BEFORE THE:
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

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

Written Comments

by

DANA CORPORATION

September 5, 2006

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

I. BACKGROUND

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

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

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

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

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

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

A. Argentina

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

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

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

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

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

[5]2005 World Population Datasheet, Population Reference Bureau

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

B. Brazil

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

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

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

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

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

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

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

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

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

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

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

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

C. India

collaboration with Instituto de Pesquisa Econômica Aplicada, October 2003.

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

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

[13] World Development Indicators database, World Bank, July 1, 2006 based on Atlas methodology.

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

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

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

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

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

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

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

D. Venezuela

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

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

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

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

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

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

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

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

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

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

E. General Proposals For The GSP Program

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

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

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

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

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

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

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

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

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

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

IV. Conclusion

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

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

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

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

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

Very truly yours,
BARNES, RICHARDSON & COLBURN
By:

/s/Lawrence M. Friedman
Carolyn D. Amadon

Supports Brazil, Russia, & Venezuela
Re Aluminum Products – no CNLWs

From: Wisor, Russell C. [Russell.Wisor@alcoa.com]
Sent: Friday, September 01, 2006 8:24 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

Comments of Alcoa, Inc
On the
2006 GSP Eligibility and CNL Waiver Review
Submitted to the
GSP Subcommittee
Office of the United States Trade Representative
September 1, 2006

Alcoa appreciates the opportunity to comment on the need for continued GSP eligibility for certain countries and products. Alcoa is the world's leading producer and manager of primary aluminum, fabricated aluminum and alumina facilities, and is active in all major aspects of the industry. Alcoa serves the aerospace, automotive, packaging, building and construction, commercial transportation and industrial markets, bringing design, engineering, production and other capabilities of Alcoa's businesses to customers. In addition to aluminum products and components, Alcoa also markets consumer brands including Reynolds Wrap(R) foils and plastic wraps, Alcoa(R) wheels, and Baco(R) household wraps. Among its other businesses are closures, fastening systems, precision castings, and electrical distribution systems for cars and trucks. The company has 129,000 employees in 44 countries.

Alcoa urges that GSP eligibility be continued for Brazil, Russia and Venezuela. If GSP benefits of these countries are limited, the program should continue to apply to a number of products imported by Alcoa, including aluminum powder, extrusions, sheet, plate, foil and forgings. Loss of GSP treatment for these products will cause significant disruption to our supply chain and harm our customers who rely on these products. Aluminum markets are global, as is the competition. It is also a business where a cost increase of pennies per pound is a threat to continued operations and profitability. To remain competitive in the US with imports from countries around the world, Alcoa relies on duty free imports from these three countries to help us grow in the United States, remain competitive, and deliver more competitively priced supplies into the American marketplace. Accordingly, we request that these countries not lose their eligibility.

We are doing this because, as a global company, we are required to deliver product to our US customers at competitive prices. We do not have the physical capacity to produce many of the products we are importing; yet to meet the needs of our customer base, we must be able to supply them. If we fail to do this, we will be unable to expand our US business and compete with other suppliers.

Our customers in the aerospace, automotive, packaging and construction industries rely on these imports and our ability to deliver them at a competitive price. The imposition of over $3 million in additional costs that could result from the imposition of duties will pose a serious burden on our business as well as that of our customers.

If Brazil, Russia and Venezuela have their GSP eligibility restricted in some way, we request that the following products not be removed:

Brazil
HTSUS 7603.10.00
HTSUS 7604.29,10
HTSUS 7604.29.30
HTSUS 7604.29.50
HTSUS 7606.92.30
HTSUS 7606.92.60
HTSUS 7607.11.30
HTSUS 7607.11.60
HTSUS 7607.11.90
HTSUS 7608.10.00
HTSUS 7608.20.00

Russia
HTSUS 7604.29.30
HTSUS 7604.29.50
HTSUS 7606.12.30
HTSUS 7608.20.00
HTSUS 7616.99.50

Venezuela
HTSUS 7616.99.50
HTSUS 8708.70.45

In conclusion, we would ask that as policy regarding GSP eligibility for Brazil, Russia and Venezuela is being reviewed, the significant negative impact on our business and markets, and those of our customers, be given due consideration and that the multi-million dollar cost increase on the American economy that will result from the imposition of tariffs on these aluminum imports be rejected.

Submitted by:

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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

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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.[1] 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.[2] 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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1 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/IW3P/IB/2005/12/16/000160016_20051216133202/Rendered/PDF/346450ENGLISH082NOV05ARGrowth.pdf (last visited September 5, 2006).

2 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.[3] 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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[3] 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.[4] 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

[4] 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.[5] Thus, roughly one person in six worldwide is a resident of India. The population of India

[5] 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.[6] 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%[7] 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.[8] 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

[6] 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).
[7] 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).
[8] 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[9] 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.[10] 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

[9] 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).

[10] "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.[11] 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

[11] 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

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September 5, 2006

VIA EMAIL (FR0052@USTR.EOP.GOV

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

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

Dear Ms. Sandler:

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

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

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

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

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

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

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

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

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

Respectfully submitted,

/s/

Juliana M. Cofrancesco
John F. Bruce

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

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

From: Favenpa Presidencia [favenpade@cantv.net]
Sent: Tuesday, September 05, 2006 7:36 AM
To: FN-USTR-FR0052
Subject: SGP FAVENPA Venezuela

Importance: High
Caracas, Venezuela
September 4, 2006

Office of the United States Trade Representative
1724 F Street, NW
Washington DC, 20508

We are asking for your help and assistance to achieve the renewal of the General System of Preferences (GSP) scheduled to expire on December 31, 2006 and through which automotive spare parts produced in Venezuela enter the United States market with a 100 percent tax preference.

FAVENPA is the Chamber of the Venezuelan manufacturers of automotive parts, where the majority of its membership are composed of U.S. companies and/or technological and trade associations and partners such as DANA, LEAR, DUPONT, ARVIN MERITOR, HAYES WHEELS, GM, FORD, etc.

The US market is very important for the Venezuelan automotive spare parts industry, because this is the major place to which our products are being exported. We are reaching the competitive and demanding US market, exporting about US $ 180 million worth of automotive products yearly, composed of: axles and its components, driveshafts components, siderails, steel and aluminum wheels, tubes, pipes and foundry components and forgings, shock absorbers, radiators, electric batteries, disc brakes and tires.

About 95 percent of our exports benefit now of the GSP. These parts compy and exceed the 35 percent minimum value added requirement.

The majority of these automotive spare parts are classified under code # 8708 of the harmonized Custom Declaration, corresponding to "parts and accessories of automotive vehicles". (8708.70.60, 8708.80, 8708.91.50, 8708.99.67.90, 8708.99.80.80), with a US import duty of 2.5 percent which represents GSP benefit over US$ 4 millions savings yearly.

Exports of automotive spare parts to the US started in the 90's, in answer to the need of use the installed capacity of the companies affected by the severe contraction of the domestic needs which caused the shareholders, many of US origin, to look to the option to enter the US market.

In the present decade, it continues to be vital for our companies, to keep the US market open to us, because our national market continues being erratic and unpredictable, regardless of its recent improvement.

Our exports to the US, amount to about 30 percent of our country automotive spare parts production and are fundamental to our domestic production for the assembly of vehicles and replacement, in its majority of US origin.

The Venezuelan automotive spare parts industry needs to continue benefiting from the US preferences under the GSP with the US, in order to continue keeping the viability and continuation of many of our exports, which would be jeopardized if the GSP were eliminated.

Generally and because of the GSP, we have been able to continue our exports to the US, although we have not been able to increase them nor we have grown substantially as to be able to go on at this stage without the GSP. It can be noted however that some of our products have experienced small improvements.

We should note however that our GSP exports are also of benefit to the US, not only for the progress of Venezuelan companies with US capital, but also because purchases of Venezuelan automotive spare parts enjoy our geographical location. US port can be reached from Venezuela in a week; Additionally we are contributing to help keep high standards of competitiveness in the US market, allowing favorable competition with other automotive spare parts coming from all continents.

For these important reasons, we are requesting your support the continuation of the US Generalizes System of Preferences (GSP) for Venezuela, allowing us to continue the activities of our companies in Venezuela and for the continued development of Free Enterprise in our country.

Thanking you for your attention.

Sincerely,

Omar Bautista
President
Cámara de Fabricantes Venezolanos de Productos Automotores "FAVENPA"
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Supports Indonesia and Venezuela
Re alkylbenzenes (HBAB)-which
      not have CNLW
Shrieve Chemical Products, Inc.

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

August 30, 2006

electronic e-mail submission

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

Dear Marideth:

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

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

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

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

Sincerely,

Tom St. Maxens

Thomas F. St.Maxens