



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 13, 2001

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

Dear Mr. Ambassador:

This responds to your letter of September 27, 2001, and is an addendum to the Commission's advice on the probable effect of certain proposed modifications to the NAFTA rules of origin provided to you by letter dated October 24, 2001. At that time, the Commission was unable to provide advice for 33 of the proposed modifications because the proposed Mexican tariff schedule for 2002, or a suitable working document, was unavailable from the USTR or Mexico. In addition, the Commission received 13 revisions to previously proposed rules from the Department of Treasury via staff at the USTR subsequent to the October 24, 2001 report.

Enclosure A provides the Commission's final advice for both the 33 proposed modifications for which advice was not provided in the previous letter and the 13 revised proposed modifications. Enclosure B lists the 13 revised proposed modifications. Please refer to the October 24, 2001 report for the original advice, list of modifications, and methodology used in the Commission's analysis.

Based on its examination of the 33 proposed modifications, the Commission advises that these changes will have no effect on U.S. trade under the NAFTA, total U.S. trade, and domestic producers of the affected articles. In addition, the Commission advises that the 13 revised modifications will not change the original probable effect advice provided in the October 24, 2001 report; the original advice for these modifications indicated no effect.

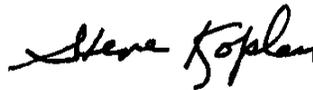
In reporting its advice, the Commission invited the public to comment on the effect of the 13 revised proposed modifications. The public was notified of the revised

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modifications via posting on the ITC Internet site. No written submissions were received in response to this posting.

The Commission will post this addendum report on its Internet site (the October 24, 2001 report has already been posted). As with any advice and analysis of this type, the advice presented in this letter should not be construed as indicating how the Commission would find in an investigation conducted under other statutory authority covering the same or similar subject matter.

Sincerely,

A handwritten signature in black ink that reads "Stephen Koplan". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Stephen Koplan

Enclosures: as stated

Enclosure A
USITC Probable Effects Advice on Proposed
Modifications to the NAFTA Rules of Origin (Phase 2): Addendum

Item #(s)	Proposed modifications	
	Probable effects on: ¹	Nature of modification and effects explanation
9, 29, 49, 50, 51, 52, 53, 54, 81, 84, 86, 134, 149	Part 1 modifications (revised)²	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> These 13 revisions to the proposed modifications were submitted by the Department of the Treasury after the 10/24/2001 report. The revisions were minor technical changes. <i>Effects:</i> These revisions did not change the original effects advice provided in the 10/24/2001 report. These items were originally determined to have no effects.
167	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Two tariff items added to Mexico's definition of NAFTA tariff item 1901.90.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff item 1901.90.aa will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff item 1901.90.aa. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.
180	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> New HS category created for these articles, so tariff items changed to match HS change. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because rules of origin treatment for proposed tariff items is the same as rules of origin treatment for existing tariff items.
182	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Two tariff items added to Mexico's definition of NAFTA tariff item 4106.93.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff item 4106.93.aa will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff item 4106.93.aa. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.

Note.—Item # refers to items in the list of proposed modifications included in enclosure 2 of the October 24, 2001 report. NTR and MFN indicates normal trade relations and most-favored nation duty rates, respectively. For the purposes of the NAFTA rules of origin, the term "heading" refers to 4-digit Harmonized System (HS) categories, "subheading" refers to 6-digit HS categories, and "tariff item" refers to 8-digit categories unique to each NAFTA party's tariff schedule. See footnotes at end of table.

Enclosure A—Continued
USITC Probable Effects Advice on Proposed
Modifications to the NAFTA Rules of Origin (Phase 2): Addendum

Item #(s)	Proposed modifications	
	Probable effects on: ¹	Nature of modification and effects explanation
184-185	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> New HS category created for these articles, so tariff items changed to match HS change. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because rules of origin treatment for proposed tariff items is the same as rules of origin treatment for existing tariff items.
186	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> New HS category created for these articles, so tariff items changed to match HS change. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because rules of origin treatment for proposed tariff items is the same as rules of origin treatment for existing tariff items.
198-202	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> New HS categories created for these textile articles, so existing tariff item deleted and 4 proposed tariff items added to match HS change. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because product coverage of proposed tariff items is the same as that of the existing tariff item.
205	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> One tariff item added to Mexico's definition of NAFTA tariff item 6104.19.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Mexican officials state that their application of the rules of origin already reflect this modification, and therefore, there will be no effect on U.S. exports to Mexico.
209-212	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> One tariff item added to Mexico definition of NAFTA tariff items 6203.39.aa, 6204.19.aa, 6204.39.aa, and 6204.59.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Mexican officials state that their application of the rules of origin already reflect this modification, and therefore, there will be no effect on U.S. exports to Mexico.

Note.—Item # refers to items in the list of proposed modifications included in enclosure 2 of the October 24, 2001 report. NTR and MFN indicates normal trade relations and most-favored nation duty rates, respectively. For the purposes of the NAFTA rules of origin, the term "heading" refers to 4-digit Harmonized System (HS) categories, "subheading" refers to 6-digit HS categories, and "tariff item" refers to 8-digit categories unique to each NAFTA party's tariff schedule. See footnotes at end of table.

Enclosure A—Continued
USITC Probable Effects Advice on Proposed
Modifications to the NAFTA Rules of Origin (Phase 2): Addendum

Item #(s)	Proposed modifications	
	Probable effects on: ¹	Nature of modification and effects explanation
229	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> New HS categories created for these molybdenum articles, so existing tariff item deleted and proposed tariff items added to match HS change. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because product coverage of proposed tariff item is the same as that of the existing tariff item.
241	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Two tariff items added to Mexico's definition of NAFTA tariff item 8427.10.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff item 8427.10.aa will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff item 8427.10.aa. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.
249	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> HS category eliminated, and articles reclassified in 8461.90, so this tariff item no longer necessary. <i>Effects:</i> There will be no effect on U.S. NAFTA imports because articles in new HS category have same rule of origin as old HS category. There will be no effects on U.S. exports to Canada and Mexico because Canadian and Mexican MFN rates are free for both existing and proposed tariff items.
277	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> HS category eliminated, and articles in these tariff items reclassified to 8467.91 and 8467.99. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because reclassified articles will have same rule of origin as existing rule of origin.

Note.—Item # refers to items in the list of proposed modifications included in enclosure 2 of the October 24, 2001 report. NTR and MFN indicates normal trade relations and most-favored nation duty rates, respectively. For the purposes of the NAFTA rules of origin, the term "heading" refers to 4-digit Harmonized System (HS) categories, "subheading" refers to 6-digit HS categories, and "tariff item" refers to 8-digit categories unique to each NAFTA party's tariff schedule. See footnotes at end of table.

Enclosure A—Continued
USITC Probable Effects Advice on Proposed
Modifications to the NAFTA Rules of Origin (Phase 2): Addendum

Item #(s)	Proposed modifications	
	Probable effects on: ¹	Nature of modification and effects explanation
291	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Tariff item added to Mexico's definition of NAFTA tariff item 8528.30.gg. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff item 8528.30.gg will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff item 8528.30.gg. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.
292	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Tariff items added to Mexico's definition of NAFTA tariff items 8529.90.cc and 8529.90.dd. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff items 8529.90.cc and 8529.90.dd will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff items 8529.90.cc and 8529.90.dd. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.
306-309	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> HS categories 8542.12, 8542.14, and 85.42.19 eliminated, and articles in these tariff items reclassified to 8542.21. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. NAFTA exports because reclassified articles have the same rule of origin as existing articles.

Note.—Item # refers to items in the list of proposed modifications included in enclosure 2 of the October 24, 2001 report. NTR and MFN indicates normal trade relations and most-favored nation duty rates, respectively. For the purposes of the NAFTA rules of origin, the term "heading" refers to 4-digit Harmonized System (HS) categories, "subheading" refers to 6-digit HS categories, and "tariff item" refers to 8-digit categories unique to each NAFTA party's tariff schedule. See footnotes at end of table.

Enclosure A—Continued
USITC Probable Effects Advice on Proposed
Modifications to the NAFTA Rules of Origin (Phase 2): Addendum

Item #(s)	Proposed modifications	
	Probable effects on: ¹	Nature of modification and effects explanation
310	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Tariff item eliminated and added to Mexican definition of NAFTA tariff item 8543.89.aa. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although the individual Mexican tariff items comprising NAFTA tariff item 8543.89.aa will change, this modification is consistent with changes in Mexico's tariff schedule and there will be no change in Mexico's product coverage for NAFTA tariff item 8543.89.aa. Therefore, the proposed modification will result in no effect on U.S. exports to Mexico.
316	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Tariff item added to Mexican definition NAFTA tariff item 8706.00.aa. This change reclassifies certain items to another rule of origin. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. There will be no effect on U.S. exports to Mexico because existing rule and proposed rule for the affected articles are the same.
324-325	Part 2 modifications³	
	U.S. total trade: Imports: None Exports: None U.S. production: None	<i>Modification:</i> Tariff items replaced for Mexican definitions of NAFTA tariff items 8708.99.dd, 8708.99.ee, and 8708.99.ff. Tariff items added and deleted to Mexican definition of NAFTA tariff item 8708.99.hh. These tariff items are used in Annex 403.1 to define automotive goods. <i>Effects:</i> There will be no effect on U.S. NAFTA imports and U.S. exports to Canada because there is no change to the U.S. and Canadian definition of this tariff item. Although Mexico's definition of individual NAFTA tariff items will change, the products covered by this group of tariff items will not change, and as a result, there will be no change in the Annex 403.1 definition of automotive goods. Therefore, there will be no effect on U.S. exports to Mexico.
<p>¹See enclosure 3 of the 10/24/2001 report for a description of the methodology used in determining the probable effect of the modification, and for the definition of the code words used to describe the effect.</p> <p>²See enclosure B for a list of these revised modifications.</p> <p>³See enclosure 2, part 2 of the 10/24/2001 report for a list of these modifications.</p>		

Enclosure B
Revisions to the Proposed Modifications to Annexes 401 and 403.1

**Item
#**

Rule modification

9. Rule 2841.61 - 2841.90 should be:

A change to subheading 2841.61 through 2841.90 from any other subheading, including ~~[other]~~ another subheading within that group.

29. Rule 3004.32 should be :

A change to hormone derivatives of corticosteroid hormones of subheading 3004.32 from ~~[any other subheading or]~~ corticosteroid hormones or structural analogues of corticosteroid hormones of subheading 3004.32 or any other subheading, except from subheading 3004.39 or 3006.80;

A change to structural analogues of corticosteroid hormones of subheading 3004.32 from ~~[any other subheading or]~~ corticosteroid hormones or derivatives of subheading 3004.32 or any other subheading, except from subheading 3004.39 or 3006.80;

A change to any other good of subheading 3004.32 from any other heading, except from heading 30.03 or subheading 3006.80; or

A change to any other good of subheading 3004.32 from hormone derivatives or structural analogues of corticosteroid hormones of subheading 3004.32, heading 30.03 or [-] any other subheading within heading 30.04 ~~[or hormone derivatives or structural analogues of corticosteroid hormones of subheading 3004.32]~~, whether or not there is also a change from any other heading, except from subheading 3006.80, provided there is a regional value content of not less than:

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

49. Rule 41.01-41.03 should be:

41.01 A change to hides or [and] skins of heading 41.01 which have undergone a tanning (including pre-tanning) process which is reversible from any other good of heading 41.01 or any other chapter; or

A change to any other good of heading 41.01 from any other chapter.

41.02 A change to hides or [and] skins of heading 41.02 which have undergone a tanning (including pre-tanning) process which is reversible from any other good of heading 41.02 or any other chapter; or

Note:--Item # refers to list of items in enclosure 2 of the October 24, 2001 report. Revisions are noted as follows: (1) new text by underline; (2) old text by strikeout and brackets.

Enclosure B—Continued
Revisions to the Proposed Modifications to Annexes 401 and 403.1

**Item
#**

Rule modification

A change to any other good of heading 41.02 from any other chapter.

41.03 A change to hides or [~~and~~] skins of heading 41.03 which have undergone a tanning (including pre-tanning) process which is reversible from any other good of heading 41.03 or any other chapter; or

A change to any other good of heading 41.03 from any other chapter.

50. Rule 41.04 should be:

A change to heading 41.04 from any other heading, except from hides or [~~and~~] skins of heading 41.01 which have undergone a tanning (including pre-tanning) process which is reversible or heading 41.05 through 41.15.

51. Rule 41.05 should be:

A change to heading 41.05 from heading 41.02, tariff item 4105.10.aa or any other chapter, except from hides or [~~and~~] skins of heading 41.02 which have undergone a tanning (including pre-tanning) process which is reversible.

52. Rule 4106.21-4106.22 should be:

4106.21-4106.22 A change to subheading 4106.21 through 4106.22 from heading 41.03, tariff item 4106.21.aa or any other chapter, except from hides or [~~and~~] skins of subheading 4103.10 which have undergone a tanning (including pre-tanning) process which is reversible.

4106.31-4106.32 A change to subheading 4106.31 through 4106.32 from heading 41.03, tariff item 4106.31.aa or any other chapter, except from hides or [~~and~~] skins of subheading 4103.30 which have undergone a tanning (including pre-tanning) process which is reversible.

4106.40-4106.92 A change to subheading 4106.40 through 4106.92 from heading 41.03 or any other chapter, except from hides or [~~and~~] skins of subheading 4103.20 or 4103.90 which have undergone a tanning (including pre-tanning) process which is reversible.

53. Rule 41.07 should be:

A change to heading 41.07 from heading 41.01 or any other chapter, except from hides or [~~and~~] skins of heading 41.01 which have undergone a tanning (including pre-tanning) process which is

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Enclosure B—Continued
Revisions to the Proposed Modifications to Annexes 401 and 403.1

**Item
#**

Rule modification

reversible.

54. Rule 41.08-41.11 should be:

41.12 A change to heading 41.12 from heading 41.02, tariff item 4105.10.aa or any other chapter, except from hides or [~~and~~] skins of heading 41.02 which have undergone a tanning (including pre-tanning) process which is reversible.

41.13 A change to heading 41.13 from heading 41.03, tariff item 4106.21.aa or 4106.31.aa or any other chapter, except from hides or [~~and~~] skins of heading 41.03 which have undergone a tanning (including pre-tanning) process which is reversible.

41.14- 41.15 A change to heading 41.14 through 41.15 from heading 41.01 through 41.03 or any other chapter, except from hides or [~~and~~] skins of heading 41.01 through 41.03 which have undergone a tanning (including pre-tanning) process which is reversible

81. Rule 6107.21 first sentence should be:

In the first rule of origin applicable to subheading 6107.21, replace tariff item “6002.92.aa” with “6006.21.aa, 6006.22.aa, 6006.23.aa or 6006.24.aa” and, in the second rule, replace “60.02” with “60.06”, as follows:

84. Rule 6108.21 first sentence should be:

In the first rule of origin applicable to subheading 6107.21, replace tariff item “6002.92.aa” with “6006.21.aa, 6006.22.aa, 6006.23.aa or 6006.24.aa” and, in the second rule, replace “60.02” with “60.06”, as follows:

86. Rule 6108.31 first sentence should be:

In the first rule of origin applicable to subheading 6108.31, replace tariff item “6002.92.aa” with “6006.21.aa, 6006.22.aa, 6006.23.aa or 6006.24.aa” and, in the second rule, replace “60.02” with “60.06”, as follows:

134. Rule 6812.60-6812.90 should be:

A change to fabricated asbestos fibers or mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate of subheading 6812.90 from any other chapter;

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Enclosure B—Continued
Revisions to the Proposed Modifications to Annexes 401 and 403.1

**Item
#**

Rule modification

A change to yarn or [~~and~~] thread of subheading 6812.90 from any other good of subheading 6812.90 or any other subheading;

A change to cords or [~~and~~] string, whether or not plaited, of subheading 6812.90 from any other good of subheading 6812.90 or [~~from~~] any other subheading, except from woven or knitted fabric of subheading 6812.90;

A change to woven or knitted fabric of subheading 6812.90 from any other good of subheading 6812.90 or any other subheading, except from cords or [~~and~~] string, whether or not plaited, of subheading 6812.90; or

A change to any other good of subheading 6812.60 through 6812.90 from fabricated asbestos fibers or mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate, yarn or [~~and~~] thread, cords or [~~and~~] string, whether or not plaited, or woven or knitted fabric of subheading 6812.90 or from any subheading outside that group

149. Rule 8467.21 - 8467.29 should be:

A change to subheading 8467.21 through 8467.29 from any subheading outside that group, [~~except from heading 85.01 or housings of subheading 8467.91 or 8467.99;~~] except from housings of subheading 8467.91 or 8467.99 or heading 85.01; or

A change to subheading 8467.21 through 8467.29 [~~from heading 85.01 or housings of subheading 8467.91 or 8467.99;~~] from housings of subheading 8467.91 or 8467.99 or heading 85.01, whether or not there is also a change from any subheading outside that group, provided there is a regional value content of not less than:

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

Note:—Item # refers to list of items in enclosure 2 of the October 24, 2001 report. Revisions are noted as follows: (1) new text by underline; (2) old text by strikeout and brackets.