Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences

Report to the President on
Investigaton No. 332-410

Note.—This report is a declassified version of the confidential probable economic effect advice report submitted to the President on March 16, 2000

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U.S. International Trade Commission

Washington, DC 20436

U.S. International Trade Commission

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[1] Chairman Lynn M. Bragg did not participate in the portion of this investigation concerning the waiver of competitive need limits for methanol for Chile (USTR Case No. 99-6).

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NOTICE

THIS REPORT IS A DECLASSIFIED VERSION OF THE CONFIDENTIAL PROBABLE ECONOMIC EFFECT ADVICE REPORT SUBMITTED TO THE PRESIDENT ON MARCH 16, 2000. ALL CLASSIFIED PROBABLE ECONOMIC EFFECT ADVICE HAS BEEN REMOVED AND ALL BUSINESS PROPRIETARY INFORMATION HAS BEEN REPLACED WITH "*."**

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INTRODUCTION[1]

On December 17, 1999, the Commission received a request from the United States Trade Representative (USTR) for an investigation under section 332(g) of the Tariff Act of 1930 for the purpose of providing advice concerning possible modifications to the U.S. Generalized System of Preferences (GSP). The USTR request letter is included in appendix A. Following receipt of the request and in accordance therewith, the Commission instituted investigation No. 332-410 to provide as follows--

(a) with respect to the articles listed in Part A of the attached Annex, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP. In providing its advice, the USTR requested that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the Trade Act of 1974 (1974 Act) (19 U.S.C. 2463(c)(2)(A)); and

(b) with respect to articles listed in Part A and Part C of the attached Annex, advice as to whether products like or directly competitive with the articles were being produced in the United States on January 1, 1995; and

(c) with respect to the article listed in Part B of the attached Annex, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the removal of the country specified with respect to the article in Part B from eligibility for duty-free treatment under the GSP for such article; and

(d) in accordance with section 503(d)(1)(A) of the 1974 Act, advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Brazil for HTS Subheading 7202.99.10 in Part A and the country specified with respect to the articles in Part D of the attached Annex.

The Commission[2] instituted the investigation on December 23, 1999, and indicated that it would seek to provide its advice no later than March 16, 2000, as requested by USTR. The Commission's notice of investigation is contained in appendix B.

All interested parties were afforded an opportunity to provide the Commission with written comments and information. In addition, the Commission held a public hearing on the investigation in Washington, DC, on February 2, 2000. The list of witnesses that appeared before the Commission is contained in appendix C.

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[1] The following *Federal Register* notices were issued by the USTR and the Commission relating to investigation No. 332-410:

Date	Notice	Subject
Dec. 26, 1999	64 F.R. 72136	USTR notice of GSP review
Dec. 30, 1999	64 F.R. 73574	Notice of USITC investigation

[2] Chairman Lynn M. Bragg did not participate in the portion of this investigation concerning the waiver of competitive need limits for methanol from Chile (USTR Case No. 99-6).

PRESENTATION OF ADVICE

In response to the USTR request, the Commission is providing its advice in the form of commodity digests, as has been done in prior GSP investigations. Each digest examines the effect of tariff modifications on a single HTS subheading and provides advice in terms of the traditional coding scheme noted later in this section.

This report contains 7 digests covering 7 HTS subheadings. Each digest contains the following sections:

I. Introduction
This section provides basic information on the item, including description and uses, rate of duty, and an indication of whether there was a like or directly competitive article produced in the United States on January 1, 1995.

II. U.S. market profile
This section provides information on U.S. producers, employment, shipments, exports, imports, consumption, import market share, and capacity utilization. When exact information is not obtainable, estimates based on the following coding system are provided:

* = Based on partial information/data adequate for estimation with a moderately high degree of confidence, or

** = Based on limited information/data adequate for estimation with a moderate degree of confidence.

III. GSP import situation, 1998
This section provides 1998 U.S. import data, including world total and certain GSP-country specific data.

IV. Competitiveness profiles, GSP suppliers
This section provides background information on GSP-eligible countries for the digest, their ranking as an import source, a discussion of the price responsiveness of supply and demand for imports from that country, and the price and quality of the imports versus U.S. and other foreign products.[3]

V. Position of interested parties
This section provides a brief summary of the petition as well as summaries of hearing testimony and any written submissions from interested parties.

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[3] Demand conditions in the U.S. market are described by the price elasticity of demand for products from all sources, and the elasticity of substitution in consumption. (The former is commonly referred to as the aggregate demand elasticity and the latter is commonly referred to as the substitution elasticity.) The substitution elasticity is a measure of the substitutability of products from different sources. The *greater* the substitutability of products from different sources, the *higher* the substitution elasticity. Another way to view the substitution elasticity is as a measure of product differentiation. The *more* differentiated products are, the *lower* the substitution elasticity. Products may be differentiated by product characteristics (such as quality, physical specifications, shelf-life, etc.) and conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.). Supply conditions are described by price elasticities of supply. Elasticity estimates are based on a qualitative analysis of the industry by staff as well as existing estimates taken from the literature. Appendix D provides a presentation of the model used for evaluating the probable economic effect of changes in the GSP.

VI. Summary of probable economic effect advice [4]

This section provides advice on the short-to-near-term (1 to 5 years) impact of the proposed GSP-eligibility modifications on U.S. industries producing like or directly competitive articles and on U.S. consumers,[5] and advice concerning whether any U.S. industry is likely to be adversely affected by a waiver of the competitive need limits, as appropriate. In the course of providing this advice, the Commission also estimates changes in the U.S. import levels resulting from the GSP modifications. The probable economic effect advice, to a degree, integrates and summarizes the data provided in sections I-V of the digests with particular emphasis on the price sensitivity of supply and demand. For example, if the substitution elasticity in the United States and the price elasticity in the exporting beneficiary country are both relatively high, the elimination of even a moderate-level tariff suggests the possibility of large increases in imports from the beneficiary country. Appendix D provides a brief textual and graphic presentation on the model used for evaluating the probable economic effect of changes in the GSP.

The estimated changes in import levels are presented in terms of the degree to which GSP modifications could affect the level of U.S. trade with the world. Consequently, if GSP beneficiaries supply a very small share of the total U.S. imports of a particular product or if imports from beneficiaries readily substitute for imports from developed countries, the overall effect on U.S. imports could be minimal.

The digests contain a coded summary of the probable economic effect advice. The coding scheme is as follows:

FOR "REMOVAL" DIGESTS:

Level of total U.S. imports.

Code X: Little or no decrease (0 to 5 percent).
Code Y: Moderate decrease (6 to 15 percent).
Code Z: Significant decrease (over 15 percent).

[4] One digest (HTS subheading 3817.10.50) involves a request to provide advice as to whether a product like or directly competitive with that product was being produced in the United States as of January 1, 1995. Therefore, there will be no probable effect section associated with this digest.

[5] For probable effect advice, "U.S. consumer" is limited to the first-level consumer and may be a firm receiving an intermediate good for further processing or an end-use industry receiving a final good.

U.S. industry and employment:

Code X: Little or negligible beneficial impact.

Code Y: Significant beneficial impact (significant number of additional workers employed; increases in output; increases in profit levels; new firms; but beneficial impact not industry-wide).

Code Z: Substantial beneficial impact (substantial increase in employment; widespread increased production; substantial increases in profits levels; beneficial impact on the industry as a whole).

Code N: None.

U.S. consumer:

Code X: The bulk of the duty increase (greater than 75 percent) is expected to be absorbed by the foreign suppliers.

Code Y: The duty increase is expected to increase costs to both the foreign suppliers and the U.S. consumer (neither absorbing more than 75 percent of the costs).

Code Z: The bulk of the duty increase (greater than 75 percent) is expected to be passed on to the U.S. consumer.

Code N: None.

FOR "ADDITION' AND "COMPETITIVE-NEED-LIMIT WAIVER" DIGESTS:

Level of total U.S. imports:

Code A: Little or no increase (0 to 5 percent).

Code B: Moderate increase (6 to 15 percent).

Code C: Significant increase (over 15 percent).

Code N: No impact.

U.S. industry and employment:

Code A: Little or negligible adverse impact.

Code B: Significant adverse impact (significant proportion of workers unemployed, declines in output and profit levels, and departure of firms; effects on some segments of the industry may be substantial even though they are not industrywide).

Code C: Substantial adverse impact (substantial unemployment, widespread idling of productive facilities, substantial declines in profit levels; effects felt by the entire industry).

Code N: None.

U.S. consumer:

Code A: The bulk of duty saving (greater than 75 percent) is expected to be absorbed by the foreign suppliers. The price U.S. consumers pay is not expected to fall significantly.

Code B: Duty saving is expected to benefit both the foreign suppliers and the domestic consumer (neither absorbing more than 75 percent of the costs).

Code C: The bulk of duty saving (greater than 75 percent) is expected to benefit the U.S. consumer.

Code N: None.

The probable economic effect advice is based on estimates of the expected change in GSP eligibility compared with current market conditions. That is, the estimated effects are independent of and in addition to any changes that will otherwise occur. Although other factors, such as exchange rate changes, relative

inflation rates, and relative rates of economic growth, could have a significant effect on imports, these other factors are not within the scope of the USTR request.

DIGEST LOCATOR

Report digests are listed by proposed action and in sequential order by HTS subheading. This listing provides the following information on the individual digests: a digest title, the proposed action, petitioner, probable economic effect advice, column 1 rate of duty, existence of U.S. production on January 1, 1995, and the name of the International Trade Analyst assigned.

HTS subheadings requiring probable economic effects advice and listing of digests

HTS sub-headings	Short title	Proposed action	Petitioners	Probable economic effects advice	Col. 1 rate of duty, Jan 1, 2000	U.S. pro-duction of like or directly competitive articles, Jan. 1, 1995	Analyst
2905.11.20 [1]	Methanol	Waiver (Chile)	Government of Chile, Methanex Methanol Company	***	10.5%	Yes	Jonnard
2905.42.00	Pentaerythritol	Removal (Brazil)	Hercules, Incorporated	***	3.7%	Yes	Jonnard
3817.10.50	Other mixed alkylbenzenes	Like or directly competitive product	Shrieve Chemical Products, Inc.	([2])	0.4¢/kg + 10.8%	No	Robinson
7202.50.00	Ferrosilicon chromium	Waiver (Russia)	PMI Alloys, Inc., Chelyabinsk Electrometallurgical Plant, Russia	***	10%	No	Tsuji
7202.99.10	Ferrozirconium	Addition and Waiver (Brazil)	Victoria Alloys, Inc., Italmagnesio Nordeste S/A, Trablin-Trading Brasiliera de Legas e Inoculantes S/A	***	4.2%	Yes	Tsuji
8104.19.00	Unwrought magnesium alloys	Addition	Polymet Alloys, Inc., Rima Industrial S/A	***	6.5%	Yes	DeSapio
8104.30.00	Magnesium raspings, turnings, granules, and powders	Addition	Polymet Alloys, Inc., Rima Industrial S/A	***	4.4%	Yes	DeSapio

[1] Chairman Lynn M. Bragg did not participate in the portion of this investigation concerning the waiver of competitive need limits for methanol from Chile (USTR Case No. 99-6).

[2] There are no PE advice statements associated with this digest.

COMMODITY DIGESTS

DIGEST NO. 2905.11.20

METHANOL

Methanol[1]

I. Introduction

X Competitive-need-limit waiver Chile

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
2905.11.20[1]	Methanol, not for production of synthetic fuel or used as fuel.	10.5%[2]	Yes

[1] India has been proclaimed by the President as non-eligible for GSP treatment for articles included under subheading 2905.11.20 since 5/19/92 because of country practice (intellectual property rights (IPR)). Trinidad and Tobago was proclaimed by the President as non-eligible for GSP treatment for articles included under subheading 2905.11.20, as of 7/1/95 because it exceeded competitive-need-limits.

[2] This HTS subheading is subject to the following staged reductions for normal trade relations duty rates: 9.2% in 2001, 8% in 2002, 6.8% in 2003, and 5.5% in 2004.

Description and uses.–Methanol, or methyl alcohol, is a colorless, tasteless liquid with a very faint odor, made primarily from natural gas. The primary use for methanol is as a chemical building-block for the production of such derivatives as formaldehyde, methyl *tertiary*-butyl ether (MTBE), and acetic acid.

[1] Chairman Lynn M. Bragg did not participate in the portion of this investigation concerning the waiver of competitive-need-limits for methanol from Chile (USTR Case No. 99-6).

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)[1]	15	15	15	15	15
Employment (***1,000 employees***)	1	1	1	1	1
Shipments (***1,000 dollars***)[2]	1,339,000	1,194,000	747,000	1,064,000	627,999
Exports (***1,000 dollars***)	27,981	49,240	25,525	53,206	19,198
Imports (***1,000 dollars***)[3]	482,206	365,449	215,751	307,794	176,294
Consumption (***1,000 dollars***)	1,793,225	1,510,209	937,226	1,318,588	785,095
Import-to-consumption ratio (***percent***)	27	24	23	23	22
Capacity utilization (***percent***)	94	71	71	73	70[4]

[1] American Methanol Institute, Mannsville Chemical Corp., and various trade journals. In their post-hearing submission, Methanex identifies two additional companies reportedly operating in 1998. Information about these plants during 1994-98 was not readily available. Separately, it should be noted that three companies shut down operations during Aug. 1998- Jan. 1999. The Methanex joint venture with Cytec has also since been "suspended," although the company states that it has recently obtained 100 percent ownership of the methanol venture and eventually hopes to restart the plant. Commission hearing transcript, dated Feb. 2, 2000, p. 13.

[2] Data for 1994-96 derived from Chemical Products Synopsis; 1997, ACN/CMR/ECN Supplement, Mar. 1999; and 1998, Chemical Manufacturers Association.

[3] Information received in a memorandum from Barbara J. Boney, Chief, Commodity Analysis Branch, Foreign Trade Division, U.S. Census Bureau, dated Sept. 22, 1999, indicates that the U.S. Bureau of Census has revised its reported statistics concerning U.S. imports of methanol during 1997 and 1998. The revisions have resulted in the transfer of significant quantities of methanol from HTS 2905.11.10 (the provision for methanol "imported only for use in producing synthetic natural gas or for direct use as a fuel," imports of which enter free of duty) to HTS 2905.11.20. Imports from numerous countries were affected, including those from Chile. According to the memorandum, the value of imports under HTS 2905.11.20 in 1998 was about $230 million, or an increase of almost $54 million. The imports from Chile increased by almost $23 million to approximately $33 million. These revisions, however, are not reflected in the U.S. import data reported here because they are not yet contained in the official detailed errata from the U.S. Census Bureau. These errata are expected in June 2000. According to preliminary statistics, these revisions would increase the import-to-consumption ratio in 1998 to 27 percent from 22 percent. Chile's share of total U.S. consumption of methanol would increase to 4 percent from 1 percent and Chile's share of total imports would increase to 15 percent from 6 percent.

[4] Estimated by Commission staff.

Comment.–Methanol production is directly correlated to demand for its primary derivatives, particularly MTBE. In 1994, worldwide demand for MTBE was strong, resulting in increased U.S. production and capacity utilization. U.S. methanol prices increased significantly during 1994 because of the high demand for methanol and a short supply caused by the temporary outage of several U.S. methanol plants. During 1994-95, however, there was a significant increase in U.S. production capacity, partially to meet demand from MTBE producers. U.S. methanol production capacity increased in 1995 to 2.40 billion gallons from 1.72 billion gallons in 1994, or by about 38 percent. Domestic capacity utilization levels declined significantly during 1994-95 as the new production capacity came onstream. This increased capacity, coupled with a high level of lower priced U.S. imports,[2] resulted in an oversupply of methanol in the United States in 1996, depressing U.S. prices. This decrease in prices resulted in a corresponding decline in the value of U.S. shipments of methanol in 1996.

[2] Although the value of U.S. methanol imports generally declined during 1994-98 (except for a slight increase in 1997), the quantity of these imports fluctuated during these years (in 1,000 liters): 1994: 2,850,950; 1995: 2,239,568; 1996: 2,486,259; 1997: 2,401,992; and 1998: 2,456,534. The average unit value of these imports declined significantly during 1995-96 from $0.16 per liter to $0.09 per liter.

During 1996-97, methanol prices stabilized, even increasing slightly. Production capacity utilization levels also increased slightly during this time from 71 percent to 73 percent. In 1998, however, there was a significant increase in the quantity of U.S. imports of lower-priced methanol (the average unit value of imports declined from $0.485 per gallon in 1997 to $0.272 per gallon in 1998), resulting in a decline in U.S. production and a corresponding decrease in U.S. capacity and capacity utilization levels.[3] U.S. methanol prices also declined, resulting in a decline in the value of U.S. shipments of methanol. According to sources, projected capacity additions outside the United States in 1999 and later were expected to result in continued soft market conditions and lower prices worldwide.[4]

Methanol prices are expected to remain at fairly low levels, if not decline, despite brief upturns in 1997 and 1999,[5] future demand levels are expected to vary, possibly significantly, largely because of uncertainty regarding the use of MTBE in the United States and the potentially successful commercialization of fuel cells (incorporating MTBE). Methanex states in its submission that whereas demand in the medium term is uncertain because of concerns about MTBE, it expects long-term growth to increase with the commercialization of the fuel cells (perhaps as early as 2004).[6]

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total[1]	176,294	100	([1])	22
Imports from GSP countries:				
GSP total	123,795	70	100	16
Trinidad and Tobago[2]	58,051	33	47	7
Venezuela	32,160	18	26	4
Chile	10,749	6	9	1
Bahrain	10,265	6	8	1
Russia	7,594	4	6	1
Romania	2,632	1	2	([3])
Indonesia	2,344	1	2	([3])

[1] Not applicable.
[2] Trinidad and Tobago became ineligible for duty-free GSP treatment on July 1,1995, but remained eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act.
[3] Less than 0.5 percent.

Note.–Because of rounding, figures may not add to the totals shown.

[3] "Methanol Market Remains Devastated," *Chemical Market Reporter*, Feb. 8, 1999.
[4] "Prices Sink Under a Flood of Capacity," *Chemical Week*, Dec. 9, 1998, and Commission hearing transcript, p. 22.
[5] Commission hearing transcript, p. 22.
[6] Methanex, "Post-hearing Brief in Support of a Petition for the Waiver of the Competitive-Need Limits of the Generalized System of Preferences with Respect to Methanol (HTS 2905.11.20) Imported from Chile," Dated Feb. 11, 2000, pp. 8, 10-12.

Comment.–U.S. imports of methanol accounted for 22 to 27 percent of domestic consumption during 1994-98. Of the total U.S. imports of methanol, imports from GSP countries accounted for 70 percent, or 16 percent of domestic consumption in 1998. Chile was the third largest source of U.S. imports of methanol from GSP countries in 1998.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Chile for all digest products

Ranking as a U.S. import supplier, 1998	4		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term? . . .		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–The sole Chilean methanol producer, Methanex Chile, affiliated with Methanex Methanol Co. (Methanex), operates 3 plants.[7] Their new Chile III plant, which came onstream in May 1999, adding 975,000 metric tons of annual production capacity, is a state-of-the-art facility. Most of Methanex Chile's 2.7 million

[7] Although at least one source notes that Methanex's operations in the United States were closed because of low prices, another source states that "Methanex has closed high-cost plants in North America and moved most of its production to Chile." Jarret Adams, "Capacity Wave Rolls in from Overseas," *Chemical Week*, Jan. 26, 2000, p. 46. Methanex, however, states that although the methanol plant in Louisiana, "in these market conditions, is not economic," it hopes to eventually restart it. Commission hearing transcript, p. 13.

metric tons of methanol capacity from all 3 plants is said to be slated for export.[8] For example, in 1998, only about 4 percent of Methanex Chile's production was consumed in Chile. The primary market for Chile's exports of methanol is Europe, with the United States being the second largest market. Other markets include Latin America and Asia. During 1995-98, the U.S. share of Chilean methanol exports rose from 5.2 percent to 29.9 percent.[9]

According to Methanex, the waiver is being sought to ensure that methanol imported from Methanex Chile can continue to enter the U.S. market duty-free under the GSP. They anticipate that with the addition of the Chile III plant, the resulting increase in U.S. imports from Chile will meet or exceed the competitive-need-limit in 2000 of $90 million or 50 percent of total imports.[10] During 1994-98, the value of U.S. imports of methanol from Chile ranged from a low of $3.5 million to a high of $33.4 million. The value of methanol imported during Jan.-Aug. 1999, however, was about $22 million versus about $21 million during Jan.-Aug. 1998.[11]

V. Position of interested parties

Petitioner.–The petitioner, Methanex Methanol Co., imports methanol from an affiliated firm in Chile that has recently added capacity in anticipation of a world methanol price recovery. The petitioner stated that since many U.S. firms rely on imported methanol to produce various petrochemicals, the competitive-need-limit should be waived before Chile exceeds the limit. They note that the additional capacity and the expected recovery in world prices is likely to result in "imminent danger" that Chile will exceed the competitive-need limit."[12]

Opposition.-- Submissions opposing the petition for the waiver of the competitive-need limits of the GSP regarding methanol (HTS 2905.11.20) imported from Chile were received from the following four companies: Borden Chemicals and Plastics; Enron Ventures Corp.; Lyondell Methanol Co., L.P.; and Terra Industries Inc. These companies, which accounted for about 30 percent of U.S. production capacity for methanol in 1998, attribute their opposition to concern about the following two factors:

-- The anticipated impact of additional duty-free imports of methanol on U.S. methanol producers is expected to be negative given the already extremely competitive conditions in the market resulting largely from current imports of methanol from all sources. They state that the downward pressure on prices has already resulted in the closure of three domestic plants, representing almost 25 percent of U.S. production capacity (including, as cited by one of the producers, the closure of a plant in which Methanex had invested as part of a joint venture); and

-- The waiver would benefit only one company, i.e., Methanex, since it is the sole producer of methanol in Chile.

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[8] Methanex Methanol Co., *Petition for Waiver of the Competitive Need Limit* to the GSP Subcommittee, Trade Policy Staff Committee, June 11, 1999.

[9] Ibid.

[10] Ibid.

[11] It is unknown at this time whether any errata apply to the 1999 data.

[12] Methanex, "Comment in Support of a Petition for the Waiver of the Competitive-Need Limits of the Generalized System of Preferences with Respect to Methanol (HTS 2905.11.20) Imported from Chile," dated Jan. 19, 2000, Executive Summary.

VI. Summary of probable economic advice-Competitive-need-limit waiver (Chile)

* * * * * * *

Table 1.–Methanol: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
Trinidad & Tobago	120,976	70,819	67,485	90,596	58,051	37,929	55,773
Canada	188,934	209,818	102,154	116,799	51,860	36,294	30,854
Venezuela	71,449	52,061	35,623	62,382	32,160	21,534	22,152
Chile	31,399	4,764	3,479	8,210	10,749	1,103	20,367
Bahrain	28,396	20,194	6,237	11,501	10,265	7,626	4,316
Russia	18,776	6,740	0	16,243	7,594	7,594	6,811
Romania	0	0	0	2,017	2,632	2,632	0
Indonesia	0	0	0	0	2,344	2,344	0
Saudi Arabia	2,447	793	707	0	554	0	0
France	7	2	2	2	31	5	14
Spain	0	0	0	3	26	19	22
United Kingdom	4	12	39	6	13	13	23
All other	19,818	246	25	35	15	12	50
Total	**482,206**	**365,449**	**215,751**	**307,794**	**176,294**	**117,105**	**140,382**
Total from GSP-eligible nations	**278,759**	**154,595**	**112,824**	**190,948**	**123,796**	**80,762**	**109,420**
	Percent						
Trinidad & Tobago	25.1	19.4	31.3	29.4	32.9	32.4	39.7
Canada	39.2	57.4	47.3	37.9	29.4	31.0	22.0
Venezuela	14.8	14.2	16.5	20.3	18.2	18.4	15.8
Chile	6.5	1.3	1.6	2.7	6.1	0.9	14.5
Bahrain	5.9	5.5	2.9	3.7	5.8	6.5	3.1
Russia	3.9	1.8	0.0	5.3	4.3	6.5	4.9
Romania	0.0	0.0	0.0	0.7	1.5	2.2	0.0
Indonesia	0.0	0.0	0.0	0.0	1.3	2.0	0.0
Saudi Arabia	0.5	0.2	0.3	0.0	0.3	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0	0.0	0.0	0.0	0.0
All other	4.1	0.1	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**37.1**	**42.3**	**52.3**	**62.0**	**70.2**	**69.0**	**77.9**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.--Methanol: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market	1994	1995	1996	1997	1998	January - August 1998	January - August 1999
	Value (1,000 dollars)						
Mexico	13,845	12,271	8,739	17,266	8,994	6,738	3,773
Canada	1,161	1,571	2,922	5,427	4,840	3,028	3,038
South Africa	39	547	63	3,017	1,399	1,393	0
India	0	0	0	4	355	340	34
Cote d'Ivoire	0	0	56	142	351	321	68
Taiwan	176	2,852	371	2,400	330	275	141
Saudi Arabia	4	35	0	7	270	165	394
Nicaragua	3	0	15	12	190	150	79
Argentina	48	47	69	81	176	123	19
Israel	18	53	7	3	154	154	40
Bahamas	342	439	546	299	136	70	153
Australia	176	143	169	49	135	105	118
All Other	12,169	31,282	12,568	24,499	1,868	1,245	1,992
Total	**27,981**	**49,240**	**25,525**	**53,206**	**19,198**	**14,107**	**9,849**
	Percent						
Mexico	49.5	24.9	34.2	32.5	46.8	47.8	38.3
Canada	4.1	3.2	11.4	10.2	25.2	21.5	30.8
South Africa	0.1	1.1	0.2	5.7	7.3	9.9	0.0
India	0.0	0.0	0.0	0.0	1.8	2.4	0.3
Cote d'Ivoire	0.0	0.0	0.2	0.3	1.8	2.3	0.7
Taiwan	0.6	5.8	1.5	4.5	1.7	1.9	1.4
Saudi Arabia	0.0	0.1	0.0	0.0	1.4	1.2	4.0
Nicaragua	0.0	0.0	0.1	0.0	1.0	1.1	0.8
Argentina	0.2	0.1	0.3	0.2	0.9	0.9	0.2
Israel	0.1	0.1	0.0	0.0	0.8	1.1	0.4
Bahamas	1.2	0.9	2.1	0.6	0.7	0.5	1.6
Australia	0.6	0.3	0.7	0.1	0.7	0.7	1.2
All Other	43.5	63.5	49.2	46.0	9.7	8.8	20.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 2905.42.00

PENTAERYTHRITOL

Pentaerythritol

I. Introduction

X Removal from GSP Brazil

HTS subheading	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
2905.42.00[1]	Pentaerythritol	3.7%	Yes

[1] India has been ineligible for GSP treatment since 1992 because of country practice (IPR).

Description and uses.–Pentaerythritol (PE) is used primarily in the production of alkyd resins used in paints. It is also used in the production of rosin esters, oil-modified urethane resins, drying oils, and other specialty chemicals. There are three grades of PE produced worldwide: a technical grade (containing 8 to 10 percent dipentaerythritol) and two other grades (97 to 99-percent pure monopentaerythritol).

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)[1]	4	3	3	3	3
Employment (***1,000 employees***)[2]	***	***	***	***	***
Shipments (***1,000 dollars***)	[3]122,800	[2] ***	[2] ***	[2] ***	[2] ***
Exports (***1,000 dollars***)	11,862	12,336	16,166	22,277	16,869
Imports (***1,000 dollars***)	16,920	17,675	17,426	21,563	25,652
Consumption (***1,000 dollars***)	127,858	***	***	***	***
Import-to-consumption ratio (***percent***)	13	***	***	***	***
Capacity utilization (***percent***)[2]	***	***	***	***	***

[1] During 1995-98, a fourth U.S. producer produced PE for its own captive use only, with no sales to other companies.
[2] ***.
[3] U.S. International Trade Commission, *Synthetic Organic Chemicals: U.S. Production and Sales 1994*, pub. no. 2933, Nov. 1995.

Comment.–During 1995-98, three domestic producers, Hercules, Celanese, and Perstorp, maintained production capacity for pentaerythritol. U.S. production capacity *** during 1995-98, from ***.[1] During 1996-97, it was estimated that Hercules accounted for about 30 percent of total production, Celanese, 47 percent, and Perstorp, 22 percent.[2] In 1998, the Brazilian producer, Copenor (which is partly owned by the Brazilian state oil company Petrobras)[3] brought on new capacity, increasing its capacity from about 20 million pounds per year to about 46 million pounds per year and, in turn, increased exports to the United States.[4] Statistics from the U.S.

[1] U.S. Producers' Posthearing Submission, Attachment 9.
[2] "Pentaerythritol," dated Dec. 29, 1997, found at http://www.chemexpo.com/news/PROFILE980105.cfm, retrieved Dec. 14, 1999 and Mannsville, "Pentaerythritol," *Chemical Products Synopsis*, Nov. 1996, p. 6.
[3] Hercules petition of 6-16-99 to GSP Subcommittee, Trade Policy Staff Committee.
[4] Ibid.

Bureau of Census show that from 1996 to 1998 the quantity of U.S. imports of PE from Brazil increased by 50 percent, from 1.22 million kilograms to 1.84 million kilograms. According to information provided by the domestic producers, U.S. shipments of pentaerythritol *** during 1998-99 to ***. Capacity utilization *** during 1998-99.[5]

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	25,652	100	([1])	***
Imports from GSP countries:				
GSP total	3,441	13	100	***
Brazil	2,338	9	68	***
Chile	880	3	26	***
India	224	1	7	***[2]

[1] Not applicable.
[2] ***.

Note.–Because of rounding, figures may not add to the totals shown.

Comment.–Brazil was the primary source of GSP imports during the period but accounted for only *** of U.S. consumption in 1998. In 1999, another GSP supplier, Turkey, entered the U.S. market, exporting 211,750 kilograms valued at $220,228 during January-November 1999.

[5] U.S. Producers' Posthearing Submission, Attachment 9.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Brazil for all digest products

Ranking as a U.S. import supplier, 1998	4		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Copenor expanded capacity from about 20 million pounds per year (9,000 metric tons) to about 46 million pounds per year (21,000 metric tons) in 1998. The unit value of the product from Brazil ranged from $1.10 per kilogram in 1994 to $1.57 per kilogram in 1995. Since 1995, the unit value declined to $1.27 in 1998 and to $0.90 in Jan.-Nov. 1999, generally making it among the lowest-priced, if not the lowest of all sources. In comparison, the market price of PE decreased by nearly 40 percent from $1.74 per kilogram in mid-1998 to about $1.10 per kilogram in early 1999.[6] According to Hercules, Inc., this decline in U.S. prices is the direct result of the increased imports from Brazil. Domestic producers note that they have had to ***.[7] Other factors which may also have influenced the U.S. price for pentaerythritol in U.S. markets include the pricing of the raw material, particularly methanol, and price competition from other polyols.[8]

[6] Ibid.

[7] U.S. Producers' Posthearing Submission, p. 2.

[8] Mannsville Chemical Products Corp., "Pentaerythritol," *Chemical Products Synopsis*, Nov. 1996, discussions with Doug Lumley, Mannsville Chemical Products Corp., Jan. 19, 2000, and "Pentaerythritol," dated Dec. 29, 1997, found at http://www.chemexpo.com/news/PROFILE980105.cfm, retrieved Dec. 14, 1999.

Competitiveness indicators for Chile for all digest products

Ranking as a U.S. import supplier, 1998 6			
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term? . . .		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–U.S. imports of PE from Chile in 1998 amounted to 155,000 kilograms, or 1.3 percent of total U.S. imports of PE. Chile was the second largest source of such imports from GSP countries and the 6th largest supplier in terms of all sources. With import unit values for the Chilean product generally ranging from about $1.42 to $1.61 per kilogram during 1996-98, the unit value of imports from Chile was generally equivalent to, or lower than that of other U.S. sources, but higher than that from Brazil. The unit value of the imports from Chile declined to $1.10 per kilogram in Jan.-Nov. 1999. With the exception of U.S. imports from Canada, Israel, and Korea, the unit values of imports of this product from all sources declined during Jan.-Nov. 1998 to Jan.-Nov. 1999.

V. Position of interested parties

Petitioner.–The petitioner, Hercules, stated that since Brazil received duty-free treatment for PE under the GSP, Copenor has become a competitive producer of PE on a worldwide basis and no longer needs the benefits of the GSP. According to the domestic producers, Copenor is currently selling PE in the United States at prices

lower than those offered by the domestic producers, ***.[9] Hercules stated the domestic producers could anticipate some recovery of market share and revenues if PE is removed from GSP eligibility and is again subject to the 3.7% duty rate on this product.[10]

[9] Hercules petition of 6-16-99 to GSP Subcommittee, Trade Policy Staff Committee and "U.S. Producers' Posthearing Submission," Attachment 9.

[10] Ibid.

VI. Summary of probable economic advice-Removal (Brazil)

* * * * * * *

Table 1.–Pentaerythritol: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
Canada	3,905	5,094	6,337	11,284	12,431	8,594	7,456
Japan	2,963	4,474	4,157	3,507	4,548	3,246	1,796
Germany	2,614	2,410	2,508	2,971	3,024	2,383	1,495
Brazil	402	1,275	1,693	1,683	2,338	1,417	1,282
Spain	540	405	360	228	1,034	894	503
Chile	869	1,282	947	595	880	505	578
Italy	1,001	265	260	361	381	334	219
Korea	1,035	262	397	428	355	155	592
India	0	0	0	143	224	86	91
Sweden	461	1,653	570	11	194	45	0
Taiwan	0	0	0	0	97	0	118
Switzerland	66	0	0	160	69	69	0
All other	3,064	555	197	192	79	79	246
Total	**16,920**	**17,675**	**17,426**	**21,563**	**25,652**	**17,805**	**14,377**
Total from GSP-eligible nations	**1,307**	**2,557**	**2,641**	**2,421**	**3,441**	**2,008**	**2,094**
	Percent						
Canada	23.1	28.8	36.4	52.3	48.5	48.3	51.9
Japan	17.5	25.3	23.9	16.3	17.7	18.2	12.5
Germany	15.4	13.6	14.4	13.8	11.8	13.4	10.4
Brazil	2.4	7.2	9.7	7.8	9.1	8.0	8.9
Spain	3.2	2.3	2.1	1.1	4.0	5.0	3.5
Chile	5.1	7.3	5.4	2.8	3.4	2.8	4.0
Italy	5.9	1.5	1.5	1.7	1.5	1.9	1.5
Korea	6.1	1.5	2.3	2.0	1.4	0.9	4.1
India	0.0	0.0	0.0	0.7	0.9	0.5	0.6
Sweden	2.7	9.4	3.3	0.1	0.8	0.3	0.0
Taiwan	0.0	0.0	0.0	0.0	0.4	0.0	0.8
Switzerland	0.4	0.0	0.0	0.7	0.3	0.4	0.0
All other	18.1	3.1	1.1	0.9	0.3	0.4	1.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**7.7**	**14.5**	**15.2**	**11.2**	**13.4**	**11.3**	**14.6**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.--Pentaerythritol: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market	1994	1995	1996	1997	1998	January - August 1998	January - August 1999
	Value (1,000 dollars)						
Mexico	5,956	4,931	6,949	6,450	5,730	3,720	3,769
Canada	1,906	2,544	2,049	3,544	3,366	2,706	1,950
United Kingdom	0	45	0	834	1,795	1,795	633
Netherlands	85	103	35	2,972	1,680	1,666	591
Brazil	426	936	488	606	629	629	104
Argentina	352	156	561	750	614	443	201
South Africa	0	0	120	859	598	528	233
Taiwan	465	384	2,065	2,156	391	270	181
Dominican Republic	233	454	363	253	373	373	0
Chile	230	419	641	538	325	325	169
Belgium	0	0	0	0	267	267	0
Israel	0	10	94	50	263	263	206
All Other	2,209	2,354	2,801	3,265	838	613	1,115
Total	**11,862**	**12,336**	**16,166**	**22,277**	**16,869**	**13,598**	**9,152**
	Percent						
Mexico	50.2	40.0	43.0	29.0	34.0	27.4	41.2
Canada	16.1	20.6	12.7	15.9	20.0	19.9	21.3
United Kingdom	0.0	0.4	0.0	3.7	10.6	13.2	6.9
Netherlands	0.7	0.8	0.2	13.3	10.0	12.3	6.5
Brazil	3.6	7.6	3.0	2.7	3.7	4.6	1.1
Argentina	3.0	1.3	3.5	3.4	3.6	3.3	2.2
South Africa	0.0	0.0	0.7	3.9	3.5	3.9	2.5
Taiwan	3.9	3.1	12.8	9.7	2.3	2.0	2.0
Dominican Republic	2.0	3.7	2.2	1.1	2.2	2.7	0.0
Chile	1.9	3.4	4.0	2.4	1.9	2.4	1.8
Belgium	0.0	0.0	0.0	0.0	1.6	2.0	0.0
Israel	0.0	0.1	0.6	0.2	1.6	1.9	2.3
All Other	18.6	19.1	17.3	14.7	5.0	4.5	12.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 3817.10.50

OTHER MIXED ALKYLBENZENES

Other Mixed Alkylbenzenes

I. Introduction

X Like or directly competitive products

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
3817.10.50[1]	Other mixed alkylbenzenes	0.4¢/kg + 10.8%	No

[1] India was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 3817.10.50 as of July 1, 1998 because it exceeded competitive-need-limits.

Description and uses.–The products included in this digest are mixtures of synthetic organic branched (non-linear) alkylbenzenes. The principal use for these products is in the manufacture of specialty lubricating oils such as refrigeration compressor oil.

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)	0	0	0	0	0
Employment (***1,000 employees***)	0	0	0	0	0
Shipments (***1,000 dollars***)	0	0	0	0	0
Exports (***1,000 dollars***)	0	0	0	0	0
Imports (***1,000 dollars***)	16,323	11,646	9,474	4,551	13,137
Consumption (***1,000 dollars***)	16,323	11,646	9,474	4,551	13,137
Import-to-consumption ratio (***percent***)	100	100	100	100	100
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1] Not applicable.

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

Comment.– There are no U.S. producers of the products that enter under HTS subheading 3817.10.50.[1] For export data, these products are included in HTS 3817.10.00. During 1994-98, exports classified under this HTS subheading ranged from $104 million to $142 million. Although there is a significant value of exports under this HTS basket subheading, this basket category also contains a large volume of several additional common chemical products. It is believed that there are no exports of the specific commodity that correspond to the items classified in the HTS import subheading 3817.10.00[2].

[1]Commission staff telephone conversations with ***, Dec. 22, 1999.
[2]Schedule B subheading which includes products classified in HTS import subheading 3817.10.50.

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	13,157	100	([1])	100
Imports from GSP countries:				
GSP total	859	6.5	100	6.5
Indonesia	859	6.5	100	6.5

[1] Not applicable.

Comment.– In 1998, Indonesia was the only GSP-eligible country supplying imports to the U.S. market under this HTS subheading. U.S. imports from Indonesia were below the competitive-need-limits. India was proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 3817.10.50 as of July 1, 1998 because it exceeded the competitive-need-limits in 1997.

IV. Competitiveness profiles, GSP suppliers

Not applicable.

V. Position of interested parties

Petitioner.– Shrieve Chemical Products, Inc. of Houston, TX, a distributor and consumer of mixed alkylbenzenes from Indonesia, stated that the product imported under HTS 3817.10.50 is used by Shrieve and other U.S. producers to make refrigeration oils. Shrieve states that there is no U.S. production of these alkylbenzenes, known as heavily branched alkylbenzenes (HBAB). Imports of HBAB from Indonesia ranged between $2.6 million and $3.5 million during 1994-97, while total U.S. imports declined from $16.3 million in 1994 to $4.6 million in 1997. The petitioner describes the loss of GSP treatment for HBAB from Indonesia as due to an “unexpected” excess of the program’s 50-percent competitive-need-limit as of July 1998 as 1997 imports from Indonesia of $2.7 million exceeded the competitive-need-limit for that year. In 1998, total U.S. imports for consumption increased to $13.1 million.

Table 1.–Other mixed alkylbenzenes: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
France	552	232	11	70	10,518	9,194	2,339
Italy	2,378	892	246	0	1,597	0	0
Indonesia	3,483	2,725	2,601	2,732	859	550	1,323
Canada	53	3,124	4,101	345	97	97	31
Algeria	0	0	0	0	31	13	0
Japan	293	788	2,100	1,398	21	0	0
Korea	8	0	0	0	11	0	9
Belgium	0	0	0	0	3	3	0
Brazil	0	0	0	0	0	0	0
Venezuela	0	0	356	0	0	0	237
United Kingdom	0	0	0	5	0	0	41
Netherlands	0	0	0	0	0	0	90
All Other	9,556	3,886	58	0	0	0	1,226
Total	**16,323**	**11,646**	**9,474**	**4,551**	**13,137**	**9,857**	**5,295**
Total from GSP-eligible nations	**3,483**	**2,725**	**2,957**	**2,732**	**859**	**550**	**1,560**
	Percent						
France	3.4	2.0	0.1	1.5	80.1	93.3	44.2
Italy	14.6	7.7	2.6	0.0	12.2	0.0	0.0
Indonesia	21.3	23.4	27.5	60.0	6.5	5.6	25.0
Canada	0.3	26.8	43.3	7.6	0.7	1.0	0.6
Algeria	0.0	0.0	0.0	0.0	0.2	0.1	0.0
Japan	1.8	6.8	22.2	30.7	0.2	0.0	0.0
Korea	0.0	0.0	0.0	0.0	0.1	0.0	0.2
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Venezuela	0.0	0.0	3.8	0.0	0.0	0.0	4.5
United Kingdom	0.0	0.0	0.0	0.1	0.0	0.0	0.8
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	1.7
All Other	58.5	33.4	0.6	0.0	0.0	0.0	23.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**21.3**	**23.5**	**31.2**	**60.0**	**6.5**	**5.8**	**29.5**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 7202.50.00

FERROSILICON CHROMIUM

Ferrosilicon chromium

I. Introduction

X Competitive-need-limit waiver (Russia)

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
7202.50.00[1]	Ferrosilicon chromium	10%	No[2]

[1] Russia has been proclaimed by the President as non-eligible for GSP treatment for articles included under HTS subheading 7202.50.00 as of July 1, 1998 because it exceeded competitive need limits.

[2] Technically, the silicon and chromium contents of molten steel could also be adjusted by addition of ferrosilicon (HTS subheading 7202.21) and low-carbon ferrochromium (HTS 7202.49.50), respectively. Although each is produced in the United States, these alloys would typically not be the preferred additives over ferrosilicon chromium, due to logistical, handling, and cost factors.

Description and uses.—Ferrosilicon chromium is an iron-bearing alloy of silicon and chromium containing extremely low amounts of carbon, sulfur, and phosphorous. It is primarily consumed as an additive to molten steel to adjust the silicon and chromium contents of unwrought stainless and other specialty steels.

II. U.S. market profile[1]

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)	0	0	0	0	0
Employment (***1,000 employees***)	0	0	0	0	0
Shipments (***1,000 dollars***)	0	0	0	0	0
Exports (***1,000 dollars***)[1]	554	860	286	238	402
Imports (***1,000 dollars***)[2]	7,794	32,466	33,228	23,680	12,498
Consumption (***1,000 dollars***)[3]	**12,700	**31,100	**33,900	**34,300	([4])
Import-to-consumption ratio (***percent***)	100	100	100	100	100
Capacity utilization (***percent***)	([5])	([5])	([5])	([5])	([5])

[1] Despite lack of domestic production of ferrosilicon chromium, there are ferroalloy trading firms in the United States that sell to foreign customers.

[2] Reduced imports over the two most recent years reflect the lack of imports from Kazakhstan or South Africa in 1997 and a sharp decline of imports from Russia in 1998.

[3] Dollar values for consumption independently estimated by USITC staff from consumption tonnages reported by major end-users to the U.S. Geological Survey (USES), based on unit values of corresponding imports compiled from official statistics of the U.S. Department of Commerce. USES data do not reflect adjustments to industry inventories or transactions by trading firms.

[4] Not available.

[5] Not applicable.

[1] There are no domestic producers of ferrosilicon chromium in the United States. According to witness for petitioners, in testimony before the Commission, SKW Alloys was the last firm to produce ferrosilicon chromium in the United States, ceasing production more than 10 years ago.

Comment.–Without domestic resources of chromium ores or domestic production of ferrosilicon chromium, U.S. steelmakers and foundries are highly dependent on imports, and to a lesser extent on withdrawals from previously acquired inventories, to meet domestic consumption needs. Ferrosilicon chromium is a fungible commodity product, and according to counsel for petitioners, prices move within a very narrow range but profit margins for traders are at best a few percentage points. Given the importance of timely delivery and dependable supply to end-users, ferrosilicon chromium is sold by traders to end-users through sales contracts. In testimony before the Commission, the witness for petitioners indicated that ferrosilicon chromium is a particularly effective ingredient for imparting both silicon and chromium into molten steel and that no other ferroalloy (e.g., ferrosilicon and ferrochromium) is a true substitute.

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	12,498	100	([1])	([2])
Imports from GSP countries:				
GSP total	11,493	92	100	([2])
Kazakhstan	4,188	34	36	([2])
Latvia	3,344[3]	27	29	([2])
Russia	2,915[3]	23	25	([2])
Zimbabwe	1,033	8	9	([2])

[1] Not applicable.
[2] Not available.
[3] Data appear as currently reported by the U.S. Department of Commerce and do not reflect any corrections to the data originally published.

Note.–Because of rounding, figures may not add to the totals shown.

Comment.–U.S. ferrosilicon chromium imports from Russia exceeded the competitive need limits in 1997, accounting for 83 percent of U.S. imports for consumption from all sources in that year. During 1994-96, Russia accounted for 37 to 55 percent shares of U.S. imports for consumption of ferrosilicon chromium from all sources. According to the Bureau of the Census, imports of this product during 1998 that were not recorded properly as originating from Latvia and Romania are being corrected to record their Russian origin.[2] It is not believed that an errata has been published to correct this error.

[2] Written correspondence to USITC staff received from the Industrial Trade Staff, Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce, Feb. 2, 2000.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Russia for all digest products

Ranking as a U.S. import supplier, 1998	3		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?[1]	High ___	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?[1]	High ___	Moderate ___	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes ___	No X
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below ___
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below ___
Other foreign products	Above ___	Equivalent ___	Below X

[1] No domestic production of ferrosilicon chromium in the United States.

Comment.– According to petitioners, Russian ferrosilicon chromium not consumed internally in the production of low carbon ferrochromium was exported exclusively to the United States, until U.S. imports of this product from Russia were declared non-eligible for GSP treatment. Russia and Kazakhstan are the bulk commodity suppliers of ferrosilicon chromium, with their output channeled primarily to steelmakers. ***.[3] The witness also indicated that the ferrosilicon chromium from other producers (e.g., South Africa, Brazil, and China) tends to be sold at higher prices to smaller, specialty consumers.

[3] Commission staff conversation with ***, Nov. 30, 1999.

IV. Competitiveness profiles, GSP suppliers--Continued

Competitiveness indicators for all GSP countries for all digest products

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High ___	Moderate X	Low ___
U.S. producers?[2]	High ___	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?[2]	High ___	Moderate ___	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent ___	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1] Not applicable.
[2] No domestic production of ferrosilicon chromium in the United States.

V. Position of interested parties

Petitioner.–Co-petitioners, PMI Alloys, Inc. (PMI), and Chelkyabinsk Electrometallurgical Plant (ChEMK), a U.S. importer and a Russian producer, respectively, of ferrosilicon chromium, and the co-petitioners for the competitive-need-limit waiver for Russian ferrosilicon chromium, filed a pre-hearing brief and testified before the Commission. They stated that the confluence of events in 1997 leading to U.S. imports from Russia exceeding the competitive need limits was an aberration, as imports from that source temporarily increased to fill a void left by certain other suppliers that did not export to the United States in that year. Given the emerging number of suppliers and steadily declining volume of U.S. imports of ferrosilicon chromium from all sources, counsel further stated that there is little likelihood that U.S. imports from Russia will again exceed 50 percent of all U.S. imports of ferrosilicon chromium. Moreover, counsel stated that should a waiver not be granted, PMI cannot continue to compete with other suppliers that import from GSP-eligible countries not subject to the 10 percent *ad valorem*

column-1 general rate of duty. Given the narrow price range and low percentage-point profit margins for this product, PMI would have to consider switching to non-Russian sources. In such case, the future viability of ChEMK would be severely affected, as the firm derives a significant portion of its revenues from sales to the United States and needs hard-currency earnings to service its debt obligations from recent capital improvements. Likewise, the well-being of its employees would be similarly affected, as ChEMK is one of the largest privatized regional employers.

Support.– In a written statement submitted to the GSP Subcommittee of the Office of the U.S. Trade Representative, Allegheny Ludlum, the largest producer of stainless and specialty steels, indicated its support for a waiver of the competitive need limit on ferrosilicon chromium from Russia. Allegheny Ludlum purchased Russian ferrosilicon chromium from PMI Alloys in 1994-97, and would welcome the opportunity to again purchase this product from PMI.

VI. Summary of probable economic advice–Competitive-need-limit waiver (Russia)

* * * * * * *

Table 1.–Ferrosilicon chromium: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
Kazakhstan	0	2,016	9,506	0	4,188	4,188	4,977
Latvia	0	0	0	0	3,344	3,344	0
Russia	2,940	17,836	12,170	19,623	2,915	2,915	3,530
Zimbabwe	2,167	4,254	4,784	2,929	1,033	593	582
China	2,320	6,256	5,108	1,128	996	882	0
Romania	0	0	0	0	12	12	0
Canada	0	17	0	0	6	6	0
Belgium	0	0	0	0	3	0	0
Brazil	0	0	0	0	0	0	803
South Africa	0	2,087	1,661	0	0	0	0
Ukraine	366	0	0	0	0	0	0
Denmark	0	0	0	0	0	0	0
Total	**7,794**	**32,466**	**33,228**	**23,680**	**12,498**	**11,941**	**9,893**
Total from GSP-eligible nations	**5,474**	**26,194**	**28,121**	**22,551**	**11,493**	**11,053**	**9,893**
	Percent						
Kazakhstan	0.0	6.2	28.6	0.0	33.5	35.1	50.3
Latvia	0.0	0.0	0.0	0.0	26.8	28.0	0.0
Russia	37.7	54.9	36.6	82.9	23.3	24.4	35.7
Zimbabwe	27.8	13.1	14.4	12.4	8.3	5.0	5.9
China	29.8	19.3	15.4	4.8	8.0	7.4	0.0
Romania	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Canada	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	8.1
South Africa	0.0	6.4	5.0	0.0	0.0	0.0	0.0
Ukraine	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**70.2**	**80.7**	**84.6**	**95.2**	**92.0**	**92.6**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.--Ferrosilicon chromium: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market						January - August	
	1994	1995	1996	1997	1998	1998	1999
	Value (1,000 dollars)						
Canada	513	782	286	126	333	199	165
Mexico	40	72	0	72	58	50	34
United Kingdom	0	0	0	19	7	7	7
Japan	0	0	0	0	4	4	0
Australia	0	6	0	0	0	0	0
Venezuela	0	0	0	22	0	0	0
Taiwan	0	0	0	0	0	0	0
Lebanon	0	0	0	0	0	0	5
Hong Kong	0	0	0	0	0	0	3
Total	**554**	**860**	**286**	**238**	**402**	**259**	**215**
	Percent						
Canada	92.6	90.9	100.0	52.9	82.8	76.8	76.7
Mexico	7.2	8.4	0.0	30.3	14.4	19.3	15.8
United Kingdom	0.0	0.0	0.0	8.0	1.7	2.7	3.3
Japan	0.0	0.0	0.0	0.0	1.0	1.5	0.0
Australia	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Venezuela	0.0	0.0	0.0	9.2	0.0	0.0	0.0
Taiwan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lebanon	0.0	0.0	0.0	0.0	0.0	0.0	2.3
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 7202.99.10

FERROZIRCONIUM

Ferrozirconium

I. Introduction

X Addition to GSP

X Competitive-need-limit waiver (Brazil)

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
7202.99.10[1]	Ferrozirconium	4.2%	Yes

[1] For HTS subheading 7202.99.10, there are no country exclusions, but this is a request to broaden GSP eligibility to all beneficiary countries. This subheading is currently designated as *A+*, eligible only for duty-free treatment from the least developed beneficiary developing countries. U.S. imports from Brazil of ferrozirconium under subheading 7202.99.10 would exceed the competitive need limits, based on 1998 trade data.

Description and uses.–A major application for zirconium in steelmaking and casting is to deoxidize molten steel. It also promotes uniform solidification, reduces the size of air pockets to avoid cracks during subsequent mechanical working, and strengthens specialty stainless steels. Petitioners describe their product as an iron- and silicon-bearing zirconium alloy (FeSiZr), although there is also an iron-bearing zirconium alloy without silicon (FeZr). FeSiZr can be used to impart zirconium to molten steel, the silicon limits for the unwrought steel permitting.

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)	1	1	1	1	1
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	([2])	([2])	([2])	([2])	([2])
Exports (***1,000 dollars***)	160	260	228	189	597
Imports (***1,000 dollars***)	108	110	413	167	116
Consumption (***1,000 dollars***)	([2])	([2])	([2])	([2])	([2])
Import-to-consumption ratio (***percent***)	([2])	([2])	([2])	([2])	([2])
Capacity utilization (***percent***)	([2])	([2])	([2])	([2])	([2])

[1] 60 employees.
[2] Not available.

Comment.–The market for ferrozirconium is small, reflecting the article's highly specialized applications. Even as a deoxidizing agent, selection of ferrozirconium over other additives is determined by the desired extent of deoxidization and chemical composition limits of the unwrought steel. Steelmakers and foundries are almost exclusively dependent on imports to meet domestic consumption needs for zirconium-bearing additives. To ensure adequacy of supply, ferrozirconium is sold by traders to end-users through sales contracts, but is also available on a

spot-price basis. A publicly available reference lists a single domestic firm, Galt Alloys, Inc., as a U.S. producer of silicon-bearing ferrozirconium, and indicates 60 employees at this firm.[1] ***.[2]

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total	116	100	([1])	([2])
Imports from GSP countries:				
GSP total	111	96	100	([2])
Brazil	111	96	100	([2])

[1] Not applicable.
[2] Not available.

Note.–Because of rounding, figures may not add to the totals shown.

Comment.–In 1998, France was the only other import source for the United States, accounting for 4 percent of U.S. imports of ferrozirconium from all sources in that year. However, any production capacity of this article in France could not be confirmed. During 1996 and 1997, Brazil accounted for 25 and 46 percent shares, respectively, of U.S. imports for consumption of ferrozirconium from all sources. In those years, Russia was also a significant source, accounting for 69 and 39 percent shares, respectively.

[1] *Ferro-Alloy Directory and Databook* (Metal Bulletin Books Ltd., 5th edn., Surrey, UK, 1998), p. 143.
[2] Commission staff conversations with ***, Nov. 22, 1999, and Jan. 19, 2000.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Brazil for all digest products

Ranking as a U.S. import supplier, 1998	1		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	***	***	***
U.S. producers?	***	***	***
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent ___	Below X
Other foreign products	Above ___	Equivalent ___	Below X
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent ___	Below X

Comment.– ***.[3]

[3] Commission staff conversations with ***, Nov. 22, 1999, Dec. 6, 1999, and Jan. 19, 2000.

IV. Competitiveness profiles, GSP suppliers--Continued

Competitiveness indicators for Russia for all digest products[4]

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	***	***	***
U.S. producers?	***	***	***
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1] Not applicable.

Comment.– See comments for Brazil.

[4] Based on information from previous years, since there were no imports from Russia in 1998.

IV. Competitiveness profiles, GSP suppliers--Continued

Competitiveness indicators for all GSP countries for all digest products

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	***	***	***
U.S. producers?	***	***	***
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1] Not applicable.

V. Position of interested parties

Petitioner.–Victoria Alloys, Inc. (U.S. importer), Italmagnésio Nordeste S/A (Brazilian producer), and Trablin-Trading Brasileira de Ligas e Inoculantes S/A (Brazilian trader) request GSP eligibility for ferrozirconium and a waiver for this article from Brazil. The petitioners stated that if GSP treatment is granted, positive social and economic impacts are expected for two communities that are economically dependent on producers Italmagnésio and Companhia Brasileira de Carbureto de Cálcio. More specifically, anticipated benefits include avoiding further layoffs brought on by the recent recession, and providing likely new employment opportunities in the long-run as production expands.

VI. Summary of probable economic advice–Addition/competitive-need-limit waiver (Brazil)

* * * * * * *

Table 1.–Ferrozirconium: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99							
						January- August	
Source	**1994**	**1995**	**1996**	**1997**	**1998**	**1998**	**1999**
	Value (1,000 dollars)						
Brazil	108	82	105	76	111	39	71
France	0	0	6	0	5	5	0
Belgium	0	0	0	0	0	0	0
South Africa	0	0	8	0	0	0	0
United Kingdom	0	24	1	25	0	0	0
Russia	0	5	287	65	0	0	0
Canada	0	0	6	0	0	0	0
Total	**108**	**110**	**413**	**167**	**116**	**44**	**71**
Total from GSP-eligible nations	**108**	**87**	**400**	**141**	**111**	**39**	**71**
	Percent						
Brazil	100.0	74.5	25.4	45.5	95.7	88.6	100.0
France	0.0	0.0	1.5	0.0	4.3	11.4	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Africa	0.0	0.0	1.9	0.0	0.0	0.0	0.0
United Kingdom	0.0	21.8	0.2	15.0	0.0	0.0	0.0
Russia	0.0	4.5	69.5	38.9	0.0	0.0	0.0
Canada	0.0	0.0	1.5	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**100.0**	**79.1**	**96.9**	**84.4**	**95.7**	**88.6**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.--Ferrozirconium: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market	1994	1995	1996	1997	1998	January - August 1998	January - August 1999
	Value (1,000 dollars)						
Mexico	157	198	160	49	474	269	77
United Kingdom	0	0	0	45	66	66	0
Korea	0	0	13	53	49	49	40
Canada	3	5	5	4	7	4	11
Chile	0	0	0	25	0	0	0
Venezuela	0	50	0	13	0	0	0
Italy	0	0	6	0	0	0	0
Singapore	0	7	0	0	0	0	0
Spain	0	0	0	0	0	0	0
Taiwan	0	0	45	0	0	0	0
Total	**160**	**260**	**228**	**189**	**597**	**388**	**129**
	Percent						
Mexico	98.1	76.2	70.2	25.9	79.4	69.3	59.7
United Kingdom	0.0	0.0	0.0	23.8	11.1	17.0	0.0
Korea	0.0	0.0	5.7	28.0	8.2	12.6	31.0
Canada	1.9	1.9	2.2	2.1	1.2	1.0	8.5
Chile	0.0	0.0	0.0	13.2	0.0	0.0	0.0
Venezuela	0.0	19.2	0.0	6.9	0.0	0.0	0.0
Italy	0.0	0.0	2.6	0.0	0.0	0.0	0.0
Singapore	0.0	2.7	0.0	0.0	0.0	0.0	0.0
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taiwan	0.0	0.0	19.7	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 8104.19.00

UNWROUGHT MAGNESIUM ALLOYS

Unwrought Magnesium Alloys

I. Introduction

_X_ Addition to GSP

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
8104.19.00[1]	Unwrought magnesium alloys, containing less than 99.8 percent, by weight, of magnesium	6.5%	Yes

Description and uses.–Alloy magnesium contains 50 percent or greater, but less than 99.8 percent primary magnesium, by weight. Magnesium alloys, which typically contain aluminum, are used in structural applications, primarily die castings and extrusions for the automotive industry (in transmission cases, seat frames, instrument panel supports, steering columns, etc.). Magnesium die castings are also used in the manufacture of portable equipment (audio/visual, computers, and communication systems) and for aeronautical and space industries.

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)	3	3	3	3	3
Employment (***1,000 employees***)	1.4	1.4	1.4	1.4	1.4
Shipments (***1,000 dollars***)	81,200	82,900	90,700	101,400	120,000
Exports (***1,000 dollars***)	13,576	15,133	23,192	28,563	26,203
Imports (***1,000 dollars***)	30,269	50,512	75,427	107,029	126,909
Consumption (***1,000 dollars***)	97,893	118,279	142,935	179,866	220,706
Import-to-consumption ratio (***percent***)	31	43	53	60	58
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1]Not available

Source: Data compiled from official statistics of the U.S. Department of Commerce and the U.S. Department of Interior. Certain figures estimated by USITC staff from data provided by U.S. Department of Interior.

Comment.–The sharp increase in U.S. consumption between 1994 and 1998 reflected strong demand for magnesium castings and extrusions in automotive applications due to efforts by the automotive industry to increase vehicle fuel economy by substituting light-weight, high-strength magnesium alloy automotive components for heavier steel and cast iron components. U.S. imports of alloy magnesium more than quadrupled during this period. The recent departure from the market of Dow Magnesium, once the world's largest producer of magnesium metal, is expected to result in additional increases in import levels in this market. Dow's focus on its core chemicals business has resulted in a de-emphasis on its magnesium operations since 1995 when it closed 30,000-36,000 metric tons of primary magnesium-producing capacity.

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total[1]	126,909	100	([1])	58
Imports from GSP countries:				
GSP total	8,051	6	100	4
Russia	8,051	6	100	4

[1] Not applicable.

Note.–Because of rounding, figures may not add to the totals shown.

Comment.–U.S. imports of the subject magnesium products increased between 1994 and 1998 due to strong export sales by Canada, China, and Russia. U.S. imports from Canada increased from $26 million in 1994 to $101 million in 1998, due to new magnesium production capacity in Quebec established by Norsk Hydro (Norway), while U.S. imports from China and Russia increased from less than $1 million for each in 1994 to $9 million and $8 million, respectively, in 1998. Imports from GSP-eligible countries increased from less than $1 million in 1994 to $8.1 million in 1998, with Russia supplying all GSP imports in 1998. The import-to-consumption ratio for GSP imports was 4 percent in 1998.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Russia for all digest products

Ranking as a U.S. import supplier, 1998	3		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

Comment.–Solikamsk Magnesium Works and Verkhynyaya Salda (VSMPO-Avisma) are the only known producers of primary magnesium metal in Russia. Solikamsk has recently announced plans to expand its magnesium production by 15,000 metric tons per year. Completion of the plant expansion is anticipated in two and a half years and should boost Solikamsk's capacity to nearly 38,000 metric tons. The plant is reportedly being partly financed by Daimler-Benz (Germany), in exchange for a guaranteed source of magnesium, and by the European Bank for Reconstruction and Development. VSMPO-Avisma has announced plans to double annual magnesium production capacity to 40,000 metric tons by 2000. Solikamsk and VSMPO-Avisma each produced an estimated 18,000-19,000 metric tons of magnesium in 1999, of which more than 80 percent was exported.

IV. Competitiveness profiles, GSP suppliers–Continued

Competitiveness indicators for Brazil for all digest products

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes ___	No X
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1]Not applicable. There were no U.S. imports of magnesium alloys from Brazil in 1998.

Comment.– Rima Industrial S/A is the only known producer of magnesium alloys in Brazil. ***. At present, Brazil sells little or no magnesium alloy in the U.S. market as the current tariff reportedly makes Brazilian magnesium noncompetitive in the U.S. market.

IV. Competitiveness profiles, GSP suppliers–Continued

Competitiveness indicators for all GSP countries and for all digest products, continued

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes X	No ___
Could exports from the country be readily redistributed among its foreign export markets?		Yes X	No ___
What is the price elasticity of supply for affected imports?	High X	Moderate ___	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1]Not applicable.

V. Position of interested parties

Petitioner.–The petitioners, Polymet Alloys Inc.[1] and Rima Industrial S/A, have indicated their support for inclusion of magnesium alloys in the U.S. Generalized System of Preferences. According to petitioners, the competitive nature of the markets for magnesium alloys combined with the current rate of duty for this product (6.5 percent), makes it virtually impossible for these firms to be competitive relative to other suppliers who do not have to pay duties to sell their product in the U.S. market. In November 1990, Rima filed for bankruptcy as a result of heavy capital expenditures to expand its production capacity and very high interest rates triggered by a new economic plan in Brazil. Petitioners claim that GSP inclusion would help Rima to emerge from bankruptcy

[1]Polymet Alloys Inc. acts as the sales agent for Rima Industrial S/A in the United States.

and would help the Brazilian government achieve its goal of a positive trade balance for the economy in order to protect the Brazilian currency against speculation. The Brazilian government has been attempting to overcome its financial crises of the last 6 months by relying on strong export sales and other internal measures to control its debt. A positive trade balance is an essential component in this strategy.

Opposition.–Magcorp, a U.S. producer of alloy magnesium, opposes the granting of GSP status to imports of magnesium under HTS 8104.30.00, arguing that granting such treatment to GSP nations would be detrimental to the U.S. industry producing alloy magnesium and magnesium powder. Because both domestically-produced and foreign-produced magnesium are similar in quality, in that both products meet the technical requirements of end-users, magnesium powder from Brazil, Russia, and other potential GSP suppliers is a close substitute for U.S. produced magnesium powder. As a result, Magcorp argues that the magnesium market is highly import sensitive with market price as the dominant competitive factor. GSP-eligible nations have an advantage in such market conditions due to their lower labor and operating costs related to the lower environmental standards that are in place in these nations. According to Magcorp, the need to comply with strict environmental standards in this country constitutes a significant cost factor in the production of magnesium. Finally, Magcorp argues that market conditions are likely to be further aggravated by planned large expansions in magnesium production capacity that are currently underway in major non-GSP producing nations such as China, Canada, Israel, as well as GSP producers such as Russia, the Ukraine, Kazakhstan, and Brazil. These expansions, far in excess of the expected increase in magnesium demand, combined with the prospect of GSP extension will make it difficult for U.S. producers to compete.

VI. Summary of probable economic advice-Addition

* * * * * * *

Table 1.–Unwrought magnesium alloys: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
Canada	25,962	42,047	66,506	89,062	101,001	60,614	62,254
China	42	0	132	1,302	9,410	4,884	5,755
Russia	230	3,713	4,474	10,906	8,051	1,610	8,407
United Kingdom	1,800	2,596	3,316	3,258	3,856	2,843	2,671
France	0	0	225	637	2,262	1,068	2,656
Mexico	41	157	692	1,133	1,849	1,132	909
Israel	0	0	0	0	258	258	0
Germany	0	3	0	714	153	0	0
Japan	0	325	0	4	54	0	0
Greece	0	0	0	0	15	0	0
Austria	8	0	0	0	0	0	0
Belgium	39	0	0	0	0	0	193
All other	2,193	1,670	81	12	0	0	3,073
Total	**30,268**	**50,511**	**75,426**	**107,028**	**126,909**	**72,409**	**85,725**
Total from GSP-eligible nations	**230**	**3,713**	**4,532**	**10,906**	**8,051**	**1,610**	**11,287**
	Percent						
Canada	85.8	83.2	88.2	83.2	79.6	83.7	72.6
China	0.1	0.0	0.2	1.2	7.4	6.7	6.7
Russia	0.8	7.4	5.9	10.2	6.3	2.2	9.8
United Kingdom	5.9	5.1	4.4	3.0	3.0	3.9	3.1
France	0.0	0.0	0.3	0.6	1.8	1.5	3.1
Mexico	0.1	0.3	0.9	1.1	1.5	1.6	1.1
Israel	0.0	0.0	0.0	0.0	0.2	0.4	0.0
Germany	0.0	0.0	0.0	0.7	0.1	0.0	0.0
Japan	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.1	0.0	0.0	0.0	0.0	0.0	0.2
All other	7.2	3.3	0.1	0.0	0.0	0.0	3.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**0.8**	**7.4**	**6.0**	**10.2**	**6.3**	**2.2**	**13.2**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.-–Unwrought magnesium alloys: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market	1994	1995	1996	1997	1998	January - August 1998	January - August 1999
	Value (1,000 dollars)						
Canada	11,550	9,624	16,595	17,073	15,958	13,605	2,511
Netherlands	49	239	3,357	6,573	6,195	5,564	42
Japan	102	277	273	274	1,421	1,047	239
Israel	486	930	684	2,049	943	795	0
Spain	0	14	121	315	566	251	416
France	31	0	43	82	276	167	117
Finland	43	27	0	246	238	175	0
Sweden	0	0	0	193	143	84	0
Mexico	217	217	109	326	116	116	223
Korea	217	184	39	189	113	41	116
Germany	20	43	24	184	62	62	34
United Kingdom	83	77	137	72	52	20	147
All other	958	3,501	1,810	987	120	82	1,105
Total	**13,756**	**15,133**	**23,192**	**28,563**	**26,203**	**22,009**	**4,950**
	Percent						
Canada	84.0	63.6	71.6	59.8	60.9	61.8	50.7
Netherlands	0.4	1.6	14.5	23.0	23.6	25.3	0.8
Japan	0.7	1.8	1.2	1.0	5.4	4.8	4.8
Israel	3.5	6.1	2.9	7.2	3.6	3.6	0.0
Spain	0.0	0.1	0.5	1.1	2.2	1.1	8.4
France	0.2	0.0	0.2	0.3	1.1	0.8	2.4
Finland	0.3	0.2	0.0	0.9	0.9	0.8	0.0
Sweden	0.0	0.0	0.0	0.7	0.5	0.4	0.0
Mexico	1.6	1.4	0.5	1.1	0.4	0.5	4.5
Korea	1.6	1.2	0.2	0.7	0.4	0.2	2.3
Germany	0.1	0.3	0.1	0.6	0.2	0.3	0.7
United Kingdom	0.6	0.5	0.6	0.3	0.2	0.1	3.0
All other	7.0	23.1	7.8	3.5	0.5	0.4	22.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

DIGEST NO. 8104.30.00

MAGNESIUM RASPINGS, TURNINGS, GRANULES, AND POWDERS

Magnesium Raspings, Turnings, Granules, and Powders

I. Introduction

_X_ Addition to GSP

HTS subheading(s)	Short description	Col. 1 rate of duty (1/1/00)	Like or directly competitive article produced in the United States on Jan. 1, 1995?
		Percent ad valorem	
8104.30.00	Magnesium raspings, turnings and granules, graded according to size; powders	4.4%	Yes

Description and uses.--Magnesium raspings, turnings, granules, and powders are differently sized particles that are produced from the machining or grinding of magnesium ingots or billets. These materials are typically blended with other desulfurizing agents such as lime and calcium carbide, and used in the steelmaking process to reduce the sulfur content of steel and in defense applications, in anti-aircraft firing devices.

II. U.S. market profile

Profile of U.S. industry and market, 1994-98

Item	1994	1995	1996	1997	1998
Producers (***number***)	6	6	6	6	6
Employment (***1,000 employees***)	([1])	([1])	([1])	([1])	([1])
Shipments (***1,000 dollars***)	48,500	62,200	52,860	42,560	38,270
Exports (***1,000 dollars***)	3,293	3,359	2,716	4,658	3,624
Imports (***1,000 dollars***)	3,573	4,591	14,272	34,347	40,597
Consumption (***1,000 dollars***)	48,780	63,432	64,416	72,249	75,243
Import-to-consumption ratio (***percent***)	7	7	22	48	54
Capacity utilization (***percent***)	([1])	([1])	([1])	([1])	([1])

[1]Not available.

Source: Data compiled from official statistics of the U.S. Department of Commerce and the U.S. Department of Interior. Certain figures estimated by USITC staff from data provided by U.S. Department of Interior.

Comment.–U.S. consumption of subject magnesium products has risen during 1994-98 due to strong demand for use in desulfurization applications as a result of strong demand for iron and steel products. According to the U.S. magnesium powder industry, imports from China are largely responsible for the decline in U.S. shipments between 1995 and 1998. In the view of U.S. producers, China has taken advantage of its considerable magnesium ingot capacity to produce and export magnesium powder to the United States. According to certain U.S. domestic powder producers, an antidumping duty order on magnesium ingot from China have encouraged the grinding of magnesium into powder or into magnesium “chips” abroad and its importation into the United States. This process avoids dumping duties and enables importers to sell the material directly to steel plants or to convert

the chips to final product form, either turnings, raspings, or powder, to sell to steel plants.[1]

III. GSP import situation, 1998

U.S. imports and share of U.S. consumption, 1998

Item	Imports	Percent of total imports	Percent of GSP imports	Percent of U.S. consumption
	1,000 dollars			
Grand total[1]	40,597	100	-	54
Imports from GSP countries:				
GSP total	104	([1])	100	([1])
Cocos Islands	104	([1])	100	([1])

[1] Less than 0.5 percent.

Comment.–U.S. imports from China of subject merchandise increased from $61,000 in 1994 to $25.4 million in 1998. U.S. imports from Canada increased from $2 million in 1994 to $14 million in 1998. Imports from GSP-eligible countries decreased from $253,000 in 1994 to $104,000 in 1998, with the Cocos Islands, a Territory of Australia, supplying all GSP imports in 1998. The import-to-consumption ratio for total imports was 54 percent in 1998, and the ratio for GSP imports was less than 1 percent. GSP-eligible countries are not currently significant producers of subject products, however, U.S. producers emphasize that nations with significant magnesium ingot capacity, such as Russia and the Ukraine, are capable of entering this market.

[1]Staff conversations with industry representatives, Dec. 10 ,1999, and Commission hearing transcript, p. 16.

IV. Competitiveness profiles, GSP suppliers

Competitiveness indicators for Brazil for all digest products

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes ___	No X
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1]Not applicable. There were no U.S. imports of magnesium raspings, turnings, granules, or powders from Brazil in 1998.

Comment.–Rima Industrial S/A is the only known producer of magnesium powder in Brazil. ***.

IV. Competitiveness profiles, GSP suppliers--Continued

Competitiveness indicators for all GSP countries and for all digest products

Ranking as a U.S. import supplier, 1998	(1)		
Aggregate demand elasticity (price elasticity of U.S. demand for the product from all sources, foreign and domestic):			
Is the product a finished product for final sale to consumers?		Yes ___	No X
Is the product an intermediate good used as an input in the production of another good?		Yes X	No ___
Is the product an agricultural or food product?		Yes ___	No X
What is the aggregate price elasticity of U.S. demand?	High ___	Moderate ___	Low X
Substitution elasticity:			
What is the similarity of product characteristics (such as quality, physical specifications, shelf-life, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High X	Moderate ___	Low ___
What is the similarity of conditions of sale and distribution (such as lead times between order and delivery dates, payment terms, product service, minimum order size, variations in availability, etc.) between imports from this supplier and:			
Imports from other suppliers?	High X	Moderate ___	Low ___
U.S. producers?	High ___	Moderate X	Low ___
What is the substitution elasticity?	High X	Moderate ___	Low ___
Supply elasticity for affected imports:			
Can production in the country be easily expanded or contracted in the short term?		Yes X	No ___
Does the country have significant export markets besides the United States?		Yes ___	No X
Could exports from the country be readily redistributed among its foreign export markets?		Yes ___	No X
What is the price elasticity of supply for affected imports?	High ___	Moderate X	Low ___
Price level compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___
Quality compared with--			
U.S. products	Above ___	Equivalent X	Below ___
Other foreign products	Above ___	Equivalent X	Below ___

[1] Not applicable.

Comment.–U.S. industry officials indicate that although there is little presence of subject products from GSP countries in the U.S. market, any large producer of magnesium ingot, such as Russia and Kazakhstan, could easily convert ingot into subject products to export to the United States, as China has done. It is believed that any imports from Russia and Kazakhstan would be priced comparably and would be of comparable quality to the current imports from China.

V. Position of interested parties

Petitioner.—The petitioners, Polymet Alloys Inc.[2] and Rima Industrial S/A, have indicated their support for inclusion of magnesium powders in the GSP. According to petitioners, the competitive nature of the markets for magnesium powder combined with the current rate of duty for this product (4.4 percent), makes it virtually impossible for these firms to be competitive relative to other suppliers who are not charged duties to sell their product in the U.S. market. In November 1990, Rima filed for protection under the bankruptcy laws as a result of heavy capital expenditures to expand its production capacity and very high interest rates triggered by a new economic plan in Brazil. Petitioners claim that GSP inclusion would help Rima to emerge from bankruptcy and would help the Brazilian government achieve its goal of a positive trade balance for the economy in order to protect the Brazilian currency against speculation. The Brazilian government has been attempting to overcome its financial crises of the last 6 months by relying on strong export sales and other internal measures to control its debt. A positive trade balance is an essential component in this strategy.

Opposition.–Magcorp, a U.S. producer of alloy magnesium, opposes the granting of GSP status to imports of magnesium under HTS 8104.30.00, arguing that granting such treatment to GSP nations would be detrimental to the U.S. industry producing alloy magnesium and magnesium powder. Because both domestically-produced and foreign-produced magnesium are similar in quality, in that both products meet the technical requirements of end-users, magnesium powder from Brazil, Russia, and other potential GSP suppliers is a close substitute for U.S. produced magnesium powder. As a result, Magcorp argues that the magnesium market is highly-import sensitive with market price as the dominant competitive factor. GSP-eligible nations have an advantage in such market conditions due to their lower labor and operating costs related to the lower environmental standards that are in place in these nations. According to Magcorp, the need to comply with strict environmental standards in this country constitutes a significant cost factor in the production of magnesium. Finally, Magcorp argues that market conditions are likely to be further aggravated by planned large expansions in magnesium production capacity that are currently underway in major non-GSP producing nations such as China, Canada, and Israel, as well as GSP producers such as Russia, Ukraine, Kazakhstan, and Brazil. These expansions, far in excess of the expected increase in magnesium demand, combined with the prospect of GSP extension will make it difficult for U.S. producers to compete.

Rossborough, a U.S. manufacturer of magnesium powder at its facility in Walkerton, Indiana, is opposed to the designation of magnesium powder as a GSP-eligible article. Despite recent moves to reduce the cost of producing its powder by purchasing lower cost magnesium alloy input from China, Rossborough finds it increasingly difficult to compete with low-cost imported powder. The market for magnesium powder is highly competitive, with imports easily substituting for domestically produced powder in end-use applications. Rossborough believes that GSP eligibility will lead to increased import penetration in the U.S. market, loss of market share for U.S. producers, further price erosion of powder and will result in additional idling of domestic production capacity. According to Rossborough, imports already enjoy a competitive advantage in the U.S. market because U.S. powder producers must pay a duty on the magnesium raw materials they are forced to import in order to remain competitive with low-priced imported powder already in the market. The company notes that GSP-supplier Russia is poised to enter the powder market as a result of projects underway to increase magnesium capacity. GSP eligibility would also encourage GSP suppliers to enter the U.S. magnesium powder directly, denying vital magnesium ingot supplies to U.S. powder producers.

Reactive Metals & Alloys Corp. (REMACOR), a supplier of magnesium-based products to the U.S. steel industry for use in desulfurization, manufactures these products at manufacturing plants in West Pittsburgh, PA; Gary, IN; and Lindon, UT. REMACOR states that designation of magnesium powder as GSP-eligible will cause further injury to the U.S. magnesium powder industry and affirms that it has already suffered significant harm from such imports of powder. According to REMACOR, its position in the magnesium powder market would be

[2]Polymet Alloys Inc. acts as the sales agent for Rima Industrial S/A in the United States.

adversely affected if GSP eligibility is granted because the firm now pays a 4.4 percent duty on the imported magnesium “chips” it converts into powder. As a result, GSP competitors, who produce their own magnesium ingot, enjoy an unfair competitive advantage in the U.S. market.

Reade Manufacturing Co. and its related company, Hart Metals, Inc., U.S. producers of magnesium powder, are opposed to the designation of magnesium powder as a product eligible for the GSP. These firms claim that such designation will further injure the U.S. magnesium powder industry, an industry that has experienced significant decline as a result of low-priced imports of powder from China. Reade and Hart assert that their companies have experienced significant erosion in sales volume and in prices as a result of imports. U.S. producers of magnesium powder are already at a competitive disadvantage compared to foreign imports, according to Reade and Hart, because domestic producers are forced to pay a 4.4 percent duty on essential raw materials imports from China. Reade and Hart also dispute the allegation by petitioners that imports from Brazil cannot compete in the U.S. market without GSP-duty elimination. According to these firms, Brazilian and other GSP imports already compete in the U.S. powder market without GSP status.

The ESM Group Inc., a magnesium powder producer with facilities in Pennsylvania and in Indiana, opposes the designation of magnesium powder as an eligible product under the GSP. ESM claims that a great increase in imports of powder from China has already weakened the U.S. industry producing this product, causing substantial declines in sales, production, capacity utilization, and employment by depressing prices for these products. As a result of increased imports of powder, the U.S. powder industry, to remain competitive, has been forced to buy low-priced foreign-sourced magnesium raw material, for which it pays a 4.4 percent rate of duty. ESM Group fears that if GSP suppliers begin to compete directly in the U.S. powder market they may refuse to supply the U.S. industry with raw material it requires to produce powder competitively. Finally the ESM Group states that U.S. consumers would not benefit significantly from the extension of eligibility for duty-free treatment under the GSP for magnesium powder, since it would come at the expense of, or cause the elimination of, the domestic U.S. powder industry.

VI. Summary of probable economic advice-Addition

* * * * * * *

Table 1.–Magnesium raspings, turnings, granules and powders: U.S. imports for consumption, by principal sources, 1994-98, January-August 1998-99

Source	1994	1995	1996	1997	1998	January- August 1998	January- August 1999
	Value (1,000 dollars)						
China	61	88	4,410	16,336	25,381	12,951	21,550
Canada	1,963	2,700	8,183	16,986	14,492	11,714	6,616
Switzerland	420	952	786	632	540	335	289
Cocos Islands	0	0	0	0	104	0	0
Japan	0	0	0	8	27	26	0
United Kingdom	576	453	3	3	18	0	345
Austria	3	0	0	255	11	0	24
Germany	11	83	0	0	11	6	0
Netherlands	0	0	0	0	7	7	0
France	114	77	95	127	7	0	0
Australia	131	0	0	0	0	0	0
Mexico	0	212	2	0	0	0	0
All other	293	25	793	0	0	0	58
Total	**3,573**	**4,591**	**14,272**	**34,347**	**40,597**	**25,040**	**28,879**
Total from GSP-eligible nations	**253**	**0**	**793**	**0**	**104**	**0**	**0**
	Percent						
China	1.7	1.9	30.9	47.6	62.5	51.7	74.6
Canada	54.9	58.8	57.3	49.5	35.7	46.8	22.9
Switzerland	11.8	20.7	5.5	1.8	1.3	1.3	1.0
Cocos Islands	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.1	0.1	0.0
United Kingdom	16.1	9.9	0.0	0.0	0.0	0.0	1.2
Austria	0.1	0.0	0.0	0.7	0.0	0.0	0.1
Germany	0.3	1.8	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	3.2	1.7	0.7	0.4	0.0	0.0	0.0
Australia	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	4.6	0.0	0.0	0.0	0.0	0.0
All other	8.2	0.5	5.6	0.0	0.0	0.0	0.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share from GSP-eligible nations	**7.1**	**0.0**	**4.6**	**0.0**	**0.3**	**0.0**	**0.0**

Note.--Because of rounding, figures may not add to totals shown.

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

Table 2.--Magnesium raspings, turnings, granules and powders: U.S. exports of domestic merchandise, by principal markets, 1994-98, January-August 1998-99

Market						January - August	
	1994	1995	1996	1997	1998	1998	1999
	Value (1,000 dollars)						
Canada	402	814	940	2,317	798	687	590
Brazil	69	206	12	223	691	244	483
Japan	1,204	508	259	697	531	383	104
China	0	0	0	0	387	387	0
United Kingdom	108	306	445	102	368	63	212
Israel	210	223	3	377	227	0	149
Korea	777	373	339	396	210	70	202
Mexico	153	170	144	276	195	185	49
Taiwan	42	10	43	4	54	53	0
France	7	83	394	3	33	3	0
Pakistan	0	0	0	0	32	32	0
Germany	70	17	15	19	30	21	3
All Other	251	649	122	244	68	46	262
Total	**3,293**	**3,359**	**2,716**	**4,658**	**3,624**	**2,174**	**2,054**
	Percent						
Canada	12.2	24.2	34.6	49.7	22.0	31.6	28.7
Brazil	2.1	6.1	0.4	4.8	19.1	11.2	23.5
Japan	36.6	15.1	9.5	15.0	14.7	17.6	5.1
China	0.0	0.0	0.0	0.0	10.7	17.8	0.0
United Kingdom	3.3	9.1	16.4	2.2	10.2	2.9	10.3
Israel	6.4	6.6	0.1	8.1	6.3	0.0	7.3
Korea	23.6	11.1	12.5	8.5	5.8	3.2	9.8
Mexico	4.6	5.1	5.3	5.9	5.4	8.5	2.4
Taiwan	1.3	0.3	1.6	0.1	1.5	2.4	0.0
France	0.2	2.5	14.5	0.1	0.9	0.1	0.0
Pakistan	0.0	0.0	0.0	0.0	0.9	1.5	0.0
Germany	2.1	0.5	0.6	0.4	0.8	1.0	0.1
All Other	7.6	19.3	4.5	5.2	1.9	2.1	12.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note.--Because of rounding, figures may not add to totals shown.

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

APPENDIX A

U.S. Trade Representative's Request Letter

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

Rec'd 12/17/99
To: Docket
cc: The Commission

DEC 17 1999

2105

'99 DEC 17 P 1:01

The Honorable Lynn M. Bragg
Chairman
United States International Trade
Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Chairman Bragg:

The Trade Policy Staff Committee (TPSC) has recently announced in the Federal Register the acceptance of product petitions for modification of the Generalized System of Preferences (GSP) received as part of the 1999 annual review. Modifications to the GSP which may result from this review will be announced in the spring of 2000 and become effective in the summer of 2000. In this connection, I am making the requests listed below.

In accordance with sections 503(a)(1)(A), 503(e) and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and pursuant to the authority of the President delegated to the United States Trade Representative (USTR) by sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, I hereby notify the Commission that the articles identified in Part A of the enclosed annex are being considered for designation as eligible articles for purposes of the United States GSP, as set forth in 503(a)(1)(A) of the 1974 Act.

In accordance with sections 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act, and under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request that the Commission provide its advice, with respect to the articles identified in Part A of the enclosed annex, as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the elimination of United States import duties for all beneficiary developing countries under the GSP.

In providing its advice on the articles in Part A of the enclosed annex, I request the Commission to assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act (except for imports from Brazil in case no. 99-1 (HTS subheading 7202.99.10)).

Under authority delegated by the President, pursuant to section 332(g) of the Tariff Act of 1930, I further request:

ENTERED

a) in accordance with section 503(c)(2)(E) of the 1974 Act which exempts from one of the competitive need limits in section 503(c)(2)(A) of the 1974 Act articles for which no like or directly competitive article was being produced in the United States on January 1, 1995, that the Commission provide advice with respect to whether products like or directly competitive with the articles in Part A and Part C of the enclosed annex were being produced in the United States on January 1, 1995;

b) with respect to the articles listed in Part B of the enclosed annex, that the Commission provide its advice as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the removal of the country specified with respect to the articles in Part B from eligibility for duty-free treatment under the GSP for such article; and

c) in accordance with section 503(d)(1)(A) of the 1974 Act, that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Brazil in case no. 99-1 in Part A and the country specified with respect to the articles in Part D of the enclosed annex.

With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission is requested to use the dollar value limit of $90,000,000.

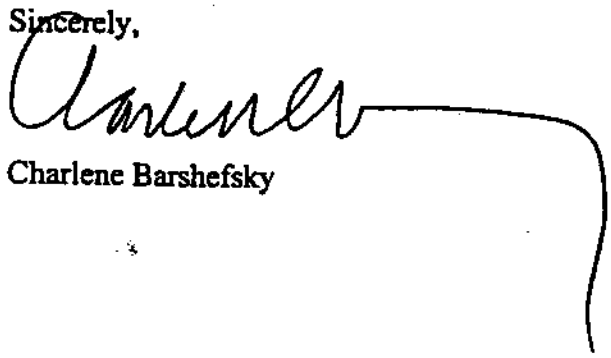
Under the provisions of the 1974 Act, the Commission has six months to provide the advice requested herein in accordance with sections 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act on Part A of the enclosed annex. However, it would be greatly appreciated if all of the requested advice could be provided by March 16, 2000. To the maximum extent possible, it would be greatly appreciated if the probable economic effect advice and statistics (profile of the United States industry and market and United States import and export data) and any other relevant information or advice be provided separately and individually for each Harmonized Tariff Schedule of the United States (HTS) subheading for the cases in this investigation.

I direct you to mark as "Confidential" those portions of the Commission's report and related working papers that contain the Commission's advice on the probable economic effect on United States industries producing like or directly competitive articles and on consumers. All other parts of the report should be unclassified, but the overall classification marked on the front and back covers of the report should be "Confidential" to conform with the confidential sections contained therein. All business confidential information contained in the report should be clearly identified.

When the Commission's confidential report is provided to my Office, the Commission should issue, as soon as possible thereafter, a public version of the report containing only the unclassified sections, with any business confidential information deleted.

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

Sincerely,



Charlene Barshefsky

Annex

Case No.	HTS Subheading	Article	Petitioner
		[The bracketed language in this Annex has been included only to clarify the scope of the numbered subheadings which are being considered, and such language is not itself intended to describe articles which are under consideration.]	
A.		Petitions to add products to the list of eligible articles for the Generalized System of Preferences.	
		Ferroalloys: Other: Other:	
99-1	7202.99.10 1/	Ferrozirconium	Victoria Alloys, Inc., Cleveland, OH; Italmagnesio Nordeste S/A, Brazil; Trablin-Trading Brasileira de Ligas e Inoculantes S/A, Brazil
		Magnesium and articles thereof, including waste and scrap: Unwrought magnesium: [Containing at least 99.8 percent by weight of magnesium]	
99-2	8104.19.00	Other	Polymet Alloys, Inc., Calera, AL; Rima Industrial S/A, Brazil
99-3	8104.30.00	Raspings, turnings and granules, graded according to size; powders	do.
B.		Petitions to remove duty-free status from beneficiary developing country/countries for a product on the list of eligible articles for Generalized System of Preferences. 2/	
		Acyclic alcohols and their halogenated, sulfonated, nitrated or nitrosated derivatives: Other polyhydric alcohols:	
99-4	2905.42.00 (Brazil)	Pentaerythritol	Hercules Incorporated, Wilmington, DE
C.		Petition to determine whether products like or directly competitive with an eligible article were being produced in the United States on January 1, 1995.	
		Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 2707 or 2902: Mixed alkylbenzenes: [Mixed linear alkylbenzenes]	
99-5	3817.10.50	Other	Shrieve Chemical Products, Inc., Houston, TX

1/ The petitioner also requests a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Brazil on the articles provided for in subheading 7202.99.10.

2/ The country named is the beneficiary developing country specified by the petitioner. While the Trade Policy Staff Committee (TPSC) review will focus on that country, the TPSC reserves the right to address removal of GSP status for countries other than those specified by the petitioner as well the GSP status of the entire article.

Case No.	HTS Subheading	Article	Petitioner
		D. Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.	
		Acyclic alcohols and their halogenated, sulfonated, nitrated or nitrosated derivatives: Saturated monohydric alcohols: Methanol (Methyl alcohol): [Imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel]	
99-6	2905.11.20 (Chile)	Other	Government of Chile; Methanex Methanol Company, Dallas, TX
		Ferroalloys:	
99-7	7202.50.00 (Russia)	Ferrosilicon chromium	PMI Alloys, Inc., Charleston, SC; Chelyabinsk Electrometallurgical Plant, Russia

APPENDIX B

U.S. International Trade Commission's Notice of Investigation

public land management. The 15 member Council includes individuals who have expertise, education, training or practical experience in the planning and management of public lands and their resources and who have a knowledge of the geographical jurisdiction of the Council

Dated: December 16, 1999.

Timothy M. Murphy,

Miles City Field Manager.

[FR Doc. 99-33988 Filed 12-29-99; 8:45 am]

BILLING CODE 4310-SS-U

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[CO-956-99-1420-00]

Colorado: Filing of Plats of Survey

December 14, 1999.

The plats of survey of the following described land will be officially filed in the Colorado State Office, Bureau of Land Management, Lakewood, Colorado, effective 10:00 am., December 14, 1999. All inquiries should be sent to the Colorado State Office, Bureau of Land Management, 2850 Youngfield Street, Lakewood, Colorado 80215-7093.

The plat representing the dependent resurvey of portions of certain mineral claims in T. 47 N., R. 1 W., New Mexico Principal Meridian, Colorado, Group 1202, was accepted December 2, 1999.

The plat representing the dependent resurvey of portions of the east and north boundaries, and subdivisional lines, and the survey of the subdivision of section 1 in T. 2 N., R. 94 W., Sixth Principal Meridian, Colorado, Group 1212, was accepted December 6, 1999.

The plat representing the dependent resurvey of a portion of the south boundary and subdivisional lines, and the subdivision of section 35, T. 11 N., R. 79 W., Sixth Principal Meridian, Colorado, Group 1213, was accepted October 28, 1999.

The plat representing the entire record of the dependent resurvey of a portion of the south boundary, T. 6 N., R. 93 W., Sixth Principal Meridian, Colorado, Group 1215, was accepted November 19, 1999.

The plat representing the dependent resurvey of a portion of the Base Line through R. 93 W., a portion of the subdivisional lines, certain tract lines, and the survey of the subdivision of section 34, T. 1 N., R. 93 W., Sixth Principal Meridian, Colorado, Group 1228, was accepted September 23, 1999.

The plat of the entire record for the survey in section 23, T. 46 N., R. 2 W., New Mexico Principal Meridian, Colorado, Group 1251, was accepted September 27, 1999.

The supplemental plat, creating new lots 26 and 27 in section 36, T. 9 S., R. 81 W., Sixth Principal Meridian, Colorado, was accepted October 4, 1999.

These surveys were requested by the BLM for administrative purposes.

This plat(in 4 sheets) represents the dependent resurvey of a portion of the boundary between T. 51 N., Rs. 5 & 6 E., and portions of certain mineral claims in sections 7, 12, 13, and 18, T. 51 N., Rs. 5 & 6 E., New Mexico Principal Meridian, Colorado, Group 1022, was accepted September 29, 1999.

These surveys were requested by the Forest Service for administrative purposes.

The plat representing the dependent resurvey of the East bdy., a portion of the subdivisional lines, and the subdivision of certain sections in T. 33 N., R. 5 W., New Mexico Principal Meridian, Colorado, Group 1193, was accepted October 20, 1999.

This survey was requested by the Bureau of Indian Affairs for administrative purposes.

Darryl A. Wilson,

Chief Cadastral Surveyor for Colorado

[FR Doc. 99-33924 Filed 12-29-99; 8:45 am]

BILLING CODE 4310-JB-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-410]

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

SUMMARY: On December 17, 1999, the Commission received a request from the United States Trade Representative (USTR) for an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) for the purpose of providing advice concerning possible modifications to the Generalized System of Preferences (GSP). Following receipt of the request and in accordance therewith, the Commission instituted investigation No. 332-410 in order to provide as follows—

(1) With respect to the articles listed in Part A of the attached Annex, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP. In providing its advice, the USTR requested that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c)(2)(A) of the Trade Act of 1974(1974 Act) (19 U.S.C. 2463(c)(2)(A)); and

(2) With respect to articles listed in Part A and Part C of the attached Annex, advice as to whether products like or directly competitive with the articles were being produced in the United States on January 1, 1995; and

(3) With respect to the article listed in Part B of the attached Annex, advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the removal of the country specified with respect to the article in Part B from eligibility for duty-free treatment under the GSP for such article; and

(4) In accordance with section 503(d)(1)(A) of the 1974 Act, advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Brazil for HTS Subheading 7202.99.10 in Part A and the country specified with respect to the articles in Part D of the attached Annex.

With respect to the competitive need limit in section 503(c)(2)(A)(i)(I) of the 1974 Act, the Commission, as requested, will use the dollar value limit of $90,000,000.

As requested by USTR, the Commission will seek to provide its advice not later than March 16, 2000.

EFFECTIVE DATE: December 23, 1999.

FOR FURTHER INFORMATION CONTACT: (1) Project Manager, Eric Land (202-205-3349); (2) Deputy Project Manager, Cynthia B. Foreso (202-205-3348).

All of the above are in the Commission's Office of Industries. For information on legal aspects of the investigation contact William Gearhart of the Commission's Office of the General Counsel at 202-205-3091.

Background

The USTR letter noted that the Trade Policy Staff Committee (TPSC) announced in the December 23, 1999 **Federal Register** the acceptance of product petitions for modification of the GSP received as part of the 1999 annual review. The letter stated that modifications to the GSP which may result from this review will be announced in the spring of 2000 and become effective in the summer of 2000.

Public Hearing

A public hearing in connection with this investigation is scheduled to begin at 9:30 a.m. on February 2, 2000, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, D.C. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter asking to testify with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, not later than the close of business (5:15 p.m.) January 18, 2000. In addition, persons testifying should file prehearing briefs (original and 14 copies) with the Secretary by the close of business on January 20, 2000. Posthearing briefs should be filed with the Secretary by close of business on February 11, 2000. In the event that no requests to appear at the hearing are received by the close of business January 18, 2000, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary to the Commission (202-205-1816) after January 20, 2000, to determine whether the hearing will be held.

Written Submissions

In lieu of or in addition to appearing at the public hearing, interested persons are invited to submit written statements concerning the investigation. Written statements should be received by the close of business on February 11, 2000. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). Persons submitting business confidential information should be aware that the Commission may include such information in the confidential version of its report to the USTR. All written submissions, except for confidential business information, will be made available for inspection by interested persons. All submissions should be addressed to the Secretary at the Commission's office in Washington, D.C. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting our TDD terminal on (202) 205-1810.

Issued: December 23, 1999.

By order of the Commission.

Donna R. Koehnke,

Secretary.

Attachment Annex I (HTS Subheadings) [1]

A. Petitions to add products to the list of eligible articles for the GSP.

7202.99.10 [2]
8104.19.00
8104.30.00

B. Petitions to remove duty-free status from beneficiary developing countries for products on the list of eligible articles for the GSP.

2905.42.00 (Brazil)

C. Petitions to determine whether products like or directly competitive with an eligible article were being produced in the United States on January 1, 1995.

3817.10.50

D. Petitions for waiver of competitive need limits for products on the list of eligible products for the specified country.

2905.11.20 (Chile)
7202.50.00 (Russia)

[FR Doc. 99-33903 Filed 12-29-99; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA-201-70]

Circular Welded Carbon Quality Line Pipe

Determination

On the basis of the information in the investigation, the Commission—(1) Determines, pursuant to section 202(b) of the Trade Act of 1974, that circular welded carbon quality line pipe (hereinafter line pipe) [1] is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or the threat of serious injury [2] to the domestic industry producing an article like or directly competitive with the imported article; and (2) makes negative findings, pursuant to section 311(a) of the North American Free-Trade Agreement (NAFTA) Implementation Act (19 U.S.C. 3371(a)), with respect to imports of line pipe from Canada and Mexico.[3]

Recommendations with Respect to Remedy[4]

The Commission[5] *(Vice Chairman Miller and Commissioners Hillman and Koplan) recommends:*

(1) That the President impose a tariff-rate quota for a 4-year period on imports of line pipe, with the in-quota amount set at 151,124 short tons in the first year, and with that amount to be increased by

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[1] See USTR Federal Register notice of December 23, 1999 (64 F.R. 246) for article description.

[2] The petitioner also requests a waiver of the competitive need limits specified in section 503(c)(2)(A) of the 1974 Act for Brazil on the articles provided for in subheading 7202.99.10.

[1] The imported article covered by this investigation is welded carbon quality line pipe of circular cross section, of a kind used for oil and gas pipelines, whether or not stencilled. For purposes of this investigation, "carbon quality" is defined to mean: products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

Such line pipe is currently classified in subheadings 7306.10.10 and 7306.10.50 of the Harmonized Tariff Schedule of the United States (HTS). Although the HTS categories are provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive. The investigation excludes certain merchandise described as arctic grade line pipe, defined as welded line pipe that (1) has an outer diameter of 4.5 inches or more and a wall thickness equal to or less than 0.75 inches; and (2) when subjected to a Charpy V-notch test performed at minus 50 degrees Fahrenheit or below applied to three specimens taken from the weld area, has a ft-lbs rating of no less than 17 ft-lbs for each sample, with an average for all three at no less than 19 ft-lbs; and (3) using at least three samples, has a minimum average shear area of 85 percent in the base metal and 50 percent in the weld; and (4) when subjected to a hydrogen induced cracking test to be performed as per NACE (National Association of Corrosion Engineers) TM0284 test with solution A, has a crack length ratio that does not exceed 15 percent, a crack sensibility ratio that does not exceed 2 percent, and a crack thickness ratio that does not exceed 5 percent.

[2] Vice Chairman Marcia E. Miller and Commissioners Jennifer A. Hillman and Stephen Koplan found serious injury. Chairman Lynn M. Bragg and Commissioner Thelma J. Askey found a threat of serious injury. Commissioner Carol T. Crawford made a negative determination.

[3] Chairman Bragg dissenting with respect to Mexico. Chairman Bragg finds that imports of welded line pipe from Mexico account for a substantial share of total imports and contribute importantly to the threat of serious injury to the domestic industry.

[4] Commissioner Crawford, having made a negative determination on injury, was not eligible to vote on remedy. In light of her negative determination, Commissioner Crawford does not believe any import relief is appropriate in this investigation.

[5] The Commission notes that, pursuant to section 330(d)(2) of the Tariff Act of 1930 (19 U.S.C. 1330(d)(2)), the remedy recommendation of Vice Chairman Miller and Commissioners Hillman and Koplan in this investigation is to be treated as the remedy finding of the Commission for purposes of section 203 of the Trade Act.

APPENDIX C

List of Witnesses Appearing Before the U.S. International Trade Commission at the Hearing on February 2, 2000

CALENDAR OF PUBLIC HEARINGS

Those listed below will appear as witnesses at the United States International Trade Commission's hearing:

Subject:	ADVICE CONCERNING POSSIBLE MODIFICATIONS TO THE U.S. GENERALIZED SYSTEM OF PREFERENCES
Inv. No.:	332-410
Date and Time:	February 2, 2000 - 9:30 a.m.

Sessions will be held in connection with the investigation in the Main Hearing Room 101, 500 E Street, S.W., Washington, D.C.

ORGANIZATION AND WITNESS

PANEL 1

Hogan & Hartson, LLP
Washington, D.C.
on behalf of

Rossborough Manufacturing Company, Limited Partnership

Jerry Zebrowski, President

Lewis E. Leibowitz)
)--OF COUNSEL
Timothy C. Stanceu)

Economic Consulting Services, Incorporated
Washington, D.C.
on behalf of

Magnesium Corporation of America ("Magcorp")

Kenneth R. Button–OF COUNSEL

-MORE-

ORGANIZATION AND WITNESS

PANEL 2

Methanex, Incorporated
Washington, D.C.
on behalf of

Methanex Methanol

Wayne Wright–OF COUNSEL

PANEL 3

Wickens & Lebow
Washington, D.C.
on behalf of

U.S. Domestic Pentaerythritol Producers
Celanses, Limited
Hercules Incorporated
Perstorp Polyvols, incorporated

Jeffrey Wolf, Pentaerythritol Business Manager,
Aqualon Divison, Hercules, Incorporated

Newt Williams, Vice President, Government Affairs Celanese

David Wolf, President, Perstorp Polyols, Incorporated

John F. McDermid)
)--OF COUNSEL
Edward M. Lebow)

-MORE-

ORGANIZATION AND WITNESS

PANEL 4

Collier, Shannon, Rill & Scott, PLLC
Washington, D.C.
on behalf of

PMI Alloys, Incorporated ("PMI")

Bernie Rathaus, President

Laura M. Beltrami, Economist, Georgetown

Laurence J. Lasoff)
)--OF COUNSEL
Sanford B. Ring)

-END-

APPENDIX D

Model for Evaluating Probable Economic Effect of Changes in GSP Status

Introduction

Commission GSP investigations examine the probable economic effects (PE) on U.S. imports, industries, and consumers of changing the GSP status of certain commodities and in some cases, certain commodities from particular countries. The major cases involve adding products or products from certain countries to the list of articles eligible for GSP duty-free treatment, or removing products or products from certain countries from the eligibility list.

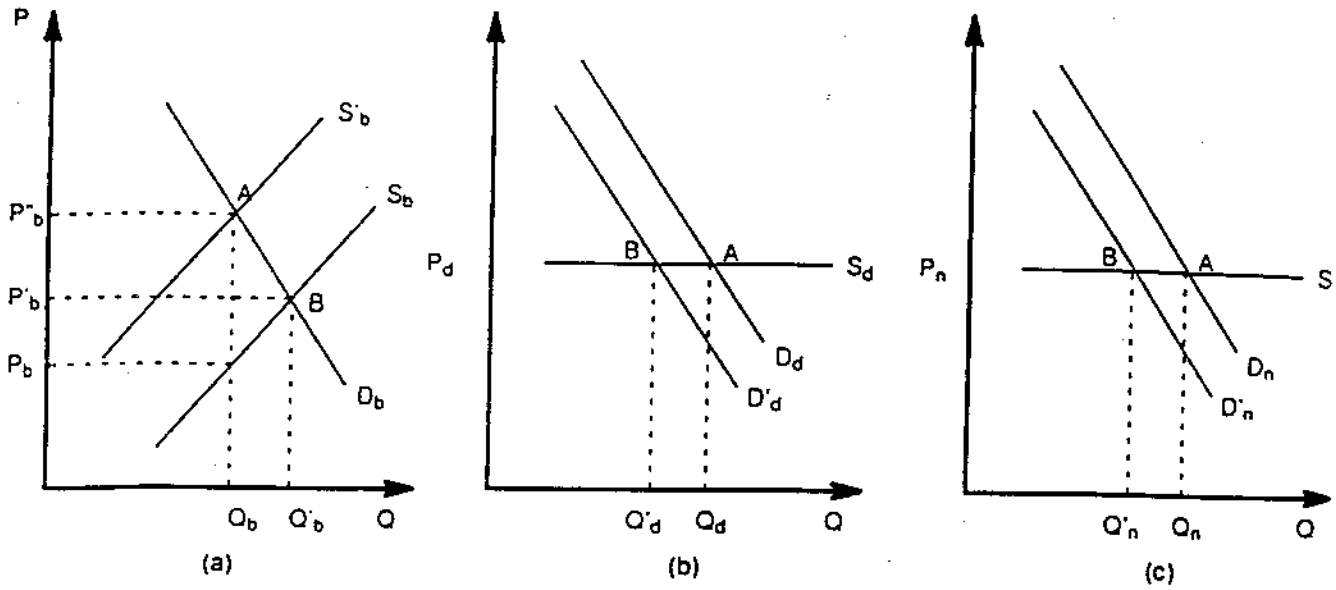
Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.[1] Trade data were taken from official statistics of the U.S. Department of Commerce. U.S. production data were estimated by USITC industry analysts. Elasticities were estimated by industry analysts in consultation with the assigned economist based on relevant product and market characteristics. Data and tariff rates used were for 1998.

The following model illustrates the case of granting a product GSP duty free status. The illustration is for a product for which domestic production, GSP imports, and non-GSP imports are imperfect substitutes, and shows the basic results of a tariff removal on a portion of imports.

Consider the market for GSP imports illustrated in fig. D-1, panel a. The line labeled D_b is the U.S. demand for GSP imports, the line labeled S_b' is the supply of imports from GSP countries with the tariff in place, the line labeled S_b is the supply of imports from GSP countries without the tariff (i.e., the product is receiving duty-free treatment under GSP), point A is the equilibrium with the tariff in place, and point B is the equilibrium without the tariff. Q_b and Q_b' are equilibrium quantities at A and B,

[1] For derivations, see Paul S. Armington, "A Theory of Demand for Products Distinguished by Place of Production," IMF Staff Papers, vol. 16, (1969), p. 159-176, and J. Francois and K. Hall, "Partial Equilibrium Modeling," in J. Francois and K. Reinert, eds., *Applied Methods for Trade Policy Analysis, A Handbook* (Cambridge: Cambridge University Press, 1997).

Figure D-1
U.S. markets for GSP beneficiary imports (panel a), domestic production (panel b), and nonbeneficiary imports (panel c)



respectively, P_b'' and $P_b'$are equilibrium prices at A and B, and P_b is the price received by GSP producers when the tariff is in place.

In the model, a tariff reduction leads to a decrease in the price of the imported good and an increase in sales of the good in the United States. The lower price paid for the import in the United States leads to a reduction in the demand for U.S. production of the good, as well as for imports from non-GSP countries. These demand shifts, along with supply responses to the lower demand, determine the reduction in U.S. output and non-GSP imports.

The changes that take place in panel a lead to the changes seen in panels b and c, where the demand curves shift from D_d and D_n to D_d' and D_n', respectively. Equilibrium quantity in the market for domestic production moves from Q_d to Q_d', and in a similar manner for the market for nonbeneficiary imports, equilibrium quantity falls from Q_n to Q_n'. Panels b and c are constructed with perfectly elastic supply curves for domestic production and nonbeneficiary imports.[2]

Derivation of Import, U.S. Production, and Consumer Effects

The basic building blocks of the model are shown below.

Armington shows that if consumers have well-behaved constant elasticity of substitution (CES) utility functions, demand for a good in a product grouping can be expressed as follows:

$$q_i = b_i^{\sigma} q \left(\frac{p_i}{p} \right)^{-\sigma} \tag{9}$$

[2] The assumption of horizontal supply curves in the markets for domestic production and nonbeneficiary imports greatly simplifies the illustration and analysis, without making a large difference in the conclusions that can be reached with this model. If an upward-sloping domestic supply curve exists, the expected increase in GSP imports would be smaller, the drop in the quantity of domestic output would be smaller and the domestic price would fall.

where q_i denotes quantity demanded for good i in the U.S. market,[3] p_i, is the price of good i in the U.S. market, σ is the elasticity of substitution for the product grouping, q is the demand for the aggregate product (that is, all goods in the product grouping), p is a price index for the aggregate product (defined below), b_i^σ is a constant, and the equation number is from Armington.[4] As Armington states "[e]quation (9) can be written in a variety of useful ways."[5] One of these useful ways can be derived as follows. The aggregate price index p is defined as

$$p = \left(\sum_i b_i^\sigma p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} \quad . \tag{1}$$

In addition the aggregate quantity index q can be defined as

$$q = k_A p^{\eta_A} , \tag{2}$$

where k_A is a constant and η_A is the aggregate demand elasticity for the product grouping (natural sign).

Substituting equation (2) into equation (9) yields

$$q_i = b_i^\sigma k_A p^{\eta_A} \left(\frac{p_i}{p} \right)^{-\sigma} .$$

Further manipulation and simplification yields

$$q_i = b_i^\sigma k_A \frac{p^{(\sigma + \eta_A)}}{p_i^\sigma} ,$$

which establishes the demand for q_i in terms of prices, elasticities, and constants.

The supply of each good in the product grouping is represented in constant supply elasticity form:

---

[3] The product grouping consists of similar goods from different sources. For example, goods i, j, and k would indicate three similar goods from three different sources. See Armington (1969) for further discussion of the concept.

[4] Armington (1969), p. 167.

[5] Ibid., p. 168.

$$q_i = K_{si} p_i^{\varepsilon_{si}},$$

where K_{si} is a constant and ε_{si} is the price elasticity of supply for good i.

Excess supply functions are set up for each good in the product grouping with the following general form:

$$K_{si} p_i^{\varepsilon_{si}} - b_i^{\sigma} k_A \frac{p^{\sigma+\eta_A}}{p^{\sigma}} = 0 \quad . \tag{3}$$

The model is calibrated using initial trade and production data and setting all internal prices to unity in the benchmark calibration. It can be shown that calibration yields $K_{si} = b_i^{\sigma} k_A$ for the ith good so that equation (3) can be rendered as

$$p_i^{\varepsilon_{si}} - \frac{p^{\sigma+\eta_A}}{p_i^{\sigma}} = 0 \, . \tag{3'}$$

If there are n goods, the model consists of n equations like (3') plus an equation for the price aggregator p, which are solved simultaneously in prices by an iterative technique.

For the case of adding a product to the list of products eligible for GSP duty-free treatment, the equations are as follows:

$[p_b(1+t)]^{\varepsilon_{sb}} - \dfrac{p^{\sigma+\eta_A}}{p_b^{\sigma}} = 0$ for imports from GSP beneficiary countries,

$p_n^{\varepsilon_{sn}} - \dfrac{p^{\sigma+\eta_A}}{p_n^{\sigma}} = 0$ for imports from nonbeneficiary countries,

$p_d^{\varepsilon_{sd}} - \dfrac{p^{\sigma+\eta_A}}{p_d^{\sigma}} = 0$ for U.S. domestic production, and

$p = \left(\sum_{i=b,n,d} b_i^{\sigma} p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$ for the price aggregator.

The prices obtained in the solution to these equations are used to calculate trade and production values, and resulting percentage changes in total imports and domestic production are computed relative to the original (benchmark) import and production values.

Consumer effects

Consumer effects are estimated in terms of the portion of the duty reduction that is passed on to U.S. consumers on the basis of the import demand and supply elasticity estimates. The formula for determining the division of the duty savings between U.S. consumers and foreign exporters is approximated by $SV = \frac{\eta_{ii}}{(\eta_{ii} - \varepsilon_{si})}$, where SV is the percentage of duty savings retained by exporters from source i, η_{ii} is the own price elasticity of demand,[6] and ε_{si} is the price elasticity of supply from source i. An "A" code indicates that more than 75 percent of the duty savings are retained by foreign exporters $\left(\frac{\eta_{ii}}{(\eta_{ii} - \varepsilon_{si})} > 0.75\right)$, and less than 25 percent passed through to U.S. consumers. A "B" code covers the range between 75 percent and 25 percent $\left(0.75 > \frac{\eta_{ii}}{(\eta_{ii} - \varepsilon_{si})} > 0.25\right)$. A "C" code covers the case where less than 25 percent of the duty savings are retained by foreign exporters and more than 75 percent of the savings are passed through to U.S. consumers $\left(\frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} < 0.25\right)$.

[6] At any given vector of prices, such as at the benchmark equilibrium, $\eta_{ii} = S_i\eta_A - (1 - S_i)\sigma$ is the own price elasticity of demand from imports from source i, where S_i is the share of total expenditures on the product grouping spent on good i at that vector of prices. See Armington, p. 175.

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