third-party organization.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. There are 21 other GSP beneficiaries, including 14 countries not on USTR's review that have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "Least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.**

  Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, IBWA strongly favors the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

Patrick Donoho

Patrick Donoho
Vice President, Government Relations
pdonoho@bottledwater.org

Nestlé USA

1101 PENNSYLVANIA AVE. NW
SUITE 600
WASHINGTON, DC 20004

Nestlé

PUBLIC VERSION

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508
DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: Maintenance of GSP Status for Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

This letter is sent on behalf of Nestlé USA, Based in Glendale, California and Nestlé Waters North America, based in Greenwich, Connecticut in response to the August 8, 2006 Federal Register notice requesting comment on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries. Our companies are in strong support of maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand.

If the GSP program expires on December 31, 2006, a tariff of 6.5% would be imposed on PET resin imports from current beneficiaries of the program. Individually, exports from GSP countries do not account for a significant portion of the U.S. market, but together the three largest GSP suppliers (India, Indonesia and Thailand) provided 18% by value of U.S. imports in 2005.

Bottle-grade PET resins are converted into plastic products that are commonly used for packaging of a wide range of consumer goods. Nestlé requirements are approximately *********** pounds of PET resin annually for use in packaging for our dairy, juice, bottled water and frozen foods businesses. Without duty-free imports under the GSP program, there will be an effective tax increase on industrial consumers of PET resin and on U.S. products packaged in PET plastics.

There are several important factors that should be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **Development Indicators Argue Against the Removal of These Countries.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. Twenty-one other GSP beneficiaries, including fourteen countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies." India, Indonesia and Thailand are on the review list because they account for a certain portion (over 0.25%) of world trade, but when population size is accounted for, these countries are less engaged in foreign trade than some other GSP beneficiaries (e.g., Angola) not on USTR's list.

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "least-developed countries" would not replace imports from India, Indonesia and Thailand if the major GSP beneficiaries were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **India, Indonesia and Thailand Would Not Be Competitive With More Advanced Exporters Without GSP Benefits.**
  Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive traders in this product.

The GSP program is vital to the U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade instead of direct aid, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would set a terrible precedent and would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have begun to improve their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand would set back the goals of the program and would hurt the U.S. economy at the same time, as is demonstrated in the PET resin example.

For these reasons, Nestlé USA and Nestlé Waters North America strongly favor the continuation of the GSP eligibility for India, Indonesia, and Thailand, especially with respect to bottle-grade PET resin.

Sincerely,

Louise Hilsen
Vice President, Government Relations

FPA
FOOD PRODUCTS ASSOCIATION

1350 I Street, NW
Suite 300
Washington, DC 20005
202-639-5900
www.fpa-food.org

WASHINGTON, DC

DUBLIN, CA

SEATTLE, WA

September 5, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

EMAIL: FR0052@USTR.EOP.GOV

RE: Comments Related to the Eligibility of GSP Beneficiaries (71 Federal Register 45080, August 6, 2006: Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

On behalf of the members of the Food Products Association (FPA), this letter responds to the August 8, 2006 Federal Register notice referenced above requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries. FPA is the voice of the $500 billion U.S. food processing industry on scientific and public policy issues involving food safety, nutrition, technical and regulatory matters and consumer affairs. FPA's laboratory centers, its scientists and professional staff represent food industry interests on government and regulatory affairs and provide research, technical services, education, communications and crisis management support for the association's U.S. and international members, who produce processed and packaged foods, drinks and juices.

FPA submits this letter to support maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. FPA members are most specifically interested in maintaining duty free status as it relates to imports of bottle grade polyethelene terephthalate (PET) resin (HTS 3907.60.0010). PET resin is used to manufacture the plastic bottles and packages that contain many common processed food products such as fruit juices, soft drinks, soups, and frozen foods. The countries of India, Indonesia and Thailand account for 18% of the U.S. market and the withdrawal of GSP benefits for these countries, would result in imposition of a tariff of 6.5% on the imports of bottle-grade PET resin. Consequently, removing this important raw material from the U.S. GSP program would add significant costs for U.S. food manufacturers and beverage companies resulting in increased costs to the consuming public for a wide range of processed food products.

The GSP program is important to U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have improved their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand is contrary to the stated goals of the program, and would set back the goals of the program and would adversely affect the U.S. economy at the same time, as is demonstrated by this specific example.

In addition, FPA notes other important factors to be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **World Bank Ranks These Countries in Low Economic Categories.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. Twenty-one other GSP beneficiaries, including 14 countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies."

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "least-developed countries" would not replace imports from India, Indonesia and Thailand if they were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **GSP Benefits Are Necessary to Remain Competitive.** Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive in this product in the U.S. market.

For the reasons stated above, FPA supports maintaining duty free status for the countries of India, Thailand and Indonesia. FPA appreciates your consideration of these comments.

Sincerely,

Peggy S. Rochette

Peggy S. Rochette

Sr. Director International Policy

FPA
FOOD PRODUCTS ASSOCIATION

1350 I Street, NW
Suite 300
Washington, DC 20005
202-639-5900
www.fpa-food.org

WASHINGTON, DC

DUBLIN, CA

SEATTLE, WA

September 5, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

EMAIL: FR0052@USTR.EOP.GOV

RE: Comments Related to the Eligibility of GSP Beneficiaries (71 Federal Register 45080, August 6, 2006: Bottle-Grade PET Resin Imports from India, Indonesia and Thailand (HS 3907.60.00.10)

Dear Chairman Sandler:

On behalf of the members of the Food Products Association (FPA), this letter responds to the August 8, 2006 Federal Register notice referenced above requesting comments on the eligibility of certain Generalized System of Preferences (GSP) beneficiaries. FPA is the voice of the $500 billion U.S. food processing industry on scientific and public policy issues involving food safety, nutrition, technical and regulatory matters and consumer affairs. FPA's laboratory centers, its scientists and professional staff represent food industry interests on government and regulatory affairs and provide research, technical services, education, communications and crisis management support for the association's U.S. and international members, who produce processed and packaged foods, drinks and juices.

FPA submits this letter to support maintaining the application of duty-free treatment with respect to India, Indonesia and Thailand. FPA members are most specifically interested in maintaining duty free status as it relates to imports of bottle grade polyethelene terephthalate (PET) resin (HTS 3907.60.0010). PET resin is used to manufacture the plastic bottles and packages that contain many common processed food products such as fruit juices, soft drinks, soups, and frozen foods. The countries of India, Indonesia and Thailand account for 18% of the U.S. market and the withdrawal of GSP benefits for these countries, would result in imposition of a tariff of 6.5% on the imports of bottle-grade PET resin. Consequently, removing this important raw material from the U.S. GSP program would add significant costs for U.S. food manufacturers and beverage companies resulting in increased costs to the consuming public for a wide range of processed food products.

The GSP program is important to U.S. development and trade interests. In addition to encouraging economic advancement in poor countries through trade, the GSP program provides an important mechanism of enforcement leverage on foreign governments' intellectual property rights (IPR) protection and investment practices. The suspension or withdrawal of benefits from the three major PET resin- supplying countries would reduce the U.S. Government's ability to encourage practices that promote economic growth.

To remove eligibility of those countries that have used the GSP program would discourage U.S. importers from relying on imports from GSP countries. India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have improved their economic conditions. Removal of GSP eligibility for India, Indonesia and Thailand is contrary to the stated goals of the program, and would set back the goals of the program and would adversely affect the U.S. economy at the same time, as is demonstrated by this specific example.

In addition, FPA notes other important factors to be considered by the GSP Subcommittee in its review of India, Indonesia and Thailand:

- **World Bank Ranks These Countries in Low Economic Categories.** By most World Bank indicators of economic development, India, Indonesia and Thailand rank in the lowest categories. Twenty-one other GSP beneficiaries, including 14 countries not on USTR's review, have achieved "upper-middle-income economies," while India is categorized as a "low-income" economy, and India and Indonesia are "lower-middle-income economies."

- **Import Share Would Not Go to "Least Developed" GSP Beneficiaries.** PET resin from "least-developed countries" would not replace imports from India, Indonesia and Thailand if they were removed from the program. Such countries do not have the capacity to supply the U.S. market even if they received a tariff advantage over current GSP suppliers.

- **GSP Benefits Are Necessary to Remain Competitive.** Even with duty-free preferences, GSP beneficiaries are struggling to maintain their U.S. market share. Mexican bottle-grade PET resin has grown from 4% of total U.S. imports in 2002 to 33% in 2005. In the meantime, GSP countries' share of imports has fallen from approximately 32% in 2002 to less than 19% in 2005. Without GSP benefits, India, Indonesia and Thailand would not be competitive in this product in the U.S. market.

For the reasons stated above, FPA supports maintaining duty free status for the countries of India, Thailand and Indonesia. FPA appreciates your consideration of these comments.

Sincerely,

Peggy S. Rochette

Peggy S. Rochette

Sr. Director International Policy

BEFORE THE:
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

	:
In the Matter of:	:
	:
Generalized System of Preferences (GSP):	:
Request for Public Comments	:

Written Comments

by

DANA CORPORATION

September 5, 2006

VIA E-MAIL
FR0052@ustr.eop.gov

On behalf of:
DANA CORPORATION
P.O. Box 1000
Toledo, OH 43697
Phone: (419) 535-4787
Fax: (419) 535-4790

BARNES, RICHARDSON & COLBURN
Lawrence M. Friedman
Carolyn D. Amadon
303 E. Wacker Drive, Suite 1100
Chicago, IL 60601
Phone: (312) 565-2000
Fax: (312) 565-1782

These comments are filed on behalf of the Dana Corporation of Toledo, Ohio in response to the notice: Generalized System of Preferences (GSP): Request for Public Comments, 71 Fed. Reg. 45079 (August 8, 2006), requesting comments on the reauthorization of the Generalized System of Preferences (GSP) program, and whether beneficiary countries that are high-volume users of the GSP program should continue to be designated as GSP beneficiaries. In addition, Dana is providing comments on whether termination of the competitive need limitation waivers currently in place are warranted due to possible changed circumstances.

I. BACKGROUND

Dana Corporation is a manufacturer of products for every major vehicle manufacturer in the world. Based in Toledo, Ohio, the company employs approximately 47,200 people in 28 countries. Of these employees, approximately 37,600 in 148 major facilities worldwide work in the automotive, light vehicle, commercial vehicle markets, as well as the leisure and outdoor power equipment markets. In these markets, Dana manufactures and sells a variety of articles, including axles, driveshafts, structures, chassis and steering products, sealing, thermal management, fluid transfer, and engine power products, among others. This market accounts for approximately 75% of Dana's $9.2 billion in annual sales.

In addition, Dana employs about 8,070 people in 20 major facilities around the world in the heavy vehicle and off-highway markets. Dana designs, manufactures, and markets articles including front-steer, rear-drive, trailer, and auxiliary axles; driveshafts; steering shafts; suspension shafts; transaxles; brakes; transmissions; torque converters; and other articles to these markets. This market comprises the remaining roughly 25% of Dana's annual sales.[1]

1 All employment figures current as of July 31, 2006; Dana Financial Accounting Reports

Among the 28 countries in which Dana operates, India, Brazil, Thailand, Indonesia, Turkey, South Africa, Venezuela, and Argentina are cited in the Trade Policy Staff Committee's ("TPSC") 71 Fed. Reg. 45079 notice. However, Dana also operates in countries for which there are neither bilateral nor unilateral trade benefits on shipments to the United States. These include several countries in the European Union, and several countries in East Asia. Generally speaking, Dana operates in or near geographic locations in which its customers operate; Dana generally purchases raw materials in those adjacent regions.

II. The GSP Program Should Be Reauthorized and Argentina, Brazil, India and Venezuela Should Continue to be Designated as Beneficiary Developing Countries.

Dana strongly supports reauthorization of the GSP program in general and specifically supports the continuation of Argentina, Brazil, India and Venzuela as GSP beneficiary countries. The purpose of the GSP program is to further the economic development of developing countries through the expansion of their exports. The fact that some countries are reaching the limitations described by the Trade Policy Staff Committee ("TPSC") in 71 Fed.Reg. 45079 indicates that the program is indeed increasing exports, but these figures alone do not show a sufficient increase in the overall economic development to warrant their "graduation" from the program. Argentina, Brazil, India and Venezuela, although representing varied and disparate economies, remain characterized as underdeveloped economies that need GSP to secure, maintain and expand the investments that are critical to their development.

A. Argentina

In spite of its designation by the World Bank as an "upper-middle-income" economy in 2005 and GSP imports exceeding $100 million, Argentina has not demonstrated the sustainable economic growth necessary for it to "graduate" from the GSP program. Per 19 USC 2464 (c)(2), key indicators show that Argentina is still in need of the GSP benefits to solidify and sustain its current economic development. The "upper-middle-class income" designation for Argentina is misleading. The range, $3,466 to $10,725 of per capita GNI is very broad, and Argentina, with a 2005 GNI of $4,470 (Atlas method)[2] has just reached the lower limits of this designation. A better indicator would be $15.58 per capita exports subject to GSP[3], which more accurately reflects the true distribution of GSP "wealth" to Argentines. By way of comparison, total exports from China to the United States for the same period were $186 per capita.[4] Indeed, at $4,470, Argentina still has a world GNI per capita ranking of only 89. In addition, 14% of the Argentine population is living on less than $2.00 per day,[5] a fact indicating that Argentina's economic development is still a work in progress. GSP, therefore, can continue to provide Argentina with vital development and investment tools.

Dana produces axles and brake parts in Argentina for eventual export under GSP to Dana's Buena Vista, Virginia; Chesapeake, Virginia; Henderson, Kentucky; Elizabethtown,

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[2] World Development Indicators, World Bank, 1, July 2006.

[3] The value of U.S. imports under GSP from Argentina during 2005 was $616,052,00 while Argentina's 2005 population was 39,538,000(source: official import data from the U.S. Department of Commerce, and population data from U.S. Census Bureau).

[4] U.S. imports from China from official import data of the U.S. Department of Commerce, and China's 2005 population data from '2005 World Population Data Sheet," Population Reference Bureau.

[5] 2005 World Population Datasheet, Population Reference Bureau

Kentucky; and Glasgow, Kentucky facilities. Approximately [********] in GSP entered value is generated from Argentine production. Dana employs about 1928 workers in Argentina. Dana's presence in Argentina reflects one of the goals of GSP–to increase economic development by increasing exports from a beneficiary country. The proposed elimination of the very program that is providing this benefit on the basis that some, but not all, of the goal has been achieved, is counter-intuitive. TPSC should not recommend the termination of GSP benefits to Argentina until increased sustainable and stable economic development and improved standard of living for its population had been accomplished.

B. Brazil

Although Brazil's total GSP imports exceeded $100 million in 2005, Dana strongly urges TPSC to consider other economic factors that support the continuation of BDC status for Brazil. For example, Brazil's per capita GSP imports are only $19.42,[6] and its GNI per capita is $3,460, which yields an overall rank of 97 in a worldwide GNI per capita comparison. As such, Brazil is considered a "lower-middle income" country by World Bank standards.[7]

These are not the economic indicators of a country that has achieved the sort of sustainable economic development that warrants "graduation" from the GSP beneficiary status. Per 19 USC 2462 (c)(2), the economic indicators mentioned above should recommend Brazil remain, rather than be eliminated, as a GSP beneficiary. In addition, Brazil is considered a

[6] The value of U.S. imports under GSP from Brazil during 2005 was $3,616,151,000 while Brazil's 2005 population was 186,113,000(source: official import data from the U.S. Department of Commerce, and population data from U.S. Census Bureau).

[7] World Development Indicators database, World Bank, July 15, 2005, based on Atlas methodology.

"severely indebted" country according to the World Bank.[8] Thus, any advances in Brazil's development are highly leveraged. Brazil's large debt servicing needs take funds away from other needed government programs, including Brazilian Customs, as well as programs designed to alleviate poverty among disadvantaged Brazilians. In 2004, more than one in five Brazilians was living on less than the equivalent of $2.00 per day.[9] Unemployment is at 10.7% for 2006, of which 22% is in the industrial sector.[10] A recent World Bank publication states, "compared to other countries, Brazil is a clear outlier in terms of inequality and also accounts for a dominant share of the total number of poor in Latin America."[11] There are dozens of GSP beneficiary countries that are more fully developed than Brazil, and they are not identified by TPCS as at risk of losing GSP status.

Dana has seven facilities located in Brazil that produce axles, driveshafts, pumps and parts adapted for off highway use. Together, these facilities account for [********] sales to the United States in 2006-to-date, and had [********] in total sales to the United States in 2005. Dana employs about [****] people in Brazil. Parts produced in Brazil are generally destined for Dana's Churubusco, Indiana facility for packaging and distribution. A total of [******] in GSP benefits were claimed in 2005, yielding [*****] in GSP claimed for total Dana Brazilian production in 2005.

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[8] According to World Bank, "Severely indebted" means either: present value of debt service to GNI exceeds 80 percent or present value of debt service to exports exceeds 220 percent. Source: World Bank data on country classification at http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20420458~menuPK:64133156~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html.

[9] "2005 World Population Data Sheet," Population Reference Bureau, 2005.

[10] Instituto Brasileiro de Geografia e Estatistica: www.ibege.gov.br/english/presidencia/noticia

[11] Inequality and Economic Development in Brazil, Volume 2: Background Papers, Report No. 24487-BR, Brazil Country Management Unit, Poverty Reduction and Economic Management Sector Unit, World Bank in

As stated above, Brazil has an unemployment rate of about 22% in the industry sector, so any jobs that may shift to low cost countries should the GSP program be eliminated would be another blow to this already recessed sector.

In sum, apart from Brazil's heavy use of GSP by the TPSC standards, Brazil does not demonstrate any signs of the sustainable economic development the GSP program sought to engender. An elimination of GSP benefits for Brazil would serve to hurt the economy and would prove to be a disincentive for company's like Dana to further invest in the economy.

C. India

collaboration with Instituto de Pesquisa Econômica Aplicada, October 2003.

Per the economic criteria listed in 19 USC 2462(c)(2), India has not reached satisfactory levels of overall economic development to "graduate" from the GSP program. First, although GSP imports from India are greater than $100 million, the value of India's exports to the United States under GSP was only $3.78 per capita.[12] This indicates that, although India had certainly fully implemented the GSP program, it remains a very low-volume user of the GSP program when viewed on a per capita basis. India's continuing relative poverty makes it an unlikely candidate for inclusion in the list of countries subject withdrawal from the GSP program. It is the only country on the list to remain categorized as a "low income" economy by the World Bank based on its Gross National Income (GNI) of $720 per capita in 2005, which is well below the $875 upward limit for this category designation and yields an international ranking of 159.[13] In addition, 81% of India's population lived on less than the equivalent of $2.00 per day in 2004.[14] Thus, despite its high volume of GSP imports to the United States, the benefits of development have not fully reached the people of India, as evidenced by economic criteria. There are about 30 GSP beneficiary countries not identified in the Federal Register notice as at risk of losing GSP that have higher per capita GSP usage than this. Although rapidly developing as an industrialized nation, India remains one of the most impoverished countries in the world, and is not ready to be graduated from the GSP program. In fact, while imports to the United States from India have increased in volume, the Indian economy has not yet benefited from the longer term benefits envisaged by the GSP program such as increased sustainable and stable economic

[12] The value of U.S. imports under GSP from India during 2005 was $4,176,452,000, while India's 2005 population was 1,103,600,000 (source: official import data from the U.S. Department of Commerce, and population data from "2005 World Population Data Sheet," Population Reference Bureau).
[13] World Development Indicators database, World Bank, July 1, 2006 based on Atlas methodology.

development and improved standard of living for its population. Indeed, with India's poor population numbering over 350 million, the lack of full participation in the overall economy could threaten economic stability.[15]

In addition to aiding its own economy, the GSP benefits accorded to India also play a role in increasing the surrounding geographic economies. India is part of the South Asian Association for Regional Cooperation; goods produced in India can include Bangladesh, Bhutan, Nepal, Pakistan, and Sri Lanka content toward the 35 percent value-added GSP requirement. India's GSP status, therefore, provides an incentive for manufacturers in India to look to those neighboring lesser-developed countries for suppliers rather than more developed low cost supplier countries such as China. Thus, removing India from GSP could take business from these least developed beneficiary developing countries ("LDCs"), which is contrary to the original intent of GSP. In other words, if India were to lose its beneficiary status, it could no longer act as a conduit for GSP benefits to the neighboring LDCs. In this context, it is not likely that a company would relocate an established factory from India to Bangladesh, for example. However, if India loses GSP, it is very likely that Indian companies would lose their incentives to use Bangladesh as a supplier for materials to be used in the production of goods for export to the United States, and China would likely be a low cost alternative. Thus, if the goal of the TPSC is to promote trade in the least developed countries, removing GSP for India defeats this goal.

[14] "2005 World Population Data Sheet," Population Reference Bureau, 2005.

[15] UNCTAD, Trade and Development Report, 2005, at 36.

GSP provides an incentive for foreign direct investment to India. According to UNCTAD,[16] investment has a "key role" in expanding the productive capacity of a country, and, by extension, raising living standards and facilitating successful integration into the international economy—all goals of the current GSP program. As a politically stable country, with newly improved infrastructure, and an abundance of low-cost, skilled human resources, India is often considered alongside China as a destination for new manufacturing investment. GSP remains beneficial to India in that it gives India an extra advantage when competing against China for foreign investment. Both present and future investments in India could be threatened by the loss of GSP, which would have wide-ranging effects on local Indian suppliers, their workforces and the businesses that support and profit from them.

Dana estimates a total investment of [*******] in its Indian facilities. Dana currently employs about [******] people in India, and imports [*******] of GSP eligible products to facilities in Chesapeake, Virginia; Dry Ridge, Kentucky; Henderson, Kentucky; Humboldt, Tennessee; Churubusco, Indiana; and Syracuse, Indiana. Thus, Dana's monetary investment and investment in the Indian community continues to further economic development in India, but particularly to the extent that GSP preferences remain in place.

The removal of GSP benefits to India will result in substantial financial harm to both Dana's foreign investment and Dana's facilities that rely on Indian production. This, coupled with the Indian economy still in need of GSP benefits to secure their overall economic development are compelling reasons for the TPSC to continue GSP benefits for India.

D. Venezuela

[16] Trade and Development Report, 2005 at page 29.

Similar to Argentina, Venezuela has also been designated as an "upper-middle income" economy by the World Bank; this designation is misleading for the purposes of determining whether GSP beneficiary status should be eliminated for a specific country. Venezuela's GNI per capita is $4810 (Atlas method)[17], putting it just over the edge of the "upper-middle income" designation, but its overall rank is 84. Per the economic indicators enumerated in 19 USC 2462(c)(2), Venezuela is not sustaining the economic development necessary to "graduate" from the GSP program.

For example, the GSP per capita for Venezuela is $29.35, [18] reflecting a still slow speed of GSP "wealth" to inhabitants, and over 31% of the population lives on under $2.00 per day,[19] which does not indicate the sustainable economic development that is the ultimate goal of the GSP program. Venezuela has clearly taken advantage of the GSP program to date, but indicators show that the development is still progressive, and that the general population has not received the stable economy that GSP was designed to encourage.

Currently, Dana imports structural products such as parts of power trains and siderail truck frame components manufactured in Venezuela to facilities in Virginia, Kentucky, Pennsylvania, Missouri and Indiana. The 2006 forecast figures for Dana imports from Venezuela are [********], which will yield a total savings using GSP forecast of [********] for 2006.

[17] World Development Indicators, World Bank, 1 July 2006
[18] GSP imports for Venezuela at $745,000,000 from USITC; Population 25,378,00 from U.S. Census
[19] 2005 World Population Datasheet, Population Reference Bureau

Should GSP benefits be denied to Venezuela, it is highly unlikely that production would shift to other BDCs in the region, such as Bolivia or Ecuador, but would likely shift to Mexico and China—countries that do not qualify for GSP benefits at all. This shift would defeat the stated goals of GSP to aid developing economies. As the TPSC is well aware, China offsets any higher tariff and transportation costs by its very low labor costs. In addition, its improved technological advancements make it an even more attractive target for the production of more advanced goods.

Dana's overall investment in its Venezuelan facilities totals over [*********], including transferred proprietary technology necessary to develop automotive driveline components. This technology serves local markets, but is also exported to the United States, so that Dana's domestic facilities benefit from the low cost of labor and raw materials in Venezuela. Overall, Dana employs [****] Venezuelans, and provides [******] of monthly benefits paid that exceed prevailing standards in Venezuela, thus putting some of the benefits it has received from the GSP program back into the region.

This significant investment, both in financial contributions and in the local community, due in large part to Dana's use of the GSP program, has contributed greatly to the economic development of Venezuela–and should continue to do so provided the GSP program is renewed with an eye toward building more stable economic development that is enjoyed by a larger portion of the population. Inversely, if GSP benefits are not renewed for Venezuela, Dana will be forced to reconsider the continuation of its investment in Venezuela, which will have very serious effects on both Dana's domestic and foreign operations.

Dana strongly urges the TPSC to renew the GSP program and to continue GSP beneficiary status for Argentina, Brazil, India and Venezuela, recognizing the immense investment Dana has already made in these countries and the attendant economic development to these economies. Although fairly significant in the short term, this progress should not overshadow the importance of the sustainable, long-term economic benefits that are the reason for the inception of the GSP program, and which have not yet been fully achieved for these BDCs.

With over $9.2 billion in annual sales, Dana holds a key position in the U.S. auto parts industry. Its fortunes are also tied to the auto industry as a whole. In the past year, GM posted $10.6 billion in losses, with Ford and DaimlerChrysler losing $2 billion and $2.8 billion respectively. The Wall Street Journal of August 18, 2006 reported that Ford, Dana's largest customer, plans to cut 10% cut in salaried jobs and for 12 plants to close by 2012. Dana, as well as other key suppliers in this industry, has filed for bankruptcy. Dana has posted a loss of $133 million since March 2006. The elimination of GSP for Argentina, Brazil, India and especially Venezuela will result in significant harm to Dana's foreign investments and will also cause further economic harm to the U.S. auto parts industry, to Dana in particular—and to the auto industry as a whole.

E. General Proposals For The GSP Program

While the above indicators demonstrate the importance of GSP to beneficiary countries and to Dana an international corporation truly integrated into the economic development of the beneficiaries, some improvements to the program could be recommended–provided the GSP program is not eliminated by TPSC. Dana suggests that the USTR and TPSC consider any proposals designed to enhance the utility of the GSP program to BDC countries and to expand existing benefits to continue to bring GSP benefits to the least developed countries. An example of such a proposal from the United Nations Conference on Trade and Development ("UNCTAD") suggests improvements the utility of the GSP program. These are: (1) extend coverage to all products; (2) extend the time frame of GSP preferences to provide stability; (3) adopt a harmonized import percentage criterion; and (4) enlarge the scope of cumulation to all countries. [20]

Dana particularly suggests consideration of proposals two and four. Extending the time frame for GSP preferences helps BDCs attract investment because it allows investors stability and predictability in their interactions with the United States. For example, the longer time frames provided for the African Growth and Opportunity Act ("AGOA") are an important benefit to AGOA countries, giving ample time to seek investment from abroad and to develop industries internally without the fear of possible expiration as is often the case for GSP. This proposal will also lesson the political delays and pressures of recurrent renewal for the GSP program–and this for all GSP beneficiary countries.

[20] Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements, UNCTAD/ITCD/TSB/2003/8 (2003), at 111.

In addition, enlarging the scope of cumulation to all countries–would likely be a particularly useful change to the GSP program that would maximize the utility of the program for countries that do not currently receive substantial benefits from program. As it is currently implemented, the GSP regulations indicate that certain associations of countries designated by the President are treated as a single country for purposes of establishing GSP benefits, meaning that all of the materials, labor, etc. from a country in a designated association may be applied to the 35% calculation necessary for most GSP goods to meet the origin criteria for GSP benefits. Unfortunately, the list of associations of countries designated by the President for treatment as a single entity does not completely cover countries surrounding the biggest users of GSP listed in the TPSC's notice. For instance, there are no designated associations of countries that include Argentina, Brazil, South Africa, or Turkey. Because Dana, and undoubtedly many other corporations, tends to source goods from close geographic areas to avoid transportation costs, if a surrounding country is not included in a GSP designated country association, there is a disincentive for Dana, to fully develop sources in these countries.

Dana believes that removing the GSP benefit from countries that successfully utilize the current GSP to export to the United States will depress development in both the countries from which GSP treatment is removed and, in some cases, their neighboring regions. While it is unlikely that major manufacturing facilities will leave countries because of the loss of GSP, it is likely that new investment and sourcing will flow to other established locations such as China, rather than to BDCs or LDCs that have no established manufacturing facilities or experience. As such, this would be more likely to increase investment in countries that either already have substantial GSP exports to the United States, or countries like China that are substantial trade partners of the United States without the benefit of GSP.

If GSP is terminated for Argentina, Brazil, India or Venezuela, Dana's investments in these countries would suffer serious losses, and it may be forced to consider the relocation of existing and planned future investments to lower cost countries, such as China. Furthermore, the stated goals of GSP to aid developing economies will be lost by only focusing on the volume of GSP imports from these countries, rather than concentrating on their overall economic progress, which still has considerable room for improvement.

III. Existing Competitive Need Limitation ("CNL") Waivers Should Not Be Recommended for Termination by the TPSC

Dana strongly urges the TPSC to authorize redesignation for exports to the United States from Brazil under HTS 8708.99.67. Redesignation for this product will benefit both the Brazilian economy and to Dana's domestic manufacturing operations.

Statutorily, 19 USC 2463(c)(2)(C) provides that items previously eligible for CNL for certain BDCs may be redesignated as eligible provided that the limits in 19 USC 2463(c)(2)(A) are not exceeded. Namely, that the total imports of the subject item do not exceed $120 million and that the quantity of the item imported does not exceed 50 percent of the value of total imports of that article to the U.S. in the previous calendar year. First, imports to the United States from Brazil under 8708.99.67 totaled only $105,685,528 for 2005, well under the $120 million limit set by the TPSC . Second, the total value of all imports of this article into the United States totals $3,917,232,000, which yields a 37.06 percent ratio, which, again, is well under the statutory limit that would disqualify the item from redesignation.[21]

Further, for the reasons discussed above, Brazil also meets the criteria set forth in 19 USC 2463(c)(2)(C)(referencing the criteria of 19 USC 2461 and 2462). Namely, that Brazil remains a lower-middle income economy, for which GSP designation and CNL product waivers yield a measurable benefit to the country's developing economy –continuing the CNL waiver supports the goal of the GSP program. Second, it is in the national economic interest of the United States to refrain from harming American companies, such as Dana, that provide economic development to the region, aid in stabilizing foreign economies, and which, by extension, provide domestic employment in the United States.

IV. Conclusion

Dana recommends the TPSC to carefully review the consequences of eliminating GSP for relatively large exporters such as Argentina, Brazil, India and Venezuela, and of redesignating CNL status for imports from Brazil under HTS 8708.99.67. These actions will not advance the stated goals of increasing the exports from lesser developed BDCs, nor will it aid in the development of the world's least developed economies. The large exports of these countries should not distract from the continuing benefit that GSP preferences provide them. On the contrary, because of their large size and exports to the United States, the economic welfare of these countries has enormous influence on the strength of the world's economy as a whole. Therefore, their need for GSP preferences should be of the highest importance in the formulation of U.S. global economic policy.

21 From the USTR website: GSP List IV of items eligible for redesignation, and the USITC Dataweb.

Rather than risk injury to both the current beneficiary countries and their business partners in the United States, Dana encourages TPSC to consider other, more innovative, approaches to providing greater development assistance to the least developed economies of the world. Due to the current competitive situation involving China and India, and the proliferation of free-trade agreements replacing GSP for some countries, it is difficult to predict that the loss of GSP for countries such as Argentina, Brazil, India and Venezuela will benefit the least developed countries. As it is, these countries have only been able to take limited steps toward development with the existing GSP program. To truly promote growth and development in the LDCs, the USTR, TPSC, and the Administration as a whole, should consider providing greater incentives to U.S. investment in those countries through targeted programs similar to the African Growth and Opportunities Act and the Caribbean Basin Economic Recovery Act, or to reform the GSP program to provide preferences on a more long term, predictable basis.

Dana is grateful for the opportunity to participate in this review and would like to remain involved in any further discussions on this very important issue.

Please do not hesitate to contact us if you have any questions regarding this matter.

Very truly yours,
BARNES, RICHARDSON & COLBURN
By:

/s/Lawrence M. Friedman
Carolyn D. Amadon

ConAgra Foods

ConAgra Foods, Inc.
Suite 950
1627 I Street, NW
Washington, D.C. 20006

TEL: 202-223-5115
FAX: 202-223-5118

Brent A. Baglien
Vice President
Government Affairs

September 5, 2006

Ms. Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex, Room F-220
1724 F Street, NW
Washington, DC 20508

DELIVERY BY EMAIL: FR0052@USTR.EOP.GOV

RE: GSP Review – Retention of Benefits for Peanuts from Argentina and PET Resin from India, Indonesia, and Thailand

Dear Chairman Sandler:

ConAgra Foods ("ConAgra") respectfully submits the following comments in response to the August 7, 2006 *Federal Register* (71 *Fed. Reg.* 152) notice regarding the eligibility of certain countries under the Generalized System of Preferences (GSP). The GSP program should not be limited, suspended or withdrawn for Argentina, India, Indonesia, and Thailand. If GSP benefits for these countries are limited, the program should continue to apply to peanuts (Raw Shelled - HS 1202.20) and (Blanched - HS 2008.11), as well as bottle grade polyethelene terephthalate (PET) resin (HTS 3907.60.0010. The former two tariff categories are granted GSP preferences under existing competitive need limitations (CNL) waivers, which should not be terminated.

PET resin is used to manufacture the plastic bottles and packages that contain many common processed food products such as fruit juices, soft drinks, soups, and frozen foods. The countries of India, Indonesia and Thailand account for 18% of the U.S. market and the withdrawal of GSP benefits for these countries, would result in imposition of a tariff of 6.5% on the imports of bottle-grade PET resin.

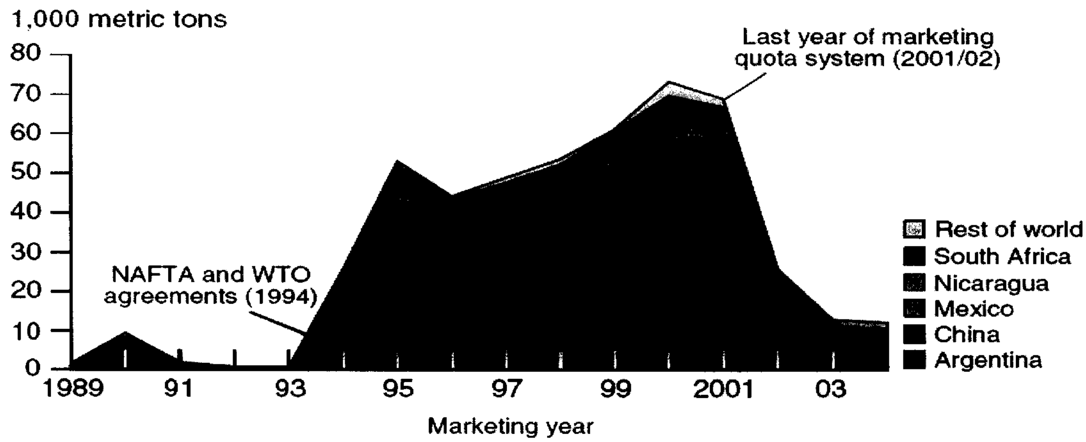
Moreover, India, Indonesia and Thailand are examples of countries that demonstrate the value of the GSP program. Through trade, these countries have improved their economic conditions, a result that we feel would be threatened if their GSP eligibility were removed. The U.S. economy would be adversely affected at the same time, as is demonstrated by this specific example.

With respect to peanuts, before the Trade Policy Staff Committee recommends to the President the limitation or suspension of GSP preferences on peanut imports from Argentina, the Administration should first conduct an assessment of the impact that drought conditions in the southeastern United States may have on peanut prices and separately determine whether the continuation of duty-free benefits for Argentine imports would have any effect on the price of peanuts in the U.S. market.

A. U.S. Imports in Decline in Recent Years Due to Domestic Support Programs

Revisions to the domestic peanut program in the 2002 Farm Bill resulted in a dramatic change in peanut prices in the U.S. market. Prior to the Farm Bill, production and marketing restrictions resulted in high prices for U.S. peanuts, and lower-cost peanuts from abroad filled the small U.S. import quotas allowed under the program. With the farm bill changes, domestic peanut prices fell, such that the price differential between imported and domestic peanuts was reduced beginning in 2003. As a result, there was a significant reduction in peanut imports beginning in 2003, which coincidentally is the year that USTR granted a petition allowing in-quota peanuts from Argentina to enter the United States duty-free under the GSP program [See Case # 2001-SR-03 and 2001-SR-05].

U.S. imports by source:
Imports decline following 2002 Farm Bill

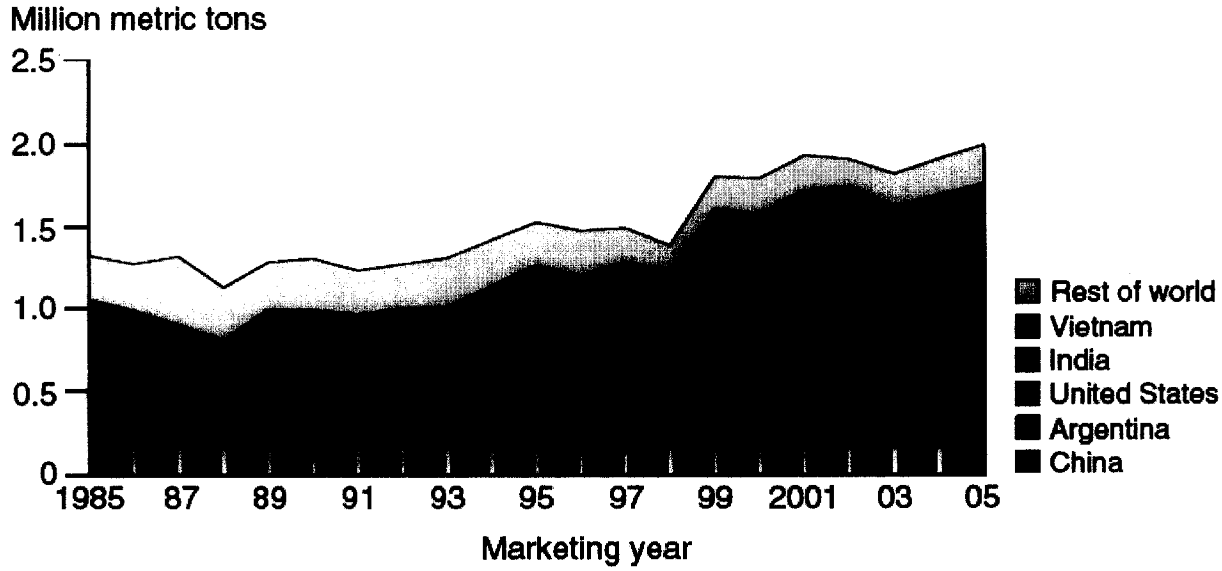


Source: USDA, Foreign Agricultural Service, "FASonline: U.S. Trade Internet System," available at http://www.fas.usda.gov/ustrade/USTImFAS.asp?QI=/.

B. Argentina Lags Behind China as Peanut Exporter

Argentina currently has the largest annual U.S. import quota of any country (at 43,901 mt), but has not been competitive in the U.S. market for several years due to the pricing differentials. As a result, Argentina only exported 735 mt of peanuts to the United States in 2005, or 1.7% of the total quota available. Imports from China accounted for over 60 percent of total U.S. peanut imports in 2005. If anything, the removal of GSP preferences from Argentina would only make its peanuts less price-competitive with Chinese peanuts in the U.S. market, further discouraging imports from the country.

Exports by country: China emerges as world's leading peanut exporter



Source: Foreign Agricultural Service, USDA, "Production, Supply and Distribution (PSD) Online."

C. Drought Conditions May Increase Demand for Imports

Despite the lower prices for domestic peanuts in the U.S. market in recent years under the 2002 Farm Bill, the drought conditions that have stricken several peanut-growing regions of the United States in 2006 threaten to increase the need for imported product. Georgia and northern Florida, which accounted for 53% of total peanuts produced in the United States in 2005, have been hardest hit by drought conditions among peanut-growing regions. According to USDA's August 15 *Weekly Weather and Crop Bulletin:*

> "**Peanuts continued to develop behind normal, mostly due to excessively dry weather in the Southeast and southern Great Plains**. At month's end, 83 percent of the crop had reached the pegging stage, 4 points behind last year and 7 points behind normal. Pegging trailed slightly behind normal in Georgia and South Carolina, but was over a week behind normal in Texas and nearly 3 weeks behind in Alabama." (Emphasis added)

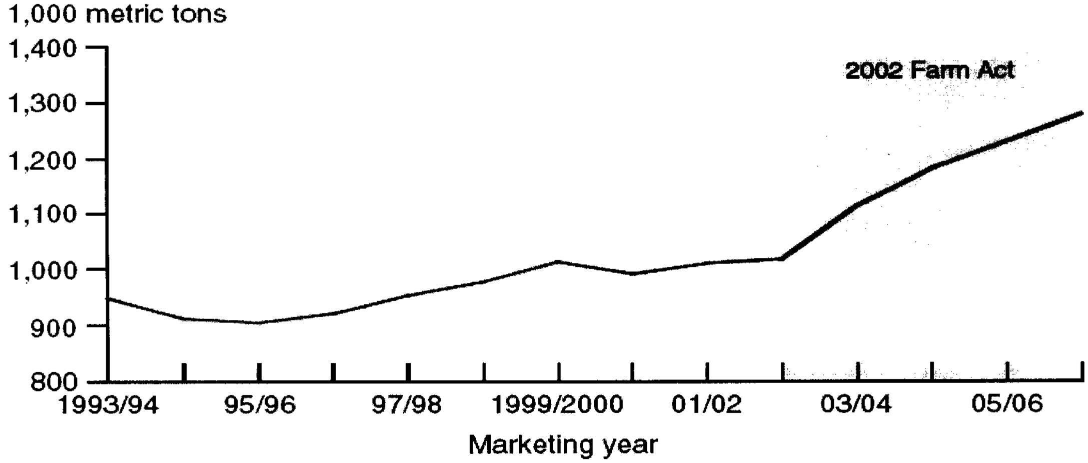
From USDA's August 11, 2006 *Peanut Crop Production Report* (emphasis added):

2006 PEANUT CROP ESTIMATE - Production is forecast at 1,630,400 tons, **down 32 percent** from last year's crop and down 24 percent from 2004. If realized, **this would be the lowest production since 1980**. Area for harvest is expected to total 1.23 million acres, down 3 percent from June and down 24 percent from 2005. Yields are expected to average 2,645 pounds per acre, 315 pounds per acre below last year. Planted acres, at 1.26 million, are down 3 percent from the June estimate and 24 percent below 2005.

SOUTHEAST PEANUTS - Production in the Southeast States (Alabama, Florida, Georgia, Mississippi, and South Carolina) is expected to total 2.25 billion pounds,(1,124,150 tons) down 34 percent from last year's level. Yields in the region are expected to average 2,410 pounds per acre, 416 pounds below 2005. **Hot, dry weather in Alabama, Florida, and Georgia caused crop conditions to decline sharply from last year**. As of July 30, the percent of crop rated very poor to poor was 42 percent in Alabama, 55 percent in Florida, and 29 percent in Georgia compared to 4 percent, 2 percent, and 5 percent respectively for the same time period last year. Expected area for harvest, at 933 million acres, is down 22 percent from last year.

The four southeastern states of Alabama, Georgia, Florida, and Mississippi have not produced less than 60 percent of the domestically grown peanuts in the past five years, which are used for processed food products, such as Peter Pan® peanut butter. A drought and acreage-reduced crop in 2006 would translate into less supply of domestic peanuts in the U.S. market, and has already increased prices for peanuts 25 percent, or $176/mt, in the past six months. In order to prevent input costs from resulting in inflationary pressures on downstream consumers of peanut-based products, reasonably-priced imports would be a natural alternative for peanut-consuming industries. A tariff on the in-quota imports from Argentina would essentially be a deterrent to sourcing from that country to offset a domestic supply reduction because of the drought. Not only would peanut consumers face higher prices because of domestic peanut shortfalls, but would be twice penalized in having to pay the equivalent of nearly $3 million in taxes on peanuts sourced from the only country for which the United States provides a significant import quota.

U.S. demand for peanut food use climbs rapidly following 2002 Farm Act



Sources: World Agricultural Outlook Board, USDA.

Before the Trade Policy Staff Committee decides to limit or suspend GSP preferences on peanut imports from Argentina, it should first conduct a study of the U.S. domestic market for peanuts to determine the impact of a major drought on U.S. peanut prices. Although there are not currently a significant amount of peanut imports from Argentina, the potential exists that Argentina could provide an important supply to U.S. processed food industries in the event of a domestic shortage due to drought conditions. U.S. food manufacturers and U.S. consumers would be burdened by tariff barriers discouraging imports from a developing country.

D. Developmental Indicators Argue Against the Removal of Argentina from the GSP Program.

The World Bank ranks Argentina below 14 other GSP beneficiaries in terms of per capita Gross National Income (GNI). Gabon, Panama, and Costa Rica, which are not subject to the USTR's review, all rank higher in this measure of development. Furthermore, Argentina's current level of economic performance is considerably lower than it was during the 1990s, when the country was a beneficiary under the GSP program. High inflation (12.3% at the end of 2005), relatively high unemployment (10%), and a high poverty rate (33.8% of the population lives under the poverty line, with 12.2% below the extreme poverty line based on 2005 IMF data) argue against a removal of Argentina from the GSP beneficiary list. Increased barriers on Argentina exports to the United States could harm not only Argentina's economic stability, but could also disrupt trade flows and lead to higher prices for U.S. consumers.

E. Trade-Enforcement Leverage Would Be Lost by Removing Argentina's GSP Eligibility.

The limitation or suspension of GSP benefits for a country is a powerful tool for the U.S. private sector and U.S. trade officials to seek changes in the practices of a beneficiary country. The GSP record has repeatedly shown that "country practice" petitions have afforded USTR the leverage to encourage beneficiaries to reduce significant barriers to trade in goods, services and investment and to provide enforcement of intellectual property rights. This leverage has resulted in increased market access for U.S. exports and improvements in policies of importance to the U.S. Government. If GSP eligibility for Argentina is limited, suspended, or withdrawn, then it will not be as responsive to country practice petitions accepted by the U.S. Government. Thus, a significant tool in U.S. trade-enforcement leverage would be lost.

ConAgra appreciates the consideration of these views in the Trade Policy Staff Committee's review of the eligibility of certain GSP beneficiaries.

Sincerely,

Brent Baglien
Vice President, Government Affairs
ConAgra Foods, Inc.