

**COMMENTS OF BRAZIL'S GEM AND PRECIOUS METALS INDUSTRY ON THE  
REVIEW OF THE *GSP-GENERALIZED SYSTEM OF PREFERENCES*  
COORDINATED BY THE “OFFICE OF THE UNITED STATES TRADE  
REPRESENTATIVE”.**

This document was created by the *Instituto Brasileiro de Gemas e Metais Preciosos* – IGBM (Brazilian Institute of Gems and Precious Metals.)

**1 – WHAT THE PROPONENT IGBM IS? About IGBM**

The **IBGM – the Brazilian Jewelry and Gems Trade Association** – is a national, private, non-profit organization founded in 1977, with headquarters in Brasília and branch office in São Paulo. It represents the entire production chain in the gems and jewelry industry. The Association organization has a Board of Directors and Fiscal Council and is made up of entrepreneurs and a professional Executive Board.

It is, in fact, a confederation, since it has 21 state and national associations connected to the industry and trade of precious stones, jewelry, fashion jewelry, precious metals and accessories. It operates as a true confederation. In addition to the associations, there are presently 41 members from the most representative companies in various segments making of the production chain (mining, cutting, precious metals industrial products and gold, plated and fashion/imitation jewelry, which items are usually comprised in Chapter 71 of NCM. For more information, please enter [www.ibgm.com.br](http://www.ibgm.com.br).

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**2 - THE BRAZILIAN JEWELRY AND GEMS SECTOR IN BIG FIGURES:**

**2.1 - NUMBER AND SIZE OF COMPANIES BY SEGMENT - 2005**

<u>INDUSTRY*</u>	Cutting/polishing & Stone works	<b>790</b>
	Gold jewellery	<b>700</b>

	Plating	<b>560</b>
	<b>INDUSTRY TOTAL</b>	<b>2,050</b>

\* Not considering the significant informal market.

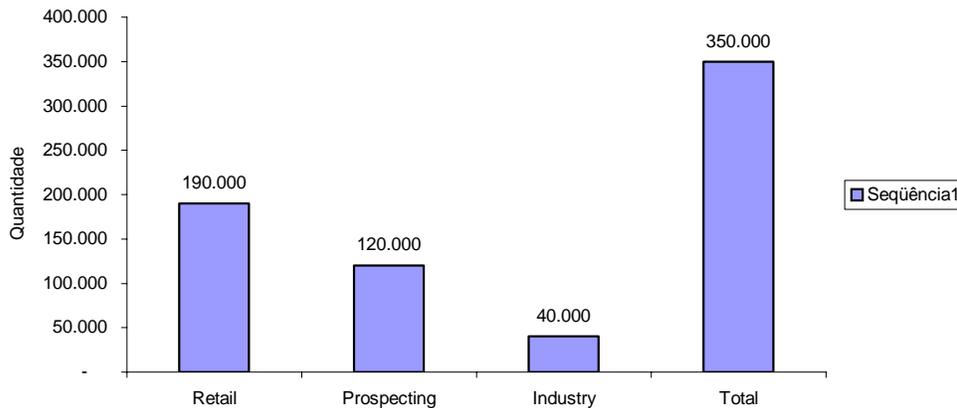
- The extraction of precious stones and gold is carried out by thousands of individual prospectors and a small number of mining companies, with strong geographical dispersion. In the case of gold, only recently has mining by companies exceeded that of prospectors, today being responsible for 65% of the production.
- The cutting and manufacture of stone artifacts is carried by small “home based” industries, with outsourcing having increased considerably over the last few years. However, there still exist integrated jewellery industries, mainly to guarantee quality, delivery and diversity of cutting.
- The jewellery manufacturing sector is made up of 73% micro-companies (less than 20 employees), 23% of small companies (20 to 99 employees) with medium size companies (over 100 employees) representing only 3.9%.

## 2.2 - LOCATION OF SEGMENTS:

- **Gold Production:** practically nationwide, with concentration in the states of Minas Gerais, Pará, Bahia, Mato Grosso, Goiás and Tocantins.
- **Precious Stones Production:** occurs in most of Brazil, with major production in the states of Minas Gerais, Rio Grande do Sul, Bahia, Goias, Para, Tocantins, Paraíba and Piauí.
- **Cutting and Stone works manufacture:** concentrated in the states of Minas Gerais, Rio de Janeiro, São Paulo, Rio Grande do Sul, Bahia and Goias.
- **Gold Jewellery Industries:** the largest number of manufacturers is concentrated in the state of São Paulo, followed by Minas Gerais, Rio Grande do Sul, Rio de Janeiro, Amazonas and Parana.
- **Non-Precious jewels/Plating:** Mainly in the city of Limeira in the state of São Paulo, Caxias and Guapore in Rio Grande do Sul, Cariri in Ceara.
- **Precious Metals Industrial Products :** Mainly in the state of Amazonas and São Paulo.

## 2.3 - DIRECT JOBS

It is estimated that direct employment generated by the production chain in 2005 was in the region of 350,000 as per the following table;



As indicated by the data above, the Brazilian gems and precious metals industry is very spread out with respect to geographical distribution as well as number of companies operating in it. It uses labor very intensively both for raw materials extraction and product manufacture. The most important raw materials are extracted in economically less developed regions of Brazil, with very poor infrastructure and all those well-known social problems which affect developing countries all over the world.

### **3 – ANALYSES OF THE ITEMS PRODUCED BY THE GEMS AND METAL PRECIOUS INDUSTRY WHICH NOW RECEIVE THE GSP BENEFITS**

First of all, it is important to consider that the details of the items which receive the benefits granted by GSP, listed in HTSUS, are much more than those used by the Mercosur Common Nomenclature – NCM. As a result, it is impossible to know if certain items are being exported to the US or not, simply by studying the statistical information available, as they may have been included in a bigger category.

As for the above-mentioned restrictions, a first analysis of the exports shows that although the growth rate for some products such as plated jewelry, mineral artifacts, and fashion jewelry has been very good, none of the, even when considered as a group has exceeded 25 million USD, or one fourth of the limit established by SGP.

With respect to perspectives of growth of export of the items produced by this industry to the American market, it is important to point out the initiatives planned to increase exportation of products with more benefits such as jewel and plated pieces, were only incremented in 1998, when IBGM and Apex-Brazil (Brazil Trade and Investment Promotion Agency) started a

specific program to support export of these products. This initiative made it possible for small companies to reach the international market without having to make bulky investments. One of the good results of this increased possibility to export products has been that Brazilian companies have been participating more and more of international trade shows, including those held in the USA lately. The number of companies which have exhibited their products at international trade shows is not very large yet. However, it was only possible because developed countries, especially, GSP, lowered duties. This has made Brazilian products, not very well known in the international market yet, more attractive to importing countries such as the USA.

Thanks to commercial promotion initiatives and the benefits GSP offered to American importers, Brazilian companies could exhibit their products in the American market with some competitive advantage. Eliminating this benefit granted to them now would definitely have a very harmful impact on the performance of Brazilian companies for the following reasons:

- this isn't a very good moment for the international performance of the Brazilian industry. The cost of gold, one of the sector's most important raw materials item has been growing steeply, whereas manufacturers of industrialized products have been facing increasingly stronger competition on the part of the industry of fashion accessories and even state-of-the-art technological artifacts.
- in the last two (2) years, Real, the Brazilian currency, has become much stronger in comparison to the American dollar, which has resulted in the reduction in the rate of profitability of the export operations of the Brazilian companies. In this scenario, if the GSP is eliminated, these companies will definitely lose their ability of offering discounts. As a consequence, their products will lose attractiveness in the American market.
- Regardless of the macroeconomic factors indicating strengthening of the Brazilian economy recently, the domestic market for this industry is still small. It is extremely difficult for Brazilian industry to start or consolidate technological adjustment and cash flow processes, which allows them to reach better quality and competitive levels in the short and long term by just doing business in Brazil.
- Brazil is not yet a country acknowledged for being a supplier of gems and precious metals manufactured products. For this reason, instruments such as the GSP, which benefit importers, make Brazilian products stand out in the economic scenario, and may stimulate importers to want to know them better and work to improve their image. This may result in winning markets, which requires a long time to come true.

As we described earlier, only after the phases of building awareness, capacitating, and adapting products with export potential have gone by, did the industry start a systematic process to advertise Brazilian products abroad, which has been done mainly by small small businesses.

In this respect, the American market has been one of the most important markets for most products, as shown below. American and Brazilian companies have been building partnerships, mostly as a result of the Brazilian Pavilion, set up in trade shows such as the trade shows of Las Vegas, New York, Miami, and Tucson. Because Brazilian products are 'covered' by the benefits granted by GSP, they have been very attractive to the American market. They have also been very competitive, which will eventually result in their not having to depend on this kind of instrument.

Despite this fact, statistics show that although some items are not covered by the SGP for many different reasons, they have not been showing significant importance in the American market, or their share of export to that market has not been significant so far, which issues are addressed below.

#### **4 – BASIC FACTORS TO BE CONSIDERED WHEN ANALYZING THE NEED TO ELIMINATE THESE ITEMS PRESENTLY COVERED BY SGP FROM CHAPTER 71.**

##### **4.1 - GEMSTONES:**

In Brazil, gemstones are produced by mineral prospectors and small enterprises. Prospection is usually made in very poor places with very few economic opportunities. The best example of this is that Brazil's most important gemologic province is in the valleys of Mucurí and Jequetinhonha, in the state of Estado de Minas Gerais, the region with the lowest human development rate in the country.

As a result, keeping the SGP for these fields, especially cutting gemstones and mineral artefacts (gemstones articles), which have most benefits, is essential to generate employment and income for in poor places.

In 2005 export share to the USA and total export share were

Rough Gemstones: US\$5,3 millions (share in total exports: 13%).

Cutting Gemstones: US\$16,7 millions (share in total exports: 33%).

Mineral Artifacts: US\$4,3 millions (share in total exports: 33% )

##### **4.2- GOLD AND SILVER JEWELRY, GOLD PLATED AND FASHION/IMITATION JEWELRY.**

In developing its own style, incorporating symbols of our culture in pieces in diverse materials, the jewellery sector, over the last few years, has penetrated an international market niche for

designer jewellery, competing with well established exporters, such as Italy, Spain and France and, more recently, with India and China.

In this competitive market, the inclusion of these three segments in the SGP has been an important motivating factor for American importers/wholesalers to buy Brazilian products, unknown so far, which are mostly made by small industries which have great need for labor.

Exports to the USA of the following products have also been very significant, reaching the amounts below in 2005:

Gold Jewelry : US\$ 20.4 million (45% of total exports).

Gold Platted: US\$ 11.0 million ( 16% of total exports)

Imitation Jewelry: US\$ 1.2 million (13% of total exports)

#### **4.3 – PRECIOUS METALS INDUSTRIAL PRODUCTS**

The American market has also been very important for the products below, which range from low-cost products to gold and silver alloys to state-of-the-art products such as Platinum Catalysts.

It is important to remember that this industry is not polluting and is located especially in the Manaus Free Zone, in the state of Amazônia. It generates employment and income in a very special region for the world's ecosystem.

Many are inter-company exports. In addition, considering the characteristics of the products, Brazil will not easily be replaced by suppliers from more developed countries. On the contrary, by industrialized countries or by China, which goes against the motto of the SGP, in addition to increasing the costs of the American industry.

In 2005, the USA bought US\$ 22.5 millions in precious metal products. This represented a share of 52% of Brazil's total exports.

#### **5 – ITEMS FOR WHICH MAINTAINING THE SGP ARE CONSIDERED TO BE INDISPENSABLE**

In view of the arguments and information above, IBGM understands that the twenty three products listed below, out of the fifty-four items classified by Chapter 71 of HTSUS should be maintained in SGP, in addition to others items which are also included in the Precious Metal Sector, but in a different Chapter, such as:

- 2843210000 - Silver nitrate
- 2843290000 - Silver compounds, other than silver nitrate
- 2843300000 - Gold compounds
- 2843900000 Inorganic or organic compounds of precious metal

## CHAPTER 71

HTSUS	Description	NMF%
71031040	Precious stones (o/than diamonds) & semiprecious stones, simply sawn or roughly shaped	10,5%
71039950	Precious or semiprecious stones, nesoi, worked, whether or not graded, but n/strung (ex. ungraded temporarily)	10,5%
71069150	Silver, unwrought (o/than bullion and dore)	3,0%
71070000	Base metals clad with silver, not further worked than semimanufactured	3,3%
71081370	Gold (including gold plated with platinum), nonmonetary, in semimanufactured forms (except gold leaf), nesoi	4,1%
71131150	Silver articles of jewelry and parts thereof, nesoi, valued over \$18 per dozen pieces or parts	5,0%
71131910	Precious metal (o/than silver) rope, curb, etc. in continuous lengths, whether or not plated/clad precious metal	7,0%
71131921	Gold rope necklaces and neck chains	5,0%
71131925	Gold mixed link necklaces and neck chains	5,8%
71131950	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious	5,5%
71132050	Base metal clad w/precious metal articles of jewelry and parts thereof, nesoi	5,2%
71141900	Precious metal (o/than silver) articles, nesoi, whether or not plated or clad with other precious metal, nesoi	7,9%
71151000	Platinum catalysts in the form of wire cloth or grill	4,0%
71159030	Gold (including metal clad with gold) articles (o/than jewelry or goldsmiths' wares), nesoi	3,9%
71159040	Silver (including metal clad with silver) articles (o/than jewelry or silversmiths' wares), nesoi	3,0%
71159060	Articles of precious metal (o/than gold or silver), including metal clad with precious metal, nesoi	4,0%
71162005	Jewelry articles of precious or semiprecious stones, valued not over \$40 per piece	3,3%
71162015	Jewelry articles of precious or semiprecious stones, valued over \$40 per piece	6,5%
71162030	Semiprecious stones (except rock crystal), graded and strung temporarily for convenience of transport	2,1%
71162035	Semiprecious stone (except rock crystal) figurines	4,5%

71162040	Semiprecious stone (except rock crystal) articles (other than jewelry and figurines)	10,5%
71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.	11,0%
71179090	Imitation jewelry not of base metal or plastics, nesoi, over 20 cents/dozen pcs or pts	11,0%

Brasília, 09/01/2006



Associação Brasileira da  
Indústria de Chocolate, Cacau,  
Amendoim, Balas e Derivados

September 4th, 2006

To:  
**Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the Trade Policy Staff  
Committee  
Office of the US Trade Representative**

Presidente  
*Getúlio Ursulino Netto (Dan Top)*

Vice - Presidentes

Área Chocolate  
*Antonio Salgado (Coprodal)*

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*Paolo Cornero (Ferrero do Brasil)*

Área Amendoim  
*Carlos B. Barion (Dori)*

Área Mercado Int. Export.  
*Ubiracy Fonseca (Garoto)*

Área de Assuntos  
Institucionais  
*Carlos Roberto Faccina (Nestlé)*

Área Comunicações  
*Newton Galvão (Kraft Foods  
Brasil-Lacta)*

Área Cacau  
*Dieter Schriefer (Barry Callebaut)*

Área Mercosul  
*Joaquim Carlos Raposo  
(Cadbury Adams)*

Diretor Secretário  
*Sergio Orlando Asis (Arcor)*

Diretor Tesoureiro  
*Robert Van Der Zee (Cargill)*

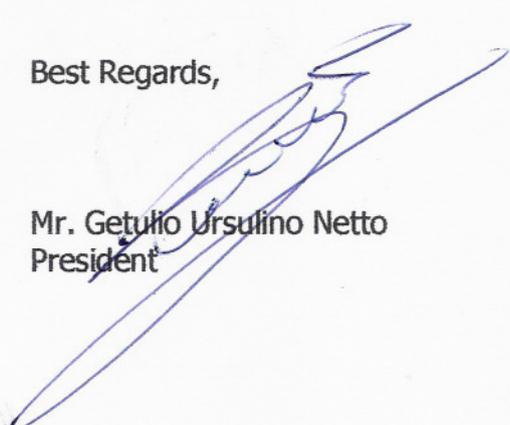
The Brazilian Chocolate, Cocoa, Peanuts and Candies Manufacturers Association-Abicab founded 59 years ago, congregates large, medium and small companies, both domestically-owned and foreign-owned, that manufacture of chocolate and confectionery products in our country. This statement is submit to USTR's request for comments on the eligibility of major GSP beneficiaries.

We are absolutely certain that Brasil's current GSP benefit causes no harm to the local U.S. production, as the relative importance of our role as exporters is very modest in absolute terms, in spite of being substantial to our companies.

We request that the GSP benefits to the sectors we represent not be limited, suspended or withdrawn.

Please do not hesitate to request any further information that may prove relevant.

Best Regards,

  
Mr. Getulio Ursulino Netto  
President

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APPLICATION FOR KEEPING  
PART IN THE GENERALIZED  
SYSTEM OF PREFERENCES  
(GSP)  
Confectionery Industry

ABICAB  
AUGUST / 2006

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## **PURPOSE AND SCOPE.**

ABICAB is a civil, non-profit society whose goal is to gather together the efforts of its members in Brazil and abroad in the following industrial segments: CHOCOLATE, COCOA, PEANUT, CANDIES and CONFECTIONERIES. Among the members of the Association one can find Companies and Regional Syndicates of companies operating in this field, as well as natural and legal entities either located in the country or abroad, which provide the members with any utilities or services intended to the production, development and protection of such manufacturers. Such natural and legal entities in charge of providing services shall have no rights to be elected to take part in the Advisory Council of Suppliers of ABICAB, as Supplier Members. Any class entities or companies either located in Brazil or abroad performing any activities or having legitimate interests connected to our industry as defined by the By-Laws shall be allowed to take part in the Association as Correspondent Members. Another objective of the Association is to bring together the efforts of its members focused on research and information disclosure, scientific and technological study, as well as analysis of the economic position of the industrial segments they represent either in Brazil or abroad, and the Association shall also be allowed to be member of similar international institutions.

## **DIFFERENTIATING CHARACTERISTICS.**

The entity got the highlight because of its ability to act collectively in the country through specific institutional activities in the defense and for the development of the business of its members. Activities directed to the foreign market help the members to attend industry trade shows (Sweet Brazil Program) as well as create a feeling of "good will" for the sector on the party of the consumers, governmental entities and similar associations in Brazil and abroad. In the administrative area the Association provides the member with support for handling technical, business and legal subject matters according to their needs. With all the above actions the Association aims to provide the industry with a strategic view of developmental planning applicable to both domestic and foreign markets with the intent of creating greater expectations on the party of the investors, seeking partnerships, opening and supporting potential markets, planning methods of generating a consumption increase, viewing the best investment location, job generation, and at last enabling means of turning feasible the performance and development of manufacturing agents and then making the members grow.

## **FORM OF DEVELOPMENT.**

In January 19, 1957, ASSOCIAÇÃO BRASILEIRA DE FABRICANTES DE CHOCOLATE (Brazilian Association of Chocolate Manufacturers) was created. By 1990, the representation of the Association was enlarged to cover cocoa, candies and derivatives, and so it changed its name to ASSOCIAÇÃO BRASILEIRA DA INDÚSTRIA DE CHOCOLATE, CACAU, BALAS E DERIVADOS – ABICAB (BRAZILIAN CHOCOLATE, COCOA, PEANUT AND CANDIES MANUFACTURERS ASSOCIATION).

From 1995 on, as a result of its own growth and expansion of its activities in Brazil and abroad, ABICAB reorganized and started to represent companies outside the State of São Paulo too, by treating comprehensive subject matters of the industry at both domestic and international levels.

By the association of other syndicates and associations acting regionally (Syndicates of Chocolate and Candy Industries of São Paulo, Paraná, Erechim-RS and Associação da Indústria de Chocolates Caseiros de Gramado (Association of Home-Made Chocolate Industry of Gramado -RS)), and large size suppliers (grouped in a Council of Suppliers), ABICAB embraces today the domestic production chain of the respective categories.

By March 2001, ABICAB included in its scope of actuation the peanut category gathering together manufacturers and industries, and so the “PRO-PEANUT” Project was created in order to defend and foster the development of such industry.

## **MEMBERSHIP COMPOSITION OF THE ENTITY.**

ABICAB includes among its members 37 manufacturers of chocolate and cocoa products. Out of these companies, 73% are exporters. In the candies sector there are 36 members which are manufacturers of candies and candies / chocolate, 83% are exporters, and 17% are not exporters. Members classified under other types of industries, suppliers, traders, correspondents and peanut producers reach a total of 71 companies. Among the members we can cite some major multinationals such as: Kraft, Cadbury Adams, Nestlé, Ferrero, Arcor, Cargill, Corn Products and Perfetti Van Melle.

(See charts in Annexes 1, 2 and 3)

## **IMPORTANCE OF THE INDUSTRY.**

In 2004, the Brazilian production of candies, gums and confectioneries was of 509 thousand tons of which 70% were consumed by the domestic market and 30% exported. Only 5% of the total were exported to the United States. However, the concern of the industry is due to the fact that for the past 3 years the domestic market consumption dropped 3.5% as a result of the loss of purchase power of the population and increase in the unemployment index

which was of 10.7% in July, 2006, according to IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian institute of Geography and Statistics – IBGE), while the production grew 1.7% in the same period.

In 2004, the chocolate market reached a production of 223 thousand tons of molded chocolates. Seventy-eight percent were consumed domestically and 22% were exported. The United States imported 7% of the total production. The confectionery (chocolate, candies, gums and confectioneries) market keeps a work power of 105 thousand people including direct and indirect jobs.

### **IMPORTANCE OF THE GSP (Generalized System of Preferences).**

As previously mentioned the domestic market is going through a shortage of income partially explained by the heavy tax load imposed by the Federal Government, which impacts the consumer revenue. Variables such as consumption, raw material, as well as all variables coordinated by the Brazilian monetary policy authority cause a direct influence over the expectations of the businessmen. Although we are going through a growth in the production volume, the domestic demand does not keep the same pace, and so uncertainties are created in the market. So far such unpredictable domestic situation is being counterbalanced by the exports. Thus, Brazilian exports seem to political and social “balance” in the domestic market. In view of such volatile and contradictory landscape, the Generalized System of Preferences (GSP) plays a key role in Brazil because it encourages exports and investment increase, as companies may assign a higher part of money to investments into production or other factors they deem relevant. As a consequence, new jobs can be generated, the gap between the domestic demand and the production can be “adjusted”.

*\*In 2005, considering global exports and listing all industrial sectors, 90.3% of products exported to the United States and which were included in the system got into the country with total reduction of import tariffs. In 2004, that figure was of 87%. Upon a review of all the industry sectors, Brazil was the third beneficiary, which exported more within the provisions of the system, just behind India and Angola. Last year the country exported approximately US\$ 24.4 billion to the United States. About US\$ 3.6 billion of the total, or 15%, were sold to the U.S. market under the provisions of GSP. However it is seen that the rules or limits of the system aim to assess the industrial competitiveness of each industrial production category of a country, and such Competitive Need Limitations are reviewed every year by the U.S. government by means of the Annual Revision of GSP.*

However, now taking into consideration just the sector of our interest, Brazil is far from reaching the limits of competitiveness set forth by the United States.

In 2005, amounts corresponding to the Brazilian export share for categories 1704 and 1806 over the total U.S. imports were of 3% and 4%, respectively only. In addition, and still taking into account these two categories to review them against the Percentage CNL limit rules of the system, what means the total Brazilian imports benefited by the system over the total U.S. imports we find out that their share is very fine with a comprehension of only 3% of category 1704 and 4% of category 1806, in amounts.

\*The total share of U.S. imports of Brazilian confectionery is of 0.003% only over the internal consumption of the United States, as by 2005 the domestic consumption of that market was of US\$ 26.8 billion while Brazilian exports were of US\$ 86 million.

Support source: Euromonitor

(See enclosed table).An

Having understood the whole synthesis of this work the importance of keeping the system and also providing larger scope of GSP to Brazil is out of question.

### **WHY THE SECTOR SHOULD REMAIN IN GSP.**

- 1) Because of the importance that Brazilian exports to the United States have for the Development of the Brazilian small and medium industry.
- 2) The importance for the U.S. companies operating in Brazil and ABICAB's members.
- 3) Because Brazil holds the fifth position in the U.S. confectionery imports after China, the United Kingdom, Mexico and Canada, with only 3% of the total imported volume.
- 4) U.S. transnational companies like Kraft, Cadbury Adams, Mars, Hershey's and others contribute to the development of the trade between the countries according to the provisions of GSP through intra-company business.
- 5) It favors U.S. companies and consumers with high quality and competitive price products.
- 6) Keeping the industry in GSP secures and respects the intellectual property.

7) GSP must be kept because it encourages the bilateral trade and is a symbol of the Partnership between the United States and Brazil.

**Conclusion:**

Based upon the seven items mentioned above it is concluded that GSP is relevant to the development of the bilateral trade between Brazil and the United States, secures U.S. investments in the country, generates new jobs and ensures the intellectual property.

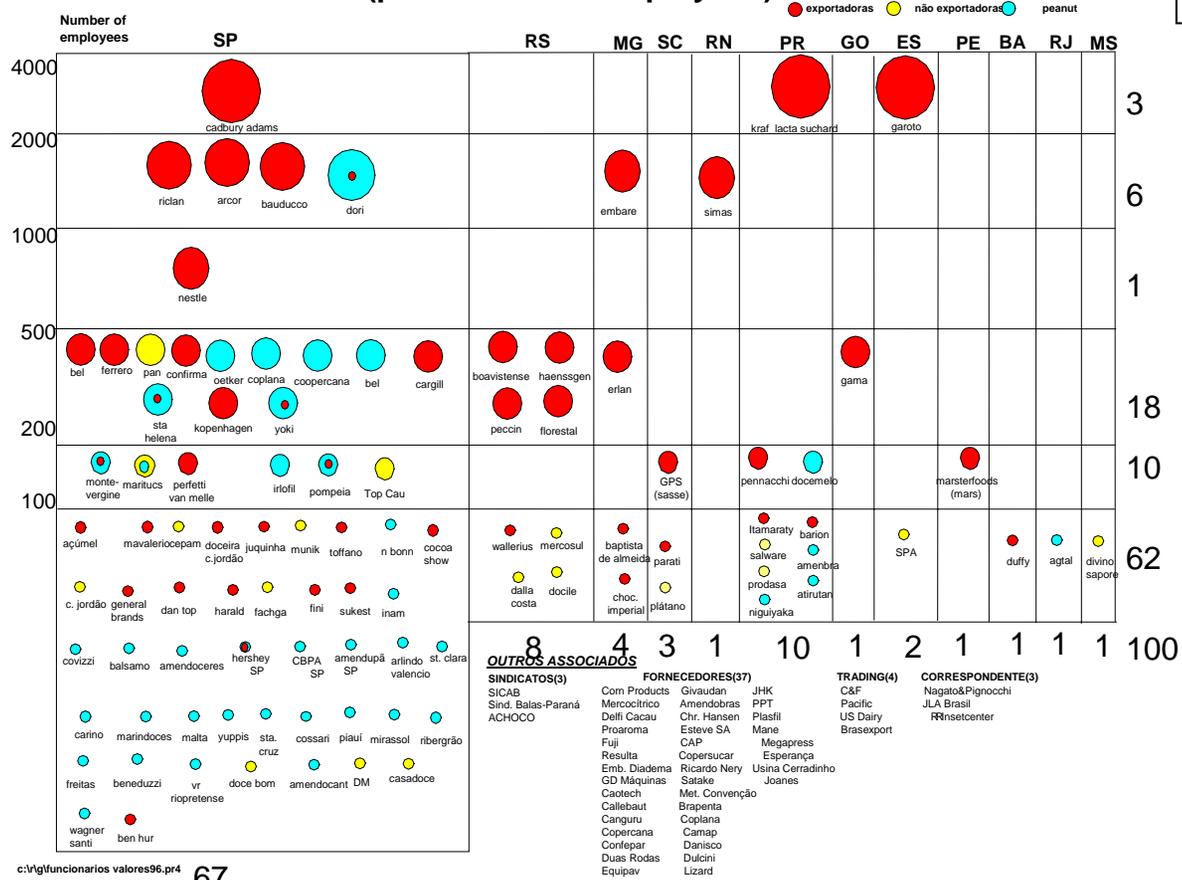
We request that the GSP benefits for the products that Abicab member's exports from Brazil under the GSP be not limited, suspended or withdrawn.

Please do not hesitate to request any further information that may prove relevant.

**Charts:**

**ABICAB - Member Industries per region of the country  
(per number of employees)**

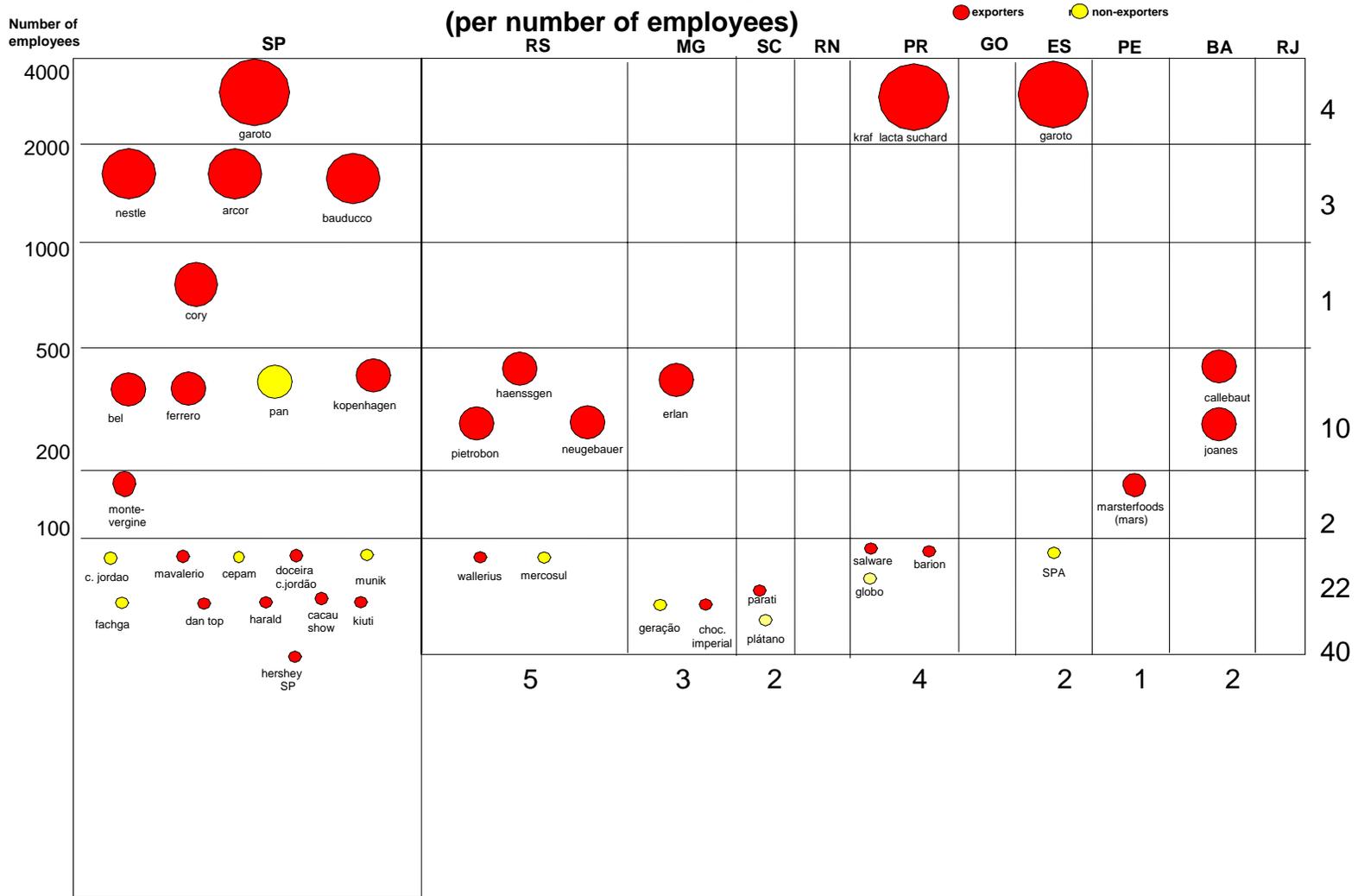
ANNEX 1



# Chocolates

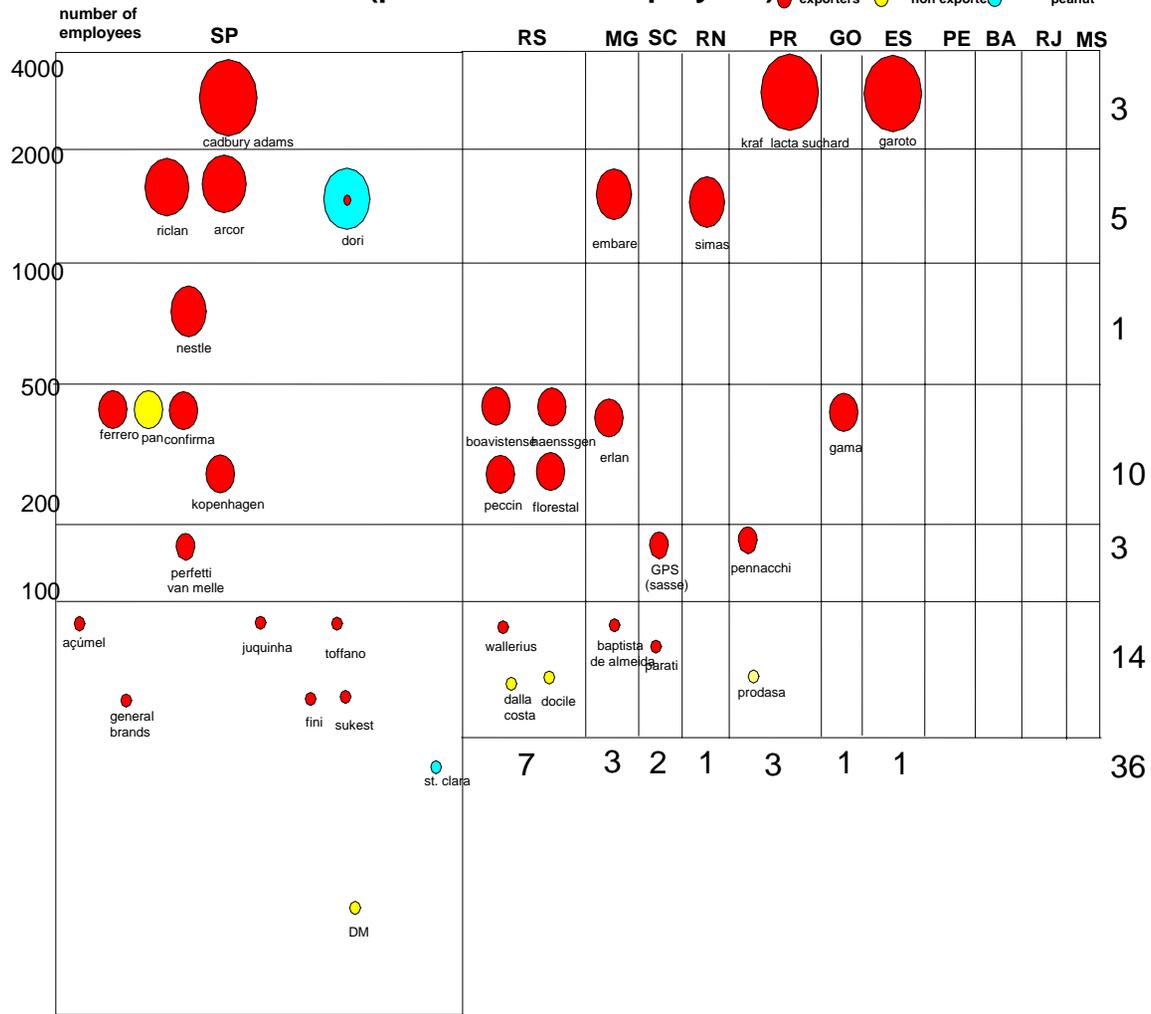
## ABICAB - Member Industries per region of the country (per number of employees)

ANNEX 2



**Bullets, Candies and Chewing Gums**  
**ABICAB - Member Industries per region of the country**  
**(per number of employees)**

ANNEX 3



**Table:**

**Brazilian share in the total benefited for the U.S. GSP  
(in percentage)**

ANNEX 4

1704: Customs Value Per Country Name AND Per Customs Value For GSP Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>38,194,618</b>	<b>41,668,858</b>	<b>37,146,495</b>
<b>Grand total</b>	144,466,506	127,390,208	117,711,189

Share (%) BR vs. General / 2005

32%

1704: First Unit of Quantity Per Country Name AND Per Customs Value For GSP Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>28,842,803</b>	<b>31,784,898</b>	<b>26,760,937</b>
<b>Grand total</b>	92,934,424	85,968,700	73,341,905

Share (%) BR vs. General / 2005

36%

1806: Customs Value Per Country Name AND Per Customs Value For GSP Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>27,432,945</b>	<b>28,972,087</b>	<b>44,480,008</b>
<b>Grand total</b>	51,526,742	49,882,672	60,502,540

Share (%) BR vs. General / 2005

74%

1806: First Unit of Quantity Per Country Name AND Per Customs Value For GSP Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>11,408,906</b>	<b>12,530,905</b>	<b>16,189,362</b>
<b>Grand total</b>	19,114,234	19,441,765	21,210,295

Share (%) BR vs. General / 2005

76%

**Brazilian share in the total of the U.S. Imports (in percentage)**

1704: Customs Value Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>38,712,111</b>	<b>42,107,654</b>	<b>38,015,028</b>
<b>Grand total</b>	1,102,780,034	1,135,910,913	1,176,223,509

Share (%) BR vs. General / 2005

3%

1704: First Unit of Quantity Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>29,098,676</b>	<b>32,138,314</b>	<b>27,495,998</b>
<b>Grand total</b>	502,270,802	543,771,503	559,275,093

Share (%) BR vs. General / 2005

5%

1806: Customs Value Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>32,510,112</b>	<b>34,529,033</b>	<b>48,001,072</b>
<b>Grand total</b>	1,075,198,057	1,146,777,412	1,215,064,685

Share (%) BR vs. General / 2005

4%

1806: First Unit of Quantity Per Country Name AND Per Customs Value Annual

Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>14,715,682</b>	<b>16,294,640</b>	<b>18,302,728</b>
<b>Grand total</b>	421,962,767	451,743,311	466,627,484

Share (%) BR vs. General / 2005

4%

**Percentile CNL:**

1704: Customs Value Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>38,194,618</b>	<b>41,668,858</b>	<b>37,146,495</b>
Grand total	1,102,780,034	1,135,910,913	1,176,223,509

**GSP  
Total  
Imports**

GSP / TOTAL U.S. IMPORTS/ 2005

3%

1704: First Unit of Quantity Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>28,842,803</b>	<b>31,784,898</b>	<b>26,760,937</b>
Grand total	502,270,802	543,771,503	559,275,093

**GSP  
Total  
Imports**

GSP / TOTAL U.S. IMPORTS/ 2005

5%

1806: Customs Value Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	<b>27,432,945</b>	<b>28,972,087</b>	<b>44,480,008</b>
Grand total	1,075,198,057	1,146,777,412	1,215,064,685

**GSP  
Total  
Imports**

GSP / TOTAL U.S. IMPORTS/ 2005

4%

1806: First Unit of Quantity Per Country Name AND Per Customs Value Annual Data

COUNTRY	YEAR_2003	YEAR_2004	YEAR_2005
<b>Brazil Total</b>	11,408,906	12,530,905	16,189,362
Grand total	421,962,767	451,743,311	466,627,484

**GSP  
Total  
Imports**

GSP / TOTAL U.S. IMPORTS  
/ 2005

3%

Source: DATAWEB - UNITED STATES INTERNATIONAL TRADE COMMISSION  
ELABORATED FOR ECONOMIC DEPARTMENT ABICAB/SICAB



September 4<sup>th</sup>, 2006  
n/r ABAL SECR-442/2006

GSP Subcommittee  
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
USTR Annex, Room F-220  
1724F Street, N.W.  
Washington DC 20508

**Re.: 2006 GSP Eligibility and CNL Waiver Review**

Dear Sirs,

The Brazilian Aluminum Association - ABAL is a organization that congregates national manufacturers of primary aluminum and transformed products of aluminum. Therefore, it is a strong representative of the sector and its interests and positions.

Despite occupying the sixth position as a primary aluminum international producer, Brazilian industry of transformed aluminum products has not managed to reach a specific level of competitiveness that justifies giving up the preferential treatment given by the developed countries, such as The United States.

The main factor that justifies the position stated below is the extremely high tax policy that incurs over national products, associated with the elevated idle capacity identified within the transformed aluminum products industry. This industry is also confronted by a reduced productive scale, especially because the lack of better conditions of access to the developed countries markets.

In this analysis, we will maintain focus on the items of the Chapter HS 76 – Aluminum and its products:

- in 2005, United States of America imported from all over the world the equivalent to US\$ 15,898,766,000 of primary aluminum and transformed products; of this volume, only US\$ 510,161,000 (3,2%) came from Brazil. Of the volume provided from Brazil, only US\$ 149,308,000 were benefited by the American GSP (Generalized System of Preferences), since the head HS 7601- primary aluminum and alloys – is not GSP-elegible; its is right to say that imports coming from Brazil that have been benefited with the GSP represent less than 1% of the total of the north American imports;

- Despite these modest values, United States are an important destiny of Brazilian exports of aluminum and its products, since the volume represents 24,5% of the total of US\$ 1,937,006,000 exported to all over the world in 2005;
- It is relevant to highlight two main aspects:
  - a) the items of aluminum are very distant of reaching the Competitive Need Limitations defined by the north American GSP, considering the value of the products, and the participation of Brazil in the segment;
  - b) the removal of Brazil from the system will extended the losses of the productive and export sectors of the country to the American consumers of these goods that will be penalized with an increment of 6,5% in the Brazilian product imports tax.

These are the main considerations of the Brazilian aluminum sector that we submit to the consideration of the USTR.

Sincerely yours,

Luis Carlos Loureiro Filho  
Chairman  
Board of Directors  
Brazilian Aluminum Association – ABAL

September 5<sup>th</sup> 2006.

OF.Pres. 044 /06

To  
United States Trade Representative  
GSP Subcommittee  
Washington, DC

Subject: "2006 GSP Eligibility and CNL waiver Review"

Dear Sir or Madam,

As we know, the congress of United States would extend the Generalized System of Preferences (GSP) American with validity until 31/12/06, we are gathering public manifestations, that we present following:

1. The Copper Brazilian Association (ABC – Associação Brasileira do Cobre) is a representative association of the industry on the productive chain of copper, starting on the primary production until semi-manufactured products of copper and alloys and copper wire and cable.

2. The productive chain of the copper in Brazil, count at present with only 1(one) smelter on the primary metal operation in commercial scale, that, therefore, represents 100% of the Brazilian production; 8 (eight) producing companies of semi-manufactured products, that also represent 100% of the total. Among associates of Copper Brazilian Association, we have also around 50(fifty) main manufacturing companies of electric conductors, that represent approximately 90% of the Brazilian production.

3. The sectors mentioned exported, in 2005 US\$ 661.9 million, that means a growth of approximately 40% regarding the exported of 2004. It is important, however, to point out that big part of the increase in the value of the exportats is justified by the fact of LME copper quotations had an increase of 28.4% in the international market, comparing the annual average of 2005 and the 2004 one.

Of the total of exports above, US\$ 114.8 million was of refined copper (HTS 7403), US\$ 299 million was of semi- manufactured products (HTS 7406 to HTS 7412) and US\$ 248.1 million of wires and cables of copper (HTS 7413, HTS 8544, except HTS 8544.70.00)

4. According to the United States International Trade Commission (USITC), the American import, in 2005, was:

- Refined Copper (HTS 7403) = US\$ 107.8 millions, that represents 94% of the total exported by Brazil. The benefit of imports by GSP represents 100% of the total Brazilian refined copper, imported by the American companies;

- Semi-manufactured products of copper and alloys (HTS 7407 until 7412) = US\$ 143.7 million, that represents 48.1% of the total exported by Brazil. Of this volume, the benefit of American imports by the GSP was US\$ 143.6 millions, representing also, practically, 100% of the total imported by American companies.
- In case of wire and cables (HTS 7413 and HTS 8544.11.00 to 8544.60.00), although the values refer not only to the copper content on it, the American imports of native products from Brazil was US\$ 49 million, that represents only 20% of the total exported by Brazil. Of this volume, the benefit of American imports by GSP was US\$ 36 million, representing 73.5% of the total imported by American companies.

5. So the figures show clearly that United States is today the main destination of Brazilian exports of products of copper here mentioned, and - more important than that – that the Generalized System of Preferences is fundamental in the sense of that provides the American industry, with intermediate products at competitive prices, and consequently increasing the competitiveness of it against imports of final products.

6. Brazil estimates that its eventual exclusion as beneficiary of SGP American, would result in minimum on commercial losses of approximately US\$ 386 million per year, and of this total amount, at least, US\$ 60 million or around 16% of the total represents the share of the industries represented by ABC.

7. However, the negative consequences of an eventual no extension of the benefit to Brazil, would not be limited to the bilateral commerce, advancing on the social area considering that would include the straight unemployment of around 3 thousand workers and the impoverishment of regions whose economic activity was developed since the 70<sup>th</sup>'s, thanks to institutions like the GSP, and today have companies with their production totally destined to United States.

Because of all the facts above, we can assume that the maintenance of Brazil as beneficiary country of the GSP American is of fundamental importance for the industrial segments represented by this entity.

If you have any questions, please do not hesitate to contact us.

Yours faithfully

Geraldo Ribeiro do Valle Haenel  
President

Address: Av. Dr. Cardoso de Melo, 1855 – 9° andar  
Vila Olímpia – Sao Paulo / SP  
ZIP 04548-005 Brazil  
Phone: 55 – 11 – 3846.4828 ext 26

September 5, 2006

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

**Ref.:** 2006 GSP Eligibility and CNL Waiver Review

Dear Ms.

ABIMAQ – Brazilian Machinery Builder’s Association – represents about 4.000 companies from all range of mechanical machines and equipments, whose performance has direct impact over the other national productive sectors.

The capital goods industry has been recognized as a strategic sector for the support as Brazilian industrial and economic development, considering its high value added and high technology.

The machine and equipment industry embraces the following segments:

- agriculture and cattle raising,
- cleaning equipment,
- couplings, chains, gears and reducers,
- energy generation,
- equipment for bars, restaurants, and the like,
- equipment for basic and environmental sanitation,
- equipment for cement and mining,
- equipment for petroleum and petrochemistry,
- equipment for sugar and alcohol,
- hydraulics and pneumatics,
- industrial compressors,
- industrial refrigeration,
- industrial valves
- internal combustion engines,
- lubrication, internal combustion engines,

- machines and equipment for industrial feed,
- machines and equipment for plastics,
- machines and equipment for wood,
- machines for glass processing,
- machines for industrial laundries,
- machines for leather and shoes,
- machines for marble and granite,
- machines for packaging,
- machines for paper and cellulose,
- machines for the ceramics industry,
- machines for the civil construction industry,
- machines for the foodstuff industry,
- machines for the graphic industry,
- machines for the pharmaceutical industry,
- machines for the rubber industry,
- machines for the textile industry,
- machine-tools,
- metallic plates welding and cutting,
- ovens and industrial greenhouses,
- portable machines,
- pumps and motor pumps,
- quality control, essays and measurements,
- road machines, and
- tolling and modeling.

The Brazilian builders of mechanical capital goods are mostly composed of small and medium companies, this segment exports to the United States of America USD 2,2 billion in 2005 (USITC).

In this context, we are concerned about the possible exclusion of Brazil from the USA Generalized Systems of Preferences, considering that the American companies imported from Brazil, last year, inside the GSP, around USD 535 million, which represented 24% of the total exports of the sector.

This level of utilization, which correspond to the value of American imports taken from Brazil with effective use of preferences of GSP and the amount of imports of products covered by the GSP that had been, in 2005, up to 85,47%, confirms that its maintenance is of extreme importance to the segment and our competitiveness in the American market. It is important to mention that Brazil can not be considered as a competitive country economy, since Brazilian companies still face serious structural problems to produce here, such as, high taxes, high interest rates, lack of investments in technology among many others.

The machine builders sector has hired around 210 thousand workers. With the loss of preferences of the North American System, we estimate that more than 2,5 thousand of jobs will be closed down, which will be gravely negative to Brazilian economy.

Nevertheless, we have facing a serious competition of Chinese which are increasing their participation in Brazilian's traditional export markets and that, certainly, in case that Brazil is excluded from the GSP, will not benefit the less development countries, but China that likely will attend the North American market, raising the USA the commercial deficit with that country.

The retention of Brazil's eligibility as a beneficiary of the GSP is extremely important not only for our builders, but also to American companies located in Brazil, due to their inter-company commerce that is estimated to be higher than 50% of export values.

So, on behalf of the Brazilian capital goods industry, we request the maintenance of Brazil as a beneficiary country of the GPS of the USA.

The GSP has helped us to maintain Brazil's capacity of becoming a reliable and competitive supplier for US companies

Appreciate your support to our request.

Yours sincerely,

**Suely Agostinho**  
International Negotiations Director

**Newton de Mello**  
President

Brazilian Machinery Builder's Association  
Avenida Jabaquara, 2925 – CEP 04045-902 – São Paulo – SP – Brasil  
Phone: (55 11) 5582-5720 – Fax (55 11) 5582-6348  
E-mail: [deni@abimaq.org.br](mailto:deni@abimaq.org.br) - Home Page: [www.abimaq.org.br](http://www.abimaq.org.br)

**ATTACHED****PRODUCTS REPRESENTED BY ABIMAQ ELIGIBLE IN THE GENERALIZED SYSTEM OF PREFERENCES OF USA**

<b>HTSUS</b>	<b>DESCRIPTION</b>
73158910	Iron or steel, chain nesoi, with links of essentially round cross section, not over 8 mm in diameter
73158950	Iron or steel, chain nesoi
73159000	Iron or steel, parts of chain (other than articulated link chain)
82073030	Interchangeable tools for pressing, stamping or punching, suitable for cutting metal, and base metal parts thereof
82073060	Interchangeable tools for pressing, stamping or punching, not suitable for cutting metal, and base metal parts thereof
84011000	Nuclear reactors
84012000	Machinery and apparatus for isotopic separation, and parts thereof
84014000	Parts of nuclear reactors
84021100	Watertube boilers with a steam production exceeding 45 tons per hour
84021200	Watertube boilers with a steam production not exceeding 45 tons per hour
84021900	Vapor-generating boilers, including hybrid boilers, other than watertube boilers
84022000	Super-heated water boilers
84029000	Parts of steam- or other vapor-generating boilers
84041000	Auxiliary plant for use with boilers of heading 8402 or 8403
84042000	Condensers for steam or other vapor power units
84049000	Parts for auxiliary plant for use with boilers of heading 8402 and 8403 and condensers for steam or vapor power units
84061010	Steam turbines for marine propulsion
84068110	Steam turbines other than for marine propulsion, of an output exceeding 40 MW
84068210	Steam turbines other than for marine propulsion, of an output not exceeding 40 MW
84069020	Parts of steam turbines, rotors, finished for final assembly

HTSUS	DESCRIPTION
84069030	Parts of steam turbines, rotors, not further worked than cleaned or machined for removal of fins, etc., or certain other working
84069040	Parts of steam turbines, blades, rotating or stationary
84069045	Parts of steam turbines, other
84081000	Marine propulsion compression-ignition internal-combustion piston engines
84101100	Hydraulic turbines and water wheels of a power not exceeding 1,000 kW
84101200	Hydraulic turbines and water wheels of a power exceeding 1,000 kW but not exceeding 10,000 kW
84101300	Hydraulic turbines and water wheels of a power exceeding 10,000 kW
84109000	Parts, including regulators, of hydraulic turbines and water wheels
84118180	Gas turbines other than turbojets or turbopropellers, of a power not exceeding 5,000 kW, other than aircraft
84118280	Gas turbines, other than turbojets or turbopropellers of a power exceeding 5,000 kW, other than aircraft
84119990	Parts of gas turbines nesi, other than those of subheading 8411.99.10
84139110	Parts of fuel-injection pumps for compression-ignition engines
84141000	Vacuum pumps
84144000	Air compressors mounted on a wheeled chassis for towing
84145930	Turbocharger and supercharger fans
84145960	Fans, nesi
84148090	Air or gas pumps, compressors and fans, nesi
84149010	Parts of fans (including blowers) and ventilating or recycling hoods
84158101	Air conditioning machines incorporating a refrigerating unit and valve for reversal of cooling/heat cycle, nesoi
84158201	Air conditioning machines incorporating a refrigerating unit, nesoi
84158300	Air conditioning machines not incorporating a refrigerating unit
84159040	Chassis, chassis bases and other outer cabinets for air conditioning machines,

HTSUS	DESCRIPTION
84159080	Parts for air conditioning machines, nesi
84171000	Furnaces and ovens for the roasting, melting or other heat treatment of ores, pyrites or of metals
84172000	Bakery ovens, including biscuit ovens
84178000	Industrial or laboratory furnaces and ovens nesi, including incinerators, nonelectric
84179000	Parts for industrial or laboratory furnaces and ovens, including incinerators, nonelectric
84195010	Brazed aluminum plate-fin heat exchangers
84196010	Machinery for liquefying air or gas containing brazed aluminum plate-fin heat exchangers
84198995	Industrial machinery, plant or equipment for the treatment of materials, by process involving a change in temperature, nesoi
84199095	Parts of machinery, plant or laboratory equipment for the treatment of materials by a process involving a change of temperature, nesoi
84201010	Textile calendering or rolling machines
84209110	Cylinders for textile calendering or rolling machines
84209910	Parts of calendering or rolling machines for processing textiles
84211990	Centrifuges, other than cream separators, clothes dryers or spin dryers for semiconductor wafer processing
84232000	Scales for continuous weighing of goods on conveyors
84238900	Weighing machinery, nesi
84239000	Weighing machine weights of all kinds; parts of weighing machinery
84242010	Simple piston pump sprays and powder bellows
84248190	Mechanical agricultural or horticultural appliances for projecting, dispersing or spraying liquids or powders, nesi
84248970	Mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powder, nesoi
84249010	Parts of simple piston pump sprays and powder bellows
84384000	Brewery machinery, nesi
84385000	Machinery for the preparation of meat or poultry, nesi
84389090	Parts of machinery for the industrial preparation or manufacture of food or drink, other than sugar manufacturing, nesi

HTSUS	DESCRIPTION
84425090	Printing type, blocks, cylinders and other printing components; blocks, cylinders and lithographic stones, prepared for printing purposes
84431110	Reel-fed offset printing machinery, double-width newspaper printing presses
84432100	Letterpress printing machinery, excluding flexographic printing, reel-fed
84433000	Flexographic printing machinery
84434000	Gravure printing machinery
84435110	Ink-jet textile printing machinery
84435910	Textile printing machinery, nesoi
84439010	Parts of textile printing machinery
84451900	Machines for preparing textile fibers, nesi
84454000	Textile winding (including weft-winding) or reeling machines
84459000	Machinery for producing textile yarns nesi; machines for preparing textile yarns for use on machines of heading 8446 or 8447
84462150	Shuttle type power looms for weaving fabrics of a width exceeding 30 cm, but not exceeding 4.9 m
84463050	Shuttleless type weaving machines (looms), for weaving fabrics of a width exceeding 30 cm, nesi
84472030	V-bed flat knitting machines, nesi
84482010	Parts and accessories of machines for extruding or drawing man-made textile filaments
84482050	Parts and accessories of machines of heading 8444 or of their auxiliary machinery, nesi
84483100	Card clothing as parts and accessories of machines of heading 8445 or of their auxiliary machinery
84483300	Spindles, spindle flyers, spinning rings and ring travellers of machines of heading 8445 or of their auxiliary machines
84483950	Parts of winding or reeling machines of heading 8445 or of their auxiliary machinery
84484100	Shuttles for weaving machines (looms)
84484200	Reeds for looms, healds and heald-frames of weaving machines (looms) or their auxiliary machinery
84490010	Finishing machinery for felt or nonwovens and parts thereof

HTSUS	DESCRIPTION
84501100	Household- or laundry-type washing machines, each of a dry linen capacity not exceeding 10 kg, fully automatic
84501200	Household- or laundry-type washing machines, each of a dry linen capacity not exceeding 10 kg, with built-in centrifugal driers, nesi
84501900	Household- or laundry-type washing machines, each of a dry linen capacity not exceeding 10 kg, nesi
84502000	Household- or laundry-type washing machines, each of a dry linen capacity exceeding 10 kg
84509020	Tub and tub assemblies for household- or laundry-type washing machines
84509040	Furniture designed to receive household- or laundry-type washing machines
84509060	Parts for household- or laundry-type washing machines, nesi
84512100	Drying machines, each of a dry linen capacity not exceeding 10 kg
84512900	Drying machines for yarns, fabrics or made up textile articles, each of a dry linen capacity exceeding 10 kg
84514000	Washing, bleaching or dyeing machines for textile yarns, fabrics or made up textile articles
84518000	Machinery for the handling of textile yarns, fabrics or made up textile articles, nesi
84519030	Drying chambers for the drying machines of subheading 8451.21 or 8451.29, and other parts of drying machines incorporating drying chambers
84519060	Furniture designed to receive the drying machines of subheading 8451.21 or 8451.29
84519090	Parts of machines for the handling of textile yarns, fabrics or made up textile articles, nesi
84561010	Machine tools operated by laser or other light or photon beam processes, for working metal
84561080	Machine tools operated by laser or other light or photon beam processes, other than for working metal, nesoi
84562010	Machine tools operated by ultrasonic processes, for working metal
84562050	Machine tools operated by ultrasonic processes, other than for working metal

HTSUS	DESCRIPTION
84563010	Machine tools operated by electro-discharge processes, for working metal
84563050	Machine tools operated by electro-discharge processes, other than for working metal
84569930	Machine tool for working metal by removal of material nesoi, operated by electro-chemical, electron-beam, ionic-beam or plasma arc processes
84569990	Machine tool for working material (n/metal) removal of mat. operated by electro-chemical/electron-beam/ionic-beam/plasma arc processes,nesoi
84571000	Machining centers for working metal
84572000	Unit construction machines (single station), for working metal
84573000	Multistation transfer machines for working metal
84581100	Horizontal lathes (including turning centers) for removing metal, numerically controlled
84581900	Horizontal lathes (including turning centers) for removing metal, other than numerically controlled
84589110	Vertical turret lathes (including turning centers) for removing metal, numerically controlled
84589150	Lathes (including turning centers), other than horizontal or vertical turret lathes, for removing metal, numerically controlled
84589910	Vertical turret lathes (including turning centers) for removing metal, other than numerically controlled
84589950	Lathes (including turning centers), other than horizontal or vertical turret lathes, for removing metal, other than numerically controlled
84591000	Way-type unit head machines for drilling, boring, milling, threading or tapping by removing metal, other than lathes of heading 8458
84592100	Drilling machines, numerically controlled, nesi
84592900	Drilling machines, other than numerically controlled, nesi
84593100	Boring-milling machines, numerically controlled, nesi
84593900	Boring-milling machines, other than numerically controlled, nesi
84594000	Boring machines nesi
84595100	Milling machines, knee type, numerically controlled, nesi

HTSUS	DESCRIPTION
84595900	Milling machines, knee type, other than numerically controlled, nesi
84596100	Milling machines, other than knee type, numerically controlled, nesi
84596900	Milling machines, other than knee type, other than numerically controlled, nesi
84597040	Other threading or tapping machines, numerically controlled
84597080	Other threading or tapping machines nesi
84601100	Flat-surface grinding machines for metal or cermets, w/positioning accuracy in any one axis of at least 0.01 mm, numerically controlled
84601900	Flat-surface grinding machines for metal or cermets, w/positioning accuracy in any one axis of at least 0.01 mm, not numerically controlled
84602100	Other grinding machines for metal or cermets, w/positioning accuracy in any one axis of at least 0.01 mm, numerically controlled
84602900	Other grinding machines for metal or cermets, w/positioning accuracy in any one axis of at least 0.01 mm, other than numerically controlled
84603100	Sharpening (tool or cutter grinding) machines for working metal or cermets, numerically controlled
84603900	Sharpening (tool or cutter grinding) machines for working metal or cermets, other than numerically controlled
84604040	Honing or lapping machines for working metal or cermets, numerically controlled
84604080	Honing or lapping machines for working metal or cermets, other than numerically controlled
84609040	Other machine tools for deburring, polishing or otherwise finishing metal or cermets, nesoi, numerically controlled
84609080	Other machine tools for deburring, polishing or otherwise finishing metal or cermets, nesoi, other than numerically controlled
84612040	Shaping or slotting machines for working by removing metal or cermets, numerically controlled

HTSUS	DESCRIPTION
84612080	Shaping or slotting machines for working by removing metal or cermets, other than numerically controlled
84613040	Broaching machines for working by removing metal or cermets, numerically controlled
84613080	Broaching machines for working by removing metal or cermets, other than numerically controlled
84614010	Gear cutting machines for working by removing metal or cermets
84614050	Gear grinding or finishing machines for working by removing metal or cermets
84615040	Sawing or cutting-off machines for working by removing metal or cermets, numerically controlled
84615080	Sawing or cutting-off machines for working by removing metal or cermets, other than numerically controlled
84619030	Machine-tools for working by removing metal or cermets, nesoi, numerically controlled
84619060	Machine-tools for working by removing metal or cermets, nesoi, other than numerically controlled
84621000	Forging or die-stamping machines (including presses) and hammers
84622180	Bending, folding, straightening or flattening machines (including presses) numerically controlled for working metal or metal carbides, nesoi
84622980	Bending, folding, straightening or flattening machine (including presses) not numerically controlled for working metal/metal carbides, nesoi
84623100	Shearing machines (incl. presses), excl. combined punching & shearing machines, numerically controlled for working metal or metal carbides
84623900	Shearing machines (incl. presses), excl. combined punch & shearing machines, nt numerically controlled for working metal or metal carbides
84624100	Punch/notch machines (incl. presses), incl. combined punch & shearing machines, numerically controlled for working metal or metal carbides

HTSUS	DESCRIPTION
84624900	Punch/notch machines (incl. presses), incl. combined punch & shear machines, nt numerically controlled for working metal or metal carbides
84629140	Hydraulic presses, numerically controlled
84629180	Hydraulic presses, not numerically controlled
84629940	Machine tools (including nonhydraulic presses) for working metal or metal carbides, nesi, numerically controlled
84629980	Machine tools (including nonhydraulic presses) for working metal or metal carbides, nesi, not numerically controlled
84631000	Draw-benches for bars, tubes, profiles, wire or the like, for working metal or cermets, without removing material
84632000	Thread rolling machines for working metal or cermets, without removing material
84633000	Machines for working wire of metal or cermets, without removing material
84639000	Machine tools for working metal or cermets, without removing material, nesoi
84642050	Grinding or polishing machines for working stone, ceramics, concrete, asbestos-cement or like mineral materials, or glass, nesi
84649090	Machine tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working glass, nesoi
84651000	Machines for working certain hard materials which can carry out different types of machining operations w/o tool change between operations
84659100	Sawing machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
84659200	Planing, milling or molding (by cutting) machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
84659300	Grinding, sanding or polishing machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
84659400	Bending or assembling machines for working wood, cork, bone hard rubber, hard plastics or similar hard materials

HTSUS	DESCRIPTION
84659500	Drilling or mortising machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
84659600	Splitting, slicing or paring machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
84659980	Machine tools for working wood, cork, bone, hard rubber, hard plastics and similar hard materials, nesoi
84661080	Tool holders and self-opening dieheads for use solely or principally with machines of headings 8456 to 8465, nesoi
84662010	Work holders for machine tools used in cutting gears
84662080	Work holders for machine tools other than those used in cutting gears, nesoi
84663010	Dividing heads for use solely or principally for machine tools of headings 8456 to 8465
84663060	Special attachments (which are machines) use solely or principally for machines of heading 8456 to 8465, excluding dividing heads, nesoi
84663080	Special attachments for use solely or principally for machine tools of headings 8456 to 8465, nesoi
84669250	Parts and accessories nesi, for machines of heading 8465
84669330	Certain specified parts and accessories of metal working machine tools for cutting gears
84669353	Certain specified parts and accessories for machines of heading 8456 to 8461, nesoi
84669375	Other parts and accessories of metal working machine tools for cutting gears
84669395	Other parts and accessories for machines of heading 8456 to 8461, nesoi
84669465	Other specified parts and accessories for machines of heading 8462 or 8463, nesoi
84669485	Other parts and accessories for machines of heading 8462 or 8463, nesoi
84671110	Tools for working in the hand, pneumatic, rotary type, suitable for metal working
84671910	Tools for working in the hand, pneumatic, other than rotary type, suitable for metal working
84681000	Hand-held blow torches

HTSUS	DESCRIPTION
84682010	Gas-operated machinery, apparatus and appliances, hand-directed or -controlled, used for soldering, brazing, welding or tempering, nesi
84688010	Machinery and apparatus, hand-directed or -controlled, used for soldering, brazing or welding, not gas-operated
84689010	Parts of hand-directed or -controlled machinery, apparatus and appliances used for soldering, brazing, welding or tempering
84721000	Hectographic or stencil duplicating machines
84722000	Addressing machines and address plate embossing machines
84723000	Machines for sorting, folding, opening, closing or sealing mail, and postage stamp affixing or canceling machines
84729040	Pencil sharpeners
84729090	Other office machines, nesoi
84771090	Injection-molding machines of a type used for working or manufacturing products from rubber or plastics, nesoi
84772000	Extruders for working rubber or plastics or for the manufacture of products from these materials, nesi
84773000	Blow-molding machines for working rubber or plastics or for the manufacture of products from these materials
84774080	Vacuum-molding and other thermoforming machines for working rubber or plastics or for manufacture of products from these materials, nesoi
84775100	Machinery for molding or retreading pneumatic tires or for molding or otherwise forming inner tubes
84775980	Machinery for molding or otherwise forming rubber or plastics other than for molding or retreading pneumatic tires, nesoi
84778000	Machinery for working rubber or plastics or for the manufacture of products from these materials, nesi
84779025	Base, bed, platen and specified parts of machinery for working rubber or plastics or for manufacture of products from these material, nesoi
84779045	Barrel screws of machinery for working rubber or plastics or for the manufacture of products from these materials, nesoi
84779065	Hydraulic assemblies of machinery for working rubber or plastics or for the manufacture of products from these materials, nesoi

HTSUS	DESCRIPTION
84779085	Parts of machinery for working rubber or plastics or for the manufacture of products from these materials, nesoi
84795000	Industrial robots, not elsewhere specified or included
84796000	Evaporative air coolers
84798955	Electromechanical appliances with self-contained electric motor, trash compactors
84798965	Electromechanical appliances with self-contained electric motor, nesi
84798998	Machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84, nesoi
84801000	Molding boxes for metal foundry
84802000	Mold bases
84803000	Molding patterns
84804100	Molds for metal or metal carbides, injection or compression types
84804900	Molds for metal or metal carbides other than injection or compression types
84807180	Molds for rubber or plastics, injection or compression types, other than for shoe machinery or for manufacture of semiconductor devices
84807990	Molds for rubber or plastics, other than injection or compression types, other than for shoe machinery
84811000	Pressure-reducing valves for pipes, boiler shells, tanks, vats or the like
84812000	Valves for oleohydraulic or pneumatic transmissions
84813010	Check valves of copper for pipes, boiler shells, tanks, vats or the like
84813020	Check valves of iron or steel for pipes, boiler shells, tanks, vats or the like
84813090	Check valves other than of copper or iron or steel, for pipes, boiler shells, tanks, vats or the like
84814000	Safety or relief valves for pipes, boiler shells, tanks, vats or the like
84818010	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand operated, of copper, nesi

HTSUS	DESCRIPTION
84818030	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand operated, of iron or steel, nesi
84818050	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand operated, not copper, iron or steel, nesi
84818090	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, other than hand operated, nesi
84819010	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, of copper
84819030	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, of iron or steel
84819050	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, other than of copper or iron or steel
84831010	Camshafts and crankshafts for use solely or principally with spark-ignition internal-combustion piston or rotary engines
84831030	Camshafts and crankshafts nesi
84832040	Housed bearings of the flange, take-up, cartridge and hanger unit type (incorporating ball or roller bearings)
84833040	Bearing housings of the flange, take-up, cartridge and hanger unit type
84834050	Fixed, multiple and variable ratio speed changers, not imported for use with machines for making cellulosic pulp, paper or paperboard
84834070	Speed changers other than fixed, multiple and variable ratio speed changers
84834080	Ball or roller screws
84834090	Gears and gearing, other than toothed wheels, chain sprockets and other transmission elements entered separately
84835040	Gray-iron awning or tackle pulleys, not over 6.4 cm in wheel diameter
84835060	Flywheels, nesi
84835090	Pulleys, including pulley blocks, nesi
84836040	Clutches and universal joints
84839010	Chain sprockets and parts thereof
84839020	Parts of flange, take-up, cartridge and hanger units

HTSUS	DESCRIPTION
84839050	Parts of gearing, gear boxes and other speed changers
84841000	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal
84842000	Mechanical seals
84849000	Sets or assortments of gaskets and similar joints dissimilar in composition, put up in pouches, envelopes or similar packings
84859000	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features and other parts nesi
85021100	Electric generating sets with compression-ignition internal-combustion piston engines, of an output not exceeding 75 kVA
85021200	Electric generating sets with compression-ignition internal-combustion piston engines, of an output exceeding 75 kVA but not over 375 kVA
85021300	Electric generating sets with compression-ignition internal-combustion piston engines, of an output exceeding 375 kVA
85022000	Electric generating sets with spark-ignition internal-combustion piston engines
85023100	Wind-powered electric generating sets
85023900	Electric generating sets, nesoi
85030020	Commutators suitable for use solely or principally with the machines of heading 8501 or 8502
85030035	Parts of electric motors under 18.65 W, stators and rotors
85030065	Stators and rotors for electric motors & generators of heading 8501, nesi
85030075	Parts of electric motors under 18.65 W, other than commutators, stators or rotors
85030095	Other parts, nesi, suitable for use solely or principally with the machines in heading 8501 or 8502
85052000	Electromagnetic couplings, clutches and brakes
85142040	Industrial or laboratory microwave ovens for making hot drinks or for cooking or heating food
85142060	Industrial or laboratory microwave ovens, nesoi
85143080	Industrial or laboratory electric furnaces and ovens, nesoi
85149040	Parts of industrial or laboratory microwaves
85151100	Electric soldering irons and guns

HTSUS	DESCRIPTION
85153100	Electric machines and apparatus for arc (including plasma arc) welding of metals, fully or partly automatic
85153900	Electric machines and apparatus for arc (including plasma arc) welding of metals, other than fully or partly automatic
85159030	Parts of electric welding machines and apparatus, nesoi
85433000	Electrical machines and apparatus for electroplating, electrolysis, or electrophoresis
85439015	Assemblies and subassemblies for flight data recorders, consisting of 2 or more parts pieces fastened together, printed circuit assemblies
85439035	Assemblies and subassemblies for flight data recorders, consisting of 2 or more parts pieces fastened together, not printed circuit assys.
85439068	Printed circuit assemblies of electrical machines and apparatus, having individual functions, nesoi
85439088	Parts (other than printed circuit assemblies) of electrical machines and apparatus, having individual functions, nesoi
87060050	Chassis fitted w/engines, for tractors (o/than for agric. use) and other motor vehicles nesoi
87082910	Pts. & access. of bodies for mtr. vehicles of headings 8701 to 8705, inflators & modules for airbags
87082915	Pts. & access. of bodies for mtr. vehicles of headings 8701 to 8705, door assemblies
87082920	Pts. & access. of bodies for mtr. vehicles of headings 8701 to 8705, body stampings
87082950	Pts. & access. of bodies for mtr. vehicles of headings 8701 to 8705, nesoi
87083150	Pts. & access. of motor vehicles of headings 8701, nesoi, and 8702-8705, mounted brake linings
87084010	Pts. & access. of mtr. vehic. of 8701.20, 8702 or 8704, gear boxes
87084020	Pts. & access. of mtr. vehic. for transport of persons of 8703, gear boxes
87085050	Pts. & access. of mtr. vehic. for transp. of persons of 8703, drive axles w/differential (wheth or not w/oth transm comp)

HTSUS	DESCRIPTION
87085080	Pts. & access. of mtr. vehic. of 8701, nesoi, 8702, and 8704-8705, drive axles w/different. (wheth or not w/oth transm components)
87086050	Pts. & access. of mtr. vehic. for transp. of persons of 8703, non-driving axles & pts. thereof
87086080	Pts. & access. of mtr. vehic. of 8701, nesoi, of 8702, and of 8704-8705, non-driving axles & pts. thereof
87087045	Pts. & access. of mtr. vehic. of 8701, nesoi, and of 8702-8705, road wheels
87087060	Pts. & access. of mtr. vehicc of 8701, nesoi, and of 8702-8705, pts. & access. for road wheels
87089450	Pts. & access. of mtr. vehic. of 8701, nesoi, and 8702-8705, steering wheels, steering columns and steering boxes
90082080	Microfilm, microfiche or other microform readers, other than those capable of producing copies
90089080	Parts and accessories of photographic (other than cinematographic) enlargers and reducers
90091200	Electrostatic photocopying apparatus, operating by reproducing the original image via an intermediate onto the copy (indirect process)
90092200	Photocopying apparatus, other than electrostatic, of the contact type
90101000	Apparatus & equipment for auto. developing photographic film/paper in rolls or exposing developed film to rolls of photographic paper
90111040	Stereoscopic microscopes, provided with a means for photographing the image
90111080	Stereoscopic microscopes, other than those provided with a means for photographing the image
90118000	Compound optical microscopes other than stereoscopic or those for microphotography, microcinematography or microprojection
90119000	Parts and accessories for compound optical microscopes, including those for microphotography, microcinematography or microprojection

HTSUS	DESCRIPTION
90131010	Telescopic sights for rifles not designed for use with infrared light
90131030	Telescopic sights for rifles designed for use with infrared light
90131040	Telescopic sights for arms other than rifles; periscopes; telescopes as parts of machines, appliances, etc. of chapter 90 or section XVI
90151080	Rangefinders, other than electrical
90152080	Theodolites and tachymeters, other than electrical
90153080	Levels, other than electrical
90154080	Photogrammetrical surveying instruments and appliances, other than electrical
90158020	Optical surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, nesi
90159000	Parts and accessories for surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances
90160020	Electrical balances of a sensitivity of 5 cg or better, with or without weights, and parts and accessories thereof
90160040	Jewelers' balances (nonelectrical) of a sensitivity of 5 cg or better, with or without weights, and parts and accessories thereof
90160060	Balances (nonelectrical) of a sensitivity of 5 cg or better, other than jewelers', balances, and parts and accessories thereof
90171080	Drafting tables and machines, whether or not automatic, neso
90173040	Micrometers and calipers, for use in the hand
90173080	Gauges for measuring length, for use in the hand
90178000	Instruments for measuring length, for use in the hand, nesi (for example, measuring rods and tapes)
90179000	Parts and accessories for drawing, marking-out or mathematical calculating instruments, and for hand-held instruments for measuring length
90200060	Breathing appliances, nesi, & gas masks, excl. protective masks having neither mechanical parts/replaceable filters, parts, accessories of
90200090	Parts and accessories of breathing appliances and gas masks, nesi

HTSUS	DESCRIPTION
90222940	Smoke detectors, ionization type
90222980	Apparatus based on the use of alpha, beta or gama radiations, other than for medical, surgical, dental or veterinary use, nesi
90229005	Radiation generator units
90229015	Radiation beam delivery units
90229025	X-ray generators, high tension generators, desks, screens, examination or treatment tables, chairs and similar apparatus, nesi
90229040	Parts and accessories of X-ray tubes
90229060	Parts and accessories of apparatus based on the use of X-rays
90229070	Parts and accessories of ionization type smoke detectors
90229095	Parts and accessories of apparatus based on the use of alpha, beta or gamma radiations
90241000	Machines and appliances for testing the mechanical properties of metals
90248000	Machines and appliances for testing the mechanical properties of materials other than metals
90249000	Parts and accessories of machines and appliances for testing the hardness, strength, compressibility, or other properties of materials
90251940	Pyrometers, not combined with other instruments
90251980	Thermometers, for direct reading, not combined with other instruments, other than liquid-filled thermometers
90271020	Electrical gas or smoke analysis apparatus
90271040	Nonelectrical optical instruments and apparatus for gas or smoke analysis
90271060	Nonelectrical gas or smoke analysis apparatus, other than optical instruments and apparatus
90274000	Exposure meters
90279020	Microtomes
90279058	Parts and accessories of other electrical instruments and apparatus of heading 9027, nesoi
90279068	Parts and accessories of nonelectrical optical instruments and apparatus of heading 9027, nesoi
90279088	Parts and accessories of nonelectrical instruments and apparatus of heading 9027, nesoi

HTSUS	DESCRIPTION
90281000	Gas supply or production meters, including calibrating meters thereof
90282000	Liquid supply or production meters, including calibrating meters thereof
90289000	Parts and accessories for gas, liquid or electricity supply or production meters
90291040	Taximeters
90311000	Machines for balancing mechanical parts
90312000	Test benches
90313000	Profile projectors
90314940	Optical coordinate-measuring machines, nesoi
90314990	Other optical measuring or checking instruments, appliances and machines, nesoi
90318080	Measuring and checking instruments, appliances and machines, nesoi
90319020	Parts and accessories of profile projectors
90319045	Bases and frames for the optical coordinate-measuring machines of subheading 9031.49.40
90319058	Parts & accessories of measuring & checking optical instruments & appliances, other than test benches or profile projectors, nesoi
90319090	Parts and accessories of measuring or checking instruments, appliances and machines, nesoi
90321000	Automatic thermostats
90322000	Automatic manostats
90328100	Hydraulic and pneumatic automatic regulating or controlling instruments and apparatus
90328920	Automatic voltage and voltage-current regulators, designed for use in a 6, 12, or 24 V system
90328940	Automatic voltage and voltage-current regulators, not designed for use in a 6, 12, or 24 V system
90328960	Automatic regulating or controlling instruments and apparatus, nesi
90329020	Parts and accessories of automatic voltage and voltage-current regulators designed for use in a 6, 12, or 24 V system, nesi

HTSUS	DESCRIPTION
90329040	Parts and accessories of automatic voltage and voltage-current regulators, not designed for use in a 6, 12, or 24 V system, nesi
90329060	Parts and accessories for automatic regulating or controlling instruments and apparatus, nesi
94060040	Prefabricated buildings, of wood
94060080	Prefabricated buildings, not of wood
95069100	Arts. and equip. for general physical exercise, gymnastics or athletics and parts & accessories thereof

São Paulo, September 4<sup>th</sup>, 2006

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

**Ofício nº 11a/06**

Dear Sirs,

Founded on November 12<sup>th</sup>, 1976, ABIPLA (Brazilian Cleaning and Sanitation Products Industry Association) has as a mission the promotion of actions which incentive the growth of the sector as a whole, contributing for the sustainable development of the country, in addition to defending the legitimate interests of its associates by means of coherence, ethics, transparency and quality. Moreover it gives incentives to the technical scientific improvement and respect the environment, the health and the society safety

In its 30 - year lifetime – that will be turned in November this year – and counting on over 50 associated companies, ABIPLA operates as an effective representative of house-hold and institutional cleaning products manufacturers, mostly in the presence of society, governmental agencies, with which it has kept a permanent and frank dialogue. Since the very beginning of its activities, the entity, has developed managements that represent important gains for the sector and consequently for the society and consumers.

Brazilian exports to the United States have been contributing considerably to reduce this gap. The United States have been not only a traditional but also one of the most important Brazilian trade partners.

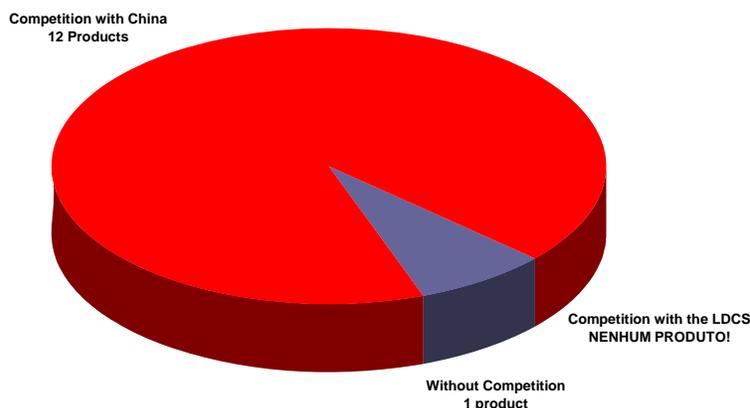
In this sense, the Brazilian Cleaning and Sanitation Products industry is very concerned about the current revision of the Generalized System of Preferences (GSP) of the United States, once this system has proved to be an effective win-win solution to promote Brazil-US trade.

### **U.S. manufacturers and consumers benefit from preferences granted to Brazil**

Through GSP, the US importers can offer more competitive products to American consumers. Around 66% of the US imports from Brazil are currently benefited. The competitiveness of American manufacturers has also been increasing with this program. Besides, it is important noting that Brazil's exclusion from the GSP will neither benefit US nor poor countries manufacturers, but other developed or developing competitive countries. For example, in 2005, US trade deficit with China increased to more than US\$ 200 billion.

If Brazilian is excluded from the GSP, the same products will be possibly supplied by Chinese manufacturers. As we can see in the following graphic:

**Competitors of Brazil in the importations of U.S.A. for the Products of the ABIPLA**  
*Comparison enters the Importations for the SGP of Brazil and the Total Importations of China and the PMDRs*



Fonte: Dataweb/USITC

### **GSP contributes to Brazilian social and economic development**

On the other hand, Brazilian producers have been benefiting from trade preferences in the American market, contributing to improve the international performance of Brazilian companies and, as a consequence, to the social and economic development of the country. It is estimated that up to 1,200 jobs will be created in 2007 directly or indirectly related to the production of goods exported to the U.S. under the GSP preferences.

Therefore, Brazilian Cleaning and Sanitation Products Industry Association urges the US Administration not only to renew the GSP but also to maintain Brazil as a beneficiary of the system. For an important number of small and medium Brazilian exporters, GSP is already consolidated as one of the mechanisms to compete fairly in the international markets.

Sincerely yours,

Maria Eugênia Saldanha  
Executive Director

ABIPLA - Brazilian Cleaning and Sanitation Products Industry Association

Annex 1

33074900	Preparations for perfuming or deodorizing rooms, including odoriferous preparations used during religious rites
34021120	Linear alkylbenzene sulfonates
34021140	Anionic, aromatic or modified aromatic organic surface-active agents, whether or not put up for retail sale, nes
34021150	Nonaromatic anionic organic surface-active agents (other than soap)
34021210	Aromatic or modified aromatic cationic organic surface-active agents (other than soap)
34021250	Nonaromatic cationic organic surface-active agents (other than soap)
34021310	Aromatic or modified aromatic nonionic organic surface-active agents (other than soap)
34021320	Nonaromatic nonionic organic surface-active agents (other than soap) of fatty substances of animal or vegetab
34021350	Nonaromatic nonionic organic surface-active agents (other than soap), other than of fatty substances of anima
34021910	Aromatic or modified aromatic organic surface-active agents (other than soap) other than anionic, cationic or n
34021950	Nonaromatic organic surface-active agents (other than soap) nesoi
34022011	Surface-active/washing/cleaning preparations containing any aromatic or mod aromatic surface-active agent,
34029010	Synthetic detergents put up for retail sale
34029030	Surface-active, washing, and cleaning preparations cont. any aromatic or modified aromatic surface-active age
34029050	Surface-active, washing, and cleaning preparations nesoi, put up for retail sale
34031140	Preparations for the treatment of textile materials, containing less than 50 percent by weight of petroleum oils
34031150	Preparations for the treatment of leather, furskins, other materials nesoi, containing less than 70% petroleum o
34031950	Lubricating preparations containing less than 50% by weight of petroleum oils or of oils from bituminous miner
34039110	Preparations for the treatment of textile materials, nesoi
34042000	Artificial waxes and prepared waxes of polyethylene glycol
38081010	Fly ribbons (ribbon fly catchers), put up in packings for retail sale
38081025	Insecticides containing any aromatic or modified aromatic insecticide, nesoi
38081030	Insecticides, nesoi, containing an inorganic substance, put up for retail sale

ABIPLA – Brazilian Cleaning and Sanitation Products Industry Association

38082015	Fungicides containing any aromatic or modified aromatic fungicide, nesoi
38082030	Fungicides, nesoi, containing an inorganic substance, put up for retail sale
38083015	Herbicides containing any aromatic or modified aromatic herbicide, antisprouting agent or plant-growth regulat
38083020	Herbicides, antisprouting products and plant-growth regulators, nesoi, containing an inorganic substance, for r
38084010	Disinfectants, containing any aromatic or modified aromatic disinfectant
38084050	Disinfectants nesoi
38089008	Rodenticides containing any aromatic or modified aromatic pesticide, nesoi
38089070	Rodenticides containing an inorganic substance
38099100	Finishing agents, dye carriers and like products, nesoi, used in the textile or like industries

São Paulo, Brazil, September 5th, 2006

**To**  
**United States Trade Representative - USTR**  
**GSP Subcommittee**

**Ref: 2006 GSP Eligibility and CNL Waiver Review**

On behalf of the Brazilian Chemical Industry Association (ABIQUIM), we would like to express our strong support for maintaining Brazil in the General System of Preferences Program, which expires on December 2006.

ABIQUIM represents the Brazilian manufacturers of industrial chemical products. Its memberships amounts 138 companies, which produce basic and intermediate chemicals, petrochemical commodities, specialties, fine chemicals and other industrial chemical products.

The chemical industry plays a leading role in the development of several economic activities in the country, contributing actively to nearly all production chains and industrial plants, including services and agriculture. Despite its importance, the Brazilian chemical industry faces many internal problems such as infrastructure and high production costs. Those difficulties combined with the high costs of raw materials contribute to reduce its competitiveness, especially in developed countries markets. The SGP is essential for the Brazilian chemical industry to minimize those effects.

In 2005, Brazil imported USD 3.9 billion of chemical products from US and exported 1.2 billion, 30% of which were benefited by the GSP program, amounting USD 330 million. Considering Brazilian total exports to US in GSP, chemical products represent about 9%.

The maintenance of Brazil in the GSP program is also important for US economy. Through the program, companies in the US import chemical products free of duty which leads to lower production and operational costs, which consequently reduce prices and increases competitiveness. Especially small and medium industries need the program to compete in the market. Additionally, American consumers are also benefited with reduced prices.

The exclusion or limitation of Brazil from the GSP will stimulate imports from China. In fact, only the Asian country would be the beneficiary if Brazil were affected by changes in the US external trade policies. The range of chemical products exported by Brazil in the program competes in the US market with Chinese exports.

Moreover, Brazil and the Least Developed Countries have diverse productive and export profiles. Despite the necessity to improve the access of those countries to North American market, only Brazil has the manufacturing base of chemical products that meets the needs of the US companies which benefits from the system.

More than 663,000 jobs in Brazil in 2007 will be directly or indirectly related to the production of goods exported to the US market through the GSP. The unemployment rate in Brazil is already about 10% and the exclusion of Brazil may cause a major economic setback.

Once again, ABIQUIM pleads the maintenance of the current status of Brazil in the GSP program considering the both commercial partners benefits from it. In case of Brazil were excluded or limited in GSP program, China will take advantage while American industries and consumers would lose privilege and Brazilian chemical industry would face an impact of more than USD 40 millions and 1,400 jobs.

The 8-digit HTSUS of chemical products currently benefited by the North American GSP system, which ABIQUIM requests to be maintained in the program, are:

<b>HTSUS</b>
15050010
15050090
15161000
15180040
27076005
27076010
27079940
27101935
27101940
27109932
27109939
28013010
28041000
28042100
28042900
28043000
28044000
28046910
28051910
28054000
28062000
28100000
28111910
28111960
28112100
28112210
28112300
28112950
28121050

PUBLIC VERSION

28129000
28131000
28139050
28153000
28161000
28164010
28164020
28181020
28191000
28199000
28201000
28209000
28211000
28212000
28220000
28230000
28241000
28242000
28249010
28249050
28251000
28252000
28253000
28255010
28255020
28255030
28256000
28257000
28259010
28259015
28259020
28259090
28261110
28261150
28261900
28262000
28269000
28271000
28273100
28273300
28273400
28273500
28273600

PUBLIC VERSION

28273910
28273920
28273925
28273930
28273945
28273950
28274100
28274910
28274950
28275950
28276020
28276050
28281000
28289000
28291900
28299040
28299060
28301000
28302020
28303000
28309000
28311050
28319000
28321000
28322000
28323010
28323050
28331150
28332100
28332300
28332400
28332500
28332600
28332700
28332910
28332930
28332950
28333000
28334020
28334060
28341010
28341050
28342905

PUBLIC VERSION

28342920
28342950
28351000
28352200
28352300
28352400
28352920
28352950
28353100
28353910
28353950
28361000
28362000
28364010
28364020
28366000
28367000
28369100
28369200
28369910
28369920
28369950
28372010
28372050
28380000
28391100
28391900
28392000
28399000
28401100
28401900
28402000
28403000
28411000
28412000
28413000
28415010
28415090
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Yours,

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Director International Trade Affairs, ABIQUIM

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**GENERALIZED SYSTEM OF PREFERENCES (GSP):  
INITIATION OF REVIEWS AND REQUEST FOR PUBLIC COMMENTS**

**WRITTEN STATEMENT OF THE BRAZILIAN ASSOCIATION FOR  
DIMENSION STONES INDUSTRY (ABIROCHAS)**

**TO THE**

**OFFICE OF THE U.S. TRADE REPRESENTATIVE**

Submitted by:

Mr. Carlos A. Cavalcanti  
Vice President for Foreign Trade Policy of ABIROCHAS  
1313, Paulista Avenue – 8<sup>th</sup> Floor - Room 802

In accordance with the request for public comments issued by the Office of the United States Trade Representative, the Brazilian Association for Dimension Stones Industry (ABIROCHAS) hereby requires that Brazil is maintained in the Generalized System of Preferences (GSP), as well as the dimension stone industry, since they fulfill the eligibility requirements of the GSP (19 U.S.C. 2462(d)), as will be demonstrated below.

## **I. Introduction**

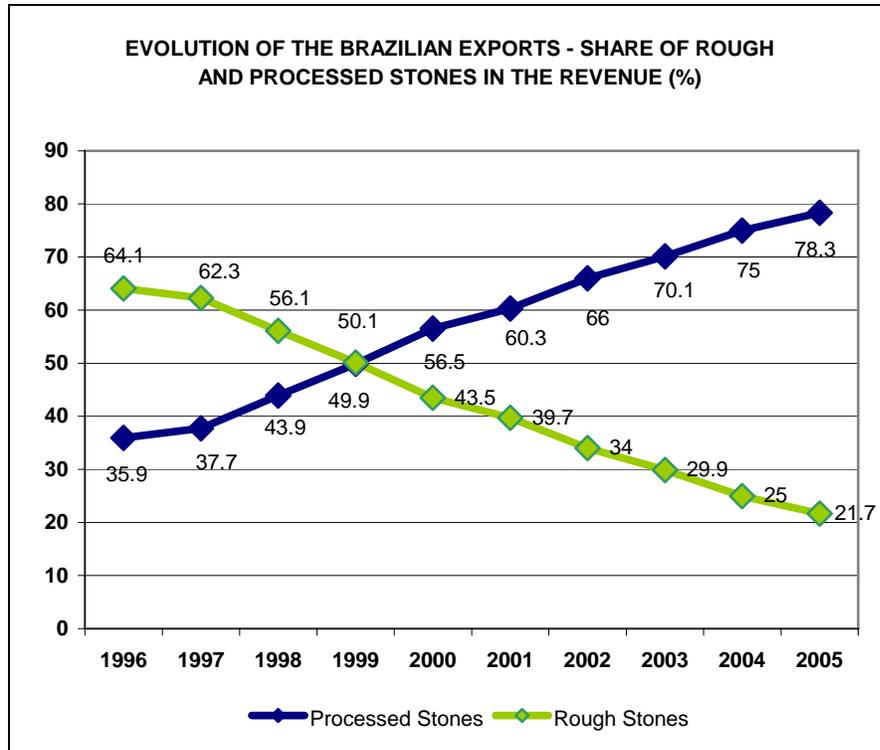
ABIROCHAS is a national entity who represents the dimension and covering stones industry. Founded in 1998 as a Federal Employers' Union, it is formed by ten states employers' unions and by companies all around Brazil.

The development of integrated activities at the dimension stones industry productive chain is relatively new in Brazil. The works in the quarries began in the 40s, but the export process only began in the 80s.

The Brazilian dimension stones industry, nowadays, is made of around 12,000 companies responsible for 130,000 direct jobs and US\$ 3 billions/year in domestic foreign trade transactions. Brazilian exports in the dimension stones industry were US\$ 790 million in 2005 and are expected, in 2006, to exceed US\$ 1 billion, which would represent 0.8% of total Brazilian exports.

<b>THE DIMENSION OF THE BRAZILIAN STONE SECTOR – 2005</b>
▪ <b>6.9 million tons of dimension stones produced;</b>
▪ <b>1,000 varieties sold in the domestic and overseas markets;</b>
▪ <b>1,800 dimension stone quarries;</b>
▪ <b>12,000 companies operating in the production chain;</b>
▪ <b>130,000 direct jobs in the sector;</b>
▪ <b>Production capacity of 60 million m<sup>2</sup> a year of special processed stones;</b>
▪ <b>Domestic consumption of 58 million m<sup>2</sup> (27 kg per capita), including simple processed stones;</b>
▪ <b>US\$ 790.0 million and 2.16 million tons exported;</b>
▪ <b>Growth of 31.5% in value and 17.2% in volume of exports in the 2004-2005 period;</b>
▪ <b>Exports of 14.9 million m<sup>2</sup> equivalent of granite and marble slabs (2 cm thick);</b>
▪ <b>More than 700 exporting companies (overseas sales to more than 130 countries);</b>

At global level, Brazil, particularly in the granite stones segment, is one of the top five dimension stones producers and exporters, being China and Italy our major competitors in the value added processed stone market.

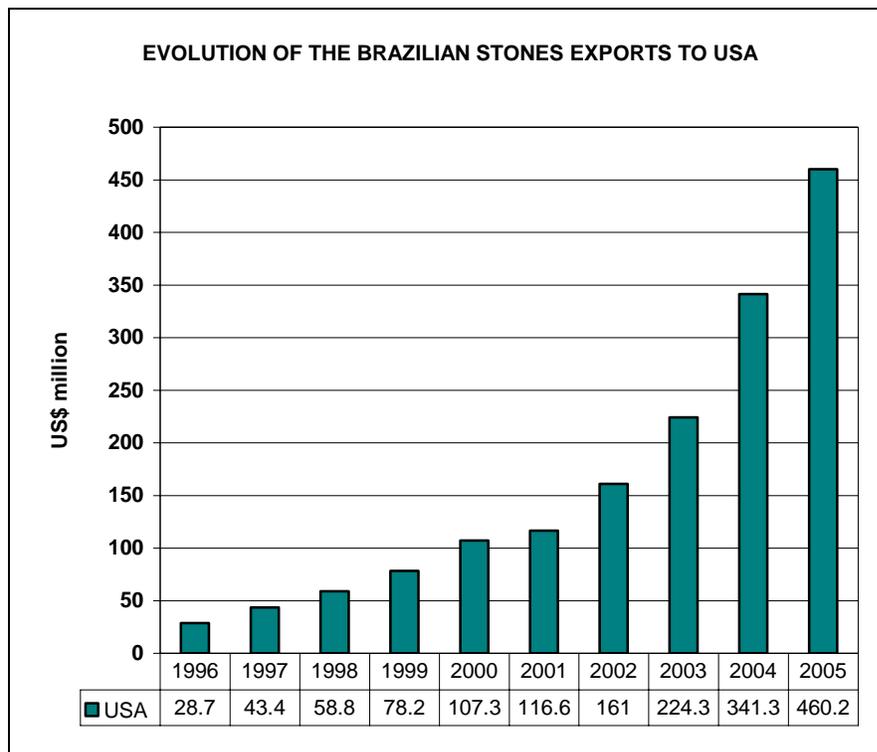


## II. GSP effects on furthering the economic development of Brazil: the dimension stones industry experience

GSP effects are truly significant on furthering the economic development of the dimension stones industry since it represents 26% of this industry exports to the United States.

Brazilian exports in dimension Stones summed US\$ 790 millions in 2005. It is important to mention that 58.3% of the revenue invoiced and 30.7% of the constitution volume exported were addressed to the United States market, which answers for 85% of Brazil's granite slab exports, which, in turn, represent 68% of Brazil's total stones exports.

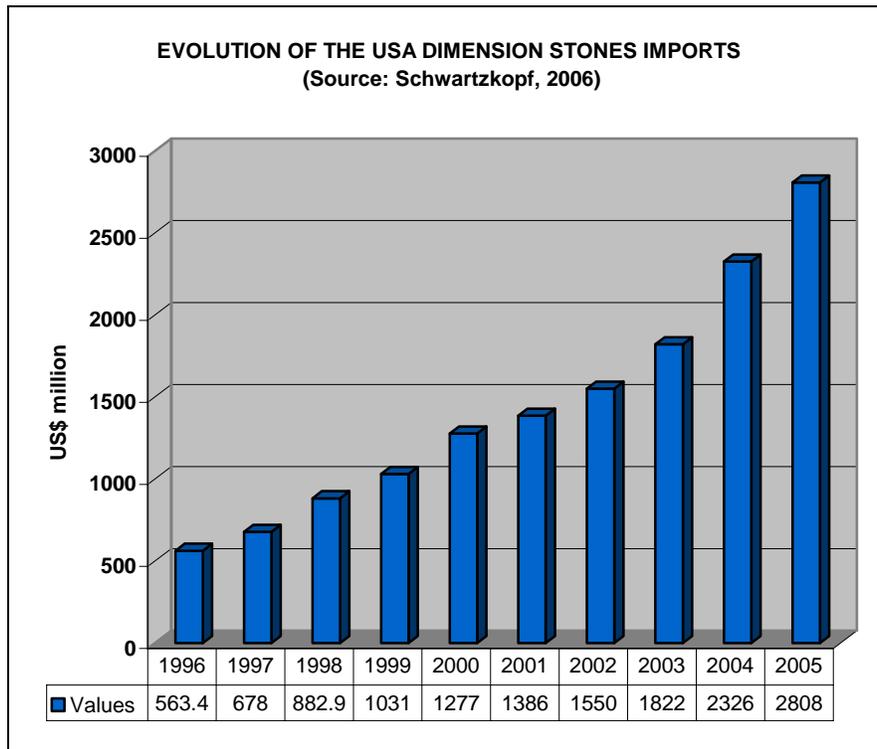
DIMENSION STONES PRODUCTS BENEFITED BY THE GSP		
HTSUS	Description	MFN Duty
68021000	Tiles/cubes/similar arts. of natural stone, enclosable in a sq. w/a side less than 7 cm; artificially colored granules, chippings & powder	4.8%
68022110	Monumental or building stone & arts. thereof, of travertine, simply cut/sawn, w/flat or even surface	4.2%
68022150	Monumental or building stone & arts. thereof, of marble & alabaster, simply cut/sawn, w/flat or even surface	1.9%
68022200	Monumental or building stone & arts. thereof, of calcareous stone, nesoi, simply cut/sawn, w/flat or even surface	4.9%
68022300	Monumental or building stone & arts. thereof, of granite, simply cut/sawn, w/flat or even surface	3.7%
68022900	Monumental or building stone & arts. thereof, of stone, nesoi, simply cut/sawn, w/flat or even surface	6.0%
68029105	Marble slabs, further worked than simply cut/sawn	2.5%
68029115	Monumental or building stone & arts. thereof (o/than slabs), of marble, further worked than simply cut/sawn, nesoi	4.9%
68029120	Monumental or building stone & arts. thereof, of travertine, dressed or polished but not further worked, nesoi	4.2%
68029125	Monumental or building stone & arts. thereof, of travertine, further worked than dressed or polished, nesoi	3.7%
68029125	Monumental or building stone & arts. thereof, of travertine, further worked than dressed or polished, nesoi	3.7%
68029130	Monumental or building stone & arts. thereof, of alabaster, further worked than simply cut/sawn, nesoi	4.7%
68029200	Monumental or building stone & arts. thereof, of calcareous stone, nesoi, further worked than simply cut/sawn, nesoi	4.9%
68029900	Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi	6.5%



MAIN EXPORTED PRODUCTS OF DIMENSION STONES – BRAZIL 2005			
Description	Revenue (US\$ million)	Growth (2004/2005)	Participation in the Brazilian Stone Exports
Processed granite slabs and finished products	508,49	+44.92%	64.37%
Blocks and rough granite slabs	155,24	+13.07%	19.65%
Slates	68.76	+13.54%	8.70%
Simple finished stones	27.25	+17.36%	3.45%
Massive quartzite	11.87	+56.00%	1.51%
Soapstone	8.04	+31.16%	1.02%
Total	779.95	+31.50%	98.73%

United States is a major processed stone importer, and Brazil, as a United States partner, is its second largest stones provider and first granite provider.

The importance of the Brazilian granite to the United States real estate market can be illustrated by the fact that granites represented, in 2005, 45% of the stones imports, of which Brazil answered for 31%.



Moreover, it should be considered the five major United States granite providers in the stones industry, in order: Brazil (31.0%), Italy (24.0%), China (18.0%) and India (15.0%).

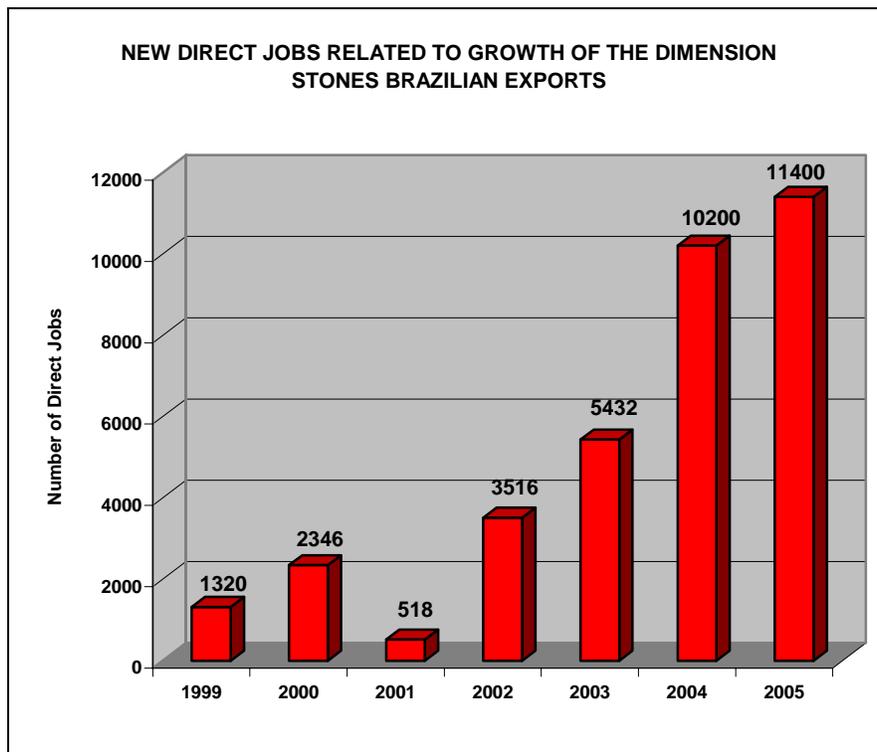
MAIN SUPPLIERS OF GRANITES TO THE USA MARKET					
1996			2005		
1°	Italy	US\$ 69 millions	1°	Brazil	US\$ 398 millions
2°	Canada	US\$ 28 millions	2°	Italy	US\$ 298 millions
3°	India	US\$ 23 millions	3°	China	US\$ 223 millions
4°	Brazil	US\$ 21 millions	4°	India	US\$ 195 millions
5°	Spain	US\$ 8 millions	5°	Canada	US\$ 47 millions

### III. The importance of GSP to the dimension stones industry economic development and competitiveness

The stones industry is largely based on small firms and has a high workforce being a fundamental industry for the Brazil's development.

#### a) Employment

The removal from GSP would represent losses to the whole production chain of the industry, and, as a consequence, from the 130 thousand direct jobs that the sector generates, all employees engaged in the export business, representing around 30 to 35 thousand jobs, would be affected.



There are dimension stones export firms already in 23 of the 26 Brazilian states. There are 18 quarry clusters at 80 cities and 10 Brazilian states and 1800 quarries, responsible for 6.9 million tones/year.



The eventual change of GSP, will negative affect real poor Brazilian regions, as South of Bahia, which the dimension stone industry represents an effective social inclusion agent.



## b) Investments

In the past five years, it is estimated, in particular to meet the United States market needs, that the dimension stones industry invested at least US\$ 150 millions/year in technology, human resources and industrial facilities, as gang-saws shops, belt polishers, bridge-saws and shape cutters. These investments and all the mineral-industry chain will be adversely affected by the removal from GSP.

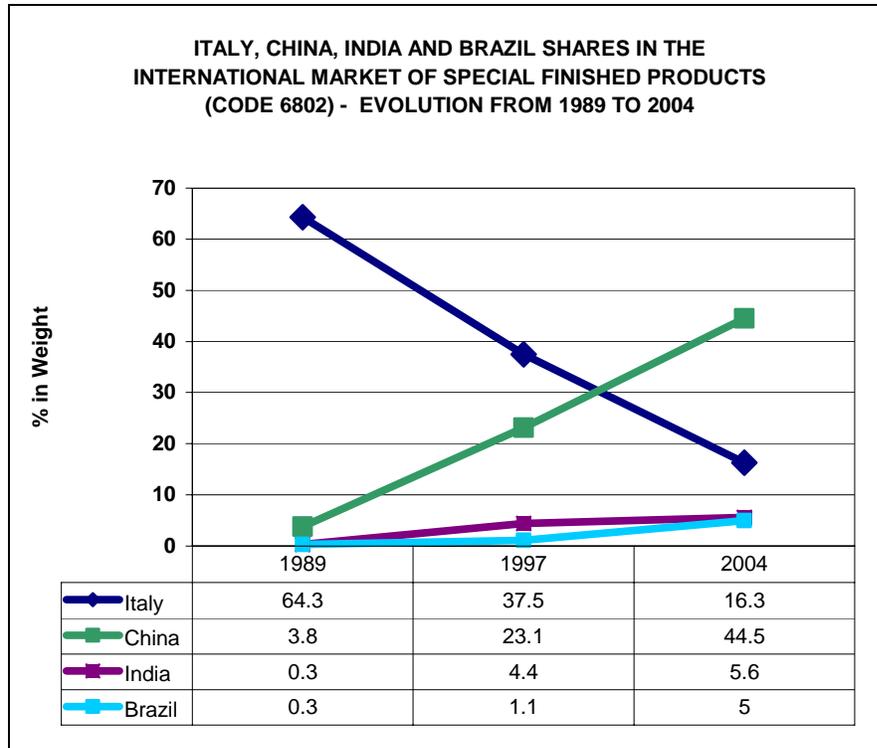
## c) Least Developed Countries versus China

If Brazil were to lose GSP benefits, U.S. companies and importers will look globally for the best supplier at the lowest cost-suppliers that may not necessarily be other GSP beneficiaries. Indeed, in today's highly competitive markets, China is likely to be the chief winner from such graduation and not the Least Developed Countries.

China, for example, imported 342.7 thousand tones of Brazilian granite blocks in 2005, capable of generating something around 4.2 millions m<sup>2</sup> granite slabs. This value corresponds to 35.9% of Brazilian slabs exports to United States, at the same period.

The GSP lost would represent a huge lost of competitiveness in this market, since Brazil would not be able to produce the same quantity of granite slabs and, as a result, would sell even more granite blocks to China. This Brazilian granite "made in China" would negatively reflect the American consumer who would buy the same product at a higher price.

China has been corresponding to the growth rate in stones exports to United States. As an example, China in the international market of *special finished and semi-finished dimension stones* corresponded to 3.8% in 1989 and 44.5% in 2004. In the other hand, Brazil, at the same period, increased from 0.3% to 5.3%.



#### d) Importance for the US of keeping Brazil in GSP

The dimension stone industry, as was told above, exports granite slabs- which is an intermediate good, to the United States. This granite slabs are customized by fabricators to attend consumer needs, as counter tops and vanity tops.

This can be considered the strongest argument in favor of the GSP maintenance to Brazil, since Brazilian granite slabs exports are not only responsible for local direct jobs, but both American firms and consumers benefit from the acquisition of goods at lower prices due to the preferences. In case of limitation or withdrawal of GSP benefits granted to Brazil, distributors, installers and fabricators firms would be severely damaged, consequently resulting loss of American jobs that are important for the well-being of various regions in the country.

#### IV. Conclusion

While it is certainly true that GSP was born of a desire to provide a way to assist developing countries to become competitive producers and exporters, over time the program has also evolved into an important contributor to American competitiveness. Therefore, we from the Brazilian Association for Dimension Stones Industry urge USTR to maintain the GSP benefit to Brazil.

**BEFORE THE OFFICE OF THE  
UNITED STATES TRADE REPRESENTATIVE**

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In the Matter of :  
Generalized System of Preferences (GSP) :  
Request for Public Comments :  
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Comments on behalf of  
Affinia Group Inc.

September 5, 2006

**BARNES, RICHARDSON & COLBURN**  
303 East Wacker Drive  
Suite 1100  
Chicago, Illinois 60601  
dforgue@brc-chi.com

These comments are filed on behalf of Affinia Group, Inc. (“Affinia”) of Ann Arbor, Michigan in response to the request for public comments in Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments, 71 Fed. Reg. 45079 (August 8, 2006). As discussed further below, Affinia supports the continuation of GSP benefits for Argentina, Brazil, India, and Venezuela without modification. Affinia believes that the goals of the GSP program will be served by such a continuation. Affinia also believes that the referenced countries are not at a stage of economic development that justifies the modification of their GSP treatment. Affinia also supports the continuation of the CNL waiver with respect to goods imported under tariff provision 8708.39.50 from Brazil.

## **I. BACKGROUND**

Affinia is a global supplier of top quality automotive components for under hood and under vehicle applications. This is a market segment that is extremely competitive. It is also a market segment that has faced serious disruption with major manufacturers in the sector like Tower Automotive, Delphi, and Dana Corporation all filing for bankruptcy protection since 2004. The level of competition in this market segment makes Affinia’s business operations extremely challenging.

In North America the Affinia family of brands includes WIX Filters, Raybestos brand brakes, Aimco Brake Products, McQuay Norris, and Spicer Chassis. South American and European brands include Nakata, Urba, and Quinton Hazell. Affinia has operations in 19 countries, employing over 11,000 people. Affinia’s United States locations include facilities in California, Texas, Illinois, Indiana, Kentucky, Missouri, Oklahoma, Michigan, North Carolina, Pennsylvania, Delaware, South Carolina,

Wisconsin, and Florida. In many of these locations Affinia or its predecessor companies have been an important part of the community for decades.

Among the 19 countries in which Affinia operates are Argentina, Brazil, India, Uruguay, and Venezuela. Affinia also operates extensively in the Europeans Union, as well as North America.

## **II. COMMENTS**

As a preliminary matter, Affinia strongly supports the reauthorization of the GSP program. In addition, and as discussed below, Affinia strongly supports the continuation of Argentina, Brazil, India, and Venezuela as GSP beneficiary countries. Affinia understands that the criteria for withdrawal, suspension, or limitation of country eligibility for GSP are found in 19 U.S.C. § 2462(d). These include:

- (1) the effect such action will have on furthering the economic development of developing countries through their exports;
- (2) the extent of the beneficiary developing country's competitiveness with respect to eligible articles; and
- (3) a country's level of economic development, including per capita gross national product, the living standards of its inhabitants, and any other factor the President deems appropriate.

Reviewing these criteria with respect to Argentina, Brazil, India, and Venezuela, Affinia believes that continuation of GSP benefits for these countries is warranted. Furthermore, Affinia believes that the larger goals of the GSP program will be served by continuing to treat these countries as GSP eligible, as the positive economic development of these countries acts as a spur and a magnet to the economic development of their lesser

developed regions. Affinia first addresses the general goals of the GSP program, then conditions in the individual countries, and finally its support for the CNL waiver for goods imported under HTSUS 8708.39.50 from Brazil.

**A. The Goals of the GSP Program**

As discussed further below, Affinia believes that any changes to the operation of the GSP should be based on helping to maximize the extent to which current and future GSP transactions help beneficiary developing countries (“BDCs”) gain development, jobs, and stability, rather than regarding GSP as a zero-sum program and removing GSP treatment from countries that have utilized the program successfully in the past. A strategy based on maximizing current and future GSP transactions would be in keeping with the United States’ goal of assisting BDCs in using trade to promote their economic development, regardless of whether that trade is directly with the United States.

Consequently, Affinia does not believe that removing GSP treatment from countries that currently utilize the GSP program will do so. Instead, Affinia believes that the United States should consider any of a number of proposals designed to enhance the utility of the GSP program to more countries. An example of such a proposal, the United Nations Conference on Trade and Development (“UNCTAD”) publication Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements, UNCTAD/ITCD/TSB/2003/8 (2003) makes four suggestions to improve the utility of the GSP program. These are: (1) extend coverage to all products; (2) extend the time frame of GSP preferences to provide stability; (3) adopt a harmonized import percentage criterion; and (4) enlarge the scope of cumulation to all countries. *Id.* at 111.

Affinia believes that the second and fourth UNCTAD suggestions in particular have the potential to assist BDCs in using trade to promote their economic development. Extending the time frame for GSP preferences helps BDCs attract investment because it allows investors stability and predictability in their interactions with the United States. The longer time frames provided for the African Growth and Opportunity Act (“AGOA”) are an important benefit to AGOA countries. They can seek investment from abroad, and develop industries internally with the knowledge that AGOA benefits will not expire as often as GSP benefits do, and will not become subject to political delays and pressures as often as GSP benefits. All GSP countries would benefit from an extended time frame for GSP benefits.

In addition, UNCTAD’s fourth suggestion—enlarging the scope of cumulation to all countries—would likely be a particularly useful change to the GSP program that would maximize the utility of the program for countries that do not currently receive substantial benefits from program. Currently, the GSP regulations indicate that certain associations of countries designated by the President are treated as a single country for purposes of establishing GSP benefits. This means, among other things, that all of the materials, labor, etc. from a country in a designated association may be applied to the 35% calculation necessary for most GSP goods to meet the origin criteria for GSP benefits. Thus, if Bolivian copper is used to produce a good in Venezuela, the value of the Bolivian copper may be included in the calculation of the 35% of appraised value necessary for the Venezuelan good to be granted duty-free access to the United States under GSP. This is potentially a boon to Bolivian copper producers, as they may not have customers in the United States, but still benefit from GSP insofar as their Venezuelan

customer benefits from the added value the Bolivian copper brings, and duty free access to the United States market. In such situations, the United States import documentation shows “Venezuela” as the country of origin, but the benefit provided by GSP has rippled through the Andes.

Unfortunately, the list of associations of countries designated by the President for treatment as a single entity reflects very limited coverage of countries surrounding the biggest users of GSP listed in the TPSC’s notice. For instance, there are no designated associations of countries that include Argentina or Brazil. Thus, materials used in Brazil by Affinia that may, for instance, be sourced in Bolivia, Peru, Columbia, Ecuador, Uruguay, Paraguay, Argentina, or any of Brazil’s other GSP-eligible neighbors, are not counted into the 35% calculation that Affinia typically must undertake. As such, there is a disincentive for Affinia, or any similarly situated company, to seek out and cultivate sources in these countries. Thus, when a Brazilian automotive component enters the United States under GSP, it is less likely that the GSP benefit will have rippled across South America. This is true even though some of the countries closest to Brazil are in dire need of economic development.

Furthermore, even where countries that are major users of GSP are included in a designated association of countries, the benefits of this listing may not be as broad as possible. Thus, although Venezuela is a member of the Andean group, inputs from a regional least developed country (“LDC”) like Haiti could not be included in the 35% calculation for a Venezuelan manufacturer since Haiti is not part of the Andean group. Thus, the GSP program creates a limited incentive for manufacturers in countries

successfully using the GSP program to source from countries that have not historically benefited significantly from GSP.

Affinia believes that the UNCTAD proposals are only one means of making the GSP program work more effectively for all beneficiary countries. Other programs and proposals could also achieve this goal. However, Affinia believes that removing the GSP benefit from countries that successfully utilize the GSP now to export to the United States will have the effect of depressing development in the countries from which GSP treatment is removed, as well as, in some cases, their neighboring regions. While it is unlikely that major manufacturing facilities will leave countries because of the loss of GSP, it is likely that new investment and sourcing will flow to other established locations, rather than to BDCs that have no established manufacturing facilities or experience. As such, this would be more likely to increase investment in countries that either already have substantial GSP exports to the United States, or countries like China that are substantial trade partners of the United States without the benefit of GSP.

#### **B. Argentina**

Affinia believes that application of the criteria of 19 U.S.C. § 2462(d) weighs in favor of retention of GSP benefits for Argentina. Argentina is an upper-middle-income country in 2005, and did account for 0.38% of world exports in 2004. However, utilizing WTO and World Bank data with regard to Argentina makes clear that Argentina is barely an upper-middle-income country, and that it is not at an economic stage of development that justifies graduation from the GSP program.

First, while Argentina's Gross National Income ("GNI") per capita is reported as \$4470 by the World Bank, it must be noted that this is barely above the \$3466 GNI per

capita used by the World Bank to define the lower threshold of upper-middle-income countries. Furthermore, while Argentina is currently a middle-upper-income country, its GNI per capita in recent years has fluctuated broadly.<sup>1</sup> By some measures Argentina's GNI per capita is roughly one-half its GNI per capita in 1995, and as recently as 2000 stood at \$7470.<sup>2</sup> Thus, the fact that Argentina is barely within the range of upper-middle-income countries in 2005 should not be taken as a sign of the positive progress in Argentina's development. Instead, these figures are a clear indication that Argentina will need the benefits of the GSP program if it is to regain its status as a country in the middle of the upper-middle-income countries.

In addition, while Argentina is a significant user of the GSP program, it is important to keep the scope of the benefit of GSP to Argentina in context. In 2004 the value of all GSP imports from Argentina into the United States was \$562,858,000. In 2004 Argentina's population was roughly 38,226,000. Thus, on a per capita basis the value of products shipped to the United States by Argentina was under \$15. By contrast, the per capita value of Chinese shipments to the United States in 2005 was about \$186. Thus, the societal penetration of GSP benefits into the Argentine economy is very shallow, and not supportive of graduation from the GSP program.

Finally, Affinia notes that one of the goals the TPSC has previously indicated for the GSP program is to broaden participation and distribution of the benefits of the program. Affinia believes that Argentina's economic development will be hurt by

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<sup>1</sup> See e.g. Valdovinos, Carlos Fernandez, "Growth Inequality, and Social Equity in Argentina" *En Breve* (World Bank) available at [http://www-wds.worldbank.org/external/default/WDSContentServer/TW3P/IB/2005/12/16/000160016\\_20051216133202/Rendered/PDF/346450ENGLISH082NOV05ARGrowth.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/TW3P/IB/2005/12/16/000160016_20051216133202/Rendered/PDF/346450ENGLISH082NOV05ARGrowth.pdf) (last visited September 5, 2006).

<sup>2</sup> Argentina Data Profile 2000-2004 (World Bank) available at <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=ARG> (last viewed September 5, 2006).

graduating Argentina from the GSP program. It is likely that without the benefit of GSP eligibility it is likely that a large percentage of articles currently sourced in Argentina would most likely be sourced in China. Affinia does not believe that it would be feasible to seek sources for imported goods from other less developed countries such as Paraguay or Bolivia if Argentina ceased to be a GSP country. However, for many articles China has shown the ability and capacity to manufacture the goods at very attractive prices.

In light of the above data, Affinia believes that it is clear that graduating Argentina from the GSP program would be detrimental to the country's economic development, as it would likely lessen exports dramatically over a number of years. Affinia also believes that an important element in Argentina's competitive position is its GSP eligibility. Finally, Affinia believes that the data show that Argentina is not at a stage in its economic development, whether measured in terms of GNI per capita, or other measures, that makes graduation from GSP appropriate at this time.

### **C. Brazil**

Affinia believes that, as was true in the case of Argentina, the application of the criteria of 19 U.S.C. § 2462(d) weighs in favor of retention of GSP benefits for Brazil. Brazil was a lower-middle-income country in 2005, and accounted for 1.05% of world exports in 2004. However, Brazil also bears a tremendous debt burden, qualifying as a "severely indebted" country under World Bank definitions in 2003.<sup>3</sup> Utilizing WTO and World Bank data with regard to Brazil makes clear that Brazil is not at an economic stage of development that justifies graduation from the GSP program.

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<sup>3</sup> See Classification of Economies (World Bank) available at <http://siteresources.worldbank.org/INTRGEP2004/Resources/classification.pdf> for a list of economies organized by income and debt (last viewed September 5, 2006).

As Brazil's GNI per capita figures (\$3000 in 2004) make clear, Brazil's economic development has not yet generated very significant per capita wealth for its population. Perhaps more importantly, Brazil has experienced broad fluctuations in its GNI similar to Argentina's. For instance, as recently as 2000 Brazil's GNI per capita was \$3590. In 2003 this figure had dropped to \$2680.<sup>4</sup> These figures are a clear indication that Brazil, far from possessing an economy on a clear upward development path, is an economy still struggling to achieve the level of GNI per capita it had six years ago. This is not the profile of a country prepared for GSP graduation.

In addition, while Brazil is a significant user of the GSP program, it is important to keep the scope of the benefit of GSP to Brazil in context. In 2004 the value of all GSP imports into the United States from Brazil was \$3,167,779,000. In 2004 Brazil's population was roughly 178,718,000. Thus, on a per capita basis the value of products shipped to the United States by Brazil was under \$18. This is a greater per capita penetration than Argentina has achieved, but is still one tenth the 2005 value of per capita value of Chinese shipments to the United States in 2005 was about \$186. Thus, the societal penetration of GSP benefits into the Brazilian economy is very shallow, and not supportive of graduation from the GSP program.

Finally, Affinia notes that one of the goals the TPSC has previously indicated for the GSP program is to broaden participation and distribution of the benefits of the program. Affinia believes that Brazil's economic development will be hurt by graduating Brazil from the GSP program. It is likely that without the benefit of GSP eligibility it is likely that a large percentage of articles currently sourced in Brazil would most likely be

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<sup>4</sup> Brazil Data Profile 2000-2004 (World Bank) available at <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=BRA> (last viewed September 3, 2006).

sourced in China. Affinia does not believe that it would be feasible to seek sources for imported goods from other less developed countries such as Paraguay or Bolivia if Brazil ceased to be a GSP country. However, for many articles China has shown the ability and capacity to manufacture the goods at very attractive prices.

In light of the above data, Affinia believes that it is clear that graduating Brazil from the GSP program would be detrimental to the country's economic development, as it would likely lessen exports dramatically over a number of years. Affinia also believes that an important element in Brazil's competitive position is its GSP eligibility. Finally, Affinia believes that the data show that Brazil is not at a stage in its economic development, whether measured in terms of GNI per capita, or other measures, that makes graduation from GSP appropriate at this time.

#### **D. India**

Like Argentina and Brazil, India is a large user of the GSP program, with over \$4,179,276,000 in GSP imports from India, and roughly 0.82% of the world's exports. However, this analysis of raw dollar values and world export percentages create a deeply distorted picture with regard to India because of India's enormous size. It also does not account for the fact that India is the sole low-income country on the list of countries referenced in this Federal Register notice. GNI per capita in India stands at \$620 in 2004.

India currently has a population of approximately 1.1 billion people.<sup>5</sup> Thus, roughly one person in six worldwide is a resident of India. The population of India

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<sup>5</sup> Trade Profiles: India 2005 (World Trade Organization) available at <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=IN> (last viewed September 5, 2006).

represents roughly 17% of the world total.<sup>6</sup> However, India's total share of world exports represents just 0.82% of the world total. Factoring India's size into its percentage of world exports, India's share of world exports can be seen as almost negligible. In contrast China, with a similar population to India's, had 6.46%<sup>7</sup> of the world's exports in 2004—a figure that has surely increased in the interim.

Furthermore, while the value of Indian exports to the United States under the GSP program exceed \$100 million, utilization of the program by India constituted less than \$4 per capita in 2005.<sup>8</sup> Therefore, while the volume of Indian GSP-eligible imports is high, India's utilization is extremely low. In addition, GSP-eligible imports from India represented roughly 22% of the total import value into the United States from India in 2005. Given the low penetration of the GSP program into Indian manufacturing, as well as India's wildly disproportionately small share of world exports, removing the GSP benefit from such a proportion of India's already meager exports is not likely to assist India's future development through exports.

In addition, Affinia notes that one of the goals the TPSC has previously indicated for the GSP program is to broaden participation and distribution of the benefits of the program. Affinia believes that India's economic development will be hurt by graduating India from the GSP program. It is likely that without the benefit of GSP eligibility it is likely that a large percentage of articles currently sourced in India would most likely be sourced in China. Affinia does not believe that it would be feasible to seek sources for

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<sup>6</sup> See *Total Midyear Population of the World 1950-2050*, (United States Census Bureau) available at <http://www.census.gov/ipc/www/worldpop.html> (last viewed September 5, 2006).

<sup>7</sup> *Trade Profiles: China 2005* (World Trade Organization) available at <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN> (last viewed September 5, 2006).

<sup>8</sup> United States International Trade Commission data indicates that the value of Indian imports into the United States with GSP eligibility was \$4,179,276,000 in 2005.

imported goods from other less developed countries such as Bangladesh or Sri Lanka if India ceased to be a GSP country. However, for many articles China has shown the ability and capacity to manufacture the goods at very attractive prices. In fact, in manufacturing terms, China is already India's greatest rival.

Finally, in addition to aiding its own economy, the GSP benefits accorded to India also play a role in benefiting the surrounding economies. India is part of the South Asian Association for Regional Cooperation; goods produced in India can include Bangladeshi, Bhutanese, Nepalese, Pakistani, and Sri Lankan content toward the 35 percent value-added GSP requirement. India's GSP status, therefore, provides an incentive for manufacturers in India to look to those neighboring lesser-developed countries for suppliers rather than more developed low cost supplier countries such as China. Thus, removing India from GSP could take business from these least developed beneficiary developing countries ("LDCs"), which is contrary to the original intent of GSP. In this context, it is not likely that a company would relocate an established factory from India to Bangladesh, for example. However, if India loses GSP, it is very likely that Indian companies would lose their incentives to use Bangladesh as a supplier for materials to be used in the production of goods for export to the United States, and China would likely be a low cost alternative. Thus, if the goal of the TPSC is to promote trade in the least developed countries, removing GSP for India defeats this goal.

In light of the above data, Affinia believes that it is clear that graduating India from the GSP program would be detrimental to the country's economic development, as it would likely lessen exports dramatically over a number of years. Affinia also believes that an important element in India's competitive position is its GSP eligibility. Finally,

Affinia believes that the data show that India is not at a stage in its economic development, whether measured in terms of GNI per capita, or other measures, that makes graduation from GSP appropriate at this time.

#### **E. Venezuela**

Affinia believes that application of the criteria of 19 U.S.C. § 2462(d) weighs in favor of retention of GSP benefits for Venezuela as it does for Argentina, Brazil, and India. Venezuela is an upper-middle-income country in 2005, and did account for 0.42% of world exports in 2004. This number was likely artificially inflated by Venezuela's exports of petroleum. However, utilizing WTO and World Bank data with regard to Venezuela makes clear that Venezuela's status as an upper-middle-income country is tenuous, and that it is not at an economic stage of development that justifies graduation from the GSP program.

First, while Venezuela's Gross National Income ("GNI") per capita is reported as \$4030<sup>9</sup> by the World Bank, it must be noted that this is barely above the \$3466 GNI per capita used by the World Bank to define the lower threshold of upper-middle-income countries. Furthermore, while Venezuela is currently a middle-upper-income country, its GNI per capita is susceptible to rapid changes, since the world price of oil has a disproportionate impact on the value of Venezuelan GNI.<sup>10</sup> Thus, Venezuela's status as an upper-middle-income country does not reflect a successful development strategy with a diverse and developed economy, but rather, the distorting effect of petroleum on the

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<sup>9</sup> Venezuela Data Profile 2000-2004 (World Bank) available at <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=VEN> (last viewed September 3, 2006).

<sup>10</sup> "Annual Statistics Bulletin 2004" (OPEC) at Table 3 available at <http://www.opec.org/library/Annual%20Statistical%20Bulletin/pdf/ASB2004.pdf> showing GDP in relation to oil prices for OPEC members (last viewed September 5, 2006).

economy. Therefore, Venezuela will continue to need the benefits of the GSP program if it is to develop an economic base able to provide development for its population.

In addition, while Venezuela is a significant user of the GSP program, it is important to keep the scope of the benefit of GSP to Venezuela in context. In 2004 the value of all GSP imports from Venezuela into the United States was \$815,403,000. In 2004 Venezuela's population was roughly 26,127,000. Thus, on a per capita basis the value of products shipped to the United States by Venezuela was roughly \$30. As mentioned previously, the per capita value of Chinese shipments to the United States in 2005 was about \$186. Thus, the societal penetration of GSP benefits into the Venezuelan economy is very shallow, and not supportive of graduation from the GSP program.

Finally, Affinia notes that one of the goals the TPSC has previously indicated for the GSP program is to broaden participation and distribution of the benefits of the program. Affinia believes that Venezuela's economic development will be hurt by graduating Venezuela from the GSP program. It is likely that without the benefit of GSP eligibility it is likely that a large percentage of articles currently sourced in Venezuela would most likely be sourced in China. Affinia does not believe that it would be feasible to seek sources for imported goods from other less developed countries such as Bolivia or Peru if Venezuela ceased to be a GSP country. However, for many articles China has shown the ability and capacity to manufacture the goods at very attractive prices.

In light of the above data, Affinia believes that it is clear that graduating Venezuela from the GSP program would be detrimental to the country's economic development, as it would likely lessen exports dramatically over a number of years. Affinia also believes that an important element in Venezuela's competitive position is its

GSP eligibility. Finally, Affinia believes that the data show that Venezuela is not at a stage in its economic development, whether measured in terms of GNI per capita, or other measures, that makes graduation from GSP appropriate at this time.

**F. CNL Waiver for 8708.39.50 from Brazil**

Affinia understands that based on current trade data, imports from Brazil under HTSUS provision 8708.39.50 substantially exceed the \$120 million threshold for 2005. However, Affinia supports continuation of the CNL waiver because Affinia believes that it is unlikely that a United States industry would be adversely affected by continuation of the waiver, and that continuation of this waiver is in the economic interest of the United States.

Affinia believes that the considerations set forth in 19 U.S.C. §§ 2461 and 2462(c) support the continuation of this CNL. First, Affinia notes that exports from Brazil to the United States of goods under HTSUS 8708.39.50 represent roughly 18% of the total Chapter 87 shipments from Brazil to the United States.<sup>11</sup> These same figures show that Chapter 87 exports from Brazil constitute just over 10% of the value of all Brazilian shipments to the United States. Thus, shipments under this CNL are an important component of a significant portion of Brazil's exports to the United States. Consequently, removing the GSP benefits from these products is likely to have a disproportionate negative impact on furthering the economic development of Brazil through the expansion of its exports.

In addition, Affinia believes that the anticipated impact on United States producers of like or directly competitive products of removing the CNL waiver for

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<sup>11</sup> ITC data reflects \$241,751,000 in 2005 import value for 8708.39.50 in 2005, and \$1,321,267,000 in total Chapter 87 value for 2005.

shipments under 8708.39.50 from Brazil would be negative. Affinia believes that a very significant portion of the shipments from Brazil under this provision are made to the same United States companies that also produce like products. For many of these companies, Brazilian manufacturing has been integrated into their sourcing, and represents a resource, rather than negative competition. As such, removing the CNL waiver would actually harm these United States companies, rather than assist them.

Third, with regard to the extent to Brazil's competitiveness with respect to goods of 8708.39.50, Affinia notes that goods classifiable under this provision face the same intense pressure that all other goods in the automotive components industry face. The list of the five largest (by value) supplying countries for these articles in 2005 is: (1) Canada; (2) Mexico; (3) Japan; (4) China; and (5) Brazil. The goods of Canada and Mexico already enjoy duty-free entry into the United States under the North American Free Trade Agreement. The goods from Japan enjoy the structural advantage of supplying the growing Japanese transplant manufacturing market in many instances. Thus, if Brazil were to lose its CNL waiver for these products, it would be competing directly with China as the two countries without benefit of GSP eligibility, and without the benefit of supplying a domestic/transplant automotive sector. Affinia does not believe that Brazil would be able to compete directly with China over time for these goods under those conditions.

Finally, the criterion of §2462(c)(4) has been discussed above, and need not be completely rehashed here. However, as discussed above, Brazil has not reached a point of steady, sustainable economic growth, and continues to have economic indicators

indicative of a country that benefits from the GSP, rather than one prepared to be graduated from the GSP program.

### **III. CONCLUSION**

For the reasons stated above, Affinia supports continuation without change in the GSP eligibility for Argentina, Brazil, India, and Venezuela. Affinia does not believe that the goals of the GSP program would be met by graduating these countries from GSP eligibility, and does not believe that the economic data for these countries merits their graduation.

Affinia also believes that the CNL waiver for goods imported under HTSUS 8708.39.50 from Brazil should be retained. Retention of this waiver would assist Brazil's development, and would not harm United States producers of like products.

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

Very truly yours,

**BARNES, RICHARDSON & COLBURN**

By: /s/ David G. Forgue

David G. Forgue

## “2006 – Eligibility and CNL Waiver Review”

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

Alstom Brasil Ltda is a subsidiary of a French Multinational Company, located in Taubate and São Paulo Cities, State of São Paulo, Southwest region in Brazil, manufacturing equipment for infrastructure, such as Generator and Hydraulic Turbines for Hydro Power Station, rolling stock and signaling equipment to metros . Our factories employ around 2,600 people (Aug/06).

Our products are included on GSP program, in the following HS CODE:

### HS CODE Description of Goods

84101100	Hydraulic Turbines and Water Wheel of a power not exceeding 1,000 kW
84101200	Hydraulic Turbines and Water Wheel of a power exceeding 1,000 kW but not exceeding 10,000 kW
84101300	Hydraulic Turbines and Water Wheel of a power exceeding 10,000 kW
84109000	Parts, including regulators of hydraulic turbines and Water Wheel
84818090	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like , other than hand operated
84833040	Bearing housing of the flange, take-up cartridge and hanger unit tape
85016400	AC Generators (alternators) of an output exceeding 750 kVA
85030020	Commutators suitable for use solely or principally with the machines of heading 8501 or 8502
85030035	Parts of electric motors under 18,65W, stators and rotors
85030065	Stators and rotors for electric motors & generators of heading 8501, nesi
85030075	Parts of electric motors under 18,65W, other than commutators, stators or rotors
85030095	Other parts, nesi, suitable for use solely or principally with the machines in heading 8501 or 8502
86079910	Parts (o/than brake regulators) nesoi, of railway/tramway, non-self-propelled passenger coaches or freight cars
86079950	Parts, nesoi, of railway or tramway rolling stock, nesoi

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GSP offers to our Brazilian Factories an advantage over our Factories in China, in terms of internal competitiveness. The exclusion of Brazil from GSP program, would become Alstom China more competitive than Brazilian one and consequently there will be an express reduction in our market share, due to an internal transference of production to China.

During the period between 2001 through 2006, we have exported equipments to several U.S. Power Station, as listed below:

<b>Project Name</b>	<b>Customer</b>	<b>Scope of Supply</b>
Crystal Power plant Montrose, CO US	Department of the Interior Bureau of Reclamation	One complete Hydro Generator stator
San Francisquito Santa Clarita, CA	Los Angeles Department of Water and Power	One complete Hydro Generator
Shasta Redding, CA	US Department of the Interior Bureau of Reclamation	Two sets of hydro generator components
Glen Canyon Page, AZ	US Department of the Interior - Bureau of Reclamation	Eight sets of hydro turbine components
Rocky Reach Wenatchee, WA	Chelan County Public Utility District	Seven sets of hydro turbine and generator components
Robert Moses Lewiston, NY	New York Power Authority	Three sets of hydro generator components
Garrison Riverdale, ND	US Army - Corps of Engineers	Two sets of hydro generator components
Denison Denison, TX	US Army - Corps of Engineers	One set of hydro generator components
Fort Peck Glasgow, MT	US Army - Corps of Engineers	Two sets of hydro generator components
Arkansas Fort Smith, AK	Arkansas Electric Cooperative Corporation	Three sets of hydro generator components

During the period between 2001 through 2006, we have exported equipments to several U.S. Mass Transit System, as listed below:

<b>Project Name</b>	<b>Customer</b>	<b>Scope of Supply</b>
AMTRAK Surfliner	AMTRAK	62 Doubledeck Passenger Carbody Shell
Comet 5	New Jersey Transit	2655 Passenger Carbody Shell
NYCT R 160	New York City Transit Authority	400 Passenger carbody shell (to be delivered until dec 2007)

GSP is not only relevant for the companies, but also for the whole US, considering the importance of our equipments to US Electricity System and Mass Transit System. GSP program has helped Brazil to expand exports, stimulate a IP protection, fighting against slave and infant work. Brazil has not obtained self sustained economy, but it is on its way due to USA Government had granted to Brasil the participation on GSP. Therefore excluding Brazil as beneficiary of GSP program will affect its development process .

We also want to emphasize that the GSP must continue to preserve Brazil as beneficiary of program, because it is crucial to the competitiveness of our company and our country.

For further clarification, do not hesitate to contact:

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September 5<sup>th</sup> 2006

Amcham Brazil  
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Ms. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the  
Trade Policy Staff Committee  
USTR Annex, Room F-220  
1724 F Street, N.W.  
Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of the American Chamber of Commerce in Brazil (Amcham), we write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed businesses based in Brazil to become reliable suppliers for eligible duty free products for use in the United States.

GSP has contributed positively for the development of Brazil by means of export promotion and, provided that the country has not reached the level of a developed country, it is fundamental that the benefit is maintained. Besides that, the criteria of eligibility of the program encourages the practice of certain measures in important areas for US companies, such as the observance of Intellectual Property Rights. The GSP program has benefited customers in the United States as they import duty free thereby lowering the cost of the products they sell to American consumers.

In addition, stands out the fact that the Brazilian exports do not compete directly with those of LDCs and the exclusion of Brazil will open up possibilities for an increase in Chinese exports. Beyond all the above mentioned points, the exclusion of Brazil will represent foremost a retrogression in the bilateral relation between the US and Brazil.

Established in 1919, Amcham Brazil is the largest bi-national association in Latin America and the largest of 105 American chambers of commerce outside the United States. Its 6800 corporate members represent all sectors of the economy and employ approximately 1.6 million people. With offices in ten major Brazilian cities, Amcham's mission is to serve its members by influencing public policy in Brazil and the U.S. in a constructive manner, to promote trade, investment and corporate citizenship.

Amcham appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system.

Sincerely yours,

Helio Magalhães  
Chairman of the Board  
American Chamber of Commerce in Brazil

Arthur Vasconcellos  
Executive Director  
American Chamber of Commerce in Brazil

## **Why we support the maintenance of Brazil**

### **1) GSP contributes with the development of the country**

The Generalized System of Preferences (GSP) was proposed by the United Nations Conference on Trade and Development (UNCTAD) in 1964 as a mechanism to promote the development of beneficiary countries through the increase of exports. Since the creation of the American GSP, in 1974, the US has contributed in a significant manner to the promotion of exports from the beneficiary countries. The breadth of products covered, primarily industrialized items, the exemption of duties that vary between 0.1% and 29.8% and the facility of the procedure to obtain the benefit, reveals the importance and effectiveness of the program.

Due to the fact that the GSP is a tool created to enhance economic development, we understand that the program is a temporary benefit and that should not be applicable to countries that have achieved the classification of developed countries. Nevertheless, the actual legislation that authorizes the functioning of the American GSP already possesses mechanisms of graduation of countries and certain products.

In Brazil's case, fifty products have already reached the Competitive Need Limitation (CNL), some examples are sugar byproducts, rubber, skin byproducts, ceramics, iron and steel products, mechanical equipment and chemical organic and inorganic products. It is important to highlight that the majority of the Brazilian products that are exported through GSP does not approach the limits established by the CNLs.

#### **Brazilian Products Graduated from the GSP**

16025009	29054200	44121431	72022150
16025020	29061100	44121456	72023000
17011105	29091914	44121940	73072150
17011110	29242116	44122231	73079130
17011120	29333921	44122241	73079150
17011205	33011200	44122936	74072190
17011210	40111010	44122946	74081900
17019105	40111050	44219060	84082020
17019905	40112010	68029300	84082090
17029010	40112050	69101000	84099150
17029040	44121325	69119000	84099991
18061065	44121351	69120044	84133010
28046910	44121391	71069250	85030095
28259015	44121425	72022110	87084050
	87089967		96138040

The level of development of a country is one of the main eligibility criteria of the GSP program According to the World Bank definition, developed countries possess per capita income above US\$10,066. With a per capita income of US\$ 3,000, Brazil ranks as a

country with medium-low income. It is important to highlight that the country still faces serious social-economic problems, specially, social inequality, and possesses one of the lowest Human Development Indexes (HDI) of the region. Brazil ranks 63<sup>rd</sup>, behind countries such as Argentina (34<sup>th</sup>), Chile (37<sup>th</sup>), Uruguay (46<sup>th</sup>), Costa Rica (47<sup>th</sup>), Cuba (52<sup>nd</sup>), Mexico (53<sup>rd</sup>), Panama (56<sup>th</sup>) and Trinidad and Tobago (57<sup>th</sup>).

According to a recent Institute of Applied Economy (IPEA) study, entitled “Brazil: the state of a nation”, exportation has had a positive impact on job creation, contributing effectively to the development of the Brazilian economy.

Approximately one out of every ten Brazilian workers are employed by exporting companies. The study reveals that exporting companies are in fact very dynamic in job creation, having generated approximately 400,000 new direct jobs between 2000 and 2004. The United States is the main destiny of Brazilian exporting companies, totaling 24% of the exports to the US market in 2005. Approximately 14% of these exports or US\$ 3.6 billion, are benefited by duty exemptions granted by the GSP program.

We understand that GSP has contributed in a significant manner to economic development in Brazil, but the country has not reached the level of a developed country. The removal of Brazil from the list of countries eligible for GSP would likely cause a decline in Brazilian exports to the US, its main trade partner and, therefore, result in the reduction of the level of employment and development of the country.

## **2) Maintaining Brazil on the list of GSP eligible countries encourages the practice of measures important to American companies.**

By establishing other criteria of eligibility for the program, the US encourages the practice of measures in key issues for American companies. According to the present legislation, a country can lose partial or total GSP benefits if they do not protect the Intellectual Property Rights (IPR) of American companies, eliminate practices that distort trade, supply a reasonable and fair access for the products and services from the United States and respecting International Labor Law.

After the recent threat of Brazil being removed from the GSP program, because of the need to enhance activities and programs related to Intellectual Property Rights (IPR), both private and public institutions began working in coordination to elaborate programs in this area. In January of 2006, the United States Trade Representative (USTR) decided to maintain Brazil’s GSP benefits due to a continuous improvement in the protection of intellectual property rights.

The Amcham advocates for IPR enforcement in Brazil as much as the maintenance of the GSP benefit, once improvements have continuously been achieved. Since 2005, Amcham leaders have written several articles for Brazilian newspapers and have given interviews on piracy and IPR issues. In the same year, Amcham sent to US authorities information on Brazil’s progress in combating piracy, including a report of Brazil’s National Anti-Piracy Council initiatives. Also, the National Anti-Piracy Council’s President and

Secretary of the Ministry of Justice, Luis Paulo Barreto, participated in the Amcham Seminar “Trade without Borders”, in which we had the opportunity to address private sector concerns on piracy through a private meeting with our Anti-Piracy Task Force. This Task Force decided to promote educational initiatives with the Brazilian population, in particular at the state level during 2006.

We acknowledge the advances of the Brazilian Government with regards to Intellectual Property Rights in the National Institute of Industrial Property (INPI) with the hiring of new employees, adequate budgeting and a fully computerized process for trademark registration.

With regards to copyrights, the National Anti-Piracy Council developed a National Action Plan that successfully increased enforcement and raised society’s awareness, through, for instance, national educational campaigns.

Other IPR matters such as reverse linkage of patents from Regulatory Agencies, data confidentiality, and Convention on Biodiversity (CDB) are considered of extreme importance for the Brazilian Government. Brazil in conjunction with other countries is systematically working with multilateral organizations such as WIPO, WTO and WHO to debate how to improve the protection to Intellectual Property Rights.

### **3) Removal of Brazil will not benefit LDCs but will open additional export opportunities for China**

According to the United Nations Conference on Trade and Development’s (Unctad) report on “Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements” the concession of tariff preferences does not guarantee that these preferences will be efficiently utilized. To the contrary, the removal of a country from the eligibility list does not mean that the benefit will be passed on to other beneficiaries or that the other countries that are still beneficiaries of the program will be able to supply the US market with the same quality products that countries, such as Brazil, were supplying. In other words, Least Developed Countries (LDCs) may not automatically be receiving the preference established by the GSP program, if Brazil is removed from the list of beneficiary countries.

Based on Unctad data, the products that were most exported by LDCs were textile and clothing products (US\$ 3.5 billion), mineral products (US\$ 2.9 billion), footwear (US\$ 190 million), products of animal origin, vegetables and, last of all, prepared food (US\$ 335 million). These products account for 97% of the total imports from LDCs.

Articles, such as textiles, watches, footwear, handbags, luggage, flat goods and work gloves, are excluded from the list of eligible products as a result of the annual review by the GSP Subcommittee on import-sensitive products. LDCs are not a direct competitor of the Brazilian products. Brazil’s top exports to the US through the GSP program are: vehicles, auto-parts and accessories (US\$ 561.3 million), wood and wooden subproducts

(US\$ 447.8 million), machinery and mechanical equipments (US\$ 402.9 million) and machinery and electrical equipments (US\$ 402.7 million); LDCs top exports are: textile and clothing products (US\$ 3.5 billion), mineral products (US\$ 2.9 billion) and footwear (US\$ 190 million).

Besides, the majority of the eligible LDCs are benefited by two other American programs on duty preferences: the African Growth and the Opportunity Act (AGOA), by means of which the US expanded the list of products with duty exemption for 37 countries of Sub-Saharan Africa to include textiles and clothing products; and the Caribbean Basin Trade Partnership Act (CBTPA) of 2000, by means of which the US grants duty exemption for 24 countries of the Caribbean. Peru, Ecuador, Bolivia and Colombia, also enjoy the additional benefits obtained by the Andean Trade Preference Act (ATPA).

The exclusion of Brazil from the GSP list of eligible countries will not result in an increase in the exports via GSP by LDCs or of other developing countries, but could result in an increase in Chinese exports to the US, aggravating the US commercial deficit.

#### **4) Negative Impact on the Bilateral Relation**

As previously mentioned, the US GSP legislation includes a specific GSP mechanism for the graduation of countries. The removal of Brazil from the list of eligible countries for different motives than the ones foreseen by the program can negatively impact the bilateral relation between the countries and opposes the commitment set by the Presidents of both countries to strengthen the bilateral relation based on principals of promotion of democracy, development, economic growth, trade liberalization, international security and war against terrorism and deepen the strategic dialogue in course between both countries on democracy, development and other shared priorities.

In relation to trade, both Brazil and the US are engaged in efforts to increase and diversify the bilateral flow of goods, services and investments. At the direction of Presidents Bush and Lula, working groups were created to discuss economic growth, agriculture and energy, as well as a Mechanism of Consultation on Commerce and Investments and a Mechanism of Informal Consultation between the Ministry of Development, Industry and Foreign Trade and the US Department of Commerce.

Removing Brazil from the list of eligible countries would result in a reduction of the commercial flow between the two countries, thereby reducing the expectation of a substantial increase in the bilateral trade by 2010.

The US and Brazil have also collaborated to reach a positive result in the Doha Round. The countries have coordinated their efforts to pressure European Communities (EC) to accept a more ambitious proposal regarding agricultural market access and eliminate exportation subsidies. As a leader of the G-20, Brazil is an important spokesperson of the US in regards to India, whom the US demands greater agriculture market access concession, Ambassador Susan Schwab's most recent visit to Brazil, after the cutoff of the negotiations, reveals the disposal of countries to work as a team to end the round.

## 5) The GSP benefits US companies

In 2005, US companies imported from Brazil over US\$ 3.6 billion in GSP covered products. Due to the GSP duty exemption, US companies saved more than US\$ 128 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness. A study prepared by Amcham show that approximately 90% of the US imports of Brazilian products covered by the GSP are concentrated in 11 Customs Districts, which reveals the importance of maintaining Brazil in the GSP for companies of these regions. Table 1 presents the Customs Districts that most benefited from the program:

**Table 1 – GSP Imports from Brazil by Customs District – 2005**

Customs District	GSP Imports from Brazil	Share %	Duty Exemption
14th Customs District - Norfolk, VA	533,503,981.00	14.75	15,447,484
10th Customs District - New York, NY	514,221,652.00	14.22	19,113,789
53rd Customs District - Houston-Galveston, TX	430,468,061.00	11.90	14,317,606,69
13th Customs District - Baltimore, MD	314,672,873.00	8.70	11,013,946
16th Customs District - Charleston, SC	306,491,200.00	8.48	10,787,842,25
52nd Customs District - Miami, FL	235,758,551.00	6.52	8,501,549,25
20th Customs District - New Orleans, GA	183,835,306.00	5.00	5,748,632
19th Customs District - Mobile, AL	173,932,731.00	5.00	6,382,281
39th Customs District - Chicago, IL	159,772,273.00	4.00	6,248,479
17th Customs District - Savannah, GA	148,546,515.00	4.00	5,806,647
11th Customs District - Philadelphia, PA	126,713,165.00	4.00	4,824,187
All other (31)	488,234,541.00	13.43	53,414,555

Source: USITC

### 14th Customs District – Norfolk, VA

The 14<sup>th</sup> Customs District, composed by the ports of Norfolk (VA), Newport News (VA), Richmond-Petersburg (VA), Hopewell (VA), Front Royal (VA), New River Valley Airport (VA) e Charleston (WV), is the main beneficiary of the GSP: 15% of all the imports from Brazil to the United States via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 14<sup>th</sup> Customs District imported US\$ 1 billion in articles covered by GSP program, of which 51% (US\$ 533 million) originated from Brazil.

The companies in this region imported 243 Brazilian products covered by the GSP. The average duty of these articles is 4.14%, the highest being 11.30% and the lowest 1.40%. Due to the GSP duty exemption, US companies saved US\$ 15.4 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's

maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce production and operational costs and increase competitiveness.

The 14<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in five sectors: vehicles and parts thereof (US\$ 269 million); machinery and mechanical appliances (US\$ 95.9 million); wood and articles of wood (US\$ 44.8 million); electrical machinery and equipment (US\$ 31.2 million) and railway, locomotives and parts thereof (US\$ 21.9 million).

**14th Customs District's GSP imports from Brazil by Chapter - 2005**

<b>Description</b>	<b>Articles</b>	<b>GSP Imports</b>	<b>Duty Exemption</b>
Vehicles and Parts thereof	18	\$269,289,239	\$6,733,410
Machinery and Mechanical Appliances	42	\$95,930,771	\$2,606,264
Wood and Articles of Wood	14	\$44,869,062	\$1,905,747
Electrical Machinery and Equipment	30	\$31,268,771	\$955,107
Railway, Locomotives and Parts thereof	3	\$21,954,525	\$589,200
Plastics and Articles thereof	23	\$14,854,537	\$642,669
Glass and Glassware	7	\$13,303,554	\$699,558
Albuminoidal substances	3	\$7,219,234	\$191
Miscellaneous Articles of Base Metal	7	\$4,833,271	\$122,860
Organic Chemicals	14	\$4,513,727	\$195,531
<b>Subtotal</b>	<b>161</b>	<b>\$508,036,691</b>	<b>\$14,450,536</b>
<b>All Others</b>	<b>82</b>	<b>\$25,467,290</b>	<b>\$996,947</b>
<b>Total</b>	<b>243</b>	<b>\$533,503,981</b>	<b>\$15,447,484</b>

Source: USITC

**10<sup>th</sup> Customs District – New York, NY**

The 10<sup>th</sup> Customs District, composed by the ports of New York (NY) and Albany (NY), is the second main beneficiary of the GSP benefit: 14% of all the imports from Brazil to the United States via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the fourth most important supplier for the companies in this region. The 10<sup>th</sup> Customs District imported around US\$ 5 billion of articles covered by the GSP program, of which 10% of these imports (US\$ 514.2 million) originated from Brazil.

The companies of this region imported 629 Brazilian products covered by the GSP. The average duty of these articles is 4.25 %, the highest being 17.90% and the lowest 0.50%. Due to the GSP duty exemption, the US companies saved more than US\$ 19 million that would have been paid in duties if Brazil was not a country eligible to GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 10th Customs District imports from Brazil via GSP are concentrated in five sectors: raw hides, skins and leather (US\$ 54 million); wood and its articles (US\$ 54 million); plastics and their articles (US\$ 53 million); machinery and mechanical appliances (US\$ 35 million); and cocoa and its preparations (US\$ 31 million).

**10th Customs District's GSP Imports from Brazil by Chapter - 2005**

HTS	Description	Articles	GSP Imports from Brazil	Duty Exemptions
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	20	\$54,650,130	\$1,514,116
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	16	\$54,588,821	\$2,694,237
39	PLASTICS AND ARTICLES THEREOF	60	\$53,627,911	\$2,867,542
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	63	\$35,350,272	\$879,450
18	COCOA AND COCOA PREPARATIONS	7	\$31,771,616	\$1,272,938
87	VEHICLES, OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF	14	\$29,681,645	\$757,609
29	ORGANIC CHEMICALS	57	\$27,061,667	\$1,397,563
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION RECORDERS AND REPRODUCERS, PARTS AND ACCESSORIES	51	\$24,995,498	\$736,743
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS	13	\$24,053,584	\$1,207,007
40	RUBBER AND ARTICLES THEREOF	19	\$18,735,520	\$494,730
<b>Subtotal</b>		<b>320</b>	<b>\$354,516,664</b>	<b>\$13,821,934</b>
<b>Others</b>		<b>309</b>	<b>\$159,704,988</b>	<b>\$5,291,856</b>
<b>Total</b>		<b>629</b>	<b>\$514,221,652</b>	<b>\$19,113,789</b>

Source: USITC

**53<sup>rd</sup> Customs District – Houston, TX**

The 53<sup>rd</sup> Customs District, composed by the ports of Houston (TX), Texas City (TX), Galveston (TX), Freeport (TX), Corpus Christi (TX) and Port Lavaca (TX) is the third main beneficiary of the GSP benefit: 12% of all imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 53<sup>rd</sup> Customs District imported 1.4 billion of dollars of articles covered by GSP program, and 29% of these imports (US\$ 430.4 million) are originated from Brazil.

The companies in this region imported 349 Brazilian products covered by the GSP. The average duty of these articles is 4%, the highest being 13.5% and the lowest 0.50%. Due to the GSP duty exemption, US companies saved US\$ 14 million, value that would have been paid in duties if Brazil was not eligible for the GSP program.

The 53<sup>rd</sup> Customs District's imports from Brazil via GSP are concentrated in two main sectors: electrical machinery and equipment and parts thereof (US\$ 180 million) and tanning or dyeing extracts, tannins and derivatives (US\$ 34 million). Besides these, the region also has imported articles of stone, miscellaneous manufactured articles, machinery and mechanical appliances and articles thereof, railway or tramway locomotives, rubber and articles thereof and cooper and articles thereof.

**53rd Customs District's GSP imports from Brazil by Chapter - 2005**

HTS	Description	Articles	GSP Imports	Duty Exemptions
85	ELECTRICAL MACHINERY	44	\$180,426,199.00	\$5,203,580.63
29	TANNING OR DYEING EXTRACTS; TANNINS AND DERIVATIVES;	30	\$34,015,633.00	\$1,719,675.15
44	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS	17	\$27,599,061.00	\$1,417,754.43
73	ARTICLES OF IRON OR STEEL	15	\$25,632,733.00	\$694,153.27
76	MISCELLANEOUS MANUFACTURED ARTICLES	10	\$24,409,099.00	\$784,515.01
84	MACHINERY AND MECHANICAL APPLIANCES	41	\$22,837,354.00	\$727,250.13
79	ZINC AND ARTICLES THEREOF	1	\$21,969,982.00	\$329,549.73
86	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING-STOCK AND PARTS THEREOF	3	\$20,832,102.00	\$715,726.11
39	RUBBER AND ARTICLES THEREOF	43	\$13,382,184.00	\$785,522.91
74	COPPER AND ARTICLES THEREOF	9	\$11,660,974.00	\$314,081.69
<b>Subtotal</b>		<b>213</b>	<b>\$382.765.321.00</b>	<b>\$12,691,809.06</b>
<b>Others</b>		<b>136</b>	<b>\$47.702.740.00</b>	<b>\$1,625,797.63</b>
<b>Total</b>		<b>349</b>	<b>\$430.468.061.00</b>	<b>\$14,317,606.69</b>

Source: USITC

**13th Customs District – Baltimore, MD**

The 13<sup>th</sup> Customs District, composed by the ports of Annapolis (MD), Cambridge (MD), Baltimore (MD), Crisfield (MD), and Baltimore-Washington International Airport (MD), is the fourth main beneficiary of the GSP: 9% of all the imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the fourth most important supplier for the companies in this region. The 13<sup>th</sup> Customs District imported

US\$ 1.2 billion of articles covered by GSP program, and 25% of these imports (US\$ 314 million) originated from Brazil.

The companies in this region imported 182 Brazilian products covered by the GSP. The average duty of these articles is 3.99%, the highest being 10.70% and the lowest 0.50%. Due to the GSP duty exemption, US companies saved more than US\$ 11 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 13<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in five sectors: electrical machinery and equipment (US\$ 78 million); iron and steel (US\$ 54 million); articles of base metal (US\$ 40 million); carpets and other floor coverings (US\$ 27 million); and copper and its articles (US\$ 26 million).

**13th Customs District's GSP Imports from Brazil by Chapter - 2005**

<b>Chapter</b>	<b>Description</b>	<b>Articles</b>	<b>GSP Imports from Brazil</b>	<b>Duty Exemption</b>
84	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION RECORDERS AND REPRODUCERS, PARTS AND ACCESSORIES	21	\$78,180,894	\$2,016,662
72	IRON AND STEEL	4	\$54,148,740	\$2,708,073
76	MISCELLANEOUS ARTICLES OF BASE METAL	9	\$40,297,970	\$1,195,454
44	CARPETS AND OTHER TEXTILE FLOOR COVERINGS	12	\$27,704,878	\$1,637,914
74	COPPER AND ARTICLES THEREOF	2	\$26,330,561	\$633,617
28	ORGANIC CHEMICALS	12	\$18,063,695	\$434,530
87	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	9	\$14,079,543	\$354,548
85	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK, TRACK FIXTURES AND FITTINGS, AND PARTS THEREOF; MECHANICAL ETC. TRAFFIC SIGNAL EQUIPMENT OF ALL KINDS	15	\$11,438,728	\$391,949
83	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	2	\$7,574,225	\$197,556
39	RUBBER AND ARTICLES THEREOF	17	\$5,590,169	\$242,906
<b>Subtotal</b>		<b>103</b>	<b>\$283,409,403</b>	<b>\$9,813,210</b>
<b>Others</b>		<b>79</b>	<b>\$31,263,470</b>	<b>\$1,200,736</b>
<b>Total</b>		<b>182</b>	<b>\$314,672,873</b>	<b>\$11,013,946</b>

Source: USITC

### **16th Customs District – Charleston, SC**

The 16<sup>th</sup> Customs District, composed by the ports of Charleston (SC), Georgetown (SC), Greenville-Spartanburg (SC) and Columbia (SC), is the main beneficiary of the GSP: 15% of all imports from Brazil through GSP enter by this customs district.

Among the developing countries eligible for the program, Brazil is the second most important supplier for companies in this region. The 16<sup>th</sup> Customs District imported US\$ 1 billion of articles covered by GSP program, and 31% of these imports (US\$ 306.4 million) originated from Brazil.

The companies in this region imported 349 Brazilian products covered by the GSP. The average duty of these articles is 4%, the highest being 13.5% and the lowest 0.50%. Due to the GSP duty exemption, US companies saved US\$ 14 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 16<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in one main sector: furniture, bedding, cushions, etc (US\$ 129 million). Besides these, the region also have imported articles of optical, photographic and cinematographic articles; vehicles other than railway and tramway; plastics and articles thereof; cocoa and its preparations; organic chemicals; tanning or dyeing extracts and derivatives; inorganic chemicals and edible fruit and nuts.

**16th Customs District's GSP imports from Brazil by Chapter – 2005**

<b>HTS</b>	<b>Description</b>	<b>GSP Imports</b>	<b>Duty</b>	<b>Duty Exemptions</b>
87	FURNITURE; BEDDING, CUSHIONS ETC.;	12	\$ 129,615,367.00	\$ 3,241,055.70
85	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS	31	\$ 35,286,107.00	\$ 1,217,268.22
84	VEHICLES, OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK	35	\$ 22,274,060.00	\$ 577,988.82
44	PLASTICS AND ARTICLES THEREOF	14	\$ 21,174,645.00	\$ 1,118,888.92
73	ARTICLES OF IRON OR STEEL	13	\$ 15,762,179.00	\$ 561,770.98
29	COCOA AND COCOA PREPARATIONS	13	\$ 15,708,203.00	\$ 846,679.80
39	ORGANIC CHEMICALS	32	\$ 13,290,930.00	\$ 692,577.42
40	TANNING OR DYEING EXTRACTS; TANNINS AND DERIVATIVES	11	\$ 7,523,163.00	\$ 201,123.28
38	INORGANIC CHEMICALS	5	\$ 7,398,396.00	\$ 480,390.09
18	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	5	\$ 7,174,998.00	\$ 427,209.93
<b>Subtotal</b>		<b>171</b>	<b>\$ 275,208,048.00</b>	<b>\$ 9,364,953.16</b>
<b>Others</b>		<b>72</b>	<b>\$ 31,283,152.00</b>	<b>\$ 1,422,987.69</b>
<b>Total</b>		<b>243</b>	<b>\$ 306,491,200.00</b>	<b>\$ 10,787,940.85</b>

Source: USITC

**52nd Customs District – Miami, FL**

The 52<sup>nd</sup> Customs District, composed by the ports of Miami (FL), Key West (FL), Port Everglades (FL), West Palm Beach (FL), Fort Pierce (FL), Miami International Airport (FL) and Fort Lauderdale (FL) is the sixth main beneficiary of the GSP benefit: 7% of all the imports from Brazil to United States via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 16<sup>th</sup> Customs District imported US\$ 1 billion of articles covered by GSP program, and 31% of these imports (US\$ 235.7 million) are originated from Brazil.

The companies in this region imported 641 Brazilian products covered by the GSP. The average duty of these articles is 4%, the highest being 14.9% and the lowest is 0.10%. Due to the GSP duty exemption, the US companies saved US\$ 8 million, value that

would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 52<sup>nd</sup> Customs District's imports from Brazil via GSP are concentrated in two main sectors: furniture, bedding, cushions, etc (US\$ 38 millions) and articles of stone, plaster, cement (US\$ 31.6 millions). Besides these, the region also have imported articles of plastics and articles thereof; optical, photographic and cinematographic articles; vehicles other than railway and tramway; miscellaneous manufactures articles; articles of iron or steel; railway and tramway locomotives; arms and ammunition and aluminum and articles thereof.

**52nd Customs District's GSP imports from Brazil by Chapter - 2005**

<b>HTS</b>	<b>Description</b>	<b>GSP Imports</b>	<b>Duty</b>	<b>Duty Exemptions</b>
87	FURNITURE; BEDDING, CUSHIONS ETC	23	\$38,193,521.00	\$954.956.59
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS	15	\$31,609,955.00	\$1.187.041.94
44	PLASTICS AND ARTICLES THEREOF	18	\$28,717,083.00	\$1.745.316.24
85	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	86	\$23,900,500.00	\$708.093.44
84	VEHICLES, OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK	75	\$14,855,155.00	\$379.006.57
90	MISCELLANEOUS MANUFACTURED ARTICLES	24	\$10,481,120.00	\$184.366.60
71	ARTICLES OF IRON OR STEEL	24	\$10,417,032.00	\$863.738.85
39	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK, TRACK FIXTURES AND FITTINGS	54	\$8,647,428.00	\$383.222.27
93	ARMS AND AMMUNITION	2	\$8,157,231.00	\$146.219.61
76	ALUMINUM AND ARTICLES THEREOF	15	\$7,261,080.00	\$219.983.44
<b>Subtotal</b>		<b>336</b>	<b>\$182.240.105.00</b>	<b>\$6,771,945.95</b>
<b>Others</b>		<b>305</b>	<b>\$53.494.619.00</b>	<b>\$1,729,603.31</b>
<b>Total</b>		<b>641</b>	<b>\$235.734.724.00</b>	<b>\$8,501,549.25</b>

Source: USITC

### **20th Customs District – New Orleans, LA**

The 20th Customs District, composed by the ports of Morgan City (LA), New Orleans (LA), Little Rock-North Little Rock (AR), Baton Rouge (LA), Port Sulphur (LA), Memphis (TN), Nashville (TN), Chattanooga (TN), Destrehan (LA), Gramercy (LA), Greenville (MS), Avondale (CA), St. Rose (LA), Good Hope (LA), Vicksburg (MS), Knoxville (TN), Lake Charles (LA), Shreveport-Bossier City (LA), Arkansas Aeroplex (AK), and Federal Express, Memphis (TN), is the seventh main beneficiary of the GSP: 5% of all the imports from Brazil to the United States via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the second most important supplier for the companies in this region. The 20<sup>th</sup> Customs District imported US\$ 1.2 billion of articles covered by GSP program, and 14% of these imports (US\$ 183.8 million) originated from Brazil.

The companies in this region imported 461 Brazilian products covered by the GSP. The average duty of these articles is 3.92%, the highest being 13.50% and the lowest 0.20%. Due to the GSP duty exemption, US companies saved more than US\$ 5 million that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 20<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in three main sectors: zinc and its articles (US\$ 37 million); articles of iron and steel (US\$ 27 million); and copper and its articles (US\$ 25 million). The custom district has also imported articles of wood, vehicles and their parts, electrical machinery and equipment, etc.

**20th Customs District's GSP Imports by Chapter - 2005**

<b>Chapter</b>	<b>Description</b>	<b>Articles</b>	<b>GSP Imports from Brazil</b>	<b>Duty Exemption</b>
79	ZINC AND ARTICLES THEREOF	1	\$37.654.288	\$564.814
73	ARTICLES OF IRON OR STEEL	15	\$27.110.869	\$790.497
74	COPPER AND ARTICLES THEREOF	6	\$25.399.517	\$443.008
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	14	\$19.596.094	\$1.230.138
87	VEHICLES, OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF	20	\$17.642.153	\$441.286
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION RECORDERS AND REPRODUCERS, PARTS AND ACCESSORIES	68	\$14.929.304	\$449.794
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	66	\$13.992.262	\$499.510
39	PLASTICS AND ARTICLES THEREOF	46	\$8.782.615	\$460.960
71	NATURAL OR CULTURED PEARLS PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, IMITATION JEWELRY	29	\$4.275.705	\$292.634
96	MISCELLANEOUS MANUFACTURED ARTICLES	12	\$2.388.631	\$110.652
<b>Subtotal</b>		<b>277</b>	<b>\$171.771.438</b>	<b>\$5.283.293</b>
<b>Others</b>		<b>184</b>	<b>\$12.063.868</b>	<b>\$465.339</b>
<b>Total</b>		<b>461</b>	<b>\$183.835.306</b>	<b>\$5.748.632</b>

Source: USITC

**19th Customs District – Mobile, AL**

The 19<sup>th</sup> Customs District, composed by the ports of Mobile (AL), Gulfport (MS), Pascagoula (MS), Birmingham (AL) e Huntsville (AL) is the eighth main beneficiary of the GSP benefit: 5% of all imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supply for the companies in this region. The 19<sup>th</sup> Customs District imported US\$ 196 million of articles covered by GSP program, and 89% of these imports (US\$ 173.9 million) are originated from Brazil.

The companies in this region imported 24 Brazilian products covered by the GSP. The average duty of these articles is 4%, the highest being 8% and the lowest 2,50%. Due to the GSP duty exemption, US companies saved US\$ 6.3 million, value that would have

been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 19<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in two main sectors: copper and articles thereof (US\$163 million) and wood and articles of wood (US\$ 9 million). Besides these, the region also has imported electrical machinery, manufactured products, vehicles and parts and accessories thereof, plastics, chemical products, ceramic articles and mechanical appliances.

**19th Customs District's GSP imports from Brazil by Chapter - 2005**

<b>Chapter</b>	<b>Description</b>	<b>Articles</b>	<b>GSP Imports from Brazil</b>	<b>Duty Exemption</b>
74	COPPER AND ARTICLES THEREOF	3	\$163,984,856	\$5,726,348
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	6	\$9,108,069	\$628,981
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF	6	\$436,491	\$13,047
96	MISCELLANEOUS MANUFACTURED ARTICLES	1	\$204,540	\$7,159
87	VEHICLES AND PARTS AND ACCESSORIES THEREOF	1	\$87,002	\$2,175
39	PLASTICS AND ARTICLES THEREOF	2	\$43,583	\$1,835
38	MISCELLANEOUS CHEMICAL PRODUCTS	1	\$34,000	\$1,700
69	CERAMIC PRODUCTS	1	\$20,099	\$583
84	MACHINERY AND MECHANICAL APPLIANCES	3	\$14,091	\$453
<b>Total</b>		<b>24</b>	<b>\$173,932,731</b>	<b>\$6,382,281</b>

Source: USITC

**39th Customs District – Chicago, IL**

The 39<sup>th</sup> Customs District, composed by the ports of Chicago (IL), Peoria (IL), Gary (IN), Davenport (IA), Rock Island (IL), Moline (IL), Greater Rockford Airport (IL), Waukegan Regional Airport (IL) and Decatur User Fee Airport (IL), is the ninth main beneficiary of the GSP benefit: 4% of all imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the third most important supplier for the companies in this region. The 39<sup>th</sup> Custom District imported US\$ 1 billion of articles covered by GSP program, and 15% of these imports (US\$ 159.7 million) are originated from Brazil.

The companies in this region imported 275 Brazilian products covered by the GSP. The average duty of these articles is 3,69%, the highest being 9,80% and the lowest 0,90%.

Due to the GSP duty exemption, US companies saved US\$ 6.2 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 39<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in five sectors: machinery and mechanical appliances (US\$ 50 million); tools, implements and cutlery (US\$ 16 million); electrical machinery and equipment (US\$ 16 million); vehicles and parts thereof (US\$ 12 million) and miscellaneous chemical products (US\$ 9 million).

### 39th Customs District's GSP Imports from Brazil by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
84	MACHINERY AND MECHANICAL APPLIANCES	53	\$50,008,038	\$1,757,285
82	TOOLS, IMPLEMENTS, CUTLERY, PARTS THEREOF OF BASE METAL	13	\$16,640,063	\$831,401
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF	32	\$16,634,424	\$568,108
87	VEHICLES AND PARTS AND ACCESSORIES THEREOF	17	\$12,060,192	\$301,505
38	MISCELLANEOUS CHEMICAL PRODUCTS	3	\$9,341,065	\$603,129
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	5	\$7,071,970	\$321,419
29	ORGANIC CHEMICALS	7	\$6,808,881	\$316,200
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS	8	\$5,182,367	\$305,233
83	MISCELLANEOUS ARTICLES OF BASE METAL	5	\$5,041,890	\$131,099
73	ARTICLES OF IRON OR STEEL	10	\$4,822,671	\$205,794
<b>Subtotal</b>		<b>153</b>	<b>\$133,611,561</b>	<b>\$5,341,174</b>
<b>All Other</b>		<b>122</b>	<b>\$26,160,712</b>	<b>\$907,305</b>
<b>Total</b>		<b>275</b>	<b>\$159,772,273</b>	<b>\$6,248,479</b>

Source: USITC

### 17th Customs District – Savanna, GA

The 17<sup>th</sup> Customs District, composed by the ports of Savannah (GA), Brunswick (GA) and Atlanta (GA), is the tenth main beneficiary of the GSP benefit: 4 % of all imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 17<sup>th</sup> Customs District imported US\$ 800.9 million of articles covered by GSP program, and 18.55% of these imports (US\$ 148.5 million) are originated from Brazil.

The companies in this region imported 206 Brazilian products covered by the GSP. The average duty of these articles is 4.21%, the highest being 17%, and the lowest 0.50%. Due to the GSP duty exemption, the US companies saved more than US\$ 5.8 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 17<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in seven sectors: wood and articles of wood (US\$ 33.7 million); raw hides, skins and leather (US\$ 15.4 million); organic chemicals (US\$ 15.2 million); machinery and equipment (US\$ 14.4 million); articles of iron or steel (US\$ 10.4 million); plastics (US\$ 10.2 million) and vehicles and parts thereof (US\$ 8.7 million).

**17th Customs District's GSP imports from Brazil by Chapter - 2005**

<b>Chapter</b>	<b>Description</b>	<b>Articles</b>	<b>GSP Imports from Brazil</b>	<b>Duty Exemption</b>
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	12	\$33,721,489	\$1,500,993
41	RAW HIDES AND SKINS AND LEATHER	3	\$15,449,447	\$432,585
29	ORGANIC CHEMICALS	14	\$15,205,863	\$963,717
84	MACHINERY AND MECHANICAL APPLIANCES	30	\$14,458,397	\$357,375
73	ARTICLES OF IRON OR STEEL	9	\$10,463,872	\$314,348
39	PLASTICS AND ARTICLES THEREOF	26	\$10,295,210	\$609,948
87	VEHICLES AND PARTS THEREOF	9	\$8,709,580	\$217,740
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS	9	\$7,563,806	\$362,418
74	COPPER AND ARTICLES THEREOF	2	\$7,117,662	\$146,176
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF	23	\$6,786,679	\$235,305
<b>Subtotal</b>		<b>137</b>	<b>\$129,772,005</b>	<b>\$5,140,603</b>
<b>All other</b>		<b>69</b>	<b>\$18,774,510</b>	<b>\$666,044</b>
<b>Total</b>		<b>206</b>	<b>\$148,546,515</b>	<b>\$5,806,647</b>

Source: USITC

**11th Customs District – Philadelphia, PA**

The 11<sup>th</sup> Customs District, composed by the ports of Philadelphia (PA), Chester (PA), Wilmington (DE), Pittsburgh (PA), Paulsboro (NJ), Wikes-Barre/Scranton (PA), Camden (NJ), Philadelphia International Airport (PA), Harrisburg (PA), Gloucester City (NJ), Allentown (PA), Allentown-Bethlehem (PA) and Trenton/Mercer County User Fee Airport, Trenton (NJ), is the eleventh main beneficiary of the GSP benefit: 4 % of all imports from Brazil via GSP enter through this customs district.

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 11<sup>th</sup> Customs District imported US\$ 404 million of articles covered by GSP program, and 31.36% of these imports (US\$ 126.7 million) are originated from Brazil.

The companies in this region imported 153 Brazilian products covered by the GSP. The average duty of these articles is 4%, the highest being 29.80% and the lowest 0.40%. Due to the GSP duty exemption, US companies saved US\$ 4.8 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both US consumers and companies that use GSP to reduce costs and increase competitiveness.

The 11<sup>th</sup> Customs District's imports from Brazil via GSP are concentrated in six sectors: wood and articles of wood (US\$ 35.9 million); aluminum and articles thereof (US\$ 24.9 million); electrical machinery and equipment (US\$ 14.7 million); edible fruit and nuts (US\$ 10.9 million); cocoa and cocoa preparations (US\$ 7.2 million) and machinery and equipment (US\$ 6.1 million).

**11th Customs District's GSP imports from Brazil by Chapter - 2005**

<b>Chapter</b>	<b>Description</b>	<b>Articles</b>	<b>GSP Imports from Brazil</b>	<b>Duty Exemption</b>
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	10	\$35,910,796	\$2,447,240
76	ALUMINUM AND ARTICLES THEREOF	9	\$24,963,606	\$911,990
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION RECORDERS AND REPRODUCERS, PARTS AND ACCESSORIES	20	\$14,723,880	\$418,910
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	8	\$10,982,125	\$29,536
18	COCOA AND COCOA PREPARATIONS	6	\$7,234,145	\$31,927
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	18	\$6,160,561	\$170,063
73	ARTICLES OF IRON OR STEEL	4	\$5,590,989	\$162,299
96	MISCELLANEOUS MANUFACTURED ARTICLES	2	\$4,098,404	\$4,064
29	ORGANIC CHEMICALS	10	\$3,648,012	\$223,308
39	PLASTICS AND ARTICLES THEREOF	13	\$3,005,617	\$120,326
	<b>Subtotal</b>	<b>100</b>	<b>\$116,318,135</b>	<b>\$4,519,663</b>
	<b>All Other</b>	<b>53</b>	<b>\$10,395,030</b>	<b>\$304,524</b>
	<b>Total</b>	<b>153</b>	<b>\$126,713,165</b>	<b>\$4,824,187</b>

Source: USITC

The analysis on the US imports from Brazil through GSP reveal that 40% of the trade is intra-company transfers, as for the branch of US companies established in Brazil export, primarily, manufactured inputs for their main offices. Amcham oriented its members to submit responses to USTR with information on intra-company transfers, main addressees, clients, importing states and how many people are employed in Brazil as a result of the exports. The table below informs the main sectors that were benefited by the program.

### Brazilian Exports to the US through the GSP – in US\$ millions

Description	Covered Products	Exports	Duty Exemption
Vehicles and Parts thereof	46	561.3	14
Wood and Articles of Wood	36	447.8	25.6
Machinery and Mechanical Appliances	282	402.9	11.2
Electrical Machinery and Equipment	286	402.7	12.1
Copper and Articles thereof	84	252	5.3
Plastics and Articles thereof	175	161.9	8.2
Aluminum and Articles thereof	53	130.4	4.3
Organic Chemicals	395	123.4	6.4
Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	25	119.2	5.9
Articles of Iron or Steel	48	113.4	3.6
Raw Hides and Skins (Other than Furskins) and Leather	65	108.3	3
Cocoa and Cocoa preparations	27	66.3	2.6
Iron and Steel	10	58.7	2.9
Rubber and Articles thereof	73	52.8	1.4
Miscellaneous Manufactured Articles	78	47.5	1.9
Railway, Locomotives and Parts thereof	23	46	1.4
Inorganic Chemicals	169	33.3	0.825
Chemical Products – Various	54	28.8	1.7
<b>Subtotal</b>	<b>1929</b>	<b>3156.7</b>	<b>119</b>
<b>Others</b>	<b>1429</b>	<b>459.3</b>	<b>8.8</b>
<b>Total</b>	<b>3358</b>	<b>3616</b>	<b>127.8</b>

Fonte: Amcham, dados USITC

### Automotive Sector

The US Automotive sector (“Vehicles and Parts Thereof” Chapter), is the largest beneficiary of the program. The Automotive sector reaches 90.9% rate of utilization by Brazilian companies. There are 46 products in Chapter 87 that are covered by the program, whose trade reached a total of US\$ 561 million in 2005.

The average tariff rate of the articles of Chapter 87 is of approximately 3%, the lowest being 1.4% and the highest 10%. Due to duty exemptions, the sector saved more than US\$ 14 million that would be paid in case Brazil was not one of the beneficiaries of the program.

### **Machinery and Mechanical Appliances Sector**

The US Machinery and Mechanical Appliances Sector is the third largest beneficiary of the program. This sector has a 66.62% rate of utilization by Brazilian companies. There are 282 products in Chapter 84 that are covered by the program, whose trade reached a total of US\$ 402.9 million in 2005.

The average tariff rate of the articles of Chapter 84 is of approximately 3.46%, the lowest being 1% and the highest 8%. Due to duty exemptions, the sector saved more than US\$ 11.2 million that would be paid in case Brazil was not one of the beneficiaries of the program.

### **Electrical Machinery and Equipment Sector**

The US Electrical Machinery and Equipment Sector is the fourth largest beneficiary of the program. This sector has a 78.53% rate of utilization by Brazilian companies. There are 286 products in Chapter 85 that are covered by the program, whose trade reached a total of US\$ 402.7 million in 2005.

The average tariff rate of the articles of Chapter 85 is of approximately 3.21%, the lowest being 1% and highest 8.5%. Due to duty exemptions, the sector saved more than US\$ 12.1 million that would be paid in case Brazil was not one of the beneficiaries of the program

Supports Argentina & Brazil  
Supports Upholstery Leather  
4107.11.50 which not  
have CNLW

## Anthem Leather, Inc.

Mrs. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the Trade Policy Staff Subcommittee  
[FR0052@USTR.EOP.GOV](mailto:FR0052@USTR.EOP.GOV)

HTSUS 4107.11.50

Dear Mrs. Sandler:

My name is Robert B. Wilson. I am the President of Anthem Leather, Inc., a North Carolina importer of bovine upholstery leather from around the world. Currently, we are importing these leathers from Argentina, Brazil and China. Today, I am composing this letter in reference to the Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers.

Anthem Leather, Inc. is a mid-sized business that specializes in importing leather hides into the United States and reselling this product to furniture manufacturers and upholsterers around the country. Our competitive edge lies in our ability to bring these goods into the states from GSP supported countries. I urge you not to remove Argentina or Brazil from the GSP program. We would have tremendous trouble finding alternative suppliers that could meet our current and expected material needs in the coming years.

I also urge you to renew the GSP program before it expires December 31, 2006. Failure to renew it before it expires would be extremely costly to us. Not only would we immediately have to pay duty amounts that would crush our margins, but we would also have to pass on this added expense to our customers – middle- to small- size furniture manufacturers and mom and pop upholstery shops. A delay in renewal of the GSP program would be devastating to my company financially. Anthem Leather, Inc. would have to make immediate outlays of funds to pay the duties owed for an unknown period of time. If Congress were to approve reauthorization of the GSP program after it expired, Anthem Leather, Inc. would then have to incur the additional expense to file requests with Customs to have our money refunded. The last time that GSP lapsed in September 2001, the cost to my company was substantial in terms of amounts of time and money.

Sincerely,

Robert B. Wilson  
President  
Anthem Leather, Inc.

Supports Argentina,  
Brazil, India,  
South Africa, &  
Thailand  
Re agricultural chemical products

From: Pacheco, John [JPacheco@crowell.com]  
Sent: Friday, September 01, 2006 1:43 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Ms. Marideth Sandler  
Executive Director,  
Generalized System of Preferences  
Office of the U.S. Trade Representative  
1724 F Street N.W.  
Room F-220  
Washington, D.C. 20508

Submitted by email to [FR0052@USTR.EOP.GOV](mailto:FR0052@USTR.EOP.GOV)

Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public  
Comments

Dear Ms. Sandler:

The following comments are submitted on behalf of Bayer CropScience L.P. Bayer CropScience is a manufacturer of pesticides, herbicides and fungicide products, with nine agricultural chemical production locations in the United States employing a significant portion of the U.S. company's workforce. In addition to the directly owned and operated facilities, Bayer CropScience contract manufactures with at least another 15 U.S. companies to produce our agricultural chemical formulations.

The purpose of this submission is to stress the importance of continuing GSP duty-free treatment for U.S. imports from India, Argentina, Brazil, South Africa and Thailand when the Generalized System of Preferences is reauthorized beyond December 31, 2006. Bayer CropScience operates a fully integrated, global supply chain. Our ability to source active ingredients from these countries is vital to retaining the manufacturing competitiveness of our nine manufacturing facilities in the United States. Bayer CropScience currently has manufacturing facilities located in Kansas City, MO., Muskegon, MI., St. Louis, MO., Pasadena, TX., Institute, WV., Woodbine, GA., Des Moines, IA., Marsing, ID. and Pekin, IL. The significant portion of Bayer CropScience employees in the U.S. who work in these facilities are highly-skilled and professional chemical and engineering workers.

India is of particular significance to our operations. The active ingredients which Bayer CropScience imports and plans to import from India all qualify for GSP duty-free treatment. Without GSP, the products, which fall within Harmonized System chapter 29, would be subject to U.S. duties ranging from 2.8% to 6.5%. The GSP duty-free treatment provided for these products when imported from India is an important element in Bayer CropScience's ability to provide low-cost agricultural chemical products to U.S. farmers and, in turn, assist the competitiveness of the U.S. farming sector. Bayer CropScience's products are used in the production of such crops as corn, cotton, canola, cereals, and vegetables.

Being able to take advantage of GSP duty-free treatment for these products greatly assists Bayer CropScience's competitiveness and ability to continue efficient operations in the United States. For every active ingredient imported from India, the U.S.-based formulation of the finished product requires the use of, on average, 9 additional raw material ingredients before our products are ready for sale to the farmer. These additional raw materials are exclusively sourced from U.S.-based manufacturers representing approximately 200 suppliers.

### Bayer CropScience in India

Bayer AG, Bayer CropScience's parent company, has had operations in India since 1896. Bayer in India has major business interests in Health Care, CropScience, and Material Science.

### India's Continued Eligibility for GSP Duty-free Treatment Is Vital to Bayer CropScience's Future Competitiveness in the United States

As the GSP Subcommittee and the Trade Policy Staff Committee consider options for the future structure of the U.S. Generalized System of Preferences (GSP) as reauthorization of the

program is sought, Bayer CropScience urges that careful consideration be given to the added competitiveness GSP duty-free treatment offers to U.S. manufacturers like Bayer CropScience and its suppliers. Our company is able to maintain operations in the United States and generate U.S. employment by making effective use of our global supply chain and by taking advantage of programs such as the GSP.

For these reasons, Bayer CropScience strongly favors the continuation of India, Argentina, Brazil, South Africa and Thailand's eligibility as beneficiary developing countries under a renewed U.S. GSP program.

We would be pleased to provide the GSP Subcommittee and the Trade Policy Staff Committee with additional information, as needed, in support of Bayer CropScience's position.

Respectfully submitted,

MIKE COCKRILL  
Vice President, Supply  
Chain and Procurement  
Bayer CropScience, L.P.  
[mike.cockrill@bayercropscience.com](mailto:mike.cockrill@bayercropscience.com)

Supports Argen, Brazil, &  
Turkey  
Re hose clamps - which not  
have CNLW  
Progeral Industria de Arte-  
fatos Plasticos Ltda.

From: Mario Ivan Chaves [ivanchaves@progeral.com.br]  
Sent: Thursday, August 31, 2006 9:10 AM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

August 31, 2006

**To: Office of the United States Trade Representative**

**From: Progeral Industria de Artefatos Plasticos Ltda  
Rua Walter Barufaldi, 300  
Iperó, S.Paulo, 18560-000  
Brazil**

Sirs,

Please find attached the submission of 2006 GSP Eligibility and CNL Waiver Review made by Progeral Industria de Artefatos Plasticos Ltda.

Sincerely,

Mario Ivan Chaves  
Sales Manager  
Progeral Industria de Artefatos Plasticos Ltda.

E mail address: [ivanchaves@progeral.com.br](mailto:ivanchaves@progeral.com.br)

NON-CONFIDENTIAL

Progeral Industria de Artefatos Plasticos Ltda. is a Brazilian hose clamp manufacturer founded in 1962 and located in Ipero, state of S.Paulo, Brazil. It has as customer companies like General Motors, Ford Motor Company, Daimler Chrysler, PSA, Renault, Fiat, Nissan, Volkswagen, Volvo, Delphi, Hutchinson, Good Year, Visteon, etc. Its main products are ; spring band clamp, ear clamps, retainer clamps, worm drive clamps, T bolt clamps. Located in an industrial area in Ipero it has a land area of 15,000 square meters, 4,000 square meters of covered area, 200 employees and is certified in TS 16949 and ISO 14001.

Progeral has in its Strategic Planning be a Global Player and because of that it has sales and technical offices in Germany, Turkey, China, Argentina, Mexico and United States.

The automobile market is a very competitive market and so the hose clamp market. The customers are always looking for cost savings opportunities in order to be more competitive and Progeral has a great chance to offer that due to the cost of labor in Brazil comparing with another countries. By other hand for Progeral be competitive in North America market is absolutely necessary the continuation of the Generalized System of Preferences (GSP) program after December 31, 2006.

Progeral has invested in equipment, in training people, travels, etc, to be prepared to get some market share in North America. Since 2004 we are working with our customers to technically validate our products for North America market and after go through a long way we are getting the orders we have planed to get. All this work is being made based in the GPS program.

The growth of Progeral in North America market will generate new investments and employment not only in Brazil but also in Progeral Corp in the United States. Regarding Progeral's customers in North America they will have chance to get cost savings programs giving them the opportunity to improve profitability, market share, employment, etc.

The 8-digit tariff number of the HTSUS for a hose clamp is 7326.19.00.

NON-CONFIDENTIAL

**PUBLIC VERSION**

Supports Argen, Brazil, & Turkey  
Re confectionery products which  
not have CNLWs  
Sherwood Brands, LLC

From: Frydman, Amir [Amir@sherwoodbrands.com]  
Sent: Thursday, August 31, 2006 12:39 PM  
To: FN-USTR-FR0052  
Cc: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review-

I am resubmitting as per our conversation our comments including a public version and a business confidential version.

If you have any questions, please do not hesitate to call me at 301-309-6161 x 19.

Sincerely,

Amir Frydman  
Sherwood Brands, LLC  
301-309-6161 x 19  
301-309-6162 Fax  
Amir@sherwoodbrands.com

**PUBLIC VERSION**

**PUBLIC VERSION**

August 31,2006

Dear Office of the United States Trade Representative:

We are seeking your support and re-authorization of the GSP program, which is set to expire on December 31, 2006. Our company would suffer dire consequences if the countries we have invested in would no longer receive GSP status.

Sherwood Brands is a middle size USA based confectionery operation that has been in business over 80+ years in combination with companies Sherwood Brands has acquired. Over the last 10 years due to extremely high domestic sugar prices and labor costs and a very difficult competitive environment due to consolidation of retailers, Sherwood Brands which had factories in Rhode Island, New York and Virginia moved its production facilities to Brazil, Argentina, and Turkey at considerable expense. As a company we tried everything possible to continue our sugar based confectionery operations in the USA but ultimately had only two choices: 1.) To close our family business or 2.) To move our operations at great expense to these countries. Rather than closing our operations, we took our expertise and moved our USA operations to Brazil, Argentina and Turkey. We did this with both great financial and personal risk and expense. Our single goal was to stay in business and build on a rich heritage. While we had to lay-off employees and take operating losses during the transition, the objective was to maintain employment for as many people as possible. While our company suffered losses prior to the move and due to the costs associated with the move, we have in the last year started increasing sales and hiring more people. Today our company employees about 60 people in two offices and two distribution facilities. Our sales have started to rebound.

We are asking your office to take into consideration that our company had only two options open to us. We decided to remain in business and invest our know-how in these countries. Should we now face duties from these countries given the decline of the USA DOLLAR, higher fuel costs and extremely competitive retail environment, we would not be able to continue purchasing product from these GSP nations. Our losses would include the huge investment in moving and reinvesting in equipment in these countries. Once again we would be forced to lay-off employees after finally creating a feeling that our company is rebounding and potentially having to close our operations. Our company morale is finally up seeing a light at the end of the tunnel.

Conversely, eliminating the GSP program would only benefit large confectionery companies that have multinational presence. This would simply provide them a way to eliminate competition-- us.

We ask you that given the uncertainty in the world, including escalating fuel costs, a weak US Dollar and our commitment to continue supporting our employees and the USA economy that you re-instate the GSP after December 31, 2006. Our company and employees are dependent on you. Below is a listing of HTS #'s. If you have any questions, please do not hesitate to call me. This is a very serious matter for our company and I would be happy to assist in any way possible to help maintaining the GSP program.

Sincerely,

Amir Frydman  
President  
Sherwood Brands  
301-309-6161 x 19

**Reference HTS #**

1704.10.0000

1806.90.9011

1806.31.0049

1704.90.3550

**PUBLIC VERSION**

**PUBLIC VERSION**

1806.90.9019

2106.90.9985

1806.90.9011

2106.90.9985

Amir Frydman Sherwood Brands, LLC 301-309-6161 x 19 301-309-6162 Fax

[Amir@sherwoodbrands.com](mailto:Amir@sherwoodbrands.com)

**PUBLIC VERSION**

# USA FOR Innovation

August 16, 2006

The Honorable Susan Schwab  
Office of the United States Trade Representative  
600 17th Street, N.W.  
Washington, DC 20508  
United States of America

Dear Ambassador Schwab:

I urge you to protect American innovation and national interests by removing from the Generalized System of Preferences countries such as Argentina, Venezuela and Brazil.

We at the non-profit USA for Innovation (of which I am executive director) applaud your reexamination of the GSP program, which was created 32 years ago to aid developing countries grow their economies. This noble goal has since been corrupted by countries which steal American intellectual property (IP) by ignoring patent rights and counterfeiting U.S. products.

This is grave, since efforts to erode IP rights deprives America of prosperity derived from our innovation. A scholarly paper we commissioned last year, written by the respected economists Dr. Robert Shapiro and Dr. Kevin Hassett, quantifies the value of American intellectual property at \$5 - 5.5 trillion, far higher than previous estimates.

The GSP benefits are causing unintended harm to American innovation. By providing lucrative and unnecessary subsidies the U.S. government encourages illegal activities by countries like Argentina, Venezuela, and Brazil, which steal money and violate IP and patent rights, and whose leaders insult Americans.

In 2002 Argentina defaulted on \$141 billion in debt. The default effectively seized foreign assets without providing just compensation. In 2005 the country restructured its debt by offering 30 cents on the dollar to its creditors, many of whom were American investors. Meanwhile, Argentina has been moving from representative democracy towards a more socialist regime. Argentina has repeatedly abused U.S. investors and reneged on international obligations. Consequently, Argentina warrants immediate removal from the GSP.

We need not describe Venezuela or its dictatorial President Hugo Chavez, who is clearly insulting to our President and Secretary of State, and clearly allied with Fidel Castro. How can anyone *possibly* justify rewarding Hugo Chavez by allowing his country to be the eighth largest recipient of GSP benefits?

Completing the unwarranted Latin threesome is Brazil. Now the third largest recipient of GSP benefits, Brazil is also a persistent and unrepentant violator of U.S. patent agreements. Despite previous promises to do so, Brazil has not stopped its theft of our IP. In fact the Brazilian government publicly announced its intentions to ignore U.S. patents on drugs and to allow domestic production and importation of generic versions.

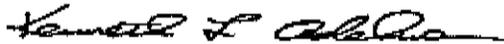
Regrettably, our government has not defended American interests. Our government has yet to take any serious action, such as filing disputes with the World Trade Organization over this

illegal behavior. It has not even officially denounced Brazil's deplorable actions. Removing Brazil from the list of GSP beneficiaries is completely justified, given these cavalier acts of defiance.

We consider these three Latin American countries examples of countries world-wide which abuse the GSP. There are additional violators in every part of the world.

At long last – under your leadership – the U.S. government may now recognize grave trade abuses, wherever they occur, and protect America's economic future, thereby assuring that our economy and country continue to prosper.

Respectfully submitted,



Kenneth Adelman  
Executive Director  
USA for Innovation

Cc:

Ralph Watkins, Deputy Director, GSP  
Representative Bill Thomas  
Representative Charles B. Rangel  
Representative E. Clay Shaw  
Representative Wally Herger  
Representative Phil English  
Representative Jim Nussle  
Representative Jerry Weller  
Representative Jerry Lewis  
Representative Mark Foley  
Representative Kevin Brady  
Representative Thomas M. Reynolds  
Representative Benjamin L. Cardin  
Representative Sander Levin  
Representative William Jefferson  
Representative John S. Tanner  
Representative John B. Larson  
Representative Joseph McDermott  
Representative Henry Hyde  
Representative Tom Lantos  
Representative Dan Burton  
Representative Deborah Pryce  
Meredith Broadbent, Assistant USTR for  
Industry, Market Access, and  
Telecommunications

Secretary of the Treasury, Hank Paulson  
Representative Grace Napolitano  
Representative J. Dennis Hastert  
Representative John A. Boehner  
Representative Roy Blunt  
Senator Bill Frist  
Senator Mitch McConnell  
Senator Jon Kyl  
Senator Rick Santorum  
Senator Hillary Rodham Clinton  
Senator Chuck Schumer  
Senator Richard G. Lugar  
Senator Joseph R. Biden  
Senator Norm Coleman  
Senator Chris Dodd  
Senator Chuck Hagel  
Senator Paul S. Sarbanes  
Senator Chuck Grassley  
Senator Max Baucus  
Senator Craig Thomas  
Senator Jeff Bingaman

Supports Argentina, Brazil,  
& Venezuela  
Re wood building products

From: george.macconnell@masisa.com  
Sent: Friday, September 01, 2006 12:25 PM  
To: FN-USTR-FR0052  
Subject: GSP for Argentina

Dear Trade Representative,  
Attached is Masisa USA's formal response to your "Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation Waivers". Your careful consideration of this matter is greatly appreciated. If you have any questions please contact me directly.

September 1, 2006

GSP Subcommittee  
Office of the US Trade Representative  
Washington, DC

*via email to: FR0052@USTR.EOP.GOV*

Dear US Trade Representative:

Masisa USA, Inc. respectfully submits the following information in response to your "*Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation Waivers*".

Located in Atlanta, GA, Masisa USA, Inc. is the US headquarters for Masisa, a vertically integrated forestry company with pine and eucalyptus plantations in Chile, Argentina, Brazil and Venezuela. Masisa produces wood products for a variety of uses: wood boards, solid wood products such as doors and mouldings, as well as timber, for which we maintain industrial operations in Chile, Argentina, Brazil, Venezuela, Mexico and the United States. Masisa is a publicly-held corporation organized under the laws of Chile, whose stock is traded on the Chilean stock market and on the New York Stock Exchange through American Depositary Receipts (ADRs).

Masisa USA imports and distributes the company's building products throughout the United States, and also operates a manufacturing facility in Charleston, SC which produces MDF mouldings.

Any consideration and subsequent withdrawal of GSP benefits to Argentina may contribute to higher prices in the US market. Masisa's imports help keep prices down for these building materials, thus increasing the affordability of American homes. The imposition of tariffs or the lifting of waivers for Argentina will cause an increase in costs of building products; an event which, in our opinion, would be particularly harmful to the already slowing housing market. For Americans seeking to build a new home or remodel an existing home, lower prices for building products provided to them by responsible off-shore suppliers, like Masisa, can make all the difference in their ability to afford their planned investments.

Your attention to our comments is greatly appreciated, and I am certainly available should you need further information.

Sincerely,



George MacConnell  
President and CEO  
Masisa USA, Inc.

Ms. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the  
Trade Policy Staff Committee  
USTR Annex, Room F-220  
1724 F Street, N.W.  
Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of Arvinmeritor do Brasil Sistemas Automotivos Ltda. corporation, I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed businesses based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

Arvinmeritor do Brasil Sistemas Automotivos Ltda. corporation exports 77 million to the United States duty free under the GSP program. Those exports are necessary to supply other ArvinMeritor facilities located in United States, with parts and components of Drive Axles for Bus and Trucks applications. ArvinMeritor do Brasil has 2696 employees working in tree sites located in São Paulo and Rio de Janeiro States.

Arvinmeritor do Brasil Sistemas Automotivos Ltda. corporation appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue to export our products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Sincerely,

Adalberto Vanderlei Momi  
Finance Director South America Region  
Arvinmeritor do Brasil Sistemas Automotivos Ltda.  
E-mail Adalberto.momi@arvinmeritor.com

## GSP Factsheet: 13<sup>th</sup> Custom District

Created by the Trade Act of 1974, the Generalized System of Preferences (GSP) is a unilateral mechanism that allows the United States to grant tariff exemption on 3.350 products from Brazil that are eligible to this duty-free treatment. In 2005, American companies imported from Brazil over US\$ 3.6 billion in GSP covered products. As a result, US companies saved over US\$ 128 million, amount that would have been paid if the country had not been included in the GSP.

The 13<sup>th</sup> Custom District, composed by the ports of Annapolis (MD), Cambridge (MD), Baltimore (MD), Crisfield (MD), and Baltimore-Washington International Airport (MD), is the fourth main beneficiary of the GSP: 9% of all the imports from Brazil via GSP enter through this custom district.

### GSP Imports from Brazil by Custom District - 2005

Custom District	GSP Imports	Share %
14th Custom District - Norfolk, VA	\$533,503,981	15
10th Custom District - New York, NY	\$514,221,652	14
53rd Custom District - Houston-Galveston, TX	\$430,468,061	12
13th Custom District - Baltimore, MD	\$314,672,873	9
16th Custom District - Charleston, SC	\$306,491,200	8
52nd Custom District - Miami, FL	\$235,758,551	7
All other (36)	\$1,281,034,531	35

Source: USITC

Among the developing countries eligible for the program, Brazil is the fourth most important supplier for the companies in this region. The 13<sup>th</sup> Custom District imported US\$ 1.2 billion of articles covered by GSP program, and 25% of these imports (US\$ 314 million) originated from Brazil.

### 13th Custom District's GSP Imports by Country - 2005

Country	GSP Imports	Share %
<b>Brazil</b>	<b>\$314,672,873</b>	25,34
South Africa	\$274,031,250	22,07
Russia	\$251,385,726	20,25
India	\$53,248,849	4,29
Indonesia	\$52,862,745	4,26
<b>Subtotal</b>	<b>\$946,201,443</b>	<b>76,21</b>
<b>All Other</b>	<b>\$295,390,226</b>	<b>23,79</b>
<b>Total</b>	<b>\$1,241,591,669</b>	<b>100,00</b>

Source: USITC

The companies in this region imported 182 Brazilian products covered by the GSP. The average duty of these articles is 3.99%, the highest being 10.70% and the lowest 0.50%. Due to the GSP duty exemption, American companies saved more than US\$ 11 million, value that would have been paid in duties if Brazil was not eligible for the GSP program. Brazil's maintenance in the GSP impacts positively on both American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 13<sup>th</sup> Custom District's imports from Brazil via GSP are concentrated in five sectors: electrical machinery and equipment (US\$ 78 million); iron and steel (US\$ 54 million); articles of base metal (US\$ 40 million); carpets and other floor coverings (US\$ 27 million); and copper and its articles (US\$ 26 million).

### 13th Custom District's GSP Imports from Brazil by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
84	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION RECORDERS AND REPRODUCERS, PARTS AND ACCESSORIES	21	\$78,180,894	\$2,016,662
72	IRON AND STEEL	4	\$54,148,740	\$2,708,073
76	MISCELLANEOUS ARTICLES OF BASE METAL	9	\$40,297,970	\$1,195,454
44	CARPETS AND OTHER TEXTILE FLOOR COVERINGS	12	\$27,704,878	\$1,637,914
74	COPPER AND ARTICLES THEREOF	2	\$26,330,561	\$633,617
28	ORGANIC CHEMICALS	12	\$18,063,695	\$434,530
87	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	9	\$14,079,543	\$354,548
85	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK, TRACK FIXTURES AND FITTINGS, AND PARTS THEREOF; MECHANICAL ETC. TRAFFIC SIGNAL EQUIPMENT OF ALL KINDS	15	\$11,438,728	\$391,949
83	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	2	\$7,574,225	\$197,556
39	RUBBER AND ARTICLES THEREOF	17	\$5,590,169	\$242,906
<b>Subtotal</b>		<b>103</b>	<b>\$283,409,403</b>	<b>\$9,813,210</b>
<b>Others</b>		<b>79</b>	<b>\$31,263,470</b>	<b>\$1,200,736</b>
<b>Total</b>		<b>182</b>	<b>\$314,672,873</b>	<b>\$11,013,946</b>

Source: USITC

### 13th Custom District's GSP Imports from Brazil by Article - 2005

HTS	Description	GSP Imports from Brazil	Duty	Duty Exemptions
72029380	Ferroniobium, nesoi	\$51,334,461	5%	\$2,566,723
84099991	Parts nesi, used solely or principally with the engines of heading 8408, for vehicles of heading 8701.20, 8702, 8703, 8704	\$33,076,595	2,50%	\$826,915
84831030	Camshafts and crankshafts nesi	\$32,114,654	2,50%	\$802,866
76061230	Aluminum alloy, plates/sheets/strip, w/thick. o/0.2mm, rectangular (incl. sq), not clad	\$27,499,874	3%	\$824,996
74081160	Refined copper, wire, w/maximum cross-sectional dimension over 6 mm but not over 9.5 mm	\$18,515,593	3%	\$555,468
87089970	Pts. & access. of motor vehicles of 8701, nesoi, and 8702-8705, pts. for suspension systems nesoi	\$9,363,936	2,50%	\$234,098
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	\$9,307,829	3,20%	\$297,851
76069230	Aluminum alloy, plates/sheets/strip, w/thick. o/0.2mm, o/than rectangular (incl. sq), not clad	\$8,706,066	3%	\$261,182
28181020	Artificial corundum, in grains, or ground, pulverized or refined	\$8,070,862	1,30%	\$104,921
74031100	Refined copper cathodes and sections of cathodes	\$7,814,968	1%	\$78,150
83099000	Base metal stoppers, caps and lids (o/than crown corks), threaded bungs, bung covers, seals, other packing accessories and parts	\$7,554,028	2,60%	\$196,405
44121940	Plywood of wood sheets, n/o 6 mm thick each, with outer plies of coniferous wood, with face play nesi, not or clear surface covered	\$6,062,886	8%	\$485,031
85015240	AC motors nesi, multi-phase, of an output exceeding 750 W but not exceeding 14.92 kW	\$5,435,684	3,70%	\$201,120
39202000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene	\$4,417,889	4,20%	\$185,551
93032000	Shotguns (incl. comb. shotgun-rifles), for sport, hunting or target-shooting	\$4,313,056	2,60%	\$112,139
<b>Subtotal</b>		<b>\$233,588,381</b>		<b>\$7,733,417</b>
<b>Others</b>		<b>\$81,084,492</b>		<b>\$3,280,529</b>
<b>Total</b>		<b>\$314,672,873</b>		<b>\$11,013,946</b>

Source: USITC

**From:** Victor Basso [easypack@victorbasso.com]  
**Sent:** Monday, September 04, 2006 10:18 AM  
**To:** FN-USTR-FR0052  
**Subject:** 2006 GSP Eligibility and CNL Waiver Review  
Dear Sirs,

We are Brazilian manufacturers and want to stay at the SGP, for the following items:

- Packaging machinery (FFS) for Stick packs, for any type of product for food industry, cosmetic and medicinal laboratories.
- Fillers and additional elements, accessories, for the same type of machine.
- Packaging machinery for four side sealed pouches.

Regards.

Victor Basso / EasyPack

Telef fábrica: (55 11) 4582 9188

Telef direto: (55 19) 3876 6610

Celular: (55 11) 85 567 547

Skype: victorbasso

Site: [www.easypack-brasil.com.br](http://www.easypack-brasil.com.br)



Ms. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the  
Trade Policy Staff Committee  
USTR Annex, Room F-220  
1724 F Street, N.W.  
Washington, D.C. 20508

September 5, 2006

Dear Ms. Sandler:

On behalf of Behr Brasil Ltda corporation, I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed businesses based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

Behr Brasil Ltda Corporation exports to the United States duty free under the GSP program.

**Annual Export** : US\$ 10.2 MM  
**Product Description** : Evaporator VST (Car maker application)  
**Sector** : Automotive  
**NCN Cod** : 8419.89.40  
**HTSUS** : 8419.8995  
**Customer** : Behr Dayton Thermal Products – Dayton - OHIO

Behr Brasil Ltda Corporation appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue to export our products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Sincerely,

**Ailton Passarelli**  
**Financial Director**  
**Behr Brasil Ltda**  
[ailton.passarelli@br.behrgroup.com](mailto:ailton.passarelli@br.behrgroup.com)

A F & P A ®



AMERICAN FOREST & PAPER ASSOCIATION

GROWING WITH AMERICA SINCE 1861

August 25, 2006

American Forest & Paper Assoc:  
Opposes Brazil as GSP beneficiary;  
Opposes CNLW 4412.13.40 FROM INDONESIA re  
Plywood;  
Opposes continuation of GSP benefits for  
wood products from countries which  
have criteria to be graduated.

MessageFrom: Divjak, Anne [Anne\_Divjak@afandpa.org]  
Sent: Friday, August 25, 2006 1:27 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Attached please find comments submitted on behalf of the American Forest & Paper Association.

Anne Divjak  
Director International  
American Forest & Paper Association  
1111 19th Street, NW, Suite 800  
Washington DC 20036  
TEL: 202 463 2721  
FAX: 202 463 2772

August 25, 2006

**FR0052@ustr.eop.gov**

Marideth Sandler

Executive Director for the GSP Program and  
Chairman, GSP Subcommittee of the Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
1724 F Street, NW, Room F-220  
Washington, D.C. 20508

**RE: Generalized System of Preferences: Initiation of Reviews and Request for  
Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive  
Need Limitation Waivers**

Dear Ms. Sandler:

The following is submitted by the American Forest & Paper Association (AF&PA) in response to the *Federal Register* notice Vol. 71, No. 152 (August 8, 2005). AF&PA is the national trade association of the forest, pulp, paper and paperboard and wood products industry. The forest products sector is a key part of the U.S. economy's manufacturing base, employing 1.1 million people and ranking among the top ten manufacturing employers in 42 states. The industry provides more than 10% of total employment in more than 150 counties in 30 states. The forest products industry generates more than \$230 billion in sales and ranks eighth among domestic manufacturing sectors in contribution to GDP.

### **Country Eligibility Review**

With respect to the U.S. government's application of the Generalized System of Preferences (GSP), AF&PA believes that certain beneficiaries are sufficiently competitive with respect to trade in wood products (import duties on paper and paperboard products are at zero) and have expanded exports to the extent that they should no longer be designated as GSP beneficiaries. For the upcoming reauthorization of the GSP program, AF&PA has recommended in previous comments (November 15, 2005 and January 24, 2006) that USTR develop criteria that would constitute "sufficiently competitive" and apply this when identifying countries eligible for GSP preference in the wood products sector.

Brazil represents a clear example of a country that while considered “developing” and thus eligible for GSP preferences, has a very mature and developed forest products industry and thus no longer needs the incentive provided by the GSP program. Of the top ten GSP beneficiary developing countries by trade in volume, Brazil represents an advanced developing country that is already world class producer and exporter of forest products. The wood products industries in Brazil have used their low cost fiber and labor to build world-class industries with a high level of international competitiveness and have demonstrated their ability to rapidly increase production and exports. For several wood product categories and most recently softwood plywood, Brazilian exports, which compete directly with U.S. manufactured product, regularly reach export levels that trigger their suspension from the program.

Specifically, AF&PA supports the withdrawal of GSP benefits for wood products from countries that meet the following criteria, as defined in the Federal Register notice:

*...where the total value of U.S. imports under the GSP exceeded \$100 million in 2005, and a) which the World Bank classified as an upper-middle-income economy in 2005; OR b) that accounted for more than 0.25 percent of world goods exports in 2005, as reported by the World Trade Organization*

### **CNL Waiver Review**

AF&PA supports the termination of the waiver of competitive need limitation for imports of tropical plywood (HTS # 44121340) from Indonesia, consistent with current GSP eligibility criteria. The criteria state that GSP preference may be terminated when it is determined that 1) exports to the U.S. of a GSP eligible article exceed \$120 million (for 2005) or 2) the quantity of a GSP eligible article has a value equal to or greater than 50 percent of the value of total U.S. imports of the article from all countries. In the case of imports of tropical plywood from Indonesia, the value in 2005 exceeded the \$120 million threshold.

Wood product producers in a number of GSP eligible countries already gain substantial benefit from low fiber and labor costs. These countries also continue to apply various trade barriers, effectively limiting market access, even though their own exports are expanding at a substantial rate. Accordingly, extending waivers of competitive need limitations for wood products would be inappropriate and contradict the intention of the GSP program.

Failure to successfully address the competitive challenges facing our industry means that jobs are exported while forest products are imported from producers in other nations who do not adhere to our high environmental and forest management standards. The modification of the Generalized System of Preferences represents an opportunity for Congress and the Administration to help secure the future viability of U.S. manufacturers of forest products. A vibrant forest products industry not only contributes to the economy, but also to the long-term sustainability of our environment.

Thank you for considering our views on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Donna Harman". The signature is written in a cursive, flowing style.

Donna Harman  
Sr. Vice President, Policy and Government Affairs  
American Forest & Paper Association  
1111 19<sup>th</sup> Street, NW, Suite 800  
Washington DC 20036  
TEL: 202-463-2476  
FAX: 202-463-2424  
Email: [donna\\_harman@afandpa.org](mailto:donna_harman@afandpa.org)



For a better business environment

July 19, 2006

The Honorable  
Senator \_\_\_\_\_  
United States Senate

\_\_\_\_\_  
Washington, DC \_\_\_\_\_

To the Honorable \_\_\_\_\_:

On behalf of the American Chamber of Commerce in Brazil, we would like to express our strong support for maintaining Brazil in the General System of Preferences program which expires on December 2006.

The 14th Port District - which encompasses the Port of Norfolk, Virginia - received US\$533 million in products imported from Brazil to the United States via GSP, which represented 51% of all the GSP imported products in 2005. Through this system, products enter the United States at a lower cost which guarantees consumers reduced prices. This generates economic activity in your district which creates jobs and progress. You will find more information on the GSP and the 14<sup>th</sup> Port District's activity in the attached studies.

Maintaining Brazil in the GSP program is also important for U.S. companies that export from Brazil and consequently to consumers in the United States. Through the GSP program, companies in the United States import free of duty, which leads to lower production and operational costs which consequently reduces prices.

The continuation of the GSP is a positive symbol of the lasting partnership between the two nations and a solid commitment to Brazil's development and to U.S. companies established in this country.

We would like to ask you to vote in favor of maintaining Brazil in the GSP program in support of the common goal of enhancing trade, investments and development in both countries.

Once again, we would like to thank you for your attention and would like to offer additional information and assistance in anything you might need.

Sincerely yours,

Helio Magalhães  
Chairman of the Board  
American Chamber of Commerce in Brazil

Arthur Vasconcellos  
Executive Director  
American Chamber of Commerce in Brazil

*The Amcham Brazil, founded in 1919, is an independent non-profit organization with over 6.200 corporate members from all sectors in the economy. We currently have offices in 8 cities throughout the country, including in the capital, Brasília. Our mission is to constructively influence public policies in Brazil and in the United States, promoting trade, investments and corporate citizenship. Our goal is to continue to improve the business environment.*

**Câmara Americana de Comércio**  
**American Chamber of Commerce**

SP DF GO MG PE PR RS

Representatives	Senators
Robert C. "Bobby" Scott	Mary L. Landrieu
Jo Ann S. Davis	William H. Frist
J. Randy Forbes	Lamar Alexander
Shelley Moore Capito	Thad Cochran
Frank Wolf	Jon Kyl
Rick Boucher	David Vitter
Carolyn Maloney	Trent Lott
Michael R. McNulty	John McCain
Sheila Jackson Lee	Jeff Sessions
Ron Paul	Richard Shelby
Solomon P. Ortiz	Richard Durbin
Benjamin L. Cardin	Evan Bayh
Wayne Gilchrest	Barack Obama
Roscoe Bartlett	Richard G. Lugar
Henry Brown	Saxby Chambliss
Bob Inglis	Johnny Isakson
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Jim McCrery	David Vitter
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Artur Davis	Joseph R. Biden Jr.
Robert E. "Bud" Cramer	Thomas R. Carper
Daniel Lipinski	Hillary Rodham Clinton
Ray Lahood	Charles E. Schumer
Peter Visclosky	
Lane Evans	
Donald Manzullo	
Mark Kirk	

Jack Kingston
John Barrow
John Lewis
Robert Brady
Curt Weldon
Mike Doyle
Frank LoBiondo
Paul E. Kanjorski
Robert E. Andrews
Tim Holden
Dent, Charles W.
Chris Smith



Supports Brazil  
Company makes machines to make  
auto-parts  
Can't tell if CNLWs on this

From: Boneli [boneli@boneli.com.br]  
Sent: Wednesday, August 23, 2006 2:51 PM  
To: FN-USTR-FR0052  
Cc: deni@abimaq.org.br  
Subject: 2006 GSP Eligibility and CNL Waiver Review

C/O: Office of the United States Representative (USTR)

Please find attached our submission.

Best regards,

Sérgio Cruz - Diretor  
Maquenge Máquinas Operatrizes Ltda  
Manufacturers of the BONELI Centerless Grinders  
Av. Benedito de Andrade, 1000  
Distrito Industrial Unileste  
Piracicaba - SP -13422-000 - BRAZIL  
(55) (19) 3424-3231  
boneli@boneli.com.br  
www.boneli.com.br



**FROM: MAQUENGE MÁQUINAS OPERATRIZES LTDA**  
**TO: OFFICE OF THE UNITED STATES REPRESENTATIVE (USTR)**  
**RE: GSP Eligibility and CNL Waiver Review**

Dear Sirs,

We are a Brazilian company specialized in the construction of Centerless grinders, which are machines used in auto-parts manufacturing. We are a small family-owned company with 35 employees and we have been building these machines since 1972.

Because of the economic difficulties in Brazil and the very unstable market, we decided in June of this year that the only way we could survive is through exporting our machines. We believe that the strong and stable American market could represent a great opportunity for us to reach a minimum quantity of machines sold that would allow us to continue our operations.

Since June we have been working on a new project designed for the American market, spending a lot of efforts and money in the development of the new machine, looking for suppliers (some of them American companies), looking for distributors in the US (all American companies) and studying the all the procedures and laws.

The main reason we could have a competitive price in the American market is the Generalized System of Preferences (GSP), which would enable us to sell our machines with zero import taxes. The GSP is the difference between success and failures for us and without it we will have to give up on this project and re-think our future. We also think that the maintenance of the GSP would also benefit American companies and American jobs, because most part of our suppliers and all of the distributors are American companies.

Therefore we urge you to consider the impact of this measure on both Brazilian and American companies and vote to extend the GSP.

Best regards,

Sergio Cruz  
Director  
August 23<sup>rd</sup>, 2006

**Texima S.A. Indústria de Máquinas**

Av. Marechal Tito, 6765 – São Paulo/SP – 08115-100 – Brazil

Tel.: +55(11) 6963-2800 Fax: +55(11) 6963-2439

e-mail: [texima@texima.com.br](mailto:texima@texima.com.br) - [www.texima.com.br](http://www.texima.com.br)

Supports Brazil

Regarding 3 HTSUS Textile

Machines which do not have CNLWs

From: Joni Dutra Neves [[joni@texima.com.br](mailto:joni@texima.com.br)]

Sent: Wednesday, August 23, 2006 2:27 PM

To: FN-USTR-FR0052

Cc: [Deni@abimaq.org.br](mailto:Deni@abimaq.org.br); [cleusa@texima.com.br](mailto:cleusa@texima.com.br)

Subject: 2006 GSP Eligibility and CNL Waiver Review

Importance: High

Sao Paulo, August 17<sup>th</sup>, 2006

Mrs.

**Marideth J. Sandler**

Executive Director for the GSP Program

Chairman, GSP subcommittee of the Trade Policy Staff Committee

Office of the United States Trade Representative

**Subject: 2006 GSP Eligibility and CNL Waivers Review.**

We are a Brazilian machine manufacturer, with more than 50 years old, producing machines for textile finishing, 100% Brazilian capital, one of the few in Brazil after so many companies closed down due to the volatile economic situation that we have. Our products, according to the HTSUS, are:

84512900	Drying machine for yarn, fabric or made-up textile article, each a dry linen capacity exceeding 10 Kg
84514000	Washing, bleaching or washing machines for textile yarns, fabric or made up textile articles
84518000	Machinery for the handling of textile yarns, fabrics or made up textile articles

We are located in the city of Sao Paulo and today we have around 260 employees. The type of machine we produce is very big, and we sell just few units per year.

Around two years ago we had our first sale to a Company in United States, from South Carolina. This sale was very important to us that we were benefited by the GSP, we got competitive against Germans and Korean machines, our competitors.

After this first sale we are very active to have a long-term business in the US market, we want to have more sales to increase our participation there, in order to keep our workers with their job, and hopefully have more workers with us. The economy in South America is very volatile and it will be very important to us if we have the chance to sell more in a solid market like United States.

Different from our German and Asian competitors, we buy a lot of components from United States to equip our machines, what we believe it is good for our US clients and also good for your country.

We know we have expensive products, and this is because we choose to produce high quality and strong machines instead of weak ones. Since we have to compete against our German and Asian competitors not only in technology level, but also in price level, it is when the GSP turns to be a very important benefit to our US customers and consequently to our company.

We know we are a good option to our potential costumers in the United States, because they may choose not to buy German machines or low-quality-cheap-Asian machines, considering we have similar quality to the Germans and cheaper final price due to the GSP.

With a possible withdraw of Brazil from the GSP only German companies would be benefited, no other developing country would be.

It is known that the Textile Industries in United States is shrinking, with so many companies closing on the last years and with so many job losses ([www.ncto.org/ustextiles/plantclosingsUSA.html](http://www.ncto.org/ustextiles/plantclosingsUSA.html)), but - on the opposite way - we are satisfied to know that the US company which bought our machine is increasing its production with a very good perspective for the future, including to buy another machine from us.

As a final conclusion we do believe that we are important to USA textile industries. To our side it's very important to have this market and it will be extremely positive proceed our sales in this country. But, to allow this good relationship, we really need the GSP to continue as we have it today, to create more labor in Brazil and help on our development.

We hope this can be considered by you.

Sincerely,

***Eng. Joni Dutra Neves***

*Foreign Sales*

***TEXIMA S.A. INDÚSTRIA DE MÁQUINAS***

*Tel. +55 11 6963 2800 Ext 134*

*Fax +55 11 6963 2439*

*joni@texima.com.br*



Supports Brazil  
Manufactures wooden cable  
reels which don't have CNLWs

From: Randy.Lusk@sonoco.com  
Sent: Friday, August 25, 2006 8:24 AM  
To: FN-USTR-FR0052  
Subject: Generalized System of Preferences (GSP)

Randy W. Lusk  
General Manager  
Baker Division of Sonoco  
256-751-5023

Baker Division  
3040 Highway 31 South  
P.O. Box 668  
Hartselle, AL 35640  
256-773-6581 (phone)  
256-751-1095 (fax)



August 24, 2006

The Office of the U.S. Trade Representative

*Re: Generalized System of Preferences (GSP)*

Dear Sir or Madam,

The Baker Division of Sonoco is a manufacturer of wooden cable reels with division headquarters in Hartselle, Alabama and corporate headquarters in Hartsville, South Carolina. The Baker Division currently employs 639 people. We have been in operation since 1953 and the Generalized System of Preferences (GSP), which expires at the end of this year, has been an important tool in guaranteeing the competitiveness of our company.

As you know, the GSP is a program that grants preferential duty-free entry for a number of products coming from some developing countries. We are concerned about recent reports which indicate that GSP might be allowed to expire. We strongly urge you to renew it in its entirety before the expiration deadline in December this year.

GSP is not only relevant for the companies that benefit directly from the program, but also for the whole US economy. Since the program was instituted in 1974, American companies have incorporated the benefits of its duty savings into their products and this has translated into greater competitiveness and lower prices to consumers. Types of products that benefit the most from GSP include oil, chemicals, electrical equipment, transportation equipment parts, food products, and **wood products**.

We also want to emphasize that the GSP must continue to apply to the current list of beneficiaries. **Specifically, we need Brazil to be preserved in the program, because it is crucial to the competitiveness of our company.** Brazil is our main source of wooden cable reels that we use to supplement our own manufacturing capabilities.

If GSP is allowed to expire or Brazil is excluded from it, the cost of wooden cable reels will increase as much 10.7%, which represents a major impact in our revenues and a higher price to our customers.

Baker Division  
3040 Highway 31 South  
P.O. Box 668  
Hartselle, AL 35640  
256-773-6581 (phone)  
256-751-1095 (fax)



GSP makes a difference to us and to other US companies and their workers. Letting it expire, even temporarily, or reducing its benefits in any way would impose a costly hardship on us, significantly reducing our competitiveness in this global economy.

In light of its many benefits, we strongly urge you to renew GSP in advance of the expiration deadline.

Thank you for your time and consideration of this very important matter.

Sincerely,

A handwritten signature in cursive script that reads "Randy W. Lusk".

Randy W. Lusk  
General Manager  
Baker Division of Sonoco

Supports Brazil  
Re Coffee Roasting Equip  
which does not have CNLW  
Cia. Lilla de Maquinas company

From: COFIMAN@aol.com  
Sent: Monday, August 28, 2006 9:57 AM  
To: FN-USTR-FR0052  
Cc: ExportManager@lilla.com.br  
Subject: 2006 GSP Eligibility and CNL Waiver Review  
Dear Sirs:

Cia. Lilla de Maquinas is a Brazilian manufacturer of coffee roasting equipment and related products for the coffee industry.

We manufacture complete lines of coffee plant equipment including roasters, grinders, conveyors, bins and hoppers, all sold individually or as completely integrated operating units.

We export our machinery to several U.S. companies, who definitely benefit from the GSP eligibility. It gives them an advantage which allows them to produce better coffee at lower prices and strengthens their ability to compete in the American market.

Our petition is for the GSP to continue in force.

Cordially,

Fernando Oliveira  
Export Manager  
Cia. Lilla de Maquinas  
Rua Constancio Colalillo. 382  
07024-150 Guarulhos SP - Brazil  
Exportmanager@lilla.com.br

Supports Brazil  
BREX AMERICA company  
Food products

From: Andres Miranda [amiranda@brexamerica.com]  
Sent: Monday, August 28, 2006 5:19 PM  
To: FN-USTR-FR0052  
Cc: Werner Batista  
Subject: Comments supporting the GSP (Brazil)

Attn. GSP Subcommittee

Office of the United States Trade Representative

Dear Sir,

Our company, BREX AMERICA, would like to express its support to the continuance of the GSP. We are an Importer and Wholesaler of Brazilian Food Products with headquarters in Miami, FL, currently employing 60 people. We have been in operation since 2003 and the Generalized System of Preferences (GSP), which expires at the end of this year, has been an important tool in guaranteeing the competitiveness of our company.

If GSP is allowed to expire or Brazil is excluded from it, it will represent a major impact in our revenues and a higher price to our clients and final consumers. Also consider that our business is creating jobs in the US as well as in Brazil.

We have already communicated our concern to our US Representative, Mr. Lincoln Diaz-Balart. Please let us know in which other way we could help support this very important program.

Cordially,

Andrés Miranda  
BREX AMERICA  
ph. (305) 591-5554  
fax (305) 591-5556  
amiranda@brexamerica.com



# Con-Tech International™

CONTAINER TECHNOLOGY AND SUPPLY INTERNATIONAL INCORPORATED

1046 Annunciation St., New Orleans, LA 70130 USA  
Tel.: 504-523-4785, Fax: 504-522-7332

[www.con-techinternational.com](http://www.con-techinternational.com)

Supports Brazil  
Re Steel & Steel Parts  
Con-Tech International

From: Robert Evans [revans@con-techinternational.com]  
Sent: Tuesday, August 29, 2006 7:11 PM  
To: FN-USTR-FR0052

Please see our comments on the GSP review that is currently taking place.

Kindest Regards

Robert Evans

Robert G. Evans  
Con-Tech International  
PO Box 53313  
New Orleans, LA 70153  
Direct Line: 504-523-4788  
Fax: 504-522-7332

**August 29, 2006**

**Ms. Susan Schwab  
U.S. Trade Representative  
Washington, D.C**

**Dear Ms. Schwab:**

***I am writing you this letter to give you our input concerning the continuance of the GSP program. We are a small trading company, based in New Orleans. We import steel and steel parts and distribute them to many companies in the US and Canada. The most important products that we import and distribute are cold roll steel sheet circles that we import from Brazil and distribute to steel drum manufacturers.***

***Our business would be severely impacted in a very negative way if the GSP status for Brazil were revoked and duties were assessed on our products. This business is very competitive. We operate on very small margins and any extra costs, (i.e. duties) would substantially reduce our profitability, if not force us out of this business altogether.***

***In addition, the customer base that we serve also operates in a very competitive environment. Steel drum producers also have very small margins. They must compete in the world market. Our competitively priced raw material used to produce steel drums helps our customers to successfully sell their products. Without the supply of low cost drums here in the US, many chemicals would be shipped to export markets in bulk and then packaged in drums in other countries. This would substantially reduce the number of drums made in the US and send production of this product to overseas manufacturers.***

***I urge you very strongly to support the continuance of the GSP program for Brazil.***

***Kindest Regards***

***Robert G. Evans***



Supports Brazil  
Re chemicals MMA, EMA, EA,  
and MA which not have CNLWs  
Proquigel Quimica - Unigel Group

From: Cristiano Fallakha [cristiano.fallakha@unigel.com.br]  
Sent: Wednesday, August 30, 2006 2:13 PM  
To: FN-USTR-FR0052; FN-USTR-FR0052  
Subject: 2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

Importance: High

**Ref: 2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW**

Dear Sir

We are a MMA – 2916.14.10 /EMA – 2916.14.20 /EA – 2916.12.20 and MA – 2916.12.10 producer in Brazil with headquarters in US, currently employing people. We have been in operation since 90's and the Generalized System of Preferences (GSP), which expires at the end of this year, has been an important tool in guaranteeing the competitiveness of our company.

As you know, the GSP is a program that grants preferential duty-free entry for a number of products coming from some developing countries. We are concerned about recent reports which indicate that GSP might be allowed to expire. We strongly urge you to renew it in its entirety before the expiration deadline in December this year.

GSP is not only relevant for the companies that benefit directly from the program, but also for the whole US economy. Since the program was instituted in 1974, American companies have incorporated the benefits of its duty savings into their products and this has translated into greater competitiveness and lower prices to consumers. Types of products that benefit the most from GSP include oil, chemicals, electrical equipment, transportation equipment parts, food products and wood products.

We also want to emphasize that the GSP must continue to apply to the current list of beneficiaries. Specifically, we need Brazil to be preserved in the program, because it is crucial to the competitiveness of our company. Brazil is one of the main sources of monomers (MMA/EMA/MA/EA) to the US.

If GSP is allowed to expire or Brazil is excluded from it, MMA/EMA/EA/MA will cost to our customers 3, 7% more, which represents a major impact in their revenues and a higher price to their clients and final consumers.

GSP makes a difference to us and to other US companies and their workers. Letting it expire, even temporarily, or reducing its benefits in any way would impose a costly hardship on our customers, reducing their competitiveness in this global economy.

In light of its many benefits, we strongly urge you to renew GSP in advance of the expiration deadline.

Sincerely,

**PROQUIGEL QUIMICA – UNIGEL GROUP**

Supports Brazil  
Re Automotive industries which  
not mention CNLWs  
Mangotex company  
ITU S.P. company in Brazil

From: James Flynn [jgflynn@sbcglobal.net]  
Sent: Wednesday, August 30, 2006 2:40 PM  
To: stabenow@usgov.com; carllewin@usgov.com; FN-USTR-FR0052  
Cc: sergio gaue  
Subject: Continuance of US Trade with Brazil & GSP Generalized System of Preferences

Hello Debbie & Carl

The U.S. Trade Representative

Debbie and Carl, first let me say hello from Russ Boltz, he sends his best wishes, as of course do I.

We think you are doing well for Michigan trade policies and the US, Michigan automotive industries and our working force. Please continue the fine job.

Also while you are at it, help to get new resident in that big WHITE HOUSE near where you work.

Personally, since I was a purchasing agent in General Motors years ago, I have been a manufactures representative dealing with the automotive, hence my letter to both of you and the US Trade Representative.

I am fortunate to represent a very good rubber hose company in Brazil, in ITU S.P. and hour outside of Sao Paulo, and we welcome you to visit our company.

A concern that has been brought to my attention, is that the US Government is considering not renewing the GSP for Brazil, which expires at the end of this calendar year.

The substantial business Mangotex helps create for Michigan and the US automotive, because of their quality, expertise, and competitiveness, if this this program retires, it would be one more blow to the State of Michigan.

Mangotex helps Michigan manufacturers remain active in our automotive to build major cooling modules and other engine and HVAC components used in the United States auto industries.

Debbie and Carl, our state and the country overall needs your help to push for renewal of the GSP program. It's worked well for approx.30 years and we don't need another manufacturing reason to let this beneficial program hurt our already slipping manufacturing base, move to Asia.

To have any further dialog with me, my email address is above, my office address and phone number is below. But best of all to reach me would catch me anywhere, any time my cellphone number is below.

Thanks for your time, and keep up the good work for us.

Regards,

Jim Flynn  
Sales Eng  
Mangotex

Jim Flynn  
925 N.Lapeer Rd  
Oxford Michigan 48371  
PHONE 248 969 7600  
FAX 248 969 6988

São Paulo, 30 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Incepa Revestimentos Cerâmicos Ltda. would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Paraná state and the most recent ceramic tile production region, at the north-east.

Our company is located at the state of Paraná and we employ 850 people. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

Incepa is selling our products through an US sister company with warehouses in Suffolk, Houston, Carson, Canton and East Sparta, and soon in Miami and Savannah, which guarantees to our customers a high service quality.

Deleted: ¶

**Comments from:**

Incepa Revestimentos Cerâmicos Ltda  
Contact person: Jorge Francino  
Position: Managing Director  
Email: jorge.francino@incepa.com.br  
Tel: +55 41 3391 1407  
Fax: +55 41 3391 1010

Supports Brazil  
Re Colored Pencils -  
which not have CNLW  
Hallmark Cards/ Binney &  
Smith (Crayola & Portfolio  
Series)

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



ST. MAXENS & COMPANY



1200 17<sup>th</sup> Street, NW, Suite 500  
Washington, DC 20036 USA



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

August 30, 2006

*electronic e-mail submission*

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

Dear Marideth:

On behalf of Hallmark Cards, we are pleased to submit these comments in response to the GSP Subcommittee's *Federal Register* notice of August 8, 2006 soliciting public comment concerning the eligibility of certain beneficiary countries under a renewed U.S. Generalized System of Preferences (GSP) extending beyond the current expiration date of December 31, 2006. Further to its submission to the Subcommittee of November 14, 2005, Hallmark wishes to convey its strong support for maintaining Brazil's eligibility for duty-free GSP treatment with respect to colored pencils under a renewed GSP program.

Headquartered in Kansas City, Missouri, Hallmark is the global leader in the personal expression industry. The company is the world's best-known seller of greeting cards, and also sells a variety of personal expression products under its *Hallmark* and other brand names.

Among those products are the *Crayola* line and other hands-on products for personal development and fun made by Binney & Smith, a Hallmark subsidiary. Headquartered in Easton, Pennsylvania, Binney & Smith employs 1,350 workers around the world, 1,200 of whom are in the United States. Many of the products sold by Binney & Smith in the United States are manufactured at the company's U.S. manufacturing facilities located in Easton.

As Binney & Smith has noted in prior submissions to the GSP Subcommittee and to the TPSC, the company sources the vast majority of the colored pencils for its *Crayola* line from Brazil. Binney & Smith imports these colored pencils, as provided for under HTS 9609.10.00, on a duty-free basis through the GSP program. The imposition of the substantial MFN duty (the *ad*

Ms. Marideth J. Sandler  
August 30, 2006  
Page 3

*valorem* equivalent for the compound duty on the Brazilian product was 5.6 percent in 2005) on Binney & Smith's colored pencils would significantly increase the products' total costs. Marketed primarily under Binney & Smith's *Crayola* and *Portfolio Series* brands, these colored pencils already are premium priced and it is doubtful that the company would be able to pass on the duty cost to its customers through price increases.

As a result, the increased duty costs for Binney & Smith's colored pencils likely would be felt across the company's full line of related products. These include *Crayola*-brand crayons, markers, chalk, paints and activity kits which, together with the *Crayola*-brand colored pencils, are sold through Binney & Smith's consumer and educational product lines.

While none of Binney & Smith's colored pencils are produced in the United States, the bulk of these other related products constituting the company's *Crayola* line are produced at the company's manufacturing facilities in Easton. As a result, the loss of GSP treatment for Brazilian-origin colored pencils, an integral component in the *Crayola* line, would negatively affect the competitiveness of these operations and their hundreds of U.S. production and related workers.

Given the importance of Brazilian colored pencils to Binney & Smith's overall operations, Hallmark urges the Administration not to remove Brazil's designation as a beneficiary country under a renewed GSP program. If the Administration decides to implement any GSP restrictions on a product-by-product basis, Hallmark urges that Brazil's GSP eligibility be preserved with respect to the subject colored pencils category bearing in mind the current \$17 million level of such imports from Brazil.

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

Sincerely,

A handwritten signature in black ink that reads "Tom St. Maxens". The signature is written in a cursive, slightly slanted style.

Thomas F. St. Maxens



**Divisão de Rodas e Chassis**  
Rua Dr. Othon Barcellos, 83  
Cruzeiro - SP - CEP 12730-900  
Tel.: +55 12 3184-1010  
Fax : +55 12 3144- 0403

Supports Brazil

From: Luiz Vicente Aguilar [aguilar@maxioncr.com.br]  
Sent: Thursday, August 31, 2006 1:32 PM  
To: FN-USTR-FR0052  
Cc: foschini@iochpe.com.br; tsigolo@sindipecas.org.br;  
ELuna@brasilemb.org  
Subject: SGP

Dear Sirs.,

Enclosed you have the Maxion representation for SPG.

Thank you for your attention,

Best regards,

Luiz V. Aguilar

## USTR – UNITED STATES TRADE REPRESENTATIVE

Dear Mrs. Susan C. Schwab

Maxion is an auto parts producer located in Brazil with a long history of supportive relationship with the United States based customers.

It is understandable that through the years GSP has helped to develop the industries of both sides, in Brazil and in the U.S. As a private corporation, Maxion has learned that the only means to grow and to continue in business is to make the best to our customers in terms of quality, costs and services, supported by the employment of the latest technology and development of own know how. This can be justified by the continuous growth of our business in the U.S.

The advantages for our U.S. customers are the guarantee of sourcing top quality, competitive parts that they need for their applications, which will be embedded in their own products.

We firmly believe that GSP has been largely justified for its original quests of helping to develop certain countries, with the advantage that U.S. corporations on a competitive basis can source quality products. The continuation of GSP will guarantee that the efforts done to this moment will not be lost and that our North American customers will continue receiving the benefits from their side as well.

On the next few pages we will explore some of the arguments that will help you to take the correct decisions towards GSP. We respectfully urge you to take the necessary actions on the direction of the continuation of the GSP for years to come.

Thank you for your support.

Luiz V. Aguilar



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Rua Dr. Othon Barcellos, 83  
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Tel.: +55 12 3184-1010  
Fax : +55 12 3144- 0403

Maxion Sistemas Automotivos Ltda.

USTR – UNITED STATES TRADE REPRESENTATIVE

TPSC - TRADE POLICY STAFF COMMITTEE

### **1. Company Presentation.**

Maxion Sistemas Automotivos Ltda, Wheels and Chassis division (Maxion), affiliated to the Iochpe Group, is an auto parts producer organized under Brazilian laws. Our main line of products includes chassis frames for trucks and busses, side rails, cross members, reinforcements, brackets and several structural stamped parts, as well as steel wheels for trucks, busses and off-the-road equipment.

Located in the city of Cruzeiro, São Paulo State, Maxion started operations in 1943, with the manufacturing of railroad cars. Nowadays, these cars are made by our sister company Amsted-Maxion, a joint venture between the Iochpe Group and the Amsted Company of the United States.

Maxion established its focus to support the commercial vehicles manufacturers since the early 50's, with the birth of the automobile industry in this country. From that time onwards, Maxion grew together with the Brazilian industrialization process, developing its own technology and know how to remain competitive and to offer quality structural parts to our customers in this country and abroad. Today, Maxion supplies the main automakers world wide, such as Ford, General Motors, Daimler-Chrysler, Scania, Volvo, International, Toyota, Peugeot, Workhorse (USA), AM General (USA), AGCO, John Deere, Caterpillar (USA), Iveco/Fiat and others.

With a revenue of R\$ 622 million in 2005 (about US\$ 280 MM), Maxion has continued investment plans to develop new technologies, to improve the quality of our products and to offer competitive solutions and services to our customers, utilizing the most advanced structural analysis softwares (CAE) and computerized systems for the design of components

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Operating under the ISO quality standards, Maxion was the first Brazilian company from the automobile sector to achieve an ISO certificate back in 1991. Today we operate under the ISO 16949, ISO 14001 for the environmental protection and OHSAS 18001 for the health, safety and working conditions.

Our hometown Cruzeiro is a city of about 78,000 inhabitants. Employing 3,512 people, Maxion is by far the largest job creator in this developing area of Brazil. Maxion occupies a constructed area of 800,000 sqft, from a total of more than 4 million sqft, being conveniently located near the main Brazilian exporting ports of Santos, Rio de Janeiro and Sepetiba.

Maxion business in the U.S. amounts to US\$ 13,000,000 annually. With new projects under way, it is expected that this revenue will increase to US\$ 20,000,000 on the next 2 years.

## **2. Why GSP shall be continued for the benefit of U.S. based corporations.**

- Maxion has unique capabilities to help our U.S. based customers. Maxion has a strategic view towards the automobile industry in the US. Considering some of our unique capabilities, Maxion is in an outstanding position to support our US customers such as Workhorse Chassis, a company located in Union City, Ohio, producing medium and light trucks and RV's, Motor Coach Industries, a bus manufacturer with head quarters Shamburg, Illinois and plants in Louisville, Kentucky, AM General, the producer of the military vehicles Humvee, with production sites at Mishawaka, Indiana. All these customers are dependent of Maxion since the projects are made on an exclusive basis, due to the investments necessary to produce the parts. Other customers are a number of large, medium and

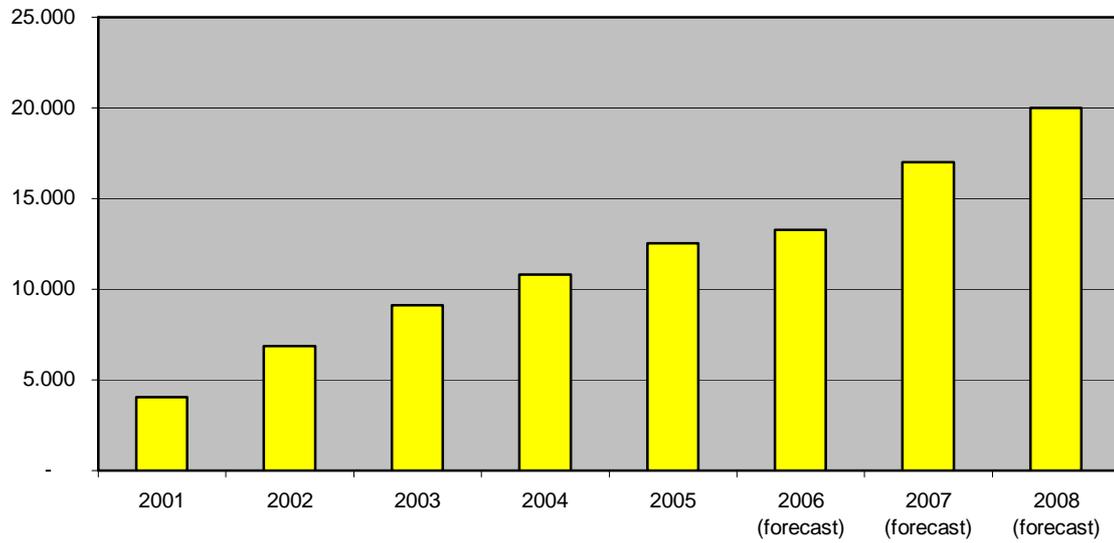
small companies like trailers manufactures and other served by our distributors in Birmingham, Alabama and Dallas, Texas.

- GSP helps U.S. based companies to remain competitive despite of deteriorating market environment. It is not news that the competitiveness of the auto industry in the US has damaged the position of different companies, hindering jobs and business alike. By employing our know how to high quality products, in the support to our customers in this country, Maxion has helped the auto industry of the US to maintain its competitiveness, securing local markets for US corporations and making the best use of a well designed supply chain, where Maxion delivers parts at competitive cost to the local manufacturers. We understand that GSP has played an important role to keep the local manufacturers' costs on low.
- Maxion customers have invested directly on the production of auto parts in Cruzeiro. On the last 5 years, US\$5,000,000 have been invested in Brazil for tooling and production means by U.S. based customers to support Maxion in the supply of auto parts from Maxion. Another US\$ 2,100,000 have already been contracted for 2006. These projects are very sensitive to cost variations such as logistics, transportation, price of steel and other parameters. It is a fact that the presence of GSP has enabled these projects to go ahead for the benefit of both sides, customer and supplier. The continuation of GSP is keen to assure the return of the investment done with American based companies funds.
- North American auto parts producers look to Brazil as a good partner for a production base. Several U.S. based corporations have business investments in Brazil to use this country as a supply base for their own needs in the U.S. Maxion has participated on this trend by having manufacturing contracts with some of the auto parts producers, either making sub-assemblies of complete products. Accuride Corporation is a steel wheel producer that uses Maxion as a competitive production base, enjoying purchases to the amount of US\$ 2,500,000 annually. It is clear that GSP is an important part of the project calculations returns.

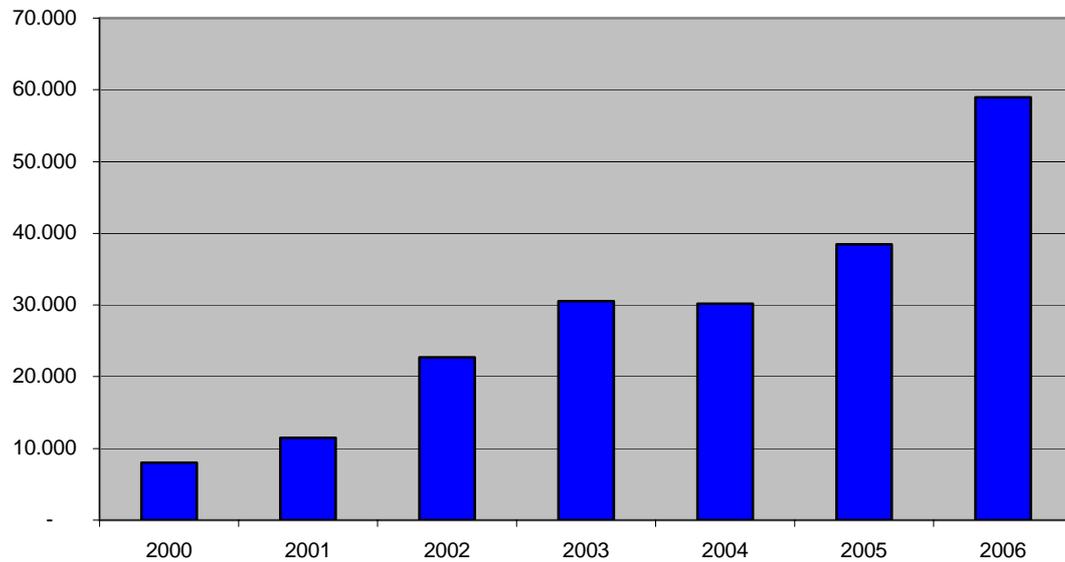
### 3. Why GSP shall be continued for the benefit of Brazilian based corporations.

- Brazil as a developing country. It is no doubt that Brazil is still a country under a development process. The existence of GSP has provided the possibility of investments in production bases with the creation of jobs and the turning of economies. Maxion is not an exception to this. Located in a city of 78,000 inhabitants, Maxion employs 3,512 people from this area that would not have otherwise a steady economical occupation. Besides the local taxes and several other benefits to the poor community we are inserted in, Maxion is the single most important supporter of different types of social works, such as complementary basic education, cultural projects, organization of volunteer works, all in benefit to the less advantaged people of our community. It is a fact that the business generated under GSP have significantly helped to support these projects that will in time improve the general living standards of our surroundings.
- Long term projects. Maxion has developed projects with a long term view together with our U.S. based customers. The parts manufactured by Maxion are always dependent of specific investments on tooling and production means, investment that is meant to be recovered on the long term. As for any project, attention to details is of keen importance, same as for the existence of GSP to justify the projects. Any change of this situation may interfere on the returns of the projects and impair the possibility of their continuation, creating the risk of not only capital losses for the company as well as the decrease of job positions.
- Creation and sharing of technology achievements. Behind each project there is a heavy engineering involved to support the competitive manufacturing of the products and their quality as well.

**Sales to the United States (US\$ x 1.000)**



**Maxion Investments (R\$ x 1.000)**



Supports Brazil  
Re auto parts - which have  
no CNLWs  
A Raymond BRASIL Ltda.

From: Tatiana Sabatini [tatiana.sabatini@araymond.com.br]  
Sent: Thursday, August 31, 2006 1:26 PM  
To: FN-USTR-FR0052  
Cc: comex@sindipecas.org.br; "Paulo Nahlous"@esgeop01.eop.gov; "Sergio  
Proto"@esgeop01.eop.gov  
Subject: Generalized System of Preferences (GSP)

Dear Sirs:

Please, see attached our requirement.

Thanks and regards,

Tatiana SABATINI

Import and Export Analyst  
A Raymond BRASIL Ltda.  
Tel : +55 19 3836 6951  
Fax : +55 19 3836 6956  
e-mail: tatiana.sabatini@araymond.com.br  
msn: tatiana.sabatini.araymond@hotmail.com  
website: www.araymond.com.br

To Office of the  
USTR (United States Trade Representative)

**SUBJECT: Generalized System of Preferences (GSP)**

Dear Sirs:

According to the Billing Code 3190-W6-P, we would like to manifest our interest to include the code **3917.40.90** in the GSP.

We are a Brazilian Company, called A. Raymond Brasil Ltda, and we have two partners in USA: A. Raymond Inc. and Rayconnect Fluid Handling Solutions.

We produce autoparts, mostly plastic parts, but also metallics and quick connectors.

We work in partnership with those two American companies, changing technology. We import pieces that only they produce and in compensation those companies buy others pieces from us, that are produced only in Brazil. That includes the code **3917.40.90**.

We stay at your disposal.

Thanks and regards,

**Tatiana SABATINI**

Import and Export Analyst

**A Raymond BRASIL Ltda.**

Tel : +55 19 3836 6951

Fax : +55 19 3836 6956

e-mail: [tatiana.sabatini@araymond.com.br](mailto:tatiana.sabatini@araymond.com.br)

msn: [tatiana.sabatini.araymond@hotmail.com](mailto:tatiana.sabatini.araymond@hotmail.com)

website: [www.araymond.com.br](http://www.araymond.com.br)

**More than fastening** ●●●●

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Supports Brazil & CNLWs  
Manufactures rubber seal  
products which don't have CNLWs  
Techseal Vedacoes Tecnicas Ltda.

Formatted: Font: 10 pt

▲ From: Sergio [sergio.tamagawa@techseal.com.br]  
Sent: Friday, August 25, 2006 8:55 AM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review.

2006 GSP Eligibility and CNL Waiver Review.

Ferraz de Vasconcelos – SP, 24th August 2006.

TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
ATT: GSP SUBCOMITTEE  
1724 F STREET, NW  
WASHINGTON, DC 20508

Dear Sir,

We are a rubber and plastic seal's products manufacturer with headquarters in Ferraz de Vasconcelos - SP, currently employing 247 people. We have been in operation since August 6<sup>th</sup> 1982 and the Generalized System of Preferences (GSP), which expires at the end of this year, has been an important tool for our business, guaranteeing our insertion in the US market, and keeping our range of products competitive among the others.

The GSP is a program that grants preferential duty-free entry for a number of products coming from some developing countries, including Brazil. We are concerned about recent reports indicating that GSP might be allowed to expire. We strongly urge you to renew it in its entirety before the expiration deadline in December this year.

GSP is not only relevant for the companies that benefit directly from the program, but also for the whole US economy. Since the program was instituted in 1974, American companies have incorporated the benefits of its duty savings into their products. Therefore, this savings has translated automatically into greater competitiveness and lower prices to consumers. Due the range of products covered by the GSP, many sectors are able to usufruct from the duty-free benefit, including oil, chemicals, electrical equipment, transportation equipment parts, food products and wood products.

We also want to emphasize that the GSP must continue to apply to the current list of beneficiaries. Our products, currently on the benefited GSP list, will lose its competitiveness if the United States Trade Representative suspends the benefit for Brazil. This would affect all Brazilian exporters to the United States, who will try to find another source of products, possibly in China.

If GSP is allowed to expire or Brazil is excluded from it, rubber seals products cost us 8% more, which will represent a major impact in our revenues and a higher price to our clients and final consumers.

GSP makes a difference to us and to other US companies and their workers. Letting it expire, even temporarily, or reducing its benefits in any way would impose a costly hardship on us, reducing our competitiveness in this global economy.

In light of its many benefits, we strongly urge you to renew GSP in advance of the expiration deadline.

Sincerely,

Vandré da Cunha  
Commercial and Technical Manager  
Techseal Vedações Técnicas Ltda.



**Divisão de Rodas e Chassis**  
Rua Dr. Othon Barcellos, 83  
Cruzeiro - SP - CEP 12730-900  
Tel.: +55 12 3184-1010  
Fax: +55 12 3144-0403

Supports Brazil

From: Luiz Vicente Aguilar [aguilar@maxioncr.com.br]  
Sent: Friday, September 01, 2006 11:15 AM  
To: FN-USTR-FR0052  
Cc: comunicacao@sindipecas.org.br; ELuna@brasilemb.org;  
foschini@iochpe.com.br  
Subject: 2006 GSP Eligibility and CNL Waiver Review.

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

Dear Ms. Sandler:

On behalf of the Brazilian corporation Maxion Sistemas Automotivos Ltda (Maxion), I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed businesses based in Brazil to become reliable suppliers of eligible duty free products for use in the United States by our customers - which are the American corporations.

Maxion exports more than US\$ 13 million to the United States duty free under the GSP program, including automobile parts and steel wheels for trucks, busses and commercial vehicles. Our ultimate customers are the truck, busses and trailer manufacturers that have production lines based on the American territory. Those businesses benefit from the duty free parts that will make their products more competitive, enabling their own growth with all the positive consequences like job security and tax generation within the U.S. In our turn, Maxion employs 3,512 people in the small Brazilian town of Cruzeiro, Sao Paulo state, and have several projects with American customers where we are the sole source of specific parts.

Maxion appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue exporting products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Please review the enclosed material for additional information and details.

Sincerely,

Luiz V. Aguilar  
Export Manager  
Maxion Sistemas Automotivos Ltda.  
+55 12 3184 1027  
aguilar@maxioncr.com.br

USTR – UNITED STATES TRADE REPRESENTATIVE

Dear Mrs. Susan C. Schwab

Maxion is an auto parts producer located in Brazil with a long history of supportive relationship with the United States based customers.

It is understandable that through the years GSP has helped to develop the industries of both sides, in Brazil and in the U.S. As a private corporation, Maxion has learned that the only means to grow and to continue in business is to make the best to our customers in terms of quality, costs and services, supported by the employment of the latest technology and development of own know how. This can be justified by the continuous growth of our business in the U.S.

The advantages for our U.S. customers are the guarantee of sourcing top quality, competitive parts that they need for their applications, which will be embedded in their own products.

We firmly believe that GSP has been largely justified for its original quests of helping to develop certain countries, with the advantage that U.S. corporations on a competitive basis can source quality products. The continuation of GSP will guarantee that the efforts done to this moment will not be lost and that our North American customers will continue receiving the benefits from their side as well.

On the next few pages we will explore some of the arguments that will help you to take the correct decisions towards GSP. We respectfully urge you to take the necessary actions on the direction of the continuation of the GSP for years to come.

Thank you for your support.

Luiz V. Aguilar

Maxion Sistemas Automotivos Ltda.

USTR – UNITED STATES TRADE REPRESENTATIVE

TPSC - TRADE POLICY STAFF COMMITTEE

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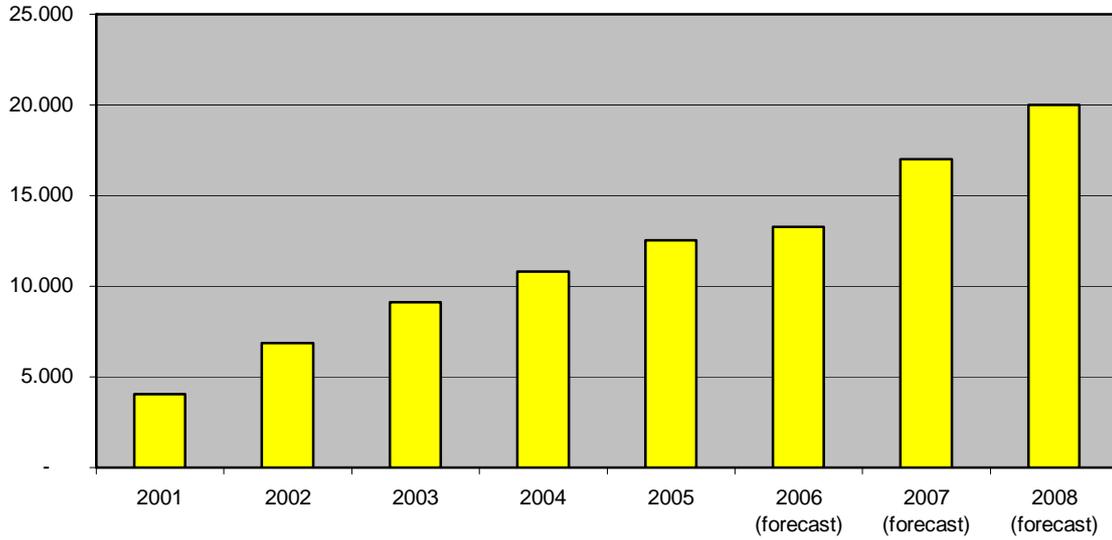
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- Maxion customers have invested directly on the production of auto parts in Cruzeiro. On the last 5 years, US\$5,000,000 have been invested in Brazil for tooling and production means by U.S. based customers to support Maxion in the supply of auto parts from Maxion. Another US\$ 2,100,000 have already been contracted for 2006. These projects are very sensitive to cost variations such as logistics, transportation, price of steel and other parameters. It is a fact that the presence of GSP has enabled these projects to go ahead for the benefit of both sides, customer and supplier. The continuation of GSP is keen to assure the return of the investment done with American based companies funds.
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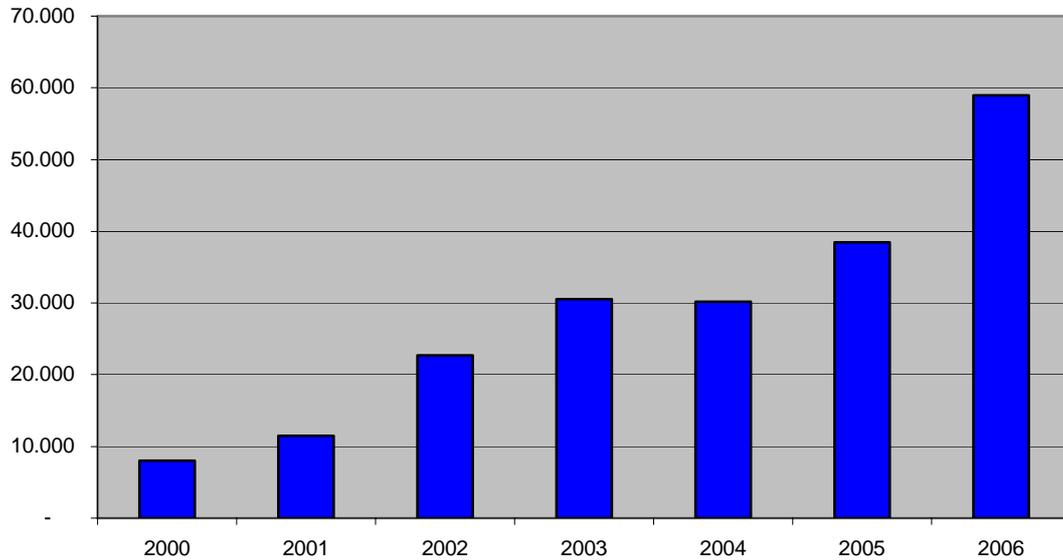
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**Sales to the United States (US\$ x 1.000)**



**Maxion Investments (R\$ x 1.000)**



Supports Brazil  
Re copper & brass products  
- no CNLW

From: lbarbosa@eluma.com.br  
Sent: Friday, September 01, 2006 11:36 AM  
To: FN-USTR-FR0052  
Cc: dzbonomo@fiesp.org.br; fmeira@fiesp.org.br; ELuna@brasilemb.org;  
mflocke@sindicelabc.org.br; GHaenel@paranapanema.com.br;  
Wilson.nunes@eluma.com.br  
Subject: 2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

São Paulo, September 1st, 2006

Dears Sirs,

We are producer of Copper and Brass products, our production capacity is 55,000 ton/year, mainly dedicated to the domestic market, and we have 1,300 employees, located in Santo Andre, Sao Paulo, Brazil.

Since last year, we started a campaign to sell our products to USA market, via local distributors.

We have few distributors in the East Coast and they have their warehouses:

- UNIMET METAL SUPPLY, INC - West Orange NJ,
- BRUCE SUPPLY CORP. - Brooklyn NY
- CMC - Fort Lee, NJ.

They do some finishing work in our products and sell to their customers.

Their activities give job to many Americans citizens and our activities in USA are growing based on the GSP system.

We understand that the actual GSP system should continue as it is, in order to support ours sells and to be able to offer to ours distributors a very competitive price.

Our exports to USA are basically:

74071015	Refined copper, hollow	
profiles		3%
74071030	Refined copper,	
profiles		3%
74071050	Refined copper, bars and	
rods		1%
74072115	Copper-zinc base alloys	
(brass)		2.2%
74072130	Copper-zinc base alloys	
(brass)		2.2%
74072150	Copper-zinc base alloys	
(brass)		2.2%
74081130	Refined copper,	
wire		1%

74081160	Refined copper,	
wire		3%
74082100	Copper-zinc base alloys	
(brass)		3%
74082250	Copper-nickel base	
alloys		3%
74091110	Refined copper, plates, sheets and	
strip		3%
74092100	Copper-zinc base alloys	
(brass)		1.9%
74092900	Copper-zinc base alloys	
(brass)		1.9%
74111010	Refined copper, tubes and pipes, seamless	
1.5%		
74121000	Refined copper, fittings for tubes and	
pipes		3%

Luiz Barbosa  
 Export Manager  
 phone : 55-11-4463-7868  
 mobile : 55-11-8473-5134  
 lbarbosa@eluma.com.br

Rua Felipe Camarão, 500 - Utinga  
 09220-901 Santo Andre - SP  
 BRASIL (Embedded image moved to file: pic03902.jpg)

Supports Brazil  
Gold plated jewelry - no CNLW

From: Carlos Angel [carlos@skillus.com]  
Sent: Friday, September 01, 2006 10:57 AM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

As a member of the Jewelry Trade, SKILL JEWELRY INC strongly urge the USTR Panel to support continuation of Duty Free trade benefits for gold plated jewelry from Brazil under GSP. The existing GSP benefits are of critical importance to our profitability and more importantly it saves the American consumer money.

We strongly urge you to recommend the continuation and renewal of GSP benefits for gold plated jewelry from Brazil. Thanking you,

Sincerely,

Carlos Angel

Director

Supports Brazil  
Re starter drives

Denis Carminati  
From: Denis Carminati [denis.carminati@zensa.com.br]  
Sent: Friday, September 01, 2006 3:20 PM  
To: FN-USTR-FR0052  
Subject: "2006 GSP Eligibility and CNL Waiver Review".

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

Subject: 2006 GSP Eligibility and CNL Waiver Review

Please find attached a few words from ZEN Industria Metalúrgica S.A. considering the retaining of Brazil as a GSP eligible country to export products to the US.

Best Regards

Denis Carminati  
Logistics Analyst  
Phone: 55 47 3255 2897  
Fax: 55 47 3255 2811  
Zen S.A. Indústria Metalúrgica  
Rua Guilherme Steffen, 65  
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- Brazil Plant -  
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Phone: +55 47 3255-2800  
Fax: +55 47 3255-2810  
[www.zensa.com.br](http://www.zensa.com.br)

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To: Ms. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the  
Trade Policy Staff Committee  
USTR Annex, Room F-220  
1724 F Street, N.W.  
Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of *ZEN Industria Metalurgica S.A.* corporation, I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five-year authorization of the GSP program has allowed businesses based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

*ZEN Industria Metalurgica S.A.* corporation exported in 2005 about USD 14.0Mi to the United States duty free under the GSP program. ZEN has 1100 employees and sales are focused on starter drives to over 6 master distributors and 3 OE plants in US territory, as follow:

Remy Inc. - Laredo, TX; Raleigh, MS, Taylorsville, MS and Anderson, IN  
Ford Corp. - Detroit, MI  
Prestolite Electric - Arcade, NY

*ZEN Industria Metalurgica S.A* corporation appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue to export our products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Denis Carminati  
Logistic Analyst  
*ZEN Industria Metalurgica S.A*  
[denis@zensa.com.br](mailto:denis@zensa.com.br)

From: ckcampos@tmdfriction.com.br  
Sent: Monday, September 04, 2006 7:02 PM  
To: FN-USTR-FR0052  
Cc: comunicacao@sindipecas.org.br; fmacul@tmdfriction.com.br;  
vasartorato@tmdfriction.com.br  
Subject: "2006 GSP Eligibility and CNL Waiver Review"

Add-on to previous  
Letter re TMD

Attachments: CartaGSP.pdf

Dear Sirs,

An important add-on to the previous letter sent (also attached):

Our material is part of the chapter which says:

"68-4. Subheadings 6813.10.00 and 6813.90.00 are superseded by the following:

[Friction materials and articles thereof.....:]

6813.20.00	containing asbestos .....	free	25%
		Not containing asbestos:	
6813.81.00	Brake linings and pads .....	free	25%
6813.89.00	other .....		
free	25%"		

We thank you in advance for your time and support on it.

best regards,  
Célia K. Campos  
Export Manager  
TMD Friction do Brasil S/A  
Rua Tupi, 293 / Vila Maria  
13330-000 Indaiatuba (SP)  
Brasil

Tel: + 55 19 3894 9720  
fax: + 55 19 3875 8432  
e-mail : ckcampos@tmdfriction.com.br  
Website: www.cobreq.com.br

"O valor das coisas não está no tempo que elas duram, mas na intensidade com que acontecem. Por isso existem momentos inesquecíveis, coisas inexplicáveis e pessoas incomparáveis" - Fernando Pessoa  
----- Forwarded by Celia K Campos/Gerencia/Tecma on 04/09/2006 19:49 -----

Celia K Campos  
01/09/2006 16:14  
comunicacao@sindipecas.org.br, Feres

To: FR0052@USTR.EOP.GOV  
cc:

Viviane A Sartorato/Tecma@Tecma

Macul/Gerencia/Tecma@Tecma,

and CNL Waiver Review"

Subject: "2006 GSP Eligibility

Dear Sirs,

Please find attached our letter for your evaluation:

(See attached file: CartaGSP.pdf)

We thank you in advance for your time on it, and please feel free to contact us if you need any additional information.

best regards,  
Célia K. Campos  
Export Manager  
TMD Friction do Brasil S/A  
Rua Tupi, 293 / Vila Maria  
13330-000 Indaiatuba (SP)  
Brasil

Tel: + 55 19 3894 9720  
fax: + 55 19 3875 8432  
e-mail : ckcampos@tmdfriction.com.br  
Website: www.cobreq.com.br

"O valor das coisas não está no tempo que elas duram, mas na intensidade com que acontecem. Por isso existem momentos inesquecíveis, coisas inexplicáveis e pessoas incomparáveis" - Fernando Pessoa

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Esta mensagem é confidencial. Isto também pode ser privilegiado, protegido por meio de proteção de dados, ou por outras regras legais. Se você não é o receptor pretendido, fica aqui notificado que qualquer disseminação, distribuição ou cópia deste comunicado é estritamente proibida. A integridade e segurança desta mensagem não podem ser garantidas na internet. Se você recebeu esta mensagem por engano, por favor delete-a do seu sistema e ligue para : +55 19 3894 9797.

This message is confidential. It may also be privileged, protected by means of data protection, or protected by other legal rules. If you are not the intended recipient, you are hereby notified that any dissemination, distribution or

copying of this communication is strictly prohibited. The integrity and security of this message cannot be guaranteed on the internet. If you have received this message in error, please delete it from your system and call: +55 19 3894 9797

Supports Brazil  
Re brake linings

From: ckcampos@tmdfriction.com.br  
Sent: Friday, September 01, 2006 3:15 PM  
To: FN-USTR-FR0052  
Cc: comunicacao@sindipecas.org.br; fmacul@tmdfriction.com.br;  
vasartorato@tmdfriction.com.br  
Subject: "2006 GSP Eligibility and CNL Waiver Review"

Dear Sirs,

Please find attached our letter for your evaluation:

(See attached file: CartaGSP.pdf)

We thank you in advance for your time on it, and please feel free to contact us if you need any additional information.

best regards,  
Célia K. Campos  
Export Manager  
TMD Friction do Brasil S/A  
Rua Tupi, 293 / Vila Maria  
13330-000 Indaiatuba (SP)  
Brasil

Tel: + 55 19 3894 9720  
fax: + 55 19 3875 8432  
e-mail : ckcampos@tmdfriction.com.br  
Website: www.cobreq.com.br

Indaiatuba, August 31, 2006.

TMD Friction do Brasil S/A

Rua Tupi, 293 - Vila Maria  
13330-000 Indaiatuba - SP

Telefone 55 19 3894-9733  
Telefax 55 19 3894-9712

Internet:  
www.cobreq.com.br

Ms. Marideth J. Sandler  
Executive Director for the GSP Program  
Chairman, GSP Subcommittee of the  
Trade Policy Staff Committee  
USTR Annex, Room F-220  
1724 F Street, N.W.  
Washington, D.C. 20508

Dear Ms. Sandler,

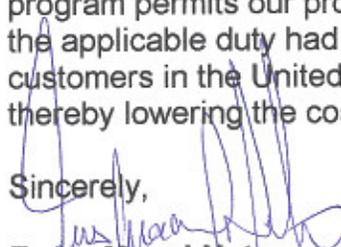
**"2006 GSP Eligibility and CNL Waiver Review"**

On behalf of **TMD Friction do Brasil S.A.**, I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed businesses based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

**TMD Friction do Brasil S.A.**, exports an average of US\$ 8 million per year to the United States duty free under the GSP program. Our main products exported are brake linings for trucks, trailers and buses, and also brake shoes for light vehicles. Our main importers are: Arvin Meritor (through Intl Trade Winds), Bosch, Dexter Axle, Ogburn's Brake and some other distributors and reliners, distributed in several states. All big companies with an important number of employees, which depend on the success of this business.

**TMD Friction do Brasil S.A.** appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue to export our products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Sincerely,

  
**Feres Macul Neto**  
Managing Director  
**TMD Friction do Brasil S.A**  
Fmacul@tmdfriction.com.br

Banco:  
Banco Bradesco S/A  
Indaiatuba - SP  
Agência Nr. 0316-6  
Conta Nr. 8317-8

CNPJ  
33.060.716/0001-33

I.E.  
353.012.186.113

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 2:15 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Ms. Alais Coluchi  
International Relations  
Anfacer - Brazilian Association of Ceramic Tile Manufacturers  
Tel: 55 11 3289-7555  
Fax: 55 11 3287-9624  
E-mail: [alais@anfacer.org.br](mailto:alais@anfacer.org.br)  
[www.anfacer.org.br](http://www.anfacer.org.br)  
[www.exporevestir.com.br](http://www.exporevestir.com.br)

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian Association of Ceramic Tile Manufacturers would like to enrich the discussions with the information forth bellow.

United States of America is the sector's most important market, exports to the USA represent more than 9,3 thousand direct jobs in Brazilian ceramic industry.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however we have submitted a petition to include such products this year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Brazil is a developing country, having simultaneously a few cities that could be considered developed and miserable towns. Such disparity causes strong instabilities and an unsafe environment in both places. Brazil's main challenge is then to distribute its wealth more equally and promote equal opportunities to its citizens.

Most of the Brazilian ceramic tile industries are located at the least-developed towns, concentrated at the inner state of Sao Paulo, inner state of Santa Catarina and Brazil's north-east region, well known as the poorest region in Brazil and one of the poorest in the world.

Consequently, such ceramic tile manufacturers generate jobs and income, bringing stability to these regions. In 2005 the mentioned industry responded for 22.356 direct jobs. Furthermore, the Brazilian ceramic tile industry absorbs a great number of less qualified labor, generating jobs, income and opportunities to the lower strata of society.

In addition to those 22.356 direct jobs, the ceramic tile industry accounts for more than 292 thousand indirect jobs – in 2005 – considering the productive chain, which includes mining, transportation, distribution, retailers and installation.

Ceramic tile sector in Brazil is mostly family owned and work with national capital. It has suffered strong and negative influence from four external factors during the past three years, which have deeply affected its competitiveness: import tariffs, foreign exchange rate, international freight and, more recently, gas prices, detailed further on item 2.8.

Such factors have affected the industry competitiveness, incomes, capacity to generate jobs and profitability, compromising its role as a developer impeller.

During the past three years, due to the factors listed above, 12 industrial plants closed its doors, 4.681 people lost their jobs and another 8 thousand indirect jobs were lost.

The United States of America is the main destiny to Brazilian ceramic tile exports. The country accounts for 38 percent of the Brazilian total exports and responds now for a high percentage of the jobs and incomes generated in the industry, followed by South Africa and Latin-American countries, with which Brazil already has trade preference agreements

The granting of GSP to ceramic tiles would mean an increase on sales and ultimately new jobs, income and stability to the inner State of Sao Paulo, Santa Catarina and northeast region.

GSP granting would also mean an opportunity to increase all and least-developed and developing countries suppliers competitiveness against Chinese competition.

Brazilian ceramic tiles exports suffer strong influence from four external factors, as ceramic tiles is a low technology product, compared to other like computers or electronics:

- Import tariffs;
- Foreign exchange rates;
- International freight and
- Gas prices.

The United States import tariffs for ceramic tiles is higher than the average United States tariff. Increasing significantly the cost to the importer to bring the product from abroad and consequently the price to consumer is kept high. Those import tariffs also do not consider the competition between least-developed countries, developing countries, well-developed countries and China.

Lately the foreign exchange rate between REAL\$ - Brazilian currency – and American Dollars has increased significantly. During the years of 1991 to 1998 the exchange rate was kept between 1,00 and 1,20. In 2002 the rate reached 3,62 for each US Dollar and the average rate for January to March 2006 was 2,15. Such appreciation of Brazilian currency has profoundly compromised the profits of the ceramic tile sector, which had to maintain most of its exports due to already existing contracts. During the year of 2005, 4 companies closed its doors.

Also in 2005 the international freight costs suffered and increase due to Asia's impressive growth, which deviated navies from the north-south Pacific routes to east-west Atlantic Ocean. International freights from Brazil to the United States saw and increase of almost 30% in 2005, from around US\$ 1.700,00 each container to US\$ 2.500,00. Again the ceramic sector absorbed such increase in prejudice to its profits to maintain the existing employment rates and contracts already signed.

Now, in 2006, another international variant has come to the sectors attention. Every plant in Brazil works by natural gas fuel, which is half national and half imported, mostly from Bolivia. Bolivia has recently nationalized the exploitation of its natural gas resources and thus increasing the prices of Bolivian natural gas sold in Brazil. Which has, consequently, increased the costs of Brazilian ceramic tile production and, once again compromised its competitiveness.

Our ceramic tile industry has already closed 7 factories, since 2003, which responded for 2.439 direct jobs and is not prepared to absorb another increase in costs without losing any other position. Those 2.439 jobs lost during the past 2 years had already have a negative consequence and instabilities to the factories surroundings as most of them are located in least developed areas in Brazil, such as the inner Sao Paulo, the north-east states and in the inner state of Santa Catarina, south region.

Granting GSP treatment to these products would mean more exports to the USA and therefore an opportunity to Brazilian manufacturers keep their factories open, reducing poverty and increasing estability. GSP granting would also mean the same quality products for a cheaper price for American consumers.

**EMPLOYMENT DATA, INCLUDING NUMBER OF EMPLOYEES, TYPE, WAGE, RATE, LOCATION, AND CHANGES IN ANY OF THESE DATA, AND ESTIMATED INCREASES IF GSP ELIGIBILITY IS GRANTED**

Number of employes:

	2003	2004	2005	2006 (*)
<b>Companies</b>	97	94	90	90
<b>Industrial plants</b>	125	117	113	115
<b>Direct Employees</b>	27.037	25.486	22.356	24.598
<b>Indirect jobs (**)</b>	300.000	296.000	292.000	296.000

(\*) Estimated considering GSP eligibility is granted. (\*\*) Estimated indirect jobs include national and international transportation, installation, certification system, etc.

Region and Employment data for 2005:

State	# Companies	# Employees
-------	-------------	-------------

<b>inner São Paulo</b>	53	13.322
<b>Santa Catarina</b>	16	5296
<b>Mato Grosso do Sul</b>	4	292
<b>Pernambuco</b>	3	621
<b>Ceará</b>	2	414
<b>Espírito Santo</b>	2	146
<b>Paraná</b>	2	580
<b>Rio Grande do Sul</b>	2	662
<b>Sergipe</b>	2	394
<b>Alagoas</b>	1	60
<b>Bahia</b>	1	216
<b>Paraíba</b>	1	198
<b>Rio de Janeiro</b>	1	155
<b>Total</b>	<b>90</b>	<b>22.356</b>

Employment types:

<b>Area</b>	<b>% of the total</b>	<b>Medium wage - R\$</b>	<b>Medium wage - US\$ (*)</b>	<b>Average Scholarship</b>
<b>Management</b>	20%	2,025.25	924,77	Highschool - University
<b>Technical</b>	78%	1,755.00	801,36	Highschool
<b>Decision makers</b>	2%	6,000.00	2.739,72	University

(\*)Medium exchange rate for January to March/2006 = \$2,19

Therefore, to sum up, the ceramic tile sector is in favor of the maintenance of Brazil on the program for what it represents to our country development and efforts to promote a more equally distribution of wealth and the gains to American consumers and importers, that will have better access to good quality products at a more competitive price.

**Comments from:**

ANFACER – Brazilian Association of Ceramic Tile Manufacturers

Contact person: Alais Coluchi

Position: International Relations

Email: [alais@anfacer.org.br](mailto:alais@anfacer.org.br) and [info@anfacer.org.br](mailto:info@anfacer.org.br)

Tel: +55 11 3289-7555

Fax: +55 11 3287-9624

Address: Avenida Paulista 453 conjunto 81

São Paulo – SP - Zip Code 01311-907

Brazil

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:01 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Angelgres Company

São Paulo, August 31st, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Angelgres Revestimentos Cerâmicos Ltda. would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at Santa Catarina and we employ 142. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

Angelgres Revestimentos Cerâmicos Ltda.

Contact person: Andréia Debiasi

Position: Export Manager

Email: andreia@angelgres.com.br

Tel: +55 48 3521 0601

Fax: +55 48 3521 0633

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:04 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Cecrisa Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Cecrisa Revestimentos Cerâmicos S/A would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at Criciúma, Santa Catarina and we employ 2.043. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

Cecrisa Revestimentos Cerâmicos S/A

Contact person: Paulo César Benetton

Position: Sales Director

Email: [pcb@cecrisa.com.br](mailto:pcb@cecrisa.com.br)

Tel: +55 48 3431 6105

Fax: +55 48 3431 6003

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:02 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Ceramica Carmelo Fior Ltda (Cecafi Company)

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer **CERAMICA CARMELO FIOR LTDA** would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at **SAO PAULO STATE** and we employ **253** One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

**CERAMICA CARMELO FIOR LTDA**

Contact person: **ANA CRISTINA USHIJIMA**

Position: **EXPORT MANAGER**

Email: **gexport@cecafi.com.br**

Tel: **+55 3556 9626 - 9608**

Fax: **+55 3556 9601**

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:05 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Eliane Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Eliane S.A Revestimentos Ceramicos would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at Santa Catarina and we employ 2.413. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

Eliane S.A Revestimentos Ceramicos

Contact person: Edson Gaidzinski Jr.

Position: Diretor Presidente

Email: edson@elianeusa.com

Tel: +55 48 3441 7860

Fax: +55 48 3441 7862

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:07 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Gabriella Company

Criciúma, 30 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer GABRIELLA REVESTIMENTOS CERÂMICOS LTDA would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Paraná state and the most recent ceramic tile production region, at the north-east.

Our company is located at Santa Catarina and we employ 126. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

GABRIELLA REVESTIMENTOS CERÂMICOS LTDA.

Contact person: NELSON CACIATORI.

Position: GERENTE COMERCIAL

Email: vendas@gabcer.com.br

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Fax: +55 048-3431-7014.

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:09 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Gyotoku Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer **GYOTOKU CERAMIC TILES** would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at SÃO PAULO and we employ 850 people. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

**GYOTOKU CERAMIC TILES**

Contact person: DECIO GYOTOKU

Position: MARKETING MANAGER

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Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:10 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Itagres Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer **ITAGRES REVESTIMENTOS CERAMICOS S.A.** would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at Santa Catarina State and we employ 340 people. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

**ITAGRES REVESTIMENTOS CERAMICOS S.A.**

Contact person: **CLAISSON G. COSTA**

Position: **EXPORT MANAGER**

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Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:11 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Nardini Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Nardini Pisos e Revestimentos Ltda would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at São Paulo and we employ 119. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

Nardini Pisos e Revestimentos Ltda  
Contact person: Cintia Nardini  
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Fax: +55 19 3545-9208

Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:11 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Pisoforte Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer PISOFORTE REVESTIMENTOS CERÂMICOS LTDA would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located in Santa Catarina state employing 200 workers. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a better position to compete with China that has increased its participation in USA market, helping us to keep investments in the industry, increasing employment rates and development of our surrounding areas according to environment standards the ceramic industry requires today.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments**

**PISOFORTE REVESTIMENTOS CERÂMICOS LTDA**

Contact person: José Jolmar Galli

Position: President

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Supports Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:12 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Porto Ferreira Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Cerâmica Porto Ferreira S.A. would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at São Paulo and we employ 350. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

**Cerâmica Porto Ferreira S.A.**

Contact person: Mário Guimarães Albernaz Jr.

Position: Diretor de Marketing e Vendas

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Support Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:13 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Unigres Company

São Paulo, 23 August, 2006

**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Unigrés Cerâmica Ltda. would like to enrich the discussions with the information forth bellow.

The ceramic tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the least developed areas, where the ceramic tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at São Paulo and we employ 180 workers. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company a increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:**

Unigrés Cerâmica Ltda.

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Position: Account Manager

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**VILLAGRES**  
Revestimentos Cerâmicos  
*Inspirada em você*

**23 August, 2006**

Support Brazil  
Re ceramic tiles

From: Alais Coluchi [alais@anfacer.org.br]  
Sent: Friday, September 01, 2006 3:14 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Villagres Company

CERÂMICA BUSCHINELLI LTDA - VILLAGRES  
R. Um, s/nº - Chácara Vigorelli  
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Home Page: [www.villagres.com.br](http://www.villagres.com.br)

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**TO: United States Trade Representative  
GSP Subcommittee**

**Ref: Generalized System of Preferences**

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer Cerâmica Buschinelli Ltda - Villagres would like to enrich the discussions with the information forth bellow.

The ceramic and Porcelain tile sector – HTSUS 6907.1000; 6907.9000; 6908.1010; 6908.1050 and 6908.9000 - is not a currently beneficiary of the System, however a petition to include such products have been submitted to this subcommittee this current year. And it is mainly because a decrease on the North-American tariffs would mean to Brazil, ultimately, an increase on employment rates and stability, most of all at the developing areas, where the ceramic and Porcelain tile companies are located, as say, inner Sao Paulo state, inner Santa Catarina state, Parana state and the most recent ceramic tile production region, at the north-east.

Our company is located at Santa Gertrudes in the state of São Paulo and we employ 400 people. One of our main markets is the United States, and a decrease on the import tariffs would mean to our company an increase on employment rates and development of our surrounding areas and, consequently, increase stability.

GSP granting to Brazil and the ceramic tile sector would also mean gains to the American importers and consumers, which will have better access to high quality products at a more competitive price.

**Comments from:  
Cerâmica Buschinelli Ltda - Villagres**

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CERÂMICA BUSCHINELLI LTDA - VILLAGRES  
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Supports Brazil  
Re copper magnet wire

From: Donald G. Dixon [dondixon@piremag.com]  
Sent: Friday, September 01, 2006 12:42 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Importance: High



Piremag Corporation  
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Fax (732) 275-0730  
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September 5, 2006

Marideth J. Sandler  
Executive Director for the GSP Program,  
Chairman, GSP Subcommittee of the Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Re: 2006 GSP Eligibility and CNL Waiver Review

Dear Ms. Sandler,

I submit these comments out of concern over the possibility of Brazil being removed from the list of countries eligible for duty free status as currently offered under the Generalized System of Preferences, and more specifically the effect that such limitation or removal would have on Piremag Corporation, our employees and our customers. Indeed, if duties are imposed on the products we import from Brazil, a real disservice would be done to a specific but significant cross-section of American industry due to the widespread use of our product, in some cases being proprietary, into what is already a severely limited source of supply choices.

**If duties are imposed on our Brazilian imports, we would become uncompetitive and be forced to close our company. Moreover, the impact of our exit from the marketplace would be to severely limit the very few supply choices left to our customers, some of which we have exclusively serviced for twenty-three years. Loss of GSP would force their businesses to be served by far less viable alternatives, probably from the Orient, or in the extreme to relocate abroad, as so many of their competitors have.**

#### About Piremag Corporation

Piremag Corporation (i.e. Pirelli <sup>1</sup>Magnet Wire Corporation) is a small independently owned sales and distribution company that was incorporated in 1984 in New Jersey. We have warehouses and employees in New Jersey, Indiana, and California. The company was formed as an outgrowth of Pirelli, the large multi-national, to be a small cost-effective, efficient and focused entity that would provide the highest quality logistic and technical support to the American market for magnet wire, an alternative to the monolithic manufacturers that produced the product.

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<sup>1</sup> The name PPE Invex, or Invex as used throughout this document has recently been changed from Pirelli due to a recent investment by Invex in what was the Pirelli Magnet Wire Group in Brazil. For purposes of clarity only, the name Invex is used throughout to signify what was Pirelli Magnet Wire Company for over 100 years.

Piremag was therefore formed and staffed with technical and sales professionals with an average experience in excess of thirty years in our industry. Our sole charter was and is to bring product from Invex's "center of excellence" in Brazil, sell and deliver it to the more sophisticated American customer and multi-national that Invex otherwise deals with, and most of all, support the customers' needs. Although small, therefore, it can be said that we "touch" a broad spectrum of American industry, as will be seen.

### About the Products

Piremag Corporation imports copper and to a lesser extent aluminum magnet wire, and transposed cable (a copper magnet wire product). This wire is round or rectangular, enameled with multiple coats of electrical grade chemicals, all designed to be specific to the ultimate use by the customer. These wires range from diameters larger than pencils to wires one third the size of a human hair, all coated with as many as twenty coats of specific enamels, without pinholes or discontinuities along the millions of feet produced in a single spool.

Another product of importance to Piremag is continuously transposed cable (CTC). CTC is a very highly engineered and expensive derivative of rectangular magnet wire. It is effectively a cable made of up to 81 rectangular wires, and is used to affect far greater energy efficiencies in the production of the largest transformers built to supply the energy grid of this country. There are only a handful of producers in the world -- none in the United States today -- and the Invex facilities have combined to be the largest producer in the world, and the clear technical leader.

**These products are classified under the Harmonized Tariff Schedule of the United States (HTSUS) #85544.11.00 for copper magnet wire, #8544.19.10 for aluminum magnet wire, and #8544.60.40 for CTC. Absent GSP, the duties on these products are 3.5 percent on the total value, including copper.**

### The U.S. Market for magnet wire

Magnet wire is, and has always been the way of converting electrical energy as required by a varied and extensive list of producers of all types of electrical products, from the smallest -- i.e. hearing aids and watches -- to the largest -- i.e. the power transformers that power the country and cities therein. In Exhibit 1 this broad spectrum of applications and industries is noted surrounding a representative picture of the product that is imported from Brazil. (See Exhibit 1).

**As can be seen, magnet wire is a critical product (often up to 50% of the final products material cost) in a broad spectrum of American industries, many of which are traditional industries that have come under extreme pressure, either economic or in terms of the need for higher quality and/or higher technology than typically available. This is exactly the niche that Pirelli/Invex has traditionally occupied, and which Piremag has attempted to fill in the United States with Brazilian magnet wire.**

Continuously Transposed Cable is a prime example. There are only five manufacturers in the world, including PPEInvex, for this highly technical magnet wire product. Demand for CTC

grows with demand for greater energy efficiency. The largest transformers that handle the entire U.S. power grid see efficiency gains of upward of 20 percent when manufactured with CTC. Demand for CTC from the few remaining producers of extremely large transformers in this country, i.e. as purchased by the utility companies, is a necessary component in increasing the efficiency of the power grid, and therefore this availability ultimately generates measurable energy savings to the American market.

As another example, we at Piremag have successfully converted four power transformer manufacturers to a new, less expensive, but superior Brazilian enamel system, which is environmentally friendly and has proven its integrity in the Brazilian marketplace. It is not otherwise available, and replaces an environmentally unfriendly and expensive system from the only other producer, in Japan.

Similarly, a significant American motor producer, that is manufacturing advanced technology electrically operated steering mechanisms in automobiles, is now supplying these motors exclusively manufactured with a proprietary wire purchased from us. Their motors are sold to a major American company that in turn is supplying the final steering mechanisms to a number of European automotive companies, and expanding the use of this lower weight, cost effective alternative method of steering. In fact, Pirelli utilizes a proprietary technology that has not been duplicated, and as a result our Brazilian wire has been the only magnet wire that has proven satisfactory for this emerging application.

Moreover, our magnet wire is important to the smaller to medium sized American company that requires magnet wire in volumes that are not large enough to interest the two large U.S. producers, but cannot afford the price charged from those producers' distribution networks. That is exactly the niche that we service, and the reason that our sales have increased so dramatically as competition disappeared from the American marketplace.

#### The Supply Chain of Magnet Wire: Why Brazilian Wire Is Important

In 1983, when Piremag began the process of bringing magnet wire to the United States from Brazil, there were at least 26 producers of the product selling into the market, with approximately 14 of them being American companies. The market, at that time, was well in excess of one billion pounds, some of which was captive production, i.e. Westinghouse, G.E., etc.

Today, the U.S. market for magnet wire is in excess of five hundred million pounds/year, currently representing in excess of \$2 billion/year. This reduction in market size, of course, is reflective of the number of companies that have closed, the consolidations that took place in many industries, and a large manufacturing movement to China, Mexico, the Dominican Republic, etc.

**The number of viable companies servicing the market has shrunk from 14 to only three American companies**, one of which is a German-owned company (Elektrisola) with

production in New Hampshire, that manufactures only for the comparatively small fine wire sector, basically for electronic applications.

The other two are Essex Magnet Wire, which recently purchased Nexans, and is a broad-line producer, and Rea Magnet Wire, which recently purchased Phelps Dodge Magnet Wire, and is also a broad-line producer. Both companies have headquarters in Indiana, and are believed to jointly service in excess of 70 percent of the U.S. market.

The only other significant producers of enameled magnet wire, beside PPE/Invex in Brazil, are two Mexican companies, i.e. Condumex and Magnakon, which are both substantial but somewhat limited by their geography and their dedication to the market specifically in the Southwest and along their border. They are generally known as higher volume, lower cost producers, and like the American producers, **they too have no duty constraints on their ability to partake in the United States market.**

Piremag has become, in the 23 years of its existence, a household name within that universe of manufacturers in all of the American industries noted in Exhibit 1. We generally are seen as an alternative to the very limited choice of producers listed above, and have been able to prove the viability and credibility of Brazilian supply with an unblemished record of uninterrupted high quality supply, and world-class technology.

Historically limited only by capacity constraints in this extremely capital intensive industry, PPE/Invex has recently made very significant investment to expand our ability to supply a larger segment of the U.S. industry, from less than a two percent market share to still less than five percent. However, that growth will come only within the segment to which we bring real value via technology and quality, and for which there is real need in the marketplace.

Our two American “competitors” are massive in relation to Piremag, and each, as a matter of enormous growth as well as necessity, has chosen very clear marketing strategies. Each are directing their efforts toward the largest customers, some in excess of fifty million pounds per year (several hundred million dollars of usage) so as to maximize their efficiencies by getting long production runs. Both have financial constraints that dictate the directions they are taking, as well as their ability to invest in technology, and are targeting their sales growth toward the Orient and Europe with new facilities and investments. Piremag is not equipped to service this sector, nor do we attempt to, given our capacity constraints.

To accommodate the small users, of which there are many, as well as a large after-market, both companies have well established classic distribution networks that sell small quantities at comparatively high price. Here again, Piremag cannot or chooses not to compete due to our logistics and inability to react and perform as required by that market, even though the profitability in this sector can be quite high.

**It is the sector of the small to medium sized user, particularly those that require a high quality and technical product, with dedicated and caring service, that Piremag /Brazilian magnet wire shines. It is exactly that sector that desperately suffers from the surprising convergence of so many magnet wire producers into so few! It is precisely those**

**small to medium sized customers that the two large American producers have chosen to send to their high priced distribution centers, and it is those customers that will suffer dramatically and at best look to the Orient if Piremag is forced to close.**

As noted above, there is also a growing and real demand for CTC in this country. Although PPEInvex has had the largest CTC production capacity in the world, its capacity has been sold out through 2007, worldwide. The new production line, already ordered by the Brazilian facility, will be dedicated to the U.S. market, and help satisfy this need for energy conservation and efficiency in the power grid of the country. A change in the GSP status would obviate that importation.

#### Impacts of loss of GSP for Magnet Wire from Brazil

A decision to eliminate or reduce GSP benefits for magnet wire imported from Brazil will therefore have adverse impacts on a number of U.S. companies, including Piremag, and the industries that it serves.

Impact on Piremag: Piremag is currently importing approximately 10 million pounds a year of copper magnet wire from Brazil, worth approximately \$35-40 million. **The duty saved by Piremag, therefore, amounts to about \$1.25 million per year. This is as much or more as we might have as net income, in the “best of years,” given that this product, although sophisticated, is still a commodity.** As a matter of interest, please recognize that as a direct result of the GSP program we have imported in excess of 100 million pounds of Brazilian wire over the 22 years our program has existed.

The specific problem that we face is that with the worldwide explosion in the cost of raw materials, in our specific case copper, 70 to 80 percent of the duty would be based on the raw material cost of copper. (See Exhibit 2) Copper must be purchased in order to produce magnet wire, and upon which no other magnet wire producer adds profit! Today, we would pay duty on a product costing over four dollars per pound, including copper, when the Brazilian content is less than one dollar, whether the source of copper is American, Chilean or from any other country on the world markets.

**Growth in North America, and in fact Piremag’s very existence, becomes unfeasible without GSP duty-free treatment for products imported from Brazil.**

Impact on Brazil: Because U.S. magnet wire production capacity has shrunk to only three producers, supply is extremely tight into those segments that Piremag serves. To meet the American customers’ demand for higher quality or specific magnet wire products, which cannot be sourced from U.S. producers, Brazilian producers have recently made very substantial investment in new equipment to be dedicated to the North American market.

**Loss of GSP would obviate the need for these investments.**

Impact on American consumers: A host of American industries, and as I have repeatedly emphasized, small and medium-sized companies, which have had their magnet wire supply choices reduced to almost none, other than the Orient, would lose an important supplier if Brazil lost GSP for magnet wire.

**Piremag/Brazil remains the only credible and viable alternative, given its high level of technology and experience in the market, all due to the success of the GSP program to date. To numerous American customers, there are no equivalent producers in other third-world or developing countries, other than the Orient.**

### Conclusion

We have no doubt that the loss of GSP benefits for our products imported from Brazil will hurt not only Piremag Corporation, but a wide variety of customers and potential customers in the United States, in a large variety of important industries.

Due to numerous changes in this mature industry, the single most significant argument that can be made against any such change is that for a host of reasons, the American small and medium sized user of magnet wire has now been limited to only a few choices of supply, and in many cases those choices are not sufficient or suitable to their needs. Loss of GSP would therefore have a significant adverse impact on them.

Thank you for the opportunity to submit these comments. If you have any questions or need additional information, please call me.

Yours Truly,

Donald G. Dixon  
President  
dondixon@piremag.com

# Products and Applications

15



**Hermetic Compressors and Motors**



**Auto Parts**



**Railway Transportation**



**Electric Home Appliances**



**Transformers and Generators**



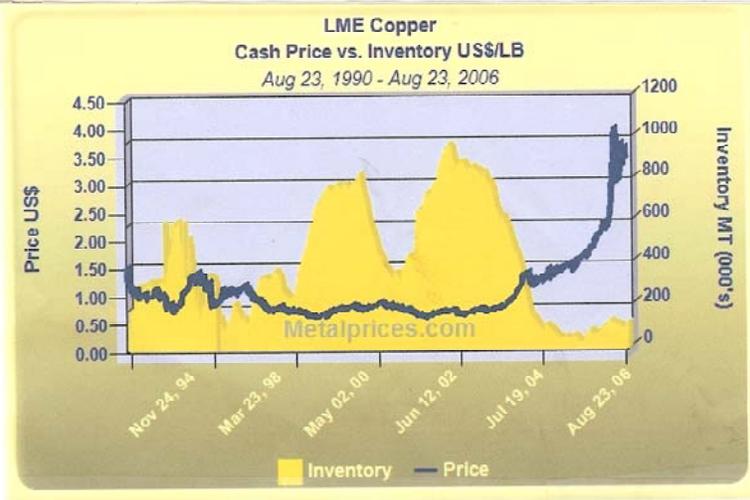
**Lighting**



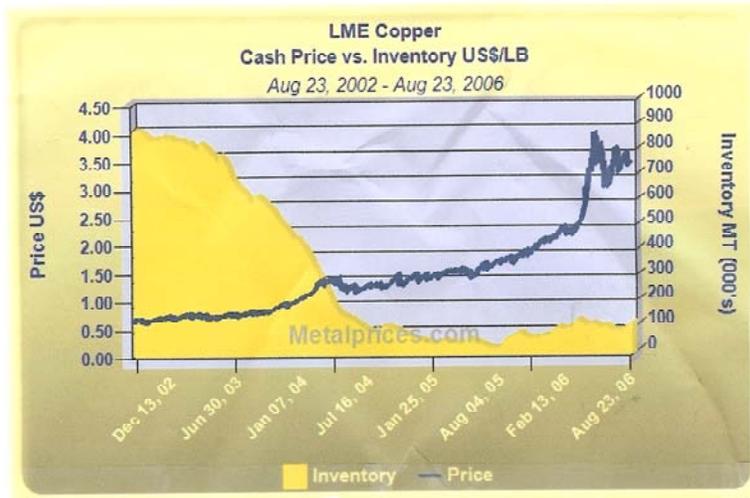
**Electric-electronic**



EXHIBIT I



In the last four years the cost of copper (and other metals) has increased over 500 percent, while world inventories have shrunk from almost 900 thousand tons to 100 thousand tons (3 days supply).



Copper prices have historically been stable until 2004. Since 2004 prices and supply have forced American industry to seek any options available. Cancellation of GSP would exacerbate the situation dramatically.

Chart Source: <http://www.metalprices.com> 8/23/2006



EATON LTDA.  
Rua Clark 2061, Bairro Macuco,  
Valinhos, SP 13279-400 Brazil

Supports Brazil  
Re electrical systems &  
transmissions

2006 GSP Eligibility and CNL Waiver Review  
From: BarryDoggett@Eaton.com  
Sent: Friday, September 01, 2006 4:53 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Attached are two letters from Eaton Corporation

<<P-EATON LTDA.DOC>> <<USTR Brazil GSP.doc.pdf>>

Barry Doggett  
Eaton Corp  
Cleveland, OH  
216-523-4664



EATON LTDA.  
 Rua Clark 2061, Bairro Macuco,  
 Valinhos, SP 13279-400 Brazil

**Non-Confidential**

Ms. Marideth J. Sandler  
 Executive Director for the GSP Program  
 Chairman, GSP Subcommittee of the  
 Trade Policy Staff Committee  
 USTR Annex, Room F-220  
 1724 F Street, N.W.  
 Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of **EATON LTDA.**, I write in support of retaining Brazil's eligibility status as a GSP beneficiary country. The current five-year authorization of the GSP program has allowed businesses based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

**EATON LTDA.** exported, in 2005, US\$ 75.3 million to the United States duty free under the GSP program. This company exports transmissions (gear box), as well as their components, for the automotive industry. The main destination plant is the Eaton Light and Medium Duty plant in Greenfield, Indiana. This facility finishes the transmissions and distributes them to GM, International Truck, Freight Liner, Paccar, Ford Blue Diamond, Hino (Toyota). The Brazilian plant currently has 3300 direct employees.

**EATON LTDA. TOTAL FOB EXPORTS IN 2005**

<u>Country</u>	<u>US\$ million</u>	<u>% of total exports</u>	
USA	86.8	71%	(\$75.3 million under the GSP program)
Argentina	26.8	22%	
France	2.6	2%	
Colombia	1.3	1%	
Japan	1.0	1%	
Other	<u>4.5</u>	<u>3%</u>	
<b>Total</b>	<b>123.0</b>	<b>100%</b>	

**Non-Confidential**



EATON LTDA.  
Rua Clark 2061, Bairro Macuco,  
Valinhos, SP 13279-400 Brazil

**Non-Confidential**

**EATON LTDA.** appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for its consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so that our company can continue to export our products to the United States duty free. The GSP program permits our products to be more competitive than they would be if the applicable duty had to be paid. The GSP program has benefited our customers in the United States as they import our products duty free thereby lowering the cost of the products they sell to American consumers.

Sincerely,

José Roberto Morato  
Director  
Eaton Ltda.  
E-mail: [joseromorato@eaton.com](mailto:joseromorato@eaton.com)

**Non-Confidential**

Eaton Corporation  
Eaton Center  
1111 Superior Avenue  
Cleveland, Ohio 44114-2584  
tel: 216 523-4664  
fax: 216 479-7013  
BarryDoggett@eaton.com

**William B. Doggett**  
Vice President  
Public and Community Affairs

September 1, 2006

GSP Subcommittee  
Office of the USTR  
USTR Annex, Room F-220  
1724 F Street  
Washington, DC 20508

On behalf of Eaton Corporation I am pleased to respond to your request for public comments concerning the Generalized System of Preferences (GSP), and in particular address our desire to have Brazil continue to be a beneficiary of the program. Attached is a letter from our wholly owned subsidiary in Brazil that demonstrates the importance of the program, not only to the 3300 people we employ in Brazil, but to our many customers and employees here in the United States.

Eaton Corporation is a diversified industrial manufacturer with 2005 sales of \$11.1 billion. Eaton is a global leader in electrical systems and components for power quality, distribution and control; fluid power systems and services for industrial, mobile and aircraft equipment; intelligent truck drivetrain systems for safety and fuel economy; and automotive engine air management systems, powertrain solutions and speciality controls for performance, fuel economy and safety.

The ability to forgo duty in importing our world class truck transmissions to the United States has allowed us to keep our customers supplied at the lowest possible price, while also supporting the Brazilian economy. I encourage you to recommend to Congress the continuation of the GSP program and the inclusion of Brazil as a recipient of the benefits. Please contact me if you have any questions.

Sincerely,



Supports Brazil  
Re copper electrolytic

2006 GSP Eligibility and CNL Waiver Review  
From: Glick, Leslie A.  
[LGlick@porterwright.com]  
Sent: Friday, September 01, 2006 2:51 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

<<WASHINGTON-162351-v1-BC-Caraiba Metais.DOC>> <<WASHINGTON-162429-v1-P-Caraiba Metais.DOC>>

BEFORE THE UNITED STATES  
TRADE REPRESENTATIVE  
GSP SUBCOMMITTEE

---

INITIATION OF REVIEWS AND REQUEST FOR COMMENTS  
ON THE ELIGIBILITY OF CERTAIN GSP BENEFICIARIES

---

COMMENTS OF CARAÍBA METAIS S.A. IN SUPPORT  
OF THE CONTINUED DESIGNATION OF BRAZIL AS  
A GSP ELIGIBLE BENEFICIARY DEVELOPING COUNTRY

Leslie Alan Glick  
Porter Wright Morris & Arthur  
1919 Pennsylvania Avenue NW  
Suite 500  
Washington, D.C. 20006  
Tel-202-778-3022  
Fax-202-778-3063

Counsel for Caraíba Metais S.A.

September 1, 2006

**PUBLIC VERSION**

## **I. INTRODUCTION**

On August 8, 2006, the United States Trade Representative (USTR) published a notice indicating that it was reviewing the continued eligibility under the Generalized System of Preferences (GSP) of certain current designated beneficiary countries. Generalized System of Preferences (GSP): Initiation of Reviews and Requests for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers, 71 Fed Reg. 45079 (USTR, August 8, 2006).

The notice indicated that:

Legislation authorizing the Generalized System of Preferences (GSP) program expires on December 31, 2006. In connection with Congress' consideration of reauthorization of the program, the Trade Policy Staff Committee (TPSC) requested public comments on October 6, 2005 relating to whether the Administration's operation of the program should be changed so that benefits are not focused on trade with a few countries and that developing countries that traditionally have not been major traders under the program receive benefits. Based on the information obtained thus far, the TPSC has decided to initiate a further review and request additional comments to determine whether major beneficiaries of the program have expanded exports or have progressed in their economic development within the meaning of the statute to the extent that their eligibility should be limited, suspended, or withdrawn, pursuant to Section 502(d) of the Trade Act of 1974 (19 U.S.C. 2462(d)).

To determine which Beneficiary Developing Countries (BDCs) were subject to this review, the USTR used an assortment of criteria taken from various sources that resulted in thirteen countries being added to the list—Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. These comments will address only the proposed removal of Brazil but will also discuss certain factors relating to Brazil relative to some of the other countries on this list.

## **II. BRAZIL SHOULD REMAIN A GSP ELIGIBLE COUNTRY**

### **A. BENEFITS ARE NEEDED BY BRAZIL FOR ITS CONTINUED ECONOMIC AND SOCIAL DEVELOPMENT**

GSP is a unilateral, non-reciprocal program whose goals are among others to increase exports and foreign exchange for developing countries, to enable developing countries to diversify their economies and to reduce developing countries' dependency on foreign aid. See 104<sup>th</sup> Congress Senate Report No. 104-270 (1996) on the Reauthorization of the Generalized System of Preferences, Part III, I. A and B.

Although some data may show Brazil with a large GDP, it is only because Brazil is a large country. The more meaningful data is the GDP *per capita*. Brazil is a large country with a large population including many indigenous people. However, it ranks only 97<sup>th</sup> in GDP *per capita* among all countries listed in the 2005 World Development Indicators Data base published by the World Bank on July 1, 2006. Seven of the countries on the USTR list being considered for removal from GSP ranked higher than Brazil in GDP *per capita* for 2005 (Atlas method). Many GSP-eligible countries that are often considered as the ones that do not utilize the GSP benefits as much are ranked higher in GDP *per capita* than Brazil such as Lebanon, Libya, Mauritius, Botswana, Gabon, St. Lucia, Panama, Costa Rica, Grenada, and Belize.

Based on World Bank criteria, Brazil would fit into the group of lower middle income countries based on GNI *per capita* of about \$3,000 (2004 most recent World Bank Data on this number). See <http://worldbank.org/WEBSITE/EXTERNALDATA/STATISTICS/..CONTENTmdk:20..> visited 8/23/2006 and <http://DVIDATA.WORLDBANK.ORG/EXTERNAL/CPPROFILE.ASP?Ptype=cp&ccode-bra>. Visited 8/23/2006.

Poverty in Brazil is a huge social problem that puts Brazil in a special class among the countries listed. A good description of the poverty problem in Brazil, particularly as it affects children, is discussed in an article excerpted below:

**CHILDREN-BRAZIL:**

**Hunger, Poverty Create Breeding-Ground for Social Ills**

**Ricardo Soca**

**RIO DE JANEIRO, Jun 15 (IPS) - Every time Brazilian President Luiz Inácio Lula da Silva speaks at an international forum, he underlines that his main objective is to fight hunger and poverty.**

In Brazil, Latin America's giant, 32 million children and adolescents live in families with incomes of less than 40 dollars a month.

Lula brought up the issue once again Monday, at the opening of UNCTAD XI (the 11th United Nations Conference on Trade and Development), which ends Friday in Sao Paulo, Brazil's biggest city.

"I have undertaken a vital commitment to fighting hunger, and that objective is the top priority of my government...In the various international meetings in which I have participated, I have defended the central importance of this issue, and the need for a new world order, capable of producing prosperity with social justice," said Lula, a former trade unionist.

In this country of 178 million, poverty pushes school-age children into the world of work and creates a breeding-ground for social ills like malnutrition, sexual exploitation, and violence against children.

Although there are no reliable statistics on child labour in Brazil, an estimated three million children under 14 work, 40 percent of them in agriculture, where the worst conditions are found and where work is generally incompatible with school attendance.

According to statistics from the National Confederation of Agricultural Workers, minors working on plantations cut an average of 2.3 tons of sugar cane a day, doing arduous work at an age at which their bone and muscle systems are not yet fully developed.

As adults they often suffer irreversible limb and joint problems and are at risk for cardiac and respiratory ailments.

An International Labour Organisation (ILO) report released last week found that Brazil has the third largest number of minors working in domestic service -- a total of 559,000 -- surpassed only by South Africa and Indonesia...

Source: Inter Press News Agency, <http://ipsnews.net/interna.asp?idnews=24213>

The percentage of persons living below poverty in Brazil is 22% which is the third highest of all the 13 countries being investigated by USTR. See CIA World FactBook home: <https://www/cia.gov/cia/publications/factbook/index/html>

**B. THE WITHDRAWAL OF BRAZIL FROM THE GSP PROGRAM WILL NOT RESULT IN ANY BENEFIT OR REDISTRIBUTION OF BENEFITS TO THE LESSER DEVELOPED GSP BENEFICIARY COUNTRIES**

One of the fallacies behind the efforts to redistribute GSP benefits from the supposedly larger GSP BDCs to the least economically developed BDCs is that the products produced in one country cannot automatically be transferred to another country that does not have the infrastructure, educated workforce, and domestic market to support it. For example, Brazil is a large exporter of aircraft, automobile parts, chemicals and machinery.

If Brazil loses GSP you are not going to see these industries suddenly develop in some of the least developed countries such as Togo or Guyana. These countries do not have the educated work force, the domestic market that makes production of these products for export economical nor the infrastructure to produce them. In reality, loss of benefits to Brazil in products like these will result in only the following consequences:

1. Lessen the competitiveness of Brazilian products in the U.S. market that have already suffered due to the more favorable exchange rate between the U.S. dollar and the Brazilian Real. The Brazilian Real has devalued over 30% against the dollar in the last year already seriously impairing Brazilian export potential.
2. Result in U.S. customers buying more products from other countries that produce automobile parts, chemicals, machinery, etc., mainly China, and other non-GSP more developed countries.

3. Raise costs to customers in the U.S. that are using these products and making U.S. companies less competitive in world markets. Most Brazilian exports are not finished goods but semi-finished goods that are inputs used by U.S. original equipment manufacturers to produce finished products in the U.S. For example, many Brazilian auto part companies sell to affiliated U.S. companies. They, in turn, sell to the U.S. original equipment manufacturers such as Ford and General Motors. These companies are now in severe economic distress. They are looking to lower their costs. If their U.S. vendors, who are supplying parts from affiliated Brazilian manufacturers, raise their prices due to the demise of GSP benefits for Brazil, they will simply buy from other sources like China, hurting the affiliated U.S. vendor. They will not and cannot buy these parts in lesser developed countries like Chad.

C. U.S. COMPANIES, WORKERS AND CONSUMERS  
BENEFIT FROM GSP TREATMENT FOR BRAZIL  
ALONG WITH BRAZILIAN COMPANIES AND WORKERS

Caraíba Metais, created in 1969, is located near the Polo Petroquímico of Camaçari, close to Salvador, in the State of Bahia. An area with unemployment of approximately 11 percent.

In Brazil, only the Caraíba Metais S/A has a certificate of quality from ISO 9000-2000 to produce copper electrolytic with 99.9% purity. It is an enterprise registered in the London Metal Exchange (LME), which means that the copper from Caraíba is traded in anywhere in the world with the quotation of the LME.

The cathodes of copper electrolytic are made from a concentrate of copper. Those concentrates contain around 30 % of copper. From the cathodes is also obtained the wire rode, a product requiring even more fabrication.

Caraíba is one of the most important companies of the State of Bahia, in Brazil, with one of the biggest tax contributions. Caraíba is the fourth largest exporter in the State of Bahia, one of the lesser developed regions in Brazil. Products are sold not only to the Brazilian market, but also to the Mercosur market and many other countries, especially Japan, Korea and Israel.

Caraíba has more than [\*\*\*\*] direct and contract employees and for each direct job position it has developed more than four indirect ones. Caraíba paid in 2005 more than [\*\*\*] million USD on salary and benefits to its employees.

Caraíba invests in social programs like health, culture, education, professional developing, and environment programs.

Caraíba developed, for over more than 20 years, activities directed to neighborhood communities in Landrinho and in the headquarters of the Municipal District of Dias D'Ávila and in Lamarão do Passé, in the Municipal District of São Sebastião do Passé, all in Bahia, following the orientation of their organizational value.

In the last three years, through the volunteers' initiatives, Caraíba has been collecting tons of non-perishable food among its workforce, an amount that the company doubled and

distributed to charity corporations of the region, from January to November of the year, until the following campaign.

The products exported to the U.S. by Caraíba Metais and which receive GSP benefits are very much in demand. There is a world shortage of copper and U.S. companies are seeking to import more of this product. Reimposition of the duty by removal of GSP would benefit no one and would raise the costs of U.S. companies that are desperately trying to source more copper for its needs. This increased cost of copper could be passed through to the consumer in the form of increased costs for electricity, electronic products, plumbing fixtures and other products. In addition, the exports create U.S. revenues and jobs particularly in economically impacted areas to U.S. such as Alabama where jobs are created through the imports of one of its principal customers [\*\*\*\*\*] and [\*\*\*\*\*] terminal operators and freight forwarders who have indicated support for continuation of GSP for Brazil.

The impact of this copper shortage on the U.S. construction industry, which is just one of many affected copper consuming industries in the U.S., is highlighted in the following excerpt from *Nation's Building News*, the official online weekly newspaper of the National Association of Home builders.

*...With its price almost doubling since the start of the year, copper is the latest commodity causing headaches among builders who have seen record levels of construction activity, and abnormally destructive hurricane season and a changing global marketplace force up the costs of building materials faster than overall inflation, according to NAHB economist Michael Carliner.*

*There are about 440 pounds of copper in a new 2,100-square-foot, single-family home, according to the Copper Development Association – 200 pounds in wire and another 175 pounds in pipes and plumbing fixtures. Based on that estimate, Carliner calculated that increases in copper prices have boosted the price of a modest-sized home by more than \$1,000 in the last three years, or \$500 in just the last six months.*

*Although an “explosion” in copper prices earlier this month, driven largely by speculation, is already showing signs of being partially reversed, Carliner noted that the rising price of copper has only lately been making its way into manufactured items used by builders, and further price increases are likely.*

*“Copper prices are likely to remain high and prices for many copper-using materials and products will become more expensive,” he said. “Air conditioning equipment, for example, uses a lot of copper, but the prices haven’t adjusted.”*

Source: <http://www.nbnnews.com/nbn/2006-05-22/front+page/5.html> (visited on 08/30/06).

**III. CONCLUSION**

As indicated above, Brazil still is a country with considerable poverty and economic and social problems. The GSP program is important to Brazil's economic development. Brazil, as the largest country in South America, is important to the economic and political stability of the Western Hemisphere. Caraíba Metais is producing a product in very high demand in the U.S. In fact, there are vital shortages and very high prices affecting various industries in the U.S. Removal of GSP would hurt U.S. industries that use copper and raise costs for those that buy from them. No one else would be benefited. The products made by Caraíba Metais will not be transferred to smaller developing countries. It will be a situation of loss to Brazil and the U.S. without a benefit to others, and will not further the objectives of the GSP program.

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Leslie Alan Glick  
Porter Wright Morris & Arthur  
1919 Pennsylvania Avenue NW  
Suite 500  
Washington, D.C. 20006  
Tel-202-778-3022

Counsel to Caraíba Metais S.A.

**PUBLIC VERSION**

Support Brazil  
Re hardboard

2006 GSP Eligibility and CNL Waiver review  
From: Glick, Leslie A.  
[LGlick@porterwright.com]  
Sent: Friday, September 01, 2006 2:57 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver review

<<WASHINGTON-162308-v7-BC- Duratex.DOC>> <<WASHINGTON-162424-v1-P-  
Duratex.DOC>>

**PUBLIC VERSION**

BEFORE THE UNITED STATES

TRADE REPRESENTATIVE

GSP SUBCOMMITTEE

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INITIATION OF REVIEWS AND REQUEST FOR COMMENTS  
ON THE ELIGIBILITY OF CERTAIN GSP BENEFICIARIES

---

COMMENTS OF DURATEX NORTH AMERICA AND  
DURATEX S.A. IN SUPPORT OF THE CONTINUED  
DESIGNATION OF BRAZIL AS A GSP ELIGIBLE  
BENEFICIARY DEVELOPING COUNTRY

Leslie Alan Glick  
Porter Wright Morris & Arthur  
1919 Pennsylvania Avenue NW  
Suite 500  
Washington, D.C. 20006  
Tel-202-778-3022  
Fax-202-778-3063

Counsel for Duratex S.A. and  
Duratex North America

September 1, 2006

**I. INTRODUCTION**

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**II. BRAZIL SHOULD REMAIN A GSP ELIGIBLE COUNTRY**

**A. BENEFITS ARE NEEDED BY BRAZIL FOR ITS CONTINUED ECONOMIC AND SOCIAL DEVELOPMENT**

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In this country of 178 million, poverty pushes school-age children into the world of work and creates a breeding-ground for social ills like malnutrition, sexual exploitation, and violence against children.

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doing arduous work at an age at which their bone and muscle systems are not yet fully developed.

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An International Labour Organisation (ILO) report released last week found that Brazil has the third largest number of minors working in domestic service -- a total of 559,000 -- surpassed only by South Africa and Indonesia....

Source: Inter Press News Agency, <http://ipsnews.net/interna.asp?idnews=24213>

The percentage of persons living below poverty in Brazil is 22%, which is the third highest of all the 13 countries being investigated by USTR. See CIA World FactBook home: <https://www.cia.gov/cia/publications/factbook/index/.html>. Visited 8/30/06. 53.9 million of Brazilians, or 31.7% of Brazil's total population live with a GNI per capital of less than US \$100 per year; 21.9 million Brazilians, 12.9% of the population, live with a GNI per capital less than U.S. \$50.00. See [www.planejamento.gov.br/planejamento\\_investimento/conteudo.radarsocial/renda.htm](http://www.planejamento.gov.br/planejamento_investimento/conteudo.radarsocial/renda.htm). Visited 8/30/06.

One of the purposes of GSP is to provide assistance through trade instead of through direct foreign aid. Trade gives poorer countries like Brazil the opportunity to help themselves. Increasing trade with the United States has been an integral part of Brazil's strategy for lifting its people from poverty. Brazil should not be penalized for this now. Since the 1990s, Brazil has tried to build its economy through trade. This effort was aided by U.S. programs, such as GSP.

**B. THE WITHDRAWAL OF BRAZIL FROM THE GSP PROGRAM WILL NOT RESULT IN ANY BENEFIT OR REDISTRIBUTION OF BENEFITS TO THE LESSER DEVELOPED GSP BENEFICIARY COUNTRIES**

One of the fallacies behind the efforts to redistribute GSP benefits from the supposedly larger GSP BDCs to the least economically developed BDCs is that the products produced in one country cannot automatically be transferred to another country that does not have the infrastructure, educated workforce, and domestic market to support it. For example, Brazil is a large exporter of aircraft, automobile parts, chemicals and machinery.

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1. Lessen the competitiveness of Brazilian products in the U.S. market that have already suffered due to the more favorable exchange rate between the U.S. dollar and the Brazilian Real. The Brazilian Real has devalued over 30% against the dollar in the past 26 months already seriously impairing Brazilian export potential.

2. Result in U.S. customers buying more products from other countries that produce automobile parts, chemicals, machinery, etc., mainly China, and other non-GSP more developed countries.

3. Raise costs to customers in the U.S. that are using these products and making U.S. companies less competitive in world markets. Most Brazilian exports are not finished goods but semi-finished goods that are inputs used by U.S. original equipment manufacturers to produce finished products in the U.S. For example, many Brazilian auto part companies sell to affiliated U.S. companies. They, in turn, sell to the U.S. original equipment manufacturers such as Ford and General Motors. These companies are now in severe economic distress. They are looking to lower their costs. If their U.S. vendors, who are supplying parts from affiliated Brazilian manufacturers, raise their prices due to the demise of GSP benefits for Brazil, they will simply buy from other sources like China, hurting the affiliated U.S. vendor. They will not and cannot buy these parts in lesser developed countries like Chad.

C. U.S. COMPANIES, WORKERS AND CONSUMERS BENEFIT FROM GSP TREATMENT FOR BRAZIL ALONG WITH BRAZILIAN COMPANIES AND WORKERS

1. Duratex S.A. and Duratex North America are examples of how GSP benefits accrue to U.S., companies, workers and consumers as well as to Brazilian workers in poorer and less economically developed areas of the country.

a. History of Duratex

Duratex was founded in the early 1950's when for the first time the technology for making hardboard was developed in Brazil. Previously, hardboard had to be imported into Brazil. This technology made it possible to develop a native plant, the eucalyptus tree, into a commercially viable product, creating jobs in Brazil and the U.S. that did not exist before. The first plant was located in an area that was in a swamp in the city of Jundiaí. The original plant grew to a company that now has plants in several cities. The export of Eucalyptus wood in the form of hardboard has become an important export product for Brazil. Duratex owns [\*\*\*\*\*] of pinus and eucalyptus forest land. Duratex has strived for the highest environmental standards: in 1995, it became the first company of its kind in Latin America to have its forests certified and its wood products carry the "Green Label," informing the consumer that Duratex follows environmentally friendly sustainable management practices in its forests. This achievement was followed by ISO14001 certification in recognition that the environmental management system implemented by the company to grow eucalyptus trees conformed to the highest international standards. The Duratex activities in Brazil have created over [\*\*\*\*] jobs in the forestry and hardwood divisions. All of these workers are unionized. In addition, Duratex has committed to education and training of workers. Some examples of Duratex's commitment to education in Brazil are set out below:

(i) Tide Setúbal Cabinetmaking School

The Tide Setúbal Cabinetmaking School – dedicated in 2000, in Agudos (SP) – offers a two-year cabinetmaking training course for adolescents from low-income families. The program

intends to offer quality technical training in order to prepare students for the working environment.

The program has been run in partnership with the local government authorities and the National Service for Industrial Training (Senai), and takes place in a 600 square meter area provided by the Agudos Municipality. The program offers 36 openings on a yearly basis.

In this partnership, Duratex supplies the raw materials, equipment and uniforms, as well as maintenance services. The Agudos Municipality provides the teaching staff and administration personnel and Senai is responsible for the pedagogic material and for monitoring the students' progress.

The school provides specialized manpower for the local industry, boosting the furniture manufacturing sector for which the region is well-known.

(ii) Education for a Better Future

Developed by Duratex's Environmental Area, the *Education for a Better Future* project is a recent and very important initiative, aiming at giving adults, especially rural workers, the opportunity to go back to school.

The characteristics of the program are outlined in a series of lectures and orientation sessions, during which the applications and explanatory materials are handed out, along with school kits containing notebooks, pencils, ruler, eraser, pencil case and bag.

In order to encourage participation and improve the results of the program, the Company enables rescheduling of working hours and redefinition of bus routes, in addition to designating employees to support and monitor attendance and progress in the school.

The company also gathers all the necessary paperwork and forwards it to the schools, in order to guarantee placement and facilitate the enrollment. Established in 2005, the program includes approximately 200 employees.

(iii) In Search of the Future

In Search of the Future is a social program aimed at orienting high school students from local public schools about the job market. It was designed to help students understand the various possibilities involved in their future placement in the working environment. The program takes place in the industrial units and offers 40 openings per event, including a guided tour of the Company.

The themes discussed include an overview of the business culture, how companies work, the different professional possibilities within the Company and the necessary background for each one of them, recruiting processes – stressing the interview and presentation of documents – integration and the importance of commitment and constant improvement after admission.

There is significant unemployment in the four cities where Duratex has its plants. Duratex is a major employer in these cities. Loss of GSP benefits could increase unemployment even further.

*Unemployment (Jan. 2003 to July 2006)*

City	Number of People
Agudos	8,948
Botucatu	39,076
Itapetininga	41,982
Jundiaí	126,969

Source: <http://perfildomunicipio.caged.com.br>, Visited 8/29/06.

b. Duratex North America and its Contributions to U.S. Economy

Since 1959, the Brazilian company maintains a U.S. subsidiary known as Duratex North America that handled [\*\*\*] of Duratex hardboard exports to the U.S. This company, currently located in High Point, North Carolina, has [\*\*\*\*] full-time employees but generates additional jobs in the U.S. through its import and shipping activities and has created significant tax revenues in the U.S. For example, in 2005, Duratex North American paid [\*\*\*\*\*] in Federal taxes alone. In addition, it paid taxes in 11 states totaling approximately another [\*\*\*\*\*]. In 2005, rent totaling [\*\*\*\*\*] was paid in four states for facilities leased there. Jobs in warehousing and distribution were created in Maryland, New Jersey, Michigan, Louisiana, Florida, Pennsylvania, Alabama, North Carolina, Mississippi, California, and Texas. Over [\*\* \*\*\*\*] dollars were spent in 2005 in relation to warehousing costs, including personnel, and an additional [\*\*\*\*\*] for other associated handling costs. Transportation activities were generated through water [\*\*\*\*\*], rail [\*\*\*\*\*], and by truck [\*\*\*\*\*]. A total of [\*\*\*\*\*] was contributed to the U.S. economy in 2005 in shipping and freight charges alone. Many U.S. ports have benefited from this commerce. Prior to Katrina, most of the shipments came through ports in Mississippi and Louisiana. Some of the shipments have now gone to the Port of Baltimore and Beaumont, Texas. Duratex, in fact, had a warehouse in Gulfport, Mississippi with over [\*\* \*\*\*\*] in merchandise that was lost to Katrina. Duratex is in the process of returning to Mississippi but cannot do so without GSP benefits.

(i) Products Produced by Duratex and Receiving GSP Benefits

Duratex currently produces two products that are receiving GSP benefits. They are pre-finished wood fiberboard imported under HTS Number 4411.19.40 which is subject to a column 1 duty (if non-GSP) of 6%; and, markerboard, imported under HTS 9610.00.00, subject to a column 1 duty (if non-GSP) of 3.5%. There is no real substitute product for the Eucalyptus hardwood fiberboard exported from Brazil. Although there is some hardwood fiberboard production in the U.S., the U.S. companies [\*\*\*\*\*] frequently purchase raw materials from Duratex. Other efforts at making the finished product with fiberboard made of materials other than Eucalyptus have produced inferior products that are not acceptable to U.S. consumers. The reason that the Brazilian Eucalyptus fiberboard is superior is the very small fibers that are less than one millimeter. They have high density for appearance and strength that

cannot be duplicated. The surface is smooth and highly stable making it suitable for painting. While pine and spruce can be substituted for hardwood, they result in inferior products that are not desired by U.S. customers who themselves want to produce a quality finished product such as a hollow core door. There are really no other countries except Brazil that supply this product. It is in great demand and short supply. While South Africa, another GSP country, has the capability of making this product, whatever is produced there is used for domestic consumption. In addition, the indicators for South Africa would place them in a higher state of economic development than Brazil, so Brazil is actually the least developed GSP country that is capable of producing this product that is greatly in demand. Loss of GSP would not benefit any lesser developed GSP beneficiary country.

(ii) Benefits to U.S. Customers and Industries Using the Imported Product

As discussed earlier, the reimposition of the duty could create substantial competitive harm and disadvantages to U.S. companies that are consumers of this product and which must compete with imports.

For example, one of the primary uses of pre-finished wood fiberboard is in “door skins.” U.S. companies that produce finished doors purchase the door skins from Brazil. This six percent duty would increase their costs and make them less competitive with door skins coming from other countries.

**III. CONCLUSION**

For the reasons set out above, Duratex North American and Duratex S.A. urge the USTR to recommend to Congress the renewal of the GSP program in its present form, including Brazil as a designated beneficiary country under the program. Removal of Brazil would not likely benefit any lesser developed GSP countries because they do not produce the same types of products or have the ability to export them in the quantity and quality needed for the U.S. market. Most Brazilian products, like the Eucalyptus hardboard exported by Duratex, are semi-finished goods that are needed by U.S. manufacturing companies to produce quality products at competitive costs. Removal of GSP and reimposition of these duties would hurt these many U.S. companies without any benefit to other developing countries. At the same time, it would negatively impact the economic development of Brazil where there is still wide ranging poverty

and social problems. In addition, Brazilian exports have already been impacted by changes in the exchange rate between the Brazilian Real and the U.S. dollar that has already made Brazilian exports 30% more expensive in the last two years.

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