From: jose.massari@br.mahle.com
Sent: Tuesday, September 05, 2006 9:37 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

(See attached file: P-MAHLE Metal Leve SA.doc)

José Massari

MAHLE Metal Leve S/A
Aftermarket Export

Rod. Limeira Mogi Mirim Km 103, 13.480-970 Limeira, SP, Brazil
Phone: 55 19 34047738, Fax: 55 19 34047752
Mobile: 55 19 97870807
jose.massari@br.mahle.com
www.mahle.com.br

Brazil, September 4, 2006

To
GSP Subcommittee

Dear Sirs

We are Maqplas a Brazilian producer of plastic bag making machines. We have been working at the plastic and laminated market for 16 years; we had the more complete line of bag making machines to flexible films with the quality and performance of the machines produced in Europe and USA. Since its foundation in 1990, Maqplas is following the technology way and is proud to be the first producer of bag making machine of Latin America to use and dominate the servo-motors and to be the first company 100% Brazilian of its sector to obtain the ISO 9001 / 2000 certificate of quality as a result of its efforts. We have machines in the principal bags' producers of Brazil, and in almost of all countries of Latin America, EUA, Canada, Europe and Africa.

We have a great line of equipments to produce different kinds of plastic bags, as follows:

High and Low Density Polyethylene
Polypropylene
Pouch weld
Stand up
Side valve
Top valve
Conical (trapezoidal to flowers, grape, pictures, etc…)
Bags with soft loop handle and shopping bag
Raffia bags (automatic cutting and sewing raffia)
Diapers

We also have an extensive line of attachments which can be incorporated to our machines and produce the following bags:

Pet food
Zipper
Soft loop handle (independent)
Continuous welding

HTSUS: 84778000

Av. Lourenço Bellolli, 1.239 - CEP: 06268-110 - Osasco - S.Paulo - Brasil
Tel: 55-11- 3602-8355 / Fax: 55-11-3603.5006
www.maqplas.com.br / vendas@maqplas.com.br

We are increasing our sales for USA, this allows us to compete with another foreign companies equipments with the same competitiveness once we have some disadvantageous points as: logistic, taxes and interests. If we keep the GSP we can offer a better price (competitiveness) because we haven't to pay the import tax, it allow us to offer more employment and also get more yield.

The importance of this for the North American customer is getting more options to buy the same quality of machine, more competitiveness and reduction of its costs.

As you can see it is indispensable for us the maintenance of GSP once this systems benefits with a preference of 100% on import reduction of our equipments and its extinction would certainly cause prejudice for both sides.

We hope this can helps you to take the decision to keep the benefit to Brazilian's companies.

We are at your disposal to clarify any doubt you may have.

Best Regards,

Maristela S. Miranda
Director

Av. Lourenço Bellolli, 1.239 - CEP: 06268-110 - Osasco - S.Paulo - Brasil
Tel: 55-11- 3602-8355 / Fax: 55-11-3603.5006
www.maqplas.com.br / vendas@maqplas.com.br

September 5, 2006

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

Ref.: 2006 GSP Eligibility and CNL Waiver Review

Dear Sirs,

We would like to introduce our company Máquinas Ferdinand Vaders S.A. - FEVA.

A German technician, Mr. Ferdinand Vaders, in São Paulo city – BRAZIL in 1935, founded FEVA. FEVA joined the Flexo Print Press segment, making 4,6,8 and 10 colors presses participating actively in the technological evolution and improvement of quality concept for Flexography Printing Machine – HTSUS 8443. 30.00.

Currently FEVA is Know as pioneer and main Brazilian supplier of machines and equipment for graphic and packaging industry. A modern industrial installation equipped with sate-of-the-art CNC machines guarantees high quality and low price for its products.

Updating constantly the product line, FEVA offers the latest and most up dated equipment of the market. FEVA machines are well known internationally for their precision and strength, which make us trustworthy and well worth investment.

Located in Cotia with 56.000 square meters and 15.000 square meters of constructed area, FEVA has more than 250 employees between the manufacturer and administrative departments

In our global economy, is part of American GSP helps us to introduce our machine in the American market, that require from us high level of competitive technical skin, maintaining an attractive price level.

To be interesting, by technical point of view, FEVA need to invest in research and development to include in the machine the new technology available and compete with other supplies of the same kind of machines. Any percentage of price increase will reduce the amount available to new product research, reducing our competitive level.

US is today our biggest frontier to offer our product that has capacity to absorb a number of machines that will keep maintaining our company producing, selling and updating the technology as the competitors does.

With certain number of machine per year we can feed local suppliers and import other items to preserve the corporate strategy to, in the total, make the profitability to remunerate the investors.

Great part of the new technology comes from US, we are consumer of these high tech products that we attach to our machines, directly or indirectly, we bought, from US, a very important part of the accessories that we export, not just for US, but also for several countries of the word.

Some competitors, like European companies, have this high tech products in their own countries and will not buy from US, like we have necessity to do, to make easy the final user replace any part in the future.

Feva understand that this consumption of goods helps the US economy to export more and be part of other countries exporting their products divulgating these suppliers companies to different locations.

For the other side, the American companies, that will be our target, have another supplier for this kind of machine, amplifier the alternatives and price competition. Having different sources of the same products helps to hold the price and improve the quality.

Like we argue before, be part of USA GSP is vital for us, to invest, to promote, to improve, to keep the price level and be competitive in the global economy.

Sincerely yours,

Monica Vaders Mora
Maquinas Ferdinand Vaders S.A. – FEVA
Rodovia Raposo Tavarez 27580
Cotia – SP – Brazil – 06770-000
Phone: 55 11 4613 9133
Fax: 55 11 4612 8118
monica@feva.com.br
www.feva.com.br

September 5, 2006

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

Dear Sirs:

Please, allow us to briefly introduce ourselves, our activities and circumstances regarding our kind request for keeping the products we produce in Brazil without US customs tariffs.

Established in 1946 at the city of Ibirama, Brazil we were headed to the mechanical activity and commerce. In 1947, after the world war, due to the great lack, we started producing Woodworking Machines, among others items.

Given the success of the new business, we started in 1948 an iron foundry. In 1956, due to our technological development Woodworking Machines had become our main activity.

Today our location has 11.958m² and 350 employees, producing over 16 quality woodworking machines models, a respectful line of Moulders, Double Face Planers and Gang Rip Saws and conventional machinery largely distributed to Latin America and now introduced to the US market.

It is important to mention that we have recently attended to the IWF - The International Woodworking Machinery & Furniture Supply Fair on august 2006 at Atlanta GA, on the way to offer to the US Woodworking Industry a new option on affordable and quality machines other than the Asian and other options available.

We sell to distributors in the US such as White Dove International Inc. in Ft. Lee, NJ and J&G Machinery in Sanford, NC. We also have negotiation with Black & Decker Corporation and WMH Tool Group (Powermatic) which are the most important distributors in the US for Woodworking Machines.

We sincerely believe that keeping our products without US customs tariffs will maintain and still expand around 500 current direct employees in our countries. It will also allow us to contribute with the enlargement of the US woodworking industry through quality machines and technology.

Please consider our kind request for the following products:

ITEM	DESCRIPTION	CUSTOMS
1	Air or gas pumps, compressors and fans, nesi	84148090
2	Sharpening machines for working metal, other than numerically controlled	84603900
3	Sawing machines for working wood	84659100
4	Planing, milling or molding (by cutting) machines for working wood and similar materials	84659200
5	Grinding, sanding or polishing machines for working wood or similar materials	84659300
6	Drilling or mortising machines for working wood or similar materials	84659500
7	Interchangeable tools for milling	82077030
8	Interchangeable tools for milling	82077060

Thank you for your valuable attention, and please let us know if you need further information. We are always available.

Sincerely yours,

Evandro Rocha de Almeida Neto
Máquinas Omil Ltda.
USA Export Manager

Av. Lacerda Franco, 1273 - cj. 32
01536 - 001 São Paulo, SP
Brazil

www.itbg.com.br
evandro@itbg.com.br

Phone: 55 11 9606 0703
Fax : 55 11 3276 6744

MSN : evandro@itbg.com.br
Skype : evandrorochadealmeidaneto

From: Tim and Mary McCaughey [tmccaughey@comcast.net]
Sent: Tuesday, September 05, 2006 9:35 PM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review
To whom it may concern:

As the chief executive of a foreign subsidiary importing machines from Brazil, I must extend our corporate plea to renew the previous HR 3009, Generalized System of Preferences beyond the year 2006.
Our business, livlihood and employment of nearly 100 personnel could be seriously and negatively effected if the GSP is not renewed.
Please consider this plea seriously.

Tim McCaughey
1027 Audubon
Grosse Pointe Park, MI
President and CEO of Schuler Incorporated in Canton, MI

September 5, 2006

Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade
Policy Staff Committee *Transmitted by email:FR0052@USTR.EOP.GOV*
Office of the United States Trade Representative
USTR Annex, Room F-220 1724 F Street NW
Washington DC 20508

Dear Ms. Sandler:

The Motor and Equipment Manufacturers Association (MEMA) is pleased to respond to your request for comments regarding the eligibility of certain GSP beneficiaries and existing competitive need limitations (CNL) waivers. MEMA represents the automotive parts and components industry and includes as its members more than 700 manufacturers of automotive parts, components and related equipment used in the manufacture, maintenance and repair of all classes of passenger motor vehicles and heavy duty trucks.

Approximately $1.6 billion in automotive parts and components was imported under the GSP program in 2005. As a major stakeholder industry in GSP, MEMA supports retention of GSP benefits on automotive products with respect to Brazil, India, Turkey, Thailand, Indonesia, and the Philippines. GSP is a highly successful Federal program from the standpoint of our industry. The important and mutually beneficial supply relationships that have developed among American automotive parts and components companies and foreign suppliers under the GSP program should be preserved.

We wish to call to your attention certain unique characteristics of our industry with respect to this review. Automotive parts and components, including the specific items imported under GSP are precision manufactured products subject to rigorous quality control and safety requirements. With its focus on technology and quality, American suppliers spend millions of dollars on the competitive process of "qualifying" sub-suppliers; that is determining which sub-suppliers are able to meet quality, safety, delivery, cost and other terms and specifications. There are significant friction costs incurred in changing supply relationships. The technological sophistication of the products, the sunk costs of the supplier qualification process and other friction costs can significantly limit American suppliers' options for changing supply relationships. Removal of GSP benefits from Brazil, India or the other countries identified in this submission is not likely to result in a shift of sourcing of automotive products to other less developed GSP beneficiary countries, nor is it likely to result in a shift of sourcing to the United States.

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

The current “cost-price- squeeze” is another critical characteristic of the automotive supplier industry relevant to the GSP review. American automotive suppliers are under constant pressure to cut their costs and reduce prices to motor vehicle assemblers and other customers in the current market. GSP has been one tool used by American automotive suppliers to cope with the “cost-price-squeeze.” In the event GSP benefits were withdrawn from Brazil, India of any of the other countries identified in this submission, American automotive suppliers would have to absorb the additional cost of the duty. Experience in the current market proves, however, that American automotive suppliers would not be able to pass their added duty costs on in an increase in price to their customers. Elimination of GSP benefits would essentially put new costs on American suppliers and make them less competitive in global competition.

The automotive industry is one of the largest globally integrated manufacturing sectors in the world today. GSP has been very successful in achieving its goals of increasing industrial development of beneficiary countries while also fostering the competitiveness of American producers against their primary developed economy competitors in Europe and Japan.
We urge you to retain GSP benefits on automotive products for Brazil, India, Turkey, Thailand, Indonesia, and the Philippines.

Thank you for this opportunity to express our views on this important subject. Please do not hesitate to contact me if you require any further information or if MEMA can be of further assistance.

Very truly yours,

Brian Duggan
Director of Trade and Commercial Policy

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

From: Alceu [alceu@feva.com.br]
Sent: Tuesday, September 05, 2006 3:50 PM
To: FN-USTR-FR0052
Cc: deni@abimaq.org.br; Monica Vaders Mora
Subject: 2006 GSP Eligibility and CNL Waiver Review
Dear Sirs,

We would like to introduce our company Maquinas Ferdinand Vaders S.A. - FEVA.

A German technician, Mr. Ferdinand Vaders, in São Paulo city – BRAZIL in 1935, founded FEVA. FEVA joined the Flexo Print Press segment, making 4,6,8 and 10 colors presses participating actively in the technological evolution and improvement of quality concept for Flexography Printing Machine – 84 43 30 00.

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Updating constantly the product line, FEVA offers the latest and most up dated equipment of the market. FEVA machines are well known internationally for their precision and strength, which make us trustworthy and well worth investment.
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In our global economy, is part of American GSP helps us to introduce our machine in the American market, that require from us high level of competitive technical skin, maintaining an attractive price level.

To be interesting, by technical point of view, FEVA need to invest in research and development to include in the machine the new technology available and compete with other supplies of the same kind of machines. Any percentage of price increase will reduce the amount available to new product research, reducing our competitive level.

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Sincerely yours,

Maquinas Ferdinand Vaders S.A. – FEVA

AMCHAM Brasil
Por um melhor ambiente de negócios

GSP Factsheet: 52nd 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 52nd Custom 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 custom district.

GSP Imports from Brazil by Custom District

Custom District	GSP Imports	Share %
14th Custom District - Norfolk, VA	$533,503,981.00	15
10th Custom District - New York, NY	$514,221,652.00	14
53rd Custom District - Houston-Galveston, TX	$430,468,061.00	12
13th Custom District - Baltimore, MD	$314,672,873.00	9
16th Custom District - Charleston, SC	$306,491,200.00	8
52nd Custom District - Miami, FL	$235,758,551.00	7
19th Custom District - Mobile, AL	$173,932,731.00	5
All other (35)	$1,107,101,800.00	30

Source: USITC

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

52nd Custom District's GSP Imports by Country

Country	GSP Imports	Share
Brazil	$235,758,551.00	31%
Venezuela	$90,501,465.00	12%
Argentina	$71,006,415.00	10%
Turkey	$63,446,355.00	9%
India	$51,921,472.00	7%
Subtotal :	**$512,634,258.00**	**69%**
All Other:	**$277,031,954.00**	**31%**
Total	**$789,666,212.00**	**100%**

Source: USITC

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 American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 52nd Custom 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 tan railway and tramway; miscellaneous manufactures articles; articles of iron or steel; railway and tramway locomotives; arms and ammunition and aluminum and articles thereof.

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

HTS	Description	GSP Imports	Duty	Duty Exemptions
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
Subtotal		**336**	**$182.240.105.00**	**$6,771,945.95**
Others		**305**	**$53.494.619.00**	**$1,729,603.31**
Total		**641**	**$235.734.724.00**	**$8,501,549.25**

Source: USITC

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

HTS	Description	GSP Imports	Duty	Duty Exemptions
68022300	Monumental or building stone & arts.	$29,760,902.00	3.70%	**$1.101.153.37**
87083950	Pts. & access. of mtr. Vehicles	$29,283,862.00	2.50%	**$732.096.55**
90328960	Automatic regulating or controlling instruments and apparatus, nesi	$10,010,518.00	1.70%	**$170.178.81**
44182080	Doors of wood	$9,239,124.00	4.80%	**$443.477.95**
44121340	Plywood sheets n/o 6 mm thick, with specified tropical wood outer ply	$6,837,381.00	8.00%	**$546.990.48**
89039200	Vessels, motorboats (o/than outboard motorboats)	$6,474,799.00	1.50%	**$97.121.99**
25161200	Granite, merely cut into blocks or slabs of a rectangular (including square) shape	$6,445,115.00	2.80%	**$180.463.22**
44121940	Plywood of wood sheets	$6,339,520.00	8.00%	**$507.161.60**
84099199	Parts nesi, used solely or principally with spark-ignition internal-combustion piston engines of heading 8407	$6,059,356.00	2.50%	**$151.483.90**
87089973	Pts. & access. of motor vehicles of 8701, nesoi, and 8702-8705, pts. for steering systems nesoi	$5,826,953.00	2.50%	**$145.673.83**
76061230	Aluminum alloy,	$5,709,515.00	3.00%	**$171.285.45**
93032000	Shotguns (incl. comb. shotgun-rifles)	$5,623,831.00	2.60%	**$146.219.61**
85030095	Other parts, nesi, suitable for use solely or principally with the machines in heading 8501 or 8502	$4,498,758.00	3.00%	**$134.962.74**
71171990	Imitation jewelry	$4,493,500.00	11.00%	**$494.285.00**
85371090	Boards, panels, consoles, desks, cabinets	$4,334,731.00	2.70%	**$117.037.74**
40069050	Rods, tubes, profile shapes, discs, rings	$4,015,314.00	2.70%	**$108.413.48**
Subtotal		**$144.953.179.00**		**$5,248,005.70**
Others		**$90.781.545.00**		**$3,253,543.55**
Total		**$235.734.724.00**		**$8,501,549.25**

Source: USITC

COMEX 0277/06
Londrina, September 05th, 2006.

Ms. Marideth J. Sandler
Chairman, GSP Subcommittee of the
Trade Policy Staff Committee
United States Trade Representative

Re: 2006 GSP Eligibility and CNL Waiver Review

Dear Ms. Sandler,

We hereby submit these comments in response to the Office of the United States Trade Representative (USTR) request for Public Comments on the 2006 GSP Eligibility and CNL Waiver Review published August 08 , 2006, Federal Register.

Milenia Agrociencias S.A. ("Milenia") is a Brazilian company involved in the synthesis, formulation and distribution of agrochemicals and VOC solvents for painting industry. Presently, Milenia has three manufacturing facilities, directly employing 772 direct workers. Milenia's total exports in 2005 amounted US$ 37,8 million, out of which US$ 9 million was exported to United States under SGP system. There are around 100 employees linked on these exports.

Generalized System of Preferences has been an important tool for minimizing the heavy burden competition in our segment coming mainly from Asia.

The System is not only relevant for the companies that export their products, but also to American companies which have incorporated the benefits of its duty savings into their products.

Milenia respectfully requests that the Trade Policy Staff Committee (TPSC) renew the GSP program in its entirely before the expiration deadline in December this year.

The GSP program is critical for promoting Brazil's economic development and providing the necessary benefits for companies such as Milenia to stay in business. We would very much appreciate your favorable consideration of this request.

Respectfully submitted,

Neusa Rossetto Lopes Sanitá
Supply Chain Manager
Milenia Agrociencias S.A.
Rua Pedro Antonio de Souza, 400
86031-610 Londrina, PR - Brasil
Tel: 55 43 3371 9112 / Fax: 55 43 3371 9013
E-mail: anabarro@milenia.com.br

05/09/2006.

MILL INDUSTRIA DE SERRAS LTDA

We are a company estabilished at the city of Lages state of Santa Catarina, south region of Brazil, producing machines for sawmills. Nowadays has 100 (one hundred) emploees working direct in the factory and another hundreds working indirectly to us. Our main product correspond to the american number HTSUS 84659110 Sawing machines for working wood, etc...

It is extremily important for us and for ours american customers that Brazil keep included in the SGP program, so that this way we could compete with this globalized world, especialy with the asian market.

To mantain competitive and alive the brazilian companies, it is very important that we keep included in this SGP program, otherwise not only our companies will suffer but also our emploees and their families.

Best Regards

Lucas De Zorzi
Director
Mill Ind. De Serras Ltda

AMCHAM Brasil
Por um melhor ambiente de negócios

GSP Factsheet: 19th 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 128 million of dollars, amount that would have been paid if the country had not been included in the GSP.

The 19th Custom 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 custom district.

GSP Imports from Brazil by Custom District

Custom District	GSP Imports	Share %
14th Custom District - Norfolk, VA	$533,503,981.00	15
10th Custom District - New York, NY	$514,221,652.00	14
53rd Custom District - Houston-Galveston, TX	$430,468,061.00	12
13th Custom District - Baltimore, MD	$314,672,873.00	9
16th Custom District - Charleston, SC	$306,491,200.00	8
52nd Custom District - Miami, FL	$235,758,551.00	7
19th Custom District - Mobile, AL	$173,932,731.00	5
All other (35)	$1,107,101,800.00	30

Source: USITC

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

19th Custom District's GSP Imports by Country

Country	GSP Imports	Share %
Brazil	**$173,932,731**	**89**
Honduras	$3,666,148	2
India	$2,501,944	1
Philippines	$3,681,611	2
Thailand	$7,857,758	4
Subtotal	**$191,640,192**	**98**
All Other	**$4,748,486**	**2**
Total	**$196,388,678**	**100**

Source: USITC

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, American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 19th Custom 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 Custom District's GSP imports from Brazil by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
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
Total		**24**	**$173,932,731**	**$6,382,281**

Source: USITC

19th Custom District's GSP imports from Brazil by Article - 2005

HTS	Description	GSP Imports	Duty	Duty Exemptions
38061000	Rosin and resin acids	$ 34,000	5,00%	$ 1,700
39069050	Acrylic polymers (except plastics or elastomers), in primary forms, nesoi	$ 43,200	4,20%	$ 1,814
39269098	Other articles of plastic, nesoi	$ 383	5,30%	$ 20
44111940	Fiberboard nesi, density exceeding 0,8 g/cm3	$ 266,849	6,00%	$ 16,011
44121340	Plywood sheets n/o 6 mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface-covered beyond clear/transparent	$ 1,264,352	8,00%	$ 101,148
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	$ 5,648,384	8,00%	$ 451,871
44182040	French doors of wood	$ 19,865	4,80%	$ 954
44182080	Doors of wood, other than French doors	$ 96,641	4,80%	$ 4,639
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$ 1,811,978	3,00%	$ 54,359
69081020	Glazed ceramic tiles, cubes & similar arts, w/largest area enclosable in sq, w/sides under 7 cm & larg, surf, area less than 38,7 cm2	$ 20,099	2,90%	$ 583
74031100	Refined copper cathodes and sections of cathodes	$ 80,680,232	4,00%	$ 3,227,209
74081160	Refined copper, wire, w/maximum cross-sectional dimension over 6 mm but not over 9,5 mm	$ 59,195,537	3,00%	$ 1,775,866
74081900	Refined copper, wire, w/maximum cross-sectional dimension of 6 mm or less	$ 24,109,087	3,00%	$ 723,273
84659100	Sawing machines for working wood, cork, bone, hard rubber, hard plastics or similar hard materials	$ 6,507	3,00%	$ 195
84659400	Bending or assembling machines for working wood, cork, bone hard rubber, hard plastics or similar hard materials	$ 5,473	2,90%	$ 159
Subtotal		**$173,202,587**		**$ 6,359,801**
All Other		**$ 730,144**		**$ 22,481**
Total		**$173,932,731**		**$ 6,382,281**
Source: USITC				

MONSANTO

Michael D. Dykes, DVM
Vice President
Government Affairs

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September 5, 2006

Ambassador Susan C. Schwab
United States Trade Representative
Executive Office of the President
600 17th Street, NW
Washington DC 20508

Re: *Response to Request for Public Comment on the U.S. Generalized System of Preferences*

Dear Ambassador Schwab:

Monsanto Company appreciates the opportunity to submit comments in response to the Office of the United States Trade Representative (USTR) and the Trade Policy Staff Committee (TPSC) August 8, 2006 Federal Register request for written comments on the Generalized System of Preferences (GSP) program. Based in St. Louis, Missouri, Monsanto is a leading agricultural technology company that provides innovative products to farmers to increase their productivity.

In the Federal Register notice, it was stated that comments were sought on the eligibility status of certain GSP beneficiary countries based on their level of economic development or trade competitiveness as a result of expanded exports. The notice also requested any additional information that would be relevant to reviewing GSP eligibility. It is in the spirit of additional relevant information that Monsanto Company offers its comments to focus on criteria such as a recipient country's competitiveness in the agricultural sector, the enforcement of intellectual property rights and the elimination of non-tariff trade barriers.

The GSP program has been a useful tool for facilitating trade with developing economies and Monsanto has developed and maintained commercial ties with many GSP beneficiary countries. As a unilateral grant of tariff concessions offered by the United States for the benefit of these countries and, potentially, to the detriment of other trade interests, it is critical that the obligations placed on beneficiary countries be strictly upheld.

It is clear that certain GSP beneficiary countries have well-developed agricultural sectors. Production of soybeans and cotton -- two of the major crop sectors that Monsanto's technology has benefited -- has increased dramatically in several of the GSP recipient countries on which you have requested comments. For example, over the past decade, Brazil has become one of the top global competitors in soybean production and last year Brazil surpassed the United States in total soybean export volume to become the world's largest exporter of soybeans. When GSP recipient countries become such dominant players in the global market, we believe these commercial realities should be taken into consideration during the annual review process for GSP benefits.

We also believe there is the need for more vigorous exercise of the current statutory authority under GSP to ensure that beneficiary countries are in strict compliance with the eligibility criteria. To this end, the current

GSP annual review of country compliance with eligibility standards, as well as a review of product eligibility, can be improved and strengthened. The reality is that countries face very few, if any, consequences for violations of the eligibility criteria. This has clearly been the case with regard to intellectual property rights protection.

As a technology company, our investment in research and development to bring new tools – improved seed and biotechnology traits – to farmers is predicated on the protection of our intellectual property. Equally important, our U.S. farmer customers should be protected from competing with nations that allow the use of illegally pirated seeds and traits for which no technology fee can be collected. U.S. companies and growers are offered little protection in return for the extension of GSP when patents are unreasonably or improperly delayed, avoided or compromised by the GSP recipient. More rigorous eligibility criteria would result in greater compliance with the intellectual property protection requirements prior to the extension of GSP to a country.

In determining whether developing countries are eligible for preferential treatment under the GSP program, it is essential for the U.S. Government to ensure that these countries are protecting the intellectual property rights of agricultural seed and biotechnology products. First, it is critically important that GSP countries have laws in place that offer adequate protection for intellectual property of agricultural biotechnology products. Second, GSP countries should demonstrate the allocation of appropriate resources to ensure timely consideration of patent applications under those laws. Failure on the part of a GSP country to review applications and issue patents in a timely manner compromises the positions of U.S. companies and growers as it limits effective enforcement options. Third, GSP countries should vigorously enforce intellectual property laws and the associated rights for products of agricultural biotechnology both prior to and after regulatory approval in a meaningful and robust way to actively combat piracy in their countries.

Failure of GSP countries to address the pirating of agricultural biotechnology products places U.S. farmers at a competitive disadvantage. U.S. farmers suffer this competitive disadvantage because GSP recipient countries allow their farmers to pirate technology and do not provide technology providers the due process to enforce their patent rights against those seeds and biotechnology products. It is inconsistent with U.S. policy and unfair to U.S. farmers to reward these countries by extending preferential treatment in tariff reductions.

This issue is particularly salient with America's soybean, cotton and corn producers. According to USDA statistics, approximately 89 percent of soybeans, 83 percent of cotton and 61 percent of corn grown domestically in the United States is produced through agricultural biotechnology. These very crops are also grown using these same technologies under conditions which allow growers to use pirated versions in numerous GSP recipient countries without regard or obligation to the cost of the technology.

Furthermore, in the global marketplace, a number of the GSP recipient countries, including Argentina, Brazil and India, are extremely advanced and competitive in cotton and soybeans. As the U.S. Government has communicated previously, improvements in intellectual property protection will also yield important long term benefits for these countries by driving investment and creating high quality jobs.

This more comprehensive review of a country's progress in enforcement of intellectual property rights should prove to be useful in accurately determining its compliance with its GSP and other trade commitments. With an accurate assessment of the current state-of-play vis-à-vis intellectual property within the borders of a GSP recipient, greater consequences for poor performance in intellectual property enforcement could be justified. Through the harmonization of the GSP review and other mechanisms the U.S. government utilizes to review intellectual property rights enforcement the overall GSP would be improved.

For instance, the Special 301 process requires USTR to investigate countries that deny adequate and effective protection of intellectual property as well as those countries that deny fair and equitable market access for U.S. exporters that rely on intellectual property protections. Countries that have the most onerous or egregious enforcement conditions and those where conditions have the greatest adverse impact on U.S. products are placed on *Priority Watch List*. By being placed on the list, those countries are placed under greater scrutiny by USTR; however, there are no immediate consequences for those countries that are placed on this list.

Furthermore, through the Special 301, USTR is required to maintain a *Watch List* of countries, a second tier list of those countries where the intellectual property infractions are less egregious.

We believe that by directly connecting the Special 301 process -- and more specifically the two watch lists -- with GSP eligibility, would provide more incentive for countries to make greater strides to enforce intellectual property within their borders. Those countries that are on the *Priority Watch List* should not receive GSP benefits until they have undertaken the necessary steps to protect intellectual property to be removed from the *Priority Watch List*. In addition, those countries on the *Watch List* should only receive partial GSP benefits until they demonstrate enough progress on intellectual property protections to merit removal from it.

GSP benefits should not be extended to those countries that erect non-tariff trade barriers or engage in compulsory pricing schemes in the agricultural sector which negatively impact U.S. farmers and ranchers. As more countries lower their tariff rates for agricultural products, there will undoubtedly be a significant increase in the utilization of non-tariff barriers to block U.S. agricultural exports. A proactive way to address this issue would be by directly linking the benefits of GSP to the goal of reducing the use of non-tariff trade barriers.

In closing, while we believe the GSP program has merit, it must be strengthened to focus upon the statutory obligations with which recipient countries must comply. We support focusing more closely on a recipient's overall competitiveness in the agricultural sector, on intellectual property protection of seeds and traits and the reduction of non-tariff trade barriers and compulsory pricing schemes in agriculture. We also support the removal of GSP benefits for countries when it is clear they have failed to adequately address these criteria.

Thank you for this opportunity to comment on the GSP program.

Sincerely,

Michael D. Dykes

Michael D. Dykes, DVM
Vice President, Government Affairs

From: Rafael Milani - Sindmóveis [rafael@sindmoveis.com.br]
Sent: Tuesday, September 05, 2006 4:05 PM
To: FN-USTR-FR0052
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
USTR Annex, Room F-220
1724 F Street, N.W.
Washington, D.C. 20508

Dear Ms. Sandler:

On behalf of MOVERGS*, SINDMÓVEIS** and their members, 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 a reliable supplier for eligible duty free products for use in the United States by our customers.

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*MOVERGS – Furniture Industry Association of the State of Rio Grande do Sul was founded on 14 September 1987. Is the organization that represents the entire furniture sector of Rio Grande do Sul (RS). It has member companies located in 51 cities. MOVERGS is responsible for the organization of FIMMA BRASIL – International Fair of Machines, Raw Materials and Accessories for Furniture Industries that is held every two years, at the Exhibition Center of Bento Gonçalves.

**SINDMÓVEIS – Furniture Industries Union of Bento Gonçalves (city located at the State of Rio Grande do Sul) have the mission of representing, guiding, informing and providing opportunity for the development of the furniture industries member´s, since 1973. SINDMÓVEIS is the organizer of MOVELSUL BRASIL – Furniture Show, the biggest furniture show in Latin America, held each to years at the Exhibition Center of Bento Gonçalves.

The members of MOVERGS and SINDMÓVEIS exports USD 21,3 million (during last year - 2005) to the United States duty free under the GSP program. Bellow we list the main exported products and the main importers:

PRODUCTS:

- pine mouldings, pine fencing, pine panels, finger jointed pine products: the clients are building materials distributors, contractors and jobbers;
- living room, bedroom, dining room and also works with American hotels. Which supply the furniture that they project for us to develop, including: bed, chest, nightstand, wardrobes, armchair, chair, end table, console table, dining table and buffett). Every product is made in *jequitiba* wood, licensed by the Brazilian government.

IMPORTERS:

- Accessories INC
- Aja International
- Alexy Inc
- Arhaus.
- Armstrong Furniture
- Brasilian Furniture Co
- D & G FURNISHINGS
- DL Kitchens, INC
- F & J Wholesalers Inc
- Gotico
- Home Decorators
- Khoury
- LINON HOME DECOR PRODUCTS INC.
- Lowes
- Northeastern Sleep Products And Imports
- Overstock
- PALACE IMPORTS INC
- Pier One
- Preferred Furniture Distributors
- Rooms Mart
- Silverline Furniture
- Target
- Unitrade Group Inc

MOVERGS and SINDMÓVEIS appreciate 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,

Luis Attílio Troes
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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 ***Weril Instrumentos Musicais 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.

Weril Instrumentos Musicais Ltda corporation exports ***USD 5,110,973.00*** to the United States duty free under the GSP program during the period of 2001 - 2005. The articles we export are Brass-wind instruments, which belong to the heading 9205.10 00, under Chapter 92, which covers Musical instruments; parts and acessories of such articles. All products we export to US market are largely used on School Music Educational Programs. Our end customers are mostly Schools and parents. They purchase our instruments for their children/students who participate in the music programs at school. The main partners supporting our business in the US are Conn-Selmer, Inc, member of Steinway Group, and Deg Music Products, Inc through their nationwide retailers chain. Today our company has 300 direct employees.

Weril Instrumentos Musicais 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,

Roberto Weingrill Junior
Diretor Comercial
Weril Instrumentos Musicais Ltda
Roberto@weril.com.br

São Paulo, 23 August, 2006

TO: United States Trade Representative
GSP Subcommitee

<u>Ref: Generalized System of Preferences</u>

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
Position: Export Director
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National Confectioners Association ◆ Chocolate Manufacturers Association
8320 Old Courthouse Road ◆ Suite 300 ◆ Vienna, VA 22182
Telephone: 703 / 790-5011 ◆ 703 / 790-5750
Fax: 703 / 790-5752

September 5, 2006

Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the US Trade Representative
1724 F Street NW
Washington, DC 20508

Submitted via Electronic Mail: FR0052@USTR.EOP.GOV

United States Confectionery and Chocolate Industries' Comments
Concerning the Eligibility of Certain GSP Beneficiaries

FR Doc E6-12870

This statement is submitted by the National Confectioners Association and the Chocolate Manufacturers Association (NCA and CMA) in response to USTR's request for comments on the eligibility of major GSP beneficiaries.

Four hundred companies, all members of the Chocolate Manufacturers Association and the National Confectioners Association, manufacture more than 90% of the chocolate and confectionery products in the United States. Another 250 companies supply those manufacturers. The industries are represented in 35 states with particular concentration in California, Colorado, Florida, Georgia, Illinois, Louisiana, New Jersey, New York, Pennsylvania, Tennessee and Texas. Over 56,000 jobs in the US are directly involved in the manufacture of confectionery and chocolate products. The employment effect triples when the distribution and sale of these products is taken into consideration.

The US confectionery and chocolate industries have made free trade and the maintenance of an open US market an operating principle for over 20 years. Our industries support duty-free access for imports from developing countries to support economic development goals and to maintain access to high-quality, world price commodities and intermediate goods that are key ingredients for our manufacturers.

- **Twenty nine developing countries supply 89% of US imports of raw cane sugar. However, only one-third of sugar imports from developing countries enter the US duty-free. Duty-free access is denied to major beneficiaries such as Argentina and Brazil. All GSP countries should have duty-free access to the United States for sugar imports.**
- **GSP major beneficiaries are an important source of cocoa raw materials used by the confectionery industry and GSP benefits should continue.**
- **Imports of sugar confectionery and chocolate confectionery from major beneficiaries of GSP[1] account for less than 1% of the US market and it is therefore not necessary to remove their eligibility.**

[1] Imports of confectionery and cocoa inputs from "major beneficiaries of the GSP program" as defined by USTR include Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. There were no recorded GSP-eligible confectionery or cocoa imports from Kazakhstan or Romania in 2005.

I. Support for continuation and expansion of GSP benefits for imports of sugar

In 2005, US imports of raw cane sugar under HS code 1701.1110 totaled more than $547 million. Of the 33 countries that supply the US market with sugar, twenty nine developing countries supplied 89% of US imports. Five of the major GSP beneficiaries are sugar supplying countries. However, two of the five – Argentina and Brazil – are excluded from duty-free access. Sugar from these countries enters at the higher MFN rate of 1.4606 cents/kg. As a result, while nearly all imported sugar is sourced from developing countries, only one-third – or $177 million – enters the US duty-free.

Raw cane sugar enters the US under a tariff-rate quota which limits the quantity imported by eligible countries. Given that quantitative limits already exist for imports from developing countries, in-quota rates for commodities should be duty-free from all quota eligible developing countries. **All GSP countries should have duty-free access to the US for sugar imports. We strongly support continuation of the GSP benefits for sugar from South Africa and Thailand, as well as reinstatement of GSP benefits for sugar sourced from Argentina and Brazil.**

Table A: **GLOBAL IMPORTS INTO THE US OF RAW CANE SUGAR**

Source Country	2005 Total US Imports	2005 GSP Imports	Notes
Brazil	$115,497,945	$0	**Sugar excluded from GSP**
Dominican Rep	$77,355,995	$0	**Sugar excluded from GSP**
Philippines	$56,834,489	$56,834,489	
Australia	$40,498,499		Not a GSP beneficiary
Guatemala	$40,265,229	$9,305,284	
El Salvador	$24,773,892	$0	
Colombia	$21,079,902	$10,889,104	
Panama	$20,577,673	$11,125,684	
Argentina	$19,425,649	$0	**Sugar excluded from GSP**
Swaziland	$15,105,624	$15,105,624	
Peru	$15,023,583	$15,023,583	
Nicaragua	$13,011,664		Not a GSP beneficiary
South Africa	$12,933,017	$12,933,017	
Bolivia	$7,165,356	$4,054,342	
Honduras	$5,688,529	$0	
Uruguay	$5,593,158	$5,593,158	
Mozambique	$5,507,992	$5,507,992	
Zimbabwe	$5,251,313	$5,251,313	
Taiwan	$5,117,238		Not a GSP beneficiary
Ecuador	$4,927,071	$0	
Belize	$4,890,060	$0	
Thailand	$4,421,095	$4,421,095	
Fiji	$4,063,915	$4,063,915	
Costa Rica	$3,188,972	$0	
Paraguay	$2,774,429	$2,774,429	
Papua New Guinea	$2,766,358	$2,766,358	
Congo (ROC)	$2,620,854	$2,620,854	
Malawi	$2,607,352	$2,595,852	
Mauritius	$2,507,161	$2,433,130	
Cote d`Ivoire	$2,436,000	$2,436,000	
Jamaica	$1,238,011	$0	
Guyana	$1,179,770	$1,179,770	
Mexico	$815,393		Not a GSP beneficiary
TOTAL	**$547.1 million**	**$176.9 million**	

II. Cocoa inputs are important to US industry

In 2005, GSP-eligible imports into the US of cocoa inputs from the major beneficiaries were entered under six tariff lines as outlined in Table B below. GSP-eligible imports of cocoa inputs from the major beneficiaries totaled more than $24 million. More than one-quarter of US imports of *defatted cocoa paste* is sourced from major beneficiaries. Similarly, major beneficiaries account for 9% of the import of *unsweetened cocoa powder*. Brazil is one of the leading sources of these important inputs, and the industry has worked for many years to assist Brazil with sustainable cocoa production. **We support continuation of GSP benefits for the major beneficiaries in order to encourage value-added cocoa production in developing countries and to make these important cocoa inputs available to US industry at the lowest possible cost.**

Table B: **US IMPORTS OF COCOA INPUTS FROM MAJOR BENEFICIARIES OF THE GSP-PROGRAM**

USHTS	*Description of Cocoa Input*	*2005 US global imports*	*2005 GSP-eligible imports from major beneficiaries*	*% of global imports*
18032000	Defatted cocoa paste	$32,638,709	**$8,545,289**	**26.2%**
18050000	Unsweetened cocoa powder	$180,268,817	**$15,836,977**	**8.8%**
18061043	Cocoa powder subject to GN 15	$14,137	**$14,137**	**100.0%**
18062050	Bulk chocolate preps with no milk solids	$119,719,271	**$3,266**	**0.0%**
18062060	Confectionery coatings	$27,867,729	**$2,680**	**0.0%**
18069001	Cocoa preps subject to GN 15	$327,810	**$9,105**	**2.8%**
TOTALS		**$360.8 million**	**$24.4 million**	**6.8%**

III. Imports of finished confectionery from major beneficiaries

In 2005, US consumption of sugar confectionery and chocolate confectionery totaled more than $17.5 billion. Of that, imports into the US totaled $1.8 billion, or 10.3% of the US market. In the same period, duty-free imports of confectionery from the major beneficiaries of the GSP program totaled nearly $154 million representing less than 9% of all US imports of confectionery products, and less than 1% of all confectionery consumed in the United States. While imports of certain specific types of confectionery products from major beneficiaries together may account for as much as one-third of US imports, their overall presence in the US market is small. **Therefore, we do not believe it necessary to remove finished confectionery products or individual country beneficiaries from the GSP program.**

Table C: **US IMPORTS OF FINISHED CONFECTIONERY PRODUCTS FROM MAJOR BENEFICIARIES OF THE GSP-PROGRAM**

USHTS	*Description of Finished Confectionery Product*	*2005 US global imports*	*2005 GSP-eligible imports from major beneficiaries*	*% of global imports*
17041000	Chewing gum	$138,251,332	**$5,669,466**	**4.1%**
17049035	Sugar confectionery	$980,862,285	**$90,608,863**	**9.2%**
18063100	Filled chocolate confectionery bars	$187,061,572	**$7,233,342**	**3.9%**
18063230	Unfilled chocolate confectionery bars with no milk solids	$48,406,355	**$1,424,521**	**2.9%**
18063290	Unfilled chocolate confectionery bars	$77,758,729	**$28,987,022**	**37.3%**
18069090	Other chocolate confectionery	$405,949,807	**$19,717,795**	**4.9%**
TOTALS		**$1.8 billion**	**$153.6 million**	**8.5%**

On behalf of our members, we appreciate the opportunity to comment in support of continuing GSP benefits for key developing countries.

Sincerely,

Lawrence Graham

Lawrence T. Graham
President, National Confectioners Association

Lynn M. Bragg

Lynn Bragg
President, Chocolate Manufacturers Association

GSP Factsheet: 10th 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 area 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, value that would have be paid if the country had not been included in the GSP.

The 10th Custom 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 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 10th Custom District imported about US$ 5 billion of articles covered by GSP program, and 10% of these imports (US$ 514,2 million) originated from Brazil.

10th Custom District's GSP Imports by Country - 2005

Country	GSP Imports	Share %
India	$2,056,904,501	40,91
Thailand	$657,563,201	13,08
Turkey	$577,892,776	11,49
Brazil	**$514,221,652**	**10,23**
Indonesia	$180,811,638	3,60
Subtotal	**$3,987,393,768**	**79,30**
All Other	**$1,041,057,085**	**20,70**
Total	**$5,028,450,853**	**100,00**

Source: USITC

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 American companies saved more than US$ 19 million, that would have been paid on duties if Brazil was not a country eligible to GSP program. Brazil's maintenance in the GSP impacts positively both American consumers and companies that use GSP to reduce costs and increase competitiveness.

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

10th Custom 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
Subtotal		**320**	**$354,516,664**	**$13,821,934**
Others		**309**	**$159,704,988**	**$5,291,856**
Total		**629**	**$514,221,652**	**$19,113,789**

Source: USITC

10th Custom District's GSP Imports from Brazil by Article - 2005

HTS	Description	GSP Imports from Brazil	Duty	Duty Exemptions
41071150	Full grain unsplit upholstery leather of bovines (not buffalo) nesoi and equines, w/o hair on, prepared after tanning or crusting, not 4114	$36,827,101	2,80%	$1,031,158
18063290	Cocoa preps, not filled, in blocks, slabs or bars weighing 2kg or less,	$15,077,252	6%	$904,635
44219097	Articles of wood, not elsewhere specified or included	$13,625,419	3,30%	$449,638
39081000	Polyamide-6, -11, -12, -6,6, -6,9, -6,10 or -6,12 in primary form	$12,357,372	6,30%	$778,514
71131950	Precious metal (o/than silver) articles of jewelry and parts thereo, whether or not plated or clad with precious metal,nesoi	$11,619,495	5,50%	$639,072
17049035	Sugar confections or sweetmeats ready for consumption, not containing cocoa, other than candied nuts or cough drops	$10,814,824	5,60%	$605,630
87089980	Pts. & access., nesoi, of motor vehicles of 8701, nesoi, and 8702-8705	$10,783,692	2,50%	$269,592
68029900	Monumental or building stone & arts. thereof, nesoi, further worked than simply cut/sawn, nesoi	$10,753,408	6,50%	$698,971
83099000	Base metal stoppers, caps and lids (o/than crown corks), threaded bungs, bung covers, seals, other packing accessories and parts	$10,565,867	2,60%	$274,712
44182080	Doors of wood, other than French doors	$10,517,625	4,80%	$504,846
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$10,205,178	3,20%	$326,565,70
68022300	Monumental or building stone & arts. thereof, of granite, simply cut/sawn, w/flat or even surface	$9,618,990	3,70%	$355,902
18050000	Cocoa powder, not containing added sugar or other sweetening matter	$9,229,553	0,52 cents/kg	Específica
39206200	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polyethylene terephthalate	$8,602,904	4,20%	$361,321
35030055	Gelatin sheets and derivatives, nesoi; isinglass; other glues of animal origin, nesoi	$8,226,456	2,8 cents/kg + 3,8%	Específica
Subtotal		**$188,825,136**		**$7,200,562**
Others		**$325,396,516**		**$11,913,227**
Total		**$ 514,221,652**		**$ 19,113,789**

Source: USITC

PUBLIC VERSION

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

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

September 5, 2006

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PUBLIC VERSION

I. INTRODUCTION

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

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

II. INTEREST OF NEWELL RUBBERMAID

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Newell Rubbermaid has invited some of its important foreign suppliers to share their thoughts on the prospect of losing GSP eligibility. The [*********] manufactures writing instruments in India for purchase by Sanford and other American buyers. <u>See</u> Exhibit 1. GSP has enabled [*****]to expand its business and help workers

earn a livable wage that enables them to send their children to school. [*****] reports that its workers are paid a minimum wage of [**********************
***]
Clearly, GSP has not allowed India to develop economically to a point that it no longer requires the GSP preference to enhance exports and fuel development. In fact, [*****]stresses that the GSP preference is required to somewhat offset the state subsidies provided by the Chinese government to exporters in China, thereby allowing Indian exports to compete effectively with goods from China for the U.S. marketplace.

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

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

IV. CONCLUSION

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

EXHIBIT 1

[***
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Our Key Features

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

Main Countries to which we export:

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

Factory Locations

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***]

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

Benefits of GSP –

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

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

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

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

Negative Effect of possibility of withdrawal of GSP -

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

This is not a desirable situation for anyone.

Thanks.

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

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

EXHIBIT 2

<u>Dated: September 1, 2006</u>

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

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

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

<u>Factory Locations</u>

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

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

<u>Benefits of GSP</u>

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

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

Contd.----- page 2

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

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

Best regards,

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

****
**]

GSP Factsheet: 20th 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 20th Custom 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 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
20th Custom District - New Orleans, LA	**$183.835.306**	**5**
All other (35)	$1.097.199.255	30

Source: USITC

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

20th Custom District's GSP Imports by Country - 2005

Country	GSP Imports	Share %
South Africa	$242.581.604	18,87
Brazil	**$183.835.306**	**14,30**
Kazakhstan	$142.309.828	11,07
India	$108.999.345	8,48
Venezuela	$105.132.550	8,18
Subtotal	**$782.858.633**	**60,89**
All Other	**$502.794.981**	**39,11**
Total	**$1.285.653.614**	**100,00**

Source: USITC

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, American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 20th Custom 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 Custom District's GSP Imports by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
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 PEARLSM 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
Subtotal		**277**	**$171.771.438**	**$5.283.293**
Others		**184**	**$12.063.868**	**$465.339**
Total		**461**	**$183.835.306**	**$5.748.632**

Source: USITC

20th Custom District's GSP Imports by Articles - 2005

HTS	Description	GSP Imports from Brazil	Duty	Duty Exemptions
79011100	Zinc (o/than alloy), unwrought, containing o/99.99% by weight of zinc	$37.654.288	1,50%	$564.814
73261900	Iron or steel, articles forged or stamped but n/further worked, nesoi	$26.173.522	2,90%	$759.032
74031100	Refined copper cathodes and sections of cathodes	$15.946.131	1%	$159.461
87088045	Pts. & access. of mtr. vehic. of 8701, nesoi, and of 8702-8705, suspension shock absorbers (o/than McPherson struts)	$11.559.470	2,50%	$288.987
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	$10.392.439	8%	$831.395
74081900	Refined copper, wire, w/maximum cross-sectional dimension of 6 mm or less	$5.407.293	3%	$162.219
74081160	Refined copper, wire, w/maximum cross-sectional dimension over 6 mm but not over 9.5 mm	$4.037.458	3%	$121.124
39123900	Cellulose ethers, other than carboxymethylcellulose and its salts, in primary forms	$3.956.472	4,20%	$166.172
85030095	Other parts, nesi, suitable for use solely or principally with the machines in heading 8501 or 8502	$3.847.349	3%	$115.420
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$3.782.217	3,20%	$121.031
84621000	Forging or die-stamping machines (including presses) and hammers	$3.116.588	4,40%	$137.130
87089980	Pts. & access., nesoi, of motor vehicles of 8701, nesoi, and 8702-8705	$2.954.531	2,50%	$73.863
87083950	Pts. & access. of mtr. vehicles of 8701, nesoi, and 8702-8705, brakes and servo-brakes & pts thereof (o/than mounted brake linings)	$2.285.880	2,50%	$57.147
84819030	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, of iron or steel	$2.163.431	5%	$108.172
71131950	Precious metal (o/than silver) articles of jewelry and parts thereo, whether or not plated or clad with precious metal,nesoi	$2.074.097	5,50%	$114.075
Subtotal		**$135.351.166**		**$3.780.042**
Others		**$48.484.140**		**$1.968.590**
Total		**$183.835.306**		**$5.748.632**

Source: USITC

GSP Factsheet: 14th 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 128 million of dollars, amount that would have been paid if the country had not been included in the GSP.

The 14th Custom 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 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 most important supplier for the companies in this region. The 14 h Custom District imported US$ 1 billion of articles covered by GSP program, and 51% of these imports (US$ 533 million) originated from Brazil.

14th Custom District's GSP Imports by Country - 2005

Country	GSP Imports
Brazil	$533,503,981
India	$204,401,747
Thailand	$65,439,439
Turkey	$57,693,650
Indonesia	$39,574,890
Subtotal	$900,613,707
All Other	$132,482,088
Total	$1,033,095,795

Source: USITC

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 is 1.40%. Due to the GSP duty exemption, American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 14 h Custom 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 Custom District's GSP imports from Brazil by Chapter - 2005

Description	Articles	GSP Imports	Duty Exemption
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
Subtotal	**161**	**$508,036,691**	**$14,450,536**
All Others	**82**	**$25,467,290**	**$996,947**
Total	**243**	**$533,503,981**	**$15,447,484**

Source: USITC

14th Custom District’s GSP imports from Brazil by Article - 2005

HTS	Description	GSP Imports	Duty	Duty Exemptions
87084010	Pts, & access, of mtr, vehic, of 8701,20, 8702 or 8704, gear boxes	$ 69,623,493	2,50%	$ 1.740.587
87083950	Pts, & access, of mtr, vehicles of 8701, nesoi, and 8702-8705, brakes and servo-brakes & pts thereof (o/than mounted brake linings)	$ 61,470,398	2,50%	$ 1.536.760
87087045	Pts, & access, of mtr, vehic, of 8701, nesoi, and of 8702-8705, road wheels	$ 56,365,519	2,50%	$ 1.409.138
84099199	Parts nesi, used solely or principally with spark-ignition internal-combustion piston engines of heading 8407, nesi	$ 24,521,732	2,50%	$ 613.043
84831030	Camshafts and crankshafts nesi	$ 22,555,503	2,50%	$ 563.888
87089973	Pts, & access, of motor vehicles of 8701, nesoi, and 8702-8705, pts, for steering systems nesoi	$ 20,753,434	2,50%	$ 518.836
86071990	Parts of railway/tramway locomotives/rolling stock, parts of truck assemblies for self-propelled vehicles or for non-self propelled nesoi	$ 20,116,259	2,60%	$ 523.023
84099991	Parts nesi, used solely or principally with the engines of heading 8408, for vehicles of heading 8701,20, 8702, 8703, 8704	$ 18,513,865	2,50%	$ 462.847
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$ 17,078,144	3,20%	$ 546.501
85015380	AC motors nesi, multi-phase, of an output exceeding 150 kW	$ 17,075,367	2,80%	$ 478.110
87086080	Pts, & access, of mtr, vehic, of 8701, nesoi, of 8702, and of 8704-8705, non-driving axles & pts, thereof	$ 15,008,054	2,50%	$ 375.201
87087060	Pts, & access, of mtr, vehicc of 8701, nesoi, and of 8702-8705, pts, & access, for road wheels	$ 14,344,288	2,50%	$ 358.607
44092005	Nonconiferous wood continuously shaped along any of its ends, wether or not also continuously shaped along any its edges or faces	$ 13,559,707	3,20%	$ 433.911
87088045	Pts, & access, of mtr, vehic, of 8701, nesoi, and of 8702-8705, suspension shock absorbers (o/than McPherson struts)	$ 11,955,169	2,50%	$ 298.879
87083150	Pts, & access, of motor vehicles of headings 8701, nesoi, and 8702-8705, mounted brake linings	$ 8,737,684	2,50%	$ 218.442
Subtotal		**$ 391,678,616**		**$10.077.773**
All Other		**$ 141,825,365**		**$ 5.369.711**
Total		**$ 533,503,981**		**$15.447.484**
Source: USITC				

2006 GSP Eligibility and CNL Waiver Review

Brazil, Belém, September 5th, 2006
Of. N°176/2006 – CIN

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

Dear Sir or Madam,

The Federation of Industries of the State of Pará – FIEPA – is the most important industrial representative institution located in Pará, the second largest Amazonian state in Brazil. Founded in 1949, FIEPA contributes to the sustainable development of Amazon by supporting technological projects, assisting workers' education, taking part in infra-structure projects, promoting Amazonian products worldwide, among other duties related to the economic improvement of the northern Brazil.

Nowadays, FIEPA interacts with 33 industrial associated syndicates, besides the state and municipal governments as a means of strengthening the economy and creating new investment opportunities.

Pará's economy is traditionally exporter. 35% of Pará's GDP originates from its exports and the United States of America is the most important consumer of our products. In 2005, the exports to the United States reached US$ 824 million and, in 2006, the estimates forecast bigger exports to the USA. The Brazilian State of Pará is a traditional supplier of raw materials to American industries. We export minerals, timber, fishery, palm, among other Amazonian products. Some of these products, such as timber and palm, have their exports directly beneficiated through the GSP preferences. Thousands of employments depend on the exportation of such products to the USA.

Therefore, we would like to express our concern on how important the Generalized System of Preferences is to the sustainable development of Amazonian industries and how important it is to keep up the eligibility of Brazil within the system.

FIEPA *Federação das Indústrias do Estado do Pará*
SESI *Serviço Social da Indústria*
SENAI *Serviço Nacional de Aprendizagem Industrial*
IEL *Instituto Euvaldo Lodi*
IDEPAR *Instituto de Desenvolvimento Empresarial do Pará*
Trav. Quintino Bocaiúva, 1588 - 8º andar
66.035-190 Caixa Postal 327. Belém-PA
Telefone (91) 4009-4806/4807/4808
Fax (91) 3224-7415
e-mail:secretaria@fiepa.org.br

The GSP benefits the development of Amazon as it eases the exports of raw materials and industrialized products that have been produced under sustainable patterns. The withdraw or suspension of Brazil's eligibility for GSP will diminish exports, employment and sustainable practices in our economy. The American consumers' high standards have obliged international suppliers to pursue environment sustainable practices as a means of getting access to the market. Amazonian companies have constantly improved their practices in order to increase the exports to the USA. Maintaining Brazil as a GSP beneficiary will save thousands of jobs and keep up the growth of our most environment-committed companies in Amazon.

The GSP preferences will provide our exporter industries more competitiviness towards the American market, speeding the economic integration of the Amazon region with the USA. It is worth saying that the total amount of Pará's exports to the USA represent 0,04% of USA's total imports and that, in regional terms, we are still far from the classification of an upper-middle-income economy by the World Bank.

Therefore, we express our concern on the suspension or withdraw of Brazil from GSP and wish that the benefits continue to foster our economic integration with the USA.

Sincerely,

José Conrado Santos

President

FIEPA
Federação das Indústrias do Estado do Pará

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Serviço Social da Indústria

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COMEX 0277/06
Londrina, September 05th, 2006.

Ms. Marideth J. Sandler
Chairman, GSP Subcommittee of the
Trade Policy Staff Committee
United States Trade Representative

Re: 2006 GSP Eligibility and CNL Waiver Review

Dear Ms. Sandler,

We hereby submit these comments in response to the Office of the United States Trade Representative (USTR) request for Public Comments on the 2006 GSP Eligibility and CNL Waiver Review published August 08 , 2006, Federal Register.

Milenia Agrociencias S.A. ("Milenia") is a Brazilian company involved in the synthesis, formulation and distribution of agrochemicals and VOC solvents for painting industry. Presently, Milenia has three manufacturing facilities, directly employing 772 direct workers. Milenia's total exports in 2005 amounted US$ 37,8 million, out of which US$ 9 million was exported to United States under SGP system. There are around 100 employees linked on these exports.

Generalized System of Preferences has been an important tool for minimizing the heavy burden competition in our segment coming mainly from Asia.

The System is not only relevant for the companies that export their products, but also to American companies which have incorporated the benefits of its duty savings into their products.

Milenia respectfully requests that the Trade Policy Staff Committee (TPSC) renew the GSP program in its entirely before the expiration deadline in December this year.

The GSP program is critical for promoting Brazil's economic development and providing the necessary benefits for companies such as Milenia to stay in business. We would very much appreciate your favorable consideration of this request.

Respectfully submitted,

Neusa Rossetto Lopes Sanitá
Supply Chain Manager
Milenia Agrociencias S.A.
Rua Pedro Antonio de Souza, 400
86031-610 Londrina, PR - Brasil
Tel: 55 43 3371 9112 / Fax: 55 43 3371 9013
E-mail: anabarro@milenia.com.br

GSP Factsheet : 11th 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 11th Custom 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 custom district.

GSP Imports from Brazil by Custom District

Custom District	GSP Imports	Share %
14th Custom District - Norfolk, VA	$533,503,981.00	15
10th Custom District - New York, NY	$514,221,652.00	14
53rd Custom District - Houston-Galveston, TX	$430,468,061.00	12
13th Custom District - Baltimore, MD	$314,672,873.00	9
16th Custom District - Charleston, SC	$306,491,200.00	8
52nd Custom District - Miami, FL	$235,758,551.00	7
11th Custom District - Philadelphia, PA	$126,713,165.00	4
All other (35)	$1,154,321,366.00	31

Source: USITC

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 11th Custom 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.

11th Custom District's GSP Imports by Country

Country	GSP Imports	Share
Brazil	**$126,713,165.00**	**31.36**
Venezuela	$56,765,370.00	14.05
Argentina	$36,921,732.00	9.14
Costa Rica	$32,750,784.00	8.11
Indonesia	$28,283,961.00	7.00
Subtotal	**$281,435,012.00**	**69.65**
All Other	**$122,621,426.00**	**30.35**
Total	**$404,056,438.00**	**100.00**

Source: USITC

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, American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 11^{th} Custom 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 Custom District's GSP imports from Brazil by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
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
Subtotal		**100**	**$116,318,135**	**$4,519,663**
All Other		**53**	**$10,395,030**	**$304,524**
Total		**153**	**$126,713,165**	**$4,824,187**

Source: USITC

AMCHAM Brasil

Por um melhor ambiente de negócios

11th Custom District's GSP imports from Brazil by Article - 2005

HTS	Description	GSP Imports from Brazil	Duty	Duty Exemption
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	$25,084,582	8%	$2,006,767
8045040	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	$10,179,764	6.6 cents/kg	-
76061230	Aluminum alloy, plates/sheets/strip, w/thick. o/0.2mm, rectangular (incl. sq), not clad	$8,534,019	3%	$256,021
85015380	AC motors nesi, multi-phase, of an output exceeding 150 kW	$7,427,493	2.80%	$207,970
18032000	Cocoa paste, wholly or partly defatted	$6,652,970	0.2 cents/kg	-
73261900	Iron or steel, articles forged or stamped but n/further worked, nesoi	$5,493,016	2.90%	$159,297
76042950	Aluminum alloy, bars and rodss, other than with a round cross section	$5,328,844	3%	$159,865
44092005	Nonconiferous wood continuously shaped along any of its ends, wether or not also continuously shaped along any its edges or faces	$4,454,031	3.20%	$142,529
76082000	Aluminum alloy, tubes and pipes	$4,048,434	5.70%	$230,761
96091000	Pencils & crayons, with leads encased in a rigid sheath	$3,982,279	14 cents/gross + 4.3%	-
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$3,730,430	3.20%	$119,374
76042930	Aluminum alloy, bars and rods, having a round cross section	$3,523,290	2.60%	$91,606
85030095	Other parts, nesi, suitable for use solely or principally with the machines in heading 8501 or 8502	$3,436,820	3%	$103,105
76042910	Aluminum alloy, profiles (o/than hollow profiles)	$3,385,191	5%	$169,260
29173200	Dioctyl orthophthalates	$2,987,103	6.50%	$194,162
Subtotal		**$98,248,266**		**$3,840,715**
All Other		**$28,464,899**		**$983,473**
Total		**$126,713,165**		**$4,824,187**

Source: USITC

September 1, 2006

Re: GSP and Brazil

Sonoco Phoenix is a division of Sonoco Products Company that produces metal can ends (easy open and membrane) for the packaging of consumer products from coffee and peanuts to dog food. Sonoco Phoenix is headquartered in North Canton, Ohio with corporate headquarters for Sonoco based in Hartsville, SC. Founded in 1899, Sonoco is a $3.5 billion global manufacturer of industrial and consumer products and provider of packaging services, with more than 300 operations in 35 countries serving customers in 85 nations.

In 2004, we invested over $25,000,000 to open a Sonoco plant in Resende, Brazil to produce these metal ends to better position us competitively and to offer a lower price to our customers. At the time, these customers were purchasing metal closures from Spain and Mexico. This plant employs 110 people across 2 shifts and ships 8 to 10 containers a week back to the United States. Obviously, the duty free treatment under the GSP program was a driving factor in this decision along with the price of steel in Brazil. With the program about to expire and the potential for Brazil to be dropped as a BDC, Sonoco has grave concerns over the future of our business not only in Brazil but in the US as well.

Thus we are writing this letter (our Baker Division has sent one as well) to strongly urge you to renew the GSP program in its entirety before it expires in December. In particular, we need for Brazil to be preserved as a BDC as the competitiveness of our product depends on it. If GSP is allowed to expire and/or Brazil is left off, we would immediately be hit with a 2.6% increase in the cost of our metal ends. This will have a huge impact on the price we sell them to our customers and will probably cause us to lose a substantial amount of business and revenue to European competitors. This is not to mention the longevity of our plant and employees working at our plant in Resende.

GSP makes a difference to us and to other US companies and their workers as well. Letting it expire or reducing its benefits and the countries currently outlined as beneficiary developing countries would be a great hardship to Sonoco. It would significantly reduce our competitiveness in the global economy.

In closing, we again strongly encourage you to renew the GSP program before the expiration date and to keep Brazil as a BDC. Thank you for your time and consideration in this very important matter.

North Second Street
Hartsville, S.C. 29550 USA
www.sonoco.com

Sincerely,

Alan Hutchins

VP of Operations, Sonoco Phoenix

Brian Toohey
Deputy Vice President
International Affairs

PhRMA

September 5, 2006

Marideth J. Sandler,
Executive Director for the GSP Program
Chairman, Trade Policy Staff Committee, GSP Subcommittee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ms. Sandler:

Thank you for the opportunity to comment on factors to be considered in connection with the withdrawal, suspension or limitation of duty-free treatment with respect to certain GSP beneficiary countries.

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading pharmaceutical research and biotechnology companies, which are devoted to inventing medicines that allow patients to live longer, healthier, and more productive lives. PhRMA companies are leading the way in the search for new cures. PhRMA members alone invested an estimated $39.4 billion in 2005 in discovering and developing new medicines. Industry-wide research and investment reached a record $51.3 billion in 2005.

PhRMA recognizes that you specifically requested comments with respect to the factors set forth in subsections 501(1), 501(4), and 502(c)(2) of the Trade Act of 1974, as amended, as well as comments on the current Competitive Need Limit waivers. We note, however, that the President "shall" also consider "the extent to which such country is providing adequate and effective protection of intellectual property rights…." when deciding whether to withdraw, suspend, or limit the application of duty-free treatment. (Subsections 501(d)(1) and 502(c)(5)) In light of this statutory factor, it is crucial that the United States place great emphasis on intellectual property protection when granting countries GSP benefits. Intellectual property is one area in which American companies, including pharmaceutical companies, enjoy a clear competitive advantage. Protecting intellectual property in GSP beneficiary countries is crucial to preserving the competitive advantage of American pharmaceutical companies globally.

PhRMA members support the GSP program and the continuation of GSP eligibility for the broadest range of developing countries. We urge USTR to give serious consideration to the following intellectual property issues in examining the type and level of benefits that these countries should receive under the GSP program.

Brazil

The Government of Brazil has created an intellectual property regime that does not adequately protect pharmaceutical products. The result is that many innovative products developed by PhRMA members do not enjoy adequate and effective intellectual property protection in the Brazilian market.

One problem in Brazil is the inadequate allocation of resources to the Brazilian National Institute of Industrial Property (INPI). Despite the fact that the INPI charges fees for processing of patent applications, INPI recently reported a backlog of over 70,000 patent applications awaiting examination and processing. This translates into delays of five to seven years in obtaining patents. Worse, applications related to pharmaceutical inventions constitute a disproportionate 30 percent of the total applications in the backlog. We understand that the Government of Brazil has made available additional financial resources to upgrade INPI's facilities and that INPI has hired new patent and trademark examiners. Although progress is being made to reduce the trademark backlog, we have not seen any concrete results yet related to the patent backlog.

The backlog problem has been magnified by Article 229C of the Brazilian Industrial Property Law, added by Law 10,196 on 14 February 2001. That Article provides that any patent application referring to a pharmaceutical invention and deemed by INPI to contain patentable claims may be granted only after receiving approval from the National Agency for Health Surveillance (ANVISA), an agency within the Brazilian Ministry of Health. The Article does not articulate any grounds of patentability that the ANVISA is to evaluate. In fact, the assessment of patentability criteria are to have been completed prior to the application being transmitted to ANVISA. Moreover, the Article does not require ANVISA to approve or disapprove applications within a specific time period. In practice, this requirement for approval by ANVISA has led to additional delays of between six and twelve months on average to the approval process in most patent applications related to pharmaceutical products. This secondary approval mechanism is not applied to applications claiming inventions in any other field of technology.

Practitioners in Brazil report that there is no transparency or public disclosure with respect to the criteria used by ANVISA and that it is impossible to decipher the criteria from the decisions of ANVISA given the lack of clarity and consistency of those decisions. In short, our Members cannot predict which applications will be approved and cannot determine the rationale or criteria used by ANVISA to approve or disapprove applications.

The lack of prompt and predictable patent protection for pharmaceutical products is exacerbated by the lack of other provisions to prevent third parties from improperly using the research and development data of innovators. Other countries protect the undisclosed test and other data submitted to prove that pharmaceutical products are safe and effective. Brazil, however, denies protection for undisclosed test and other data associated with pharmaceutical products while providing it for agricultural chemical products.

In short, the patent and data protection regimes in Brazil are inadequate to protect pharmaceutical products. Assuming that the GSP program is renewed, we urge you to consider the type and level of benefits provided to Brazil in light of the adequacy of the intellectual property regime in Brazil. PhRMA members hope that Brazil will eliminate the inadequacies and that continuing GSP benefits may provide the necessary incentives for Brazil.

India

Like the situation in Brazil, the Government of India fosters an intellectual property regime that does not adequately protect pharmaceutical products because it has not provided data protection that would prevent reliance on undisclosed test and other data submitted by PhRMA Members to demonstrate that their products are safe and effective. Lack of protection constitutes unfair commercial use in that Indian drug producers are encouraged to unfairly exploit the intellectual property of PhRMA members and market products developed by PhRMA members without the substantial expenses of conducting the research and development of these products.

The Government of India also appears not to protect certain "biological" inventions adequately under their patent system. Under the standards of practice used by the Controller, certain types of biotechnology inventions are to be excluded from patent eligibility. These products include tissues, cells, viruses, transgenic animals and plants, and even transformed cell lines and processes of preparing such cells. The Controller follows this practice in finding these inventions *per se* unpatentable under the Indian standards, even though these materials are not expressly excluded in the Patent Act, 1970, as amended.

In short, the patent and the data protection regimes in India are inadequate to protect pharmaceutical products. Assuming that GSP program is renewed, we urge you to consider the type and level of benefits provided to India in light of the adequacy of the intellectual property regime in India. PhRMA members hope that India will eliminate the inadequacies and that continuing GSP benefits may provide the necessary incentives for India.

Russia

The Government of Russia has not created an intellectual property regime that provides adequate protection for pharmaceutical products. Russia's intellectual property regime for pharmaceuticals is lacking in two key respects: 1) protections for commercially valuable test data are woefully inadequate, and 2) intellectual property rights are not robustly enforced.

Russia's existing Law of Medicines does not provide for data exclusivity. As a result, when PhRMA members seeking marketing approval for their products submit undisclosed test and other data to Russian government regulators, these data can be used unfairly by competitors. The Law of Medicines requires both originators of a product and copiers of a product to provide "results of clinical and preclinical tests" to gain marketing approval of their drugs. The U.S. research-based pharmaceutical industry is vulnerable to copying by generic companies in Russia because Russia does not prevent these companies from relying on test data in support of an application for product approval without first seeking the permission of the company that initially generated and submitted the data. These problems will continue until Russia amends its laws to ensure that generic companies cannot rely on test and other data for at least five years and that confidential information is not disclosed.

Compounding problems with the lack of data exclusivity for pharmaceutical products in Russia is the poor system for enforcement of intellectual property rights. Russia does not sufficiently penalize violations of intellectual property rights, and existing damages are insufficient to compensate PhRMA members for the injury they suffer when their intellectual property rights are infringed. Problems also exist with the administration and adjudication of patent disputes.

The lack of effective enforcement mechanism is exacerbated by problems in other areas. For example, Russia's enforcement against counterfeit medicine producers is also poor. Russian law does not criminalize pharmaceutical counterfeiting, and courts do not enjoin the practice. Although the Law of Medicines contains a definition of "pharmaceutical counterfeit," there are no corresponding enforcement provisions in either criminal or civil legislation. There are also no procedures that enable evidence in counterfeiting cases to be gathered and for these cases to be brought before courts. Currently, counterfeiting cases can only be addressed in Russia in actions for infringement of trademark rights. Yet, the penalties for trademark infringement are insufficient to deter counterfeiters, and the compensation for trademark holders is not commensurate with the loss suffered by PhRMA members.

The regime for protecting trademarks in Russia protection is also plagued by other difficulties in Russia that render them inadequate to protect U.S. pharmaceutical products. Due to the lack of enforcement provisions, current practice in Russia permits trademarks to be registered that are very similar to existing trademarks – effectively sanctioning trademark infringement. Russia has also passed rules that require doctors to prescribe medicine using non-proprietary names, rather than trademark names.

In addition to considering intellectual property protection, the GSP statute also directs the President to consider the extent to which a country has "assured the United States that it will provide equitable and reasonable access to [its] markets." *See* subsection 502(c)(4) of the Trade Act of 1974 (19 U.S.C. § 2462(c)(4)). PhRMA members are concerned that, despite this statutory provision, Russia will discriminate against U.S. pharmaceutical manufacturers in favor of local manufacturers. The Russian

Minister of Health recently stated that the Russian Government intends to give preferences to Russian manufacturers and raise barriers to foreign manufacturers. He indicated that once domestic manufacturers are able to independently supply the country with medicines, barriers to foreign company participation in government programs will be introduced. He even recommended that foreign companies transfer their manufacturing to Russia. He also reiterated the Ministry of Health's objective of favoring local companies over importing companies in determining access to Russia's new federal reimbursement program.

In sum, serious barriers exist to the adequate protection of U.S. pharmaceutical products in Russia. Despite these difficulties, PhRMA members support the continuation of GSP benefits for Russia provided that these issues are resolved soon. PhRMA also expects that as part of Russia's accession to the WTO, Russia will make commitments on a par with other recently-acceded countries to provide data exclusivity, adequate and effective enforcement of intellectual property rights, and non-discriminatory treatment for U.S. products.

Turkey

Turkey has made substantial progress in improving its intellectual property regime for pharmaceutical products. After years of discussions, Turkey passed data exclusivity legislation in 2005 designed to protect test data submitted by pharmaceutical companies seeking marketing approval for their products. In addition, the U.S. pharmaceutical companies' access to the Turkish market has continued to grow.

Although Turkey's new law provides for six years of data exclusivity, there are a number of provisions in the law that could limit the term of data exclusivity to considerably less than six years, depending on how these provisions are interpreted by the Government of Turkey. For instance, the data exclusivity period begins from the date that the products, associated with the data, received marketing approval within the European Customs Union (ECU), for products registered in the ECU after January 1, 2005. But there is a 210-day delay between European and Turkish product approval. Furthermore, it is unclear whether test and other data associated with products already on the market within the ECU on January 1, 2005 will receive data exclusivity protection in Turkey. It is possible that these products will prematurely face copied products on the Turkish market. Government pricing and reimbursement procedures also may contribute to shortened periods of data exclusivity.

In recognition of Turkey's progress, PhRMA member companies support the continuation of GSP benefits for Turkey. The U.S. Government, however, should carefully monitor Turkey's implementation of its data exclusivity law to ensure that it provides adequate protection for U.S. products. The type and level of GSP benefits that Turkey receives should be adjusted accordingly.

Conclusion

PhRMA members hope that Brazil, India, Russia and Turkey will work towards resolving the serious issues with the protection of pharmaceutical products, and continuing GSP benefits may provide them with the necessary incentives.

Again, we appreciate the opportunity to provide comments for your consideration in determining the eligibility of these countries for benefits under the Generalized System of Preferences. If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Brian C. Toohey

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 Progeral Industria de Artefatos Plasticos 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.

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.

Progeral Industria de Artefatos Plasticos 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,

Mario Ivan Chaves
Sales Manager
Progeral Industria de Artefatos Plasticos Ltda.
E mail: ivanchaves@progeral.com.br

São Paulo, 23 August, 2006

TO: United States Trade Representative
GSP Subcommitee

<u>Ref: Generalized System of Preferences</u>

In response to the request for comments on the review of the GSP, the Brazilian ceramic tile manufacturer PISOFORTE REVESTIMETNOS 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
Email: jolmargalli@pisoforte.com.br
Tel: +55 48 3431 5554
Fax: +55 48 3431 5522

POLICARBONATOS

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

Dear Sir

We are a Polycarbonate resin – 3907.40.10 producer in Brazil with a branch in US, currently employing 91 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 very important source of PC resin to the US.

If GSP is allowed to expire or Brazil is excluded from it, PMMA will cost to our customers 6% 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,

Fabio Terzian
Commercial Manager
POLICARBONATOS DO BRASIL S.A. – UNIGEL GROUP

São Paulo, 23 August, 2006

TO: United States Trade Representative
GSP Subcommitee

<u>Ref: Generalized System of Preferences</u>

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
Email: mario@ceramicaportoferreira.com.br
Tel: +55 19 3589 4000
Fax: +55 19 3589 1221

September 5, 2006

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

Via Email
"2006 GSP Eligibility and CNL Waiver Review"

RE: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers.
Federal Register on August 8, 2006 (Volume 71, Number 152)

Dear Sir / Madam:

PPG Industries, Inc. (PPG) and its affiliate Transitions Optical, Inc. (Transitions Optical) submit the following comments on the recently issued Notice on Initiation of Reviews and Request for Comments on the Eligibility of Certain Generalized System of Preferences (GSP) Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers (published in the Federal Register on August 8, 2006; Volume 71, Number 152).

Summary of Comments

PPG and Transitions Optical are aware that the Office of the United States Trade Representative (USTR) is reviewing the Generalized System of Preferences (GSP) program in light of expected Congressional consideration of the program's reauthorization. The GSP program is scheduled to expire December 31, 2006. PPG and Transitions Optical are also aware that the USTR is conducting a review of existing competitive need limitation (CNL) waivers and requesting comments on whether any waivers should be terminated, pursuant to section 503(d)(5) of the Act (19 U.S.C. 2463(d)(5)), because they are no longer warranted due to changed circumstances.

PPG is a global leader in the production and distribution of protective coatings, aircraft transparencies, aerospace coatings and sealants, flat and fabricated glass, continuous-strand fiber glass, chlor-alkali and specialty chemicals. Transitions Optical, with whom PPG is a majority parent, was the first company to successfully commercialize a plastic photochromic lens in 1990. Transitions® Lenses are the premier recommended

Transitions Optical, Inc
9251 Belcher Road, Pinellas Park, Florida 33782, 727-545-0400 or 800-533-2081, 727-545-9039 (fax) www.transitions.com

photochromic lens worldwide. Transitions Optical operates manufacturing facilities in Pinellas Park; FL, Tuam, Ireland; and in Adelaide, Australia. In addition, Transitions Optical operates facilities in three countries that are beneficiaries of the GSP program: Laguna, Philippines; Sumare, Brazil; and Chonburi, Thailand. Transitions Optical also operates international sales offices in Cambridge, Canada and nine other countries.

PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs. PPG and Transitions Optical believe these programs provide both the desired benefits with beneficiary countries that they were designed to provide, and also provide benefits for US companies, their employees and consumers.

PPG and Transitions Optical Manufacture Quality Products

PPG is a leading diversified manufacturer that supplies products and services around the world. PPG products include protective and decorative coatings, sealants, adhesives, metal pretreatment products, flat glass, fabricated glass products, continuous-strand fiber glass products, and industrial and specialty chemicals. PPG employs more than 21,000 individuals in manufacturing facilities located in the United States, and another 13,000 around the world.

Transitions Optical manufactures and markets plastic photochromic ophthalmic lenses. Over the past 15 years, Transitions Optical has remained committed to advancing photochromic lens technology in order to provide the most comfortable, convenient protection from ultraviolet radiation and glare. As a result, Transitions® Lenses have become the most recommended photochromic lenses worldwide.

Founded in 1990, Transitions Optical had a production workforce consisting of less than 50 workers and only one lens manufacturer partner. Today the company employs over 1,200 workers worldwide and has partnerships with nearly a dozen lens manufacturers to offer more than 100 lens options in the fastest-growing categories of lens materials and lens designs.

PPG and Transitions Optical Support the GSP AND CNL Programs

PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs.

The GSP program is scheduled to expire on December 31 2006. PPG and Transitions Optical understand that certain specific beneficiary countries are prompting the USTR's particular interest in reviewing the GSP program. Those countries include Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. Further, PPG and Transitions Optical understand the review will consider the countries that, in 2005, exceeded $100 million in exports to the U.S. under GSP and were either classified as an upper-middle-income economy by the World Bank or accounted for more than 0.25% of world goods exports according to the World Trade Organization.

In addition, PPG and Transitions Optical are aware that the USTR is inquiring as to whether any of the 83 existing competitive need limitation (CNL) waivers are no longer warranted due to changed circumstances. Transitions Optical operates facilities in the following GSP program beneficiary countries with CNL waivers: Brazil, the Philippines and Thailand.

PPG and Transitions Optical support the underlying concept of the GSP program; namely, to promote economic growth in the developing world and provide preferential duty-free entry for products from the designated beneficiary countries. PPG and Transitions Optical contend that the program, in their experience with the several designated beneficiary countries where they operate facilities, has produced the desired benefits and results it was designed to provide, as well as benefits for US manufacturers, their employees and consumers.

In PPG's and Transition Optical's opinion, the GSP program should not be limited, suspended, or withdrawn. Further, PPG and Transition Optical urge the USTR to continue the current CNL waiver program. Should these programs be limited, suspended, or withdrawn, PPG and Transitions Optical anticipate substantial disruptions in relationships with the affected beneficiary countries; a significant increase in costs for certain key materials used in manufacturing activities; and potential impacts on employment at the company's US facilities.

Maintaining GSP and CNL Programs Avoids Adverse US Company Impact

US firms, like PPG and Transitions Optical, have made a number of investment, trade and manufacturing decisions based, in part, on the existence of programs like the GSP and CNL. Limiting, suspending or withdrawing these programs will have wide-ranging effects. Unfortunately, those effects will be felt not only in the countries who are no longer beneficiaries of the programs, but by US companies who made business decisions based, in part, on the benefits those programs provide.

For example, Transitions Optical currently receives finished goods and substrates produced at Transitions Optical facilities in Thailand and Philippines. The substrates received from overseas are used in manufacturing processes in the company's Pinellas Park, FL facility. If the GSP program should be limited, suspended or withdrawn, Transitions Optical would be forced to consider transfer of certain production activities to
company manufacturing facilities located outside the US, which in turn would reduce the company's US employment.

Further, PPG and Transitions Optical suggest that actions aimed at limiting, suspending, or withdrawing the GSP and CNL programs would provide competitive advantage to foreign companies located, for example, in the European Economic Community (EEC). It is likely that any effort made by the US to limit, suspend, or withdraw the GSP and CNL programs will not be matched by the EEC. In that case, it is likely that more substrates produced in facilities located in Thailand or Philippines would be diverted to EEC-based facilities, which would adversely affect the US workforce in favor of EEC workers.

Clearly, limiting, suspending or withdrawing these programs will cause disruption and significant costs for US-based manufacturers. These costs, if borne by the affected companies, will make the companies less competitive both here and abroad; negatively impact their employment; and reduce their shareholders' value. PPG and Transitions Optical support maintaining the GSP and CNL programs to avoid disruptive and costly impacts to US based firms.

Finally, PPG and Transitions Optical urge the USTR to recommend to Congress the extension and continuation of the GSP and CNL programs. PPG and Transitions Optical believe these programs provide both the desired benefits with beneficiary countries that they were designed to provide, and also provide benefits for US companies, their employees and consumers.

PPG and Transitions Optical Are a Resource

Thank you in advance for your attention to and consideration of these comments. If you have questions regarding this petition, please contact Michael Ruggeri (727-545-0400, Ext. 7190).

Sincerely,

Richard C. Elias
President
Transitions Optical, Inc.

NON-CONFIDENTIAL

"2006 GSP Eligibility and CNL Waiver Review"
Summary:
Company producer in Brazil: Prensas Schuler S.A.
Company buyer in the USA: GE Wind Energy
Product: 8503 00 95 (HTSUS)
Annual volume of Business: USD 40,000,000.00
Impact in the importer cost: USD 1,200,000.00
World competitors: China and Korea
Solicitation: Tariff maintenance of 0%
Reason: Do not increase the wind energy production cost in the USA

Prensas Schuler, traditional presses manufacturer for the World automotive industry, has suffered in 2002 the effects of investments deceleration in the American market.

To avoid businesses reduction with dismissals and strong social impact, the Company sought commercial opportunities outside the automotive business segment.

After proving our capacity of producing large components accurately machined, we proceeded supplying GE Wind Energy with frames, bed plates and hubs for wind energy generators. These components are classified in the position 8503 00 95 in the Harmonized Tariff Schedule United States - HTSUS – and are included in the Generalized System of Preferences.

In 2006, Schuler became one of the largest suppliers of GE for these kinds of components, also winning the GE World Vendor Award in 2006, recognition for Lean Production process development.

We are nowadays quoting other parts of the wind turbine, with real possibilities to increase the supply for GE.

Nowadays we supply an average of 320 components monthly equivalent to an amount of USD 40 million per year (100% included in SGP) and 223 employees work exclusively in the production of such components.

The first impact of a non renewal of the Generalized System of Preferences will make the importer of these parts pay import duties of 3%, increasing the production cost of this important energy source. Furthermore and in short term this reduction of competitiveness will lead to a revision in the decision of buying from Brazil. Considering the world offer of this kind of product, it is very likely that this production will be transferred to China or another Asiatic country.

In view of this we emphatically plea that the goods included in the position HTSUS 8503 00 95 be kept in the Generalized System of Preferences and, therefore continue to have its import tariff reduced to 0%..

Paulo G. Tonicelli
Financial Director
Phone:11 4075 8430
Fax 11 4075 8616
e-mail: paulo.tonicelli@schuler.com.br

NON-CONFIDENTIAL

Summary:
Manufacturing company in Brazil: Prensas Schuler S.A.
Main buyers in the USA: Daimler Chrysler, Ford, GM, Midway, Radar; Martinrea, Flex-N-Gate, Gestamp, Tower Automotive, and Magna.
Product HTSUS: 8462.10.0035 and 8462.10.0055 - Presses
Annual sales: approx. USD 15.0 Mio
Import duties impact: USD 700,000.00
Competitors around the world: China, Spain, Germany, Canada, Korea, and Japan.
Solicitation: Tariff maintenance of 0%
Reason: keep reduced level of investment within the American companies as well as employment level in Brazil.

Prensas Schuler initiated its activities in Brazil in 1965. It employs 813 people.

Prensas Schuler manufactures presses for the metalforming industry – Harmonized Tariff Schedule United States: 8462.10.0035 and 8462.10.0055. Its first export to the USA was in 1984. 18 presses were exported to Chrysler, which was facing financial troubles, back then.

Thanks to a Brazilian financing scheme, arranged by Schuler, Chrysler was able to modernize its stamping plants and start its recovery plan.

Ever since, exports to the American Market have been constantly happening. Heavy investments were made in our plant to adapt our knowledge and products to the specific needs – technical and safety requirements – of that market.

The exports to the USA turned out to be very strategic to Prensas Schuler. In 1983 a sister company was founded in the USA. Main activities carried by this company are sales of new equipment as well as after sales service for existing equipment. Nowadays, its operation located in Canton, Michigan employs approx. 90 people.

After supplying presses to the USA for over 22 years, 198 big presses were installed in the USA, composing several world class stamping plants in that country.

The following companies are part of Prensas Schuler clientele:

- ⇒ Daimler Chrysler
- ⇒ Ford
- ⇒ General Motors
- ⇒ Radar
- ⇒ Flex-N-Gate
- ⇒ Tower Automotive
- ⇒ Midway

⇒ Martinrea
⇒ Gestamp
⇒ Magna

USD 120 Mio worth of stamping equipment were exported to the USA over the past 5 years.

Besides supplying equipment to the USA, Prensas Schuler also acquires parts and labor in the USA. During the past 3 years, we acquired USD 8 million of components and service.

Nowadays, Prensas Schuler is developing a new line of products especially designed to attend the requirements of tier companies within the metalforming industry.

This new product line will help the American tier industry to reduce piece cost, enhance productivity, reduce investment, and reduce plant footprint necessary to install such equipment.

Being said that, there is a big concern related to the chance that the American companies will be subject to 4.4% import duty, if Brazil is promoted from the GSP - Generalized System of Preferences.

The above mention situation will not only drive our prices up, but also enhance the competitiveness of our Chinese and Korean competitors.

Reducing our sales to the American Market will force us to revise our business plan. This will, most likely, drive us to reduce our personnel, our purchases in Brazil, and also in the USA.

We therefore request that "presses" - HTSUS 8462.10.0035 and 8462.10.0055 – be part of the GSP, thus subject to 0% import duty. It allows American companies to purchase high quality and safety equipment at competitive prices. Furthermore, it will also avoid that jobs be transferred from Brazil to more fortunate countries.

Paulo G. Tonicelli
Financial Director
Phone:11 4075 8430
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e-mail: paulo.tonicelli@schuler.com.br

REFERENCE METALS COMPANY INC.

This petition is submitted in accordance to the request of the Office of the U.S. Trade Representative (USTR) for comments on the eligibility of certain beneficiary countries of the Generalized System of Preferences (GSP) – 502 (d) of the Trade Act of 1974 (19 U.S.C. 2462(d). and on existing competitive need limitation (CNL) waivers – 503(d)(5) of the Act (19 U.S.C.2463(d)(5).

SEPTEMBER 2006

I) INTRODUCTION

These comments are submitted by Reference Metals Company, Inc. a U.S. company with headquarters in Bridgeville, PA. We import ferroniobium (FeNb) from Brazil using the U.S. Generalized System of Preference (GSP) program. We have been active in the U.S. market for more than 25 years. We are a subsidiary of CBMM (Companhia Brasileira de Metalurgia e Mineração).

CBMM owns and operates a major niobium mine in Araxá, Brazil. It was the first mining company in the world to receive ISO 14001 certification for its environmentally-friendly processes. CBMM is also an ISO 9002 and OSHA 18001 certified company.

Ferroniobium (FeNb) imported from Brazil was first granted a CNL Waiver in 2003. The reduction in product cost was passed in its entirety to our customers in the US.

HTS	HTS8	BRIEF_DESCRIPTION	Action	Country	Year of Action
7202.93.80	72029380	Ferroniobium, nesoi	W	Brazil	2003

CBMM entirely finances the cost of its state-of-the-art production without subsidies from the Brazilian government. The Araxá processing plant is designed to meet worldwide demand for standard grade FeNb.

Like its parent, RMC is customer-driven with a constant goal of exceeding customer expectations. While the primary mission of RMC is market development, it has supplied more than 30,000 tons of standard grade FeNb to customers in various industries from July 2003 through August 2006, this being the time frame that FeNb has been on the GSP program.

The most important niobium application is an alloying element to fortify high strength, low alloy (HSLA) steels for manufacturing automobiles and building high pressure gas transmission pipelines. Another major application is to provide creep strength in superalloys that operate in the hot section of aircraft gas turbine engines.

Among other notable applications are stainless steel auto exhaust systems and superconducting niobium-titanium alloys for use in building MRI magnets, as well as electronic ceramics and camera lenses. In addition, several developmental applications are being explored as a technical option for a diverse group of end users. They include:

- catalysis
- high temperature alloys with low density
- thin films for optical, tribological, and electronic uses
- electronics

- medical

II) REVIEW ON EXISTING COMPETITIVE NEED LIMITATION (CNL) WAIVERS – 503(D)(5) OF THE ACT (19 U.S.C.2463(D)(5).

GSP-duty-free treatment must be terminated if: a) the quantity of GSP-eligible article exceed the applicable amount for that year ($120 million for 2005), or b) the quantity of a GSP-eligible product reaches a value equal to or greater than 50 percent of the value of total U.S. imports of the product from all countries.

However, under section 503(d) of the 1974 Act, the President may waive the application of section 503(c)(2) if he:

a) receives the advice of the International Trade Commission (ITC) on whether any industry in the United States is likely to be adversely affected by such waiver,

b) determines, based on the considerations in section 501 and 502(c) of the Act and the advice of the ITC that such waiver is in the national economic interest of the United States; and

c) publishes the determination in the Federal Register.

As it is going to be verified further in this document, the Ferroniobium waiver does not adversely affect any industry in the United States and it is in the national economic interest of the United States.

II.I) THE INDUSTRY IN THE UNITED STATES IS NOT ADVERSELY AFFECTED BY THE FERRONIOBIUM WAIVER

American Industry cannot be harmed by the ferroniobium waiver because there is no U.S. production of Standard Grade FeNb or a directly competitive product.

This is the key argument justifying the FeNb waiver granted July 2nd 2003. Since then, this situation has not changed.

II.II) THE FERRONIOBIUM WAIVER IS IN THE NATIONAL ECONOMIC INTEREST OF THE UNITED STATES

US Steel producers support this waiver. They need FeNb to produce and would be less competitive if the waiver for this product is not renewed.

The ITA recognizes that the United States lacks economic FeNb resources. Thus, maintaining the GSP waiver for FeNb is sensible trade policy because it will benefit the United States, specifically United States consumers of FeNb, without harming any companies.

There are no U.S. domestic producers of FeNb. To RMC's knowledge, no FeNb producers, sellers or users have objected to this waiver. To the contrary, it is broadly supported by our largest consumer, the United States domestic steel industry.

Other producing countries do not have the capacity to fill the United States domestic need for FeNb. That need can only be filled by Brazil. Brazil has not abused its position in any way. Prices for FeNb have remained extremely competitive to date.

Maintaining the FeNb waiver will provide a significant advantage to the United States domestic steel industry, which is in an ongoing effort to preserve its viability in an increasingly competitive worldwide market.

Even though the object here is less to assist the Brazilian producers (as would be the case in the context of GSP) than it is to assist United States consumers, and by extension, the United States economy, if Brazil is excluded from GSP or if the FeNB waiver is terminated, American industries that use FeNb would be harmed.

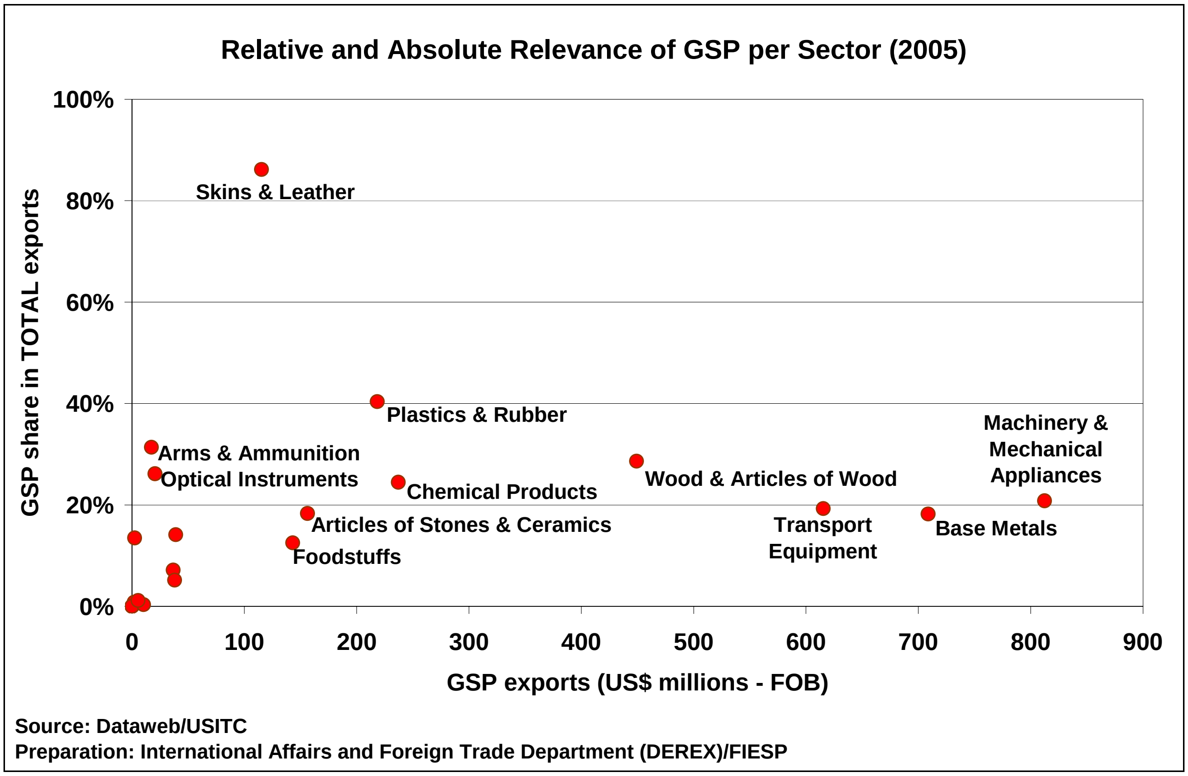
Numerous businesses in Brazil owe their continuing level of competitiveness to the GSP program. The duty savings afforded to many products can make a difference between profitability and survival. **But in the case of RMC, the savings gained from the Ferroniobium CNL waiver granted in 2003 have been passed to our customers.**

III) THE ELIGIBILITY OF CERTAIN BENEFICIARY COUNTRIES OF THE GENERALIZED SYSTEM OF PREFERENCES (502 (D) OF THE TRADE ACT OF 1974 (19 U.S.C. 2462(D))

III.I) IMPORTANCE OF THE GSP PROGRAM TO BRAZIL

The GSP has a significant importance to Brazil. According to the Federation of the State of São Paulo, the program has benefited more than 20% of all Brazilian exports to the U.S. Last year, Brazil exported US$3.6 billion using the benefit. It represented 15% of the country total exports to the U.S.

The relevance of GSP for the base metal sector where **RMC/CBMM**'s product is included was measured by two forms: absolute (total exported to U.S. under GSP) and relative (in relation with the total exported to U.S). As the graphic below shows, the program importance is very significant to the base metals sector, representing more than US$ 700 million – FOB.



III.II) ESTIMATED IMPACT OF EXCLUSION FROM THE GSP

Not only Brazilian companies need the GSP to survive, there are some American corporations that currently depend on the imports from **RMC/CBMM** to carry on. For this reason, the U.S. market will have to reorganize their operations in order to adapt to the new competitive constrains. Some of them, however, may be obliged to slow production or even cut jobs to offset the additional cost on the imports.

If Brazil is excluded from GSP, the exports to the U.S. will face duties that could go up to 77.4% in Ad Valorem Equivalent (AVE) terms. In the case of FeNb, the duty would be 5% percent.

IV) PETITION

The end of the GSP program on December 31st and the possible exclusion of Brazil and its waivers from the system will cause economic and social setbacks in Brazil, and will also affect American companies that rely on it to remain competitive.

As stated before, the U.S. does not produce FeNb which is an important component for several American industrial processes.

Maintaining the FeNb waiver is supported by several American companies because it provides a significant advantage to the United States domestic steel industry, which operates within an extremely competitive international environment,

Even though, the object here is less to assist the Brazilian producers (as would be the case in the context of GSP) than it is to assist United States consumers, and by extension, the United States economy, if Brazil is excluded from GSP, and if Ferroniobium (FeNb) imported from Brazil loses the CNL Waiver granted in 2003, the American industries that need FeNb would be harmed.

Furthermore, pursuant to section 503(d)(5) of the Act (19.U.S.C. 2463(d)(5) a waiver only should be terminated if the conditions of the concession have changed since it was initially granted, which did not occur in this case. The U.S. still does not have a domestic producer of FeNb.

Finally, GSP is a symbol of the U.S. – Brazil partnership. The exclusion of Brazil could empower forces against this strong and lasting partnership.

For the above reasons, Reference Metals Company, Inc. respectfully requests the maintenance of GSP program to Brazil and FeNb waiver under the program.

REICHHOLD Bringing Solutions to the Surface

The Honorable Executive Director for the GSP Program
GSP Subcommittee of the Trade Police Staff Committee
Washington, DC 20508
United States

Dear Marideth J. Sandler,

We are an American Chemical Industry in the field of Resins and both of our specialties are unsatured polyester resin (HTSUSA 3907.91.50) and epoxy resin (HTSUSA 3097.30.00) products. We are located in Mogi das Cruzes, São Paulo, Brazil and our headquarter is located in Durham – North Caroline. Our company currently employs 1554 employees around the world with 330 people employed in Brazil and other 568 people in United States.

We have been in operation since 2004 with these products to USA, in special for supplying to our plants in USA which guarantees market for Reichhold resins mainly against China resins that is a hard competitor. We can indicate our direct contact in our headquarter, Mr. Ross Moses that could be contacted through the phone number +1.919.990-7912 and can confirm how important is our relation.

Since the Generalized System of Preferences (GSP), has been an important tool in guaranteeing the competitiveness of our company, we can mention that we are in a growing plan of increasing volume of our products to USA. Nowadays our exports to USA represents 5% of Brazil's forecast and our estimated forecast for 2007 is around 7% about our total volume Brazil. We can also say that our exports to USA represent 40% for our total volume exported until now.

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 been 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 are concerned about recent reports which indicate that GSP might be allowed to expire. We emphasize and strongly urge you to keep Brazil preserved as beneficiary country of GSP program because it is crucial to our competitiveness and renew it in its entirety before the expiration deadline in December this year.

If GSP is allowed to expire or Brazil is excluded from this program, our resin product will have a cost increase of 6,5% for the HTSUSA #3907.91.50 and 6,1% for the HTSUSA #3907.30.00, which represents a major impact in our revenues and higher price to our customers and final consumers.

GSP makes a big 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 hardship cost on us thus reducing our competitiveness in this global economy.

In advance, we thank you very much for all attention that has been given to us.
Sincerely,
Margareth Tavares
Export Coordinator
Reichhold do Brasil Ltda.

‘‘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 Remy Automotive 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.

Remy Automotive Brasil Ltda corporation exported so far USD 143.186,88 from January to July of 2006 to the United States duty free under the GSP program. The products exported are parts and finish starter motors to our intercompany in United States.

Remy Automotive 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,

Paulo Nielsen
Operations Director
Remy Automotive Brasil Ltda.
nielsen.paulo@remyinc.com.br

‘‘Non-Confidential’’

BEFORE THE:
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

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

Written Comments

By

Cummins, Inc.

September 5, 2006

VIA E-MAIL
FR0052@ustr.eop.gov

Submitted by:

Barnes Richardson & Colburn
Lawrence M. Friedman
Carolyn D. Amadon
303 East Wacker Drive, Suite 1100
Chicago, IL 60601
Phone: 312 565-2000
Fax: 312 565-1782

These comments are filed on behalf of Cummins, Inc. of Columbus, Indiana. Cummins is the world's largest independent manufacturer of diesel engines. Cummins designs, manufactures, distributes, and services diesel engines and related products world wide. Cummins' major markets include on-road, construction, marine, mining, and power generation applications.

On August 8, 2006, the Office of the United States Trade Representative requested comments from interested parties regarding the Generalized System of Preferences. 71 Fed. Reg. 45079 (Aug. 8, 2006). In that notice, the USTR requested comments on two specific items: first, the continuation of beneficiary developing country status for several named larger economies; and second, the continuation of existing waivers of competitive need limits.

Cummins previously provided to the USTR comments in response to a Federal Register Notice published October 6, 2005. That notice, 70 Fed. Reg. 58502 (Oct. 6, 2005), also requested comments on the application of GSP to certain larger economies including India and Brazil. In those comments, Cummins provided numerous reasons for the continued participation of India and Brazil in the program. In essence, Cummins maintained that although India and Brazil are, at the national levels, large users of GSP, the resulting benefits have not reached individuals on a per capita basis. As a result, both countries continue to have relatively low economic indicators for individuals. Cummins also argued that changing the GSP program to remove India and Brazil will not have the desired consequence of increasing participation by the least developed developing countries. Many of those countries do not have the manufacturing or transportation infrastructure necessary to support the industries that benefit from GSP. As a result, purchasing activity is likely to move from Brazil and India to China and Mexico rather than to lesser developed countries such as Bangladesh and Peru.

Cummins thanks the USTR for this opportunity to provide additional comments. Cummins continues to believe the GSP provides needed incentives to investment in and purchasing from Brazil and India. Rather than reiterate in detail its comments, Cummins has attached for your reference its earlier comments and incorporates them herein.

Regarding the issue of whether competitive need limits waivers should be continued, Cummins does wish to provide some additional comments. Cummins currently imports crankshafts and camshafts from Brazil under the waiver for HTSUS item 8483.10.30. In 2005, total U.S. imports for consumption from Brazil under this tariff item were $87,964,939 according to USITC data. That import value is significantly below the $120,000,000 limit established in 19 USC § 2463(c)(2)(C). Total 2005 imports from all sources for that tariff item were $294,477,224. Thus, crankshaft and camshafts exported from Brazil did not exceed the 50% limit for GSP purposes either. In addition, the value exported from Brazil duty free under GSP was $68,667,437 which remains under the 30% cap imposed on Presidential authority under 19 USC § 2463(d)(4)(A).

Moreover, Brazil remains, by World Bank standards, a lower-middle income economy. As a result, it can be presumed that the continued preferential access to the

U.S. market via GSP for these products yields a continued benefit to the Brazilian economy. This is apparent in the context of the comments previously filed by Cummins and attached hereto regarding Cummins' investment in and commitment to the Brazilian market and Latin America as a whole. Cummins, therefore, strongly encourages the USTR to continue the existing waiver of competitive need limits on camshafts and crankshafts from Brazil.

Respectfully submitted,

BARNES RICHARDSON & COLBURN

By: /S/ Lawrence M. Friedman

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Before Office of the United States Trade Representative,
Trade Policy Staff Committee

Written Comments
by
Cummins Inc.

Filed on Behalf of Cummins Inc.
in response to
generalized System of Preferences (GSP):
Request for Public Comments Published at
70 Fed. Reg. 58502 (October 6, 2005)

Submitted by:

BARNES, RICHARDSON & COLBURN
303 E. Wacker Drive, Suite 1100
Chicago, IL 60601
Lawrence M. Friedman
Amy H. Warlick, Economist

INTRODUCTION AND SUMMARY OF POSITION

These comments are filed on behalf of Cummins Inc. of Columbus, Indiana, in response to the notice published at 70 Fed. Reg. 58502-3 (October 6, 2005) requesting comments on the reauthorization of the Generalized System of Preferences (GSP) program, and whether or not beneficiary countries that are high-volume users of the GSP program should continue to be designated as GSP beneficiaries.

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions, and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins serves customers in more than 160 countries and territories through its network of 550 company-owned and independent distributor locations and more than 5,000 dealer locations. With more than 28,000 employees worldwide, Cummins reported sales of $8.4 billion in 2004.

Cummins Inc., hereafter "Cummins," strongly supports reauthorization of the GSP program in general and the efforts of the United States to spread the benefits of the program among lesser and least developing countries. Cummins understands that the Trade Policy Staff Committee's goal is to increase the use of the GSP program by the very least developed countries of the world. Consequently, any changes to the program must be properly calibrated to achieving that goal.

To generate the goods that can be exported under the GSP program, the least developed GSP countries need to be able to attract foreign investment. Unfortunately, foreign investment will not necessarily flow into the least developed countries simply because of their GSP status. These least developed countries need the industrial and logistical infrastructure, political stability and skilled labor force to attract and sustain such investment. It is Cummins' position that the U.S. should foster development in these countries while recognizing the continuing important role of GSP in the development of larger beneficiary developing countries.

BACKGROUND

Cummins believes it is critical that the USTR look at all relevant factors in reaching a decision on the questions posed in its October 6, 2005 Federal Register Notice. Further, Cummins believes the current statutory scheme adequately address this issue. For purposes of illustrating this point, Cummins will focus on India and Brazil. These comments also address the question of what modifications to the program will promote trade with countries that have not previously been considered major traders.

India

The World Bank categorizes India as a "low income" developing country, with Gross National Income (GNI) of $620 per capita in 2004.[1] In addition, 81% of India's population lived on less than the equivalent of $2.00 per day in 2004.[2] Although India has put to good use the opportunities the GSP program provides, India is still a very low-volume user of the GSP program when viewed on a per capita basis. During the first 9 months of 2005, the value of India's exports to the United States under GSP was only $2.25 per capita.[3] Thus, the benefits of development have not fully reached the people of India. There are about 30 GSP beneficiary countries that have a higher per capita GSP

[1] World Development Indicators database, World Bank, July 15, 2005, based on Atlas methodology.
[2] "2005 World Population Data Sheet," Population Reference Bureau, 2005.
[3] The value of U.S. imports under GSP from India during January to August 2005 was $2,486,288,839, 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).

usage than this. By way of comparison, exports from China to the United States for the same period were $117 per capita despite not being a GSP beneficiary.[4]

In summary, India is by no means ready to be graduated from the GSP program. Although rapidly developing as an industrialized nation, it remains one of the most impoverished countries in the world. The fact that India is the largest "user" of the GSP program overall is simply a reflection of its large population. India is the second most populous country in the world. To make a GSP eligibility decision based only on its GSP usage, which is a function of its large size, without taking into consideration whether the benefits have in part reached individual Indians, defeats the purpose of the GSP program entirely.

GSP provides a positive incentive to attract foreign investment to India. As a politically stable country, with good infrastructure, and an abundance of low-cost, skilled human resources, India is often considered alongside China as a destination for new manufacturing investment. Cummins has invested heavily in India's development and the loss of GSP would threaten these investments. Any such loss of investment in India would necessarily have wide-ranging effects to local suppliers, their workforces and the businesses that support and profit from them.

In addition, India is part of South Asian Association for Regional Cooperation. Consequently, goods produced in India can include Bangladesh, Bhutan, Nepal, Pakistan, and Sri Lanka content toward the 35 percent value added GSP requirement. Thus, India's GSP status provides an incentive for producers in India (where there is a major manufacturing economy) to look to those lesser-developed countries for suppliers. Therefore, removing India from GSP could take business from those countries rather than add business. It is not very likely that a manufacturer would relocate an established factory from India to Bhutan, if India loses GSP. However, if India loses GSP, it is very

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[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.

likely that Indian companies would lose their incentives to use Bhutan as a supplier for materials to be used in the production of goods for the United States. Removing GSP from larger beneficiary economies such as India, therefore, could works counter to the goal of spreading GSP benefits to lesser developed nations.

Cummins India Group

Cummins is one of the largest engine manufacturers in India. The total net worth in the Cummins India Group, excluding joint ventures, is $170 million as of March 2005. In March 2004, it was $161 million. In addition to Cummins India Limited, headquartered in Pune, Cummins India Group operates 11 wholly-owned or joint venture operations, along with a number of distributor locations, across all lines of its business. Currently, the Cummins India Group includes, CG Newage for alternators, Fleetguard filters for filters, Tata Cummins for 'B' series automotive applications, Tata Holset for turbochargers, Nelson Engines for silencers and allied products, and Cummins Wartsila for HHP engines.

Cummins India Limited has pioneered diesel engine technology to meet the diverse power requirements of the country and region. Cummins India produces more than two dozen types of engines (60-2700 HP) operating on diesel, natural gas and dual fuel, for the widest range of applications: power generation, construction and mining, compressors, locomotives, marine, oilfields, fire pumps & cranes, automotive and special applications. These applications make Cummins products some of the most critical for the economic development of India. Cummins India is also the only global source of Cummins V28 engines for worldwide markets. The company specializes in high-diversity, low-volume production. The Pune factory ships one-third of its generators to the United States, Britain, China, South Africa, and other nations. It also exports engines for everything from mining equipment to marine frigates. The average number of employees between April 2004 and March 2005 was 2,845. The Cummins India plant in

Kothrud, Pune has a capacity of 12,000 high- or mid-range horsepower engines. In Daman, the capacity is 9,000.

Cummins plans to add several new Indian non-related suppliers in 2006. From a company-owned standpoint, Cummins will be expanding capacities in India to cater to the enhanced demand from the power generation export market, as well as the Indian demand for Power Generation Diesel Engines. Investments are already in progress to respond to the needs of the emerging Indian automotive market. Cummins India is also expanding the low horse power facilities. This will cater to the existing products. Overall, the current estimate is to invest significantly in fresh production capabilities.

In 2004, Cummins imported $13 million in products under GSP from India. Imports from India have increased dramatically over the last five years. Cummins will import approximately 200 different part numbers from India in 2005 under GSP. The entered value in the United States will be about $35 million, in 2005, and Cummins will have saved close to $1 million by importing these items under GSP. The most commonly imported parts are couplings, screws, rocker lever housings, lube/oil filter heads, flywheel ring gears, cam follower levers, and push rods. All of these types of products are components for diesel engines. Currently, only one part that is made in India is available in the United States.

Cummins anticipates a continued increase in imports under GSP from India during the next five years. As can be seen from the substantial business Cummins does in India, U.S. investment and purchasing is an important factor in India's continued economic development. The withdrawal of GSP could impact Cummins India, its employees, suppliers, and related businesses.

By developing the Indian supply base, Cummins, Cummins India Group, and the Indian economy at large benefit. The salaries and benefits earned by Cummins employees in India are well above average in India's manufacturing sector and much sought after. Cummins India estimates it purchased in excess of $80 million worth of goods from local Indian vendors in 2004-2005.

A critical part of the overall business strategy is to make Cummins India “A Great Place to Work.” As such, the company has developed initiatives based on leadership development, capability building, and performance management. The focus of these programs is to provide employees with an environment conducive to development.

In 2005, Cummins India was recognized by the Automotive Components Manufacturers Association (ACMA) of India at its annual convention. The award was given to Cummins India for providing modern and efficient engines to the automotive industry, and for the contribution in developing a strong base of engine component vendors that are today aspiring to become global suppliers to Cummins worldwide. ACMA is the agency for the Indian Auto Component Industry and embodies over 479 companies, whose production forms a majority of the total auto component output in the organized sector. It is represented on a number of panels, committees and councils of the Government of India, through which it helps in the formulation of policies pertaining to the Indian automotive industry.

The company also is active in the community through the efforts of the Cummins India Foundation and the Cummins Engineering College for Women is one of the premiere women’s schools in the country. In 2004, Cummins India continued to sponsor education to the disadvantaged sections of the society. For example, “door step school” is a program providing schools on wheels. Cummins India also donated RS 4.85 million to the Prime Minister of India’s Tsunami National Relief Fund.

Brazil

The situation is Brazil is similar to India in that simply measuring the value of trade under the GSP program does not adequately address the continuing benefit of the trade preference for the Brazilian economy. While Brazil’s per capita income is higher than India's, it is still considered a "lower-middle income" country by World Bank standards.[5] In addition, Brazil is considered a "severely indebted" country by World Bank standards.[6] Thus, any advances in Brazil's development are highly leveraged. Brazil's large debt servicing needs take funds away from other needed government programs, especially programs designed to alleviate poverty among disadvantaged Brazilians. In 2004, more than one in five Brazilians were living on less than the equivalent of $2.00 per day.[7] 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."[8] There are dozens of GSP beneficiary countries that are further up the development ladder than Brazil.

Brazil, like India, has high-usage of the GSP program. However, because of its large population Brazil's economic development has not reached the coverage Brazilian.

Cummins Brasil Ltda.

Cummins Brasil Ltda. has been producing in Sao Paulo, Brazil since 1974, and currently manufactures a wide range of engines, supplying several segments of the Brazilian marketplace, among them: trucks of all sizes, pickups, buses, stationary applications, construction machines, agricultural equipment, and machines for mining and marine applications. In 2000, Cummins also began the manufacturing, sales and rental of power generators, by means of their authorized collaborators. In addition, Cummins Brasil manufactures a wide range of engines and components for export to

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[5] World Development Indicators database, World Bank, July 15, 2005, based on Atlas methodology.
[6] 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.
[7] "2005 World Population Data Sheet," Population Reference Bureau, 2005.
[8] 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 collaboration with Instituto de Pesquisa Econômica Aplicada, October 2003.

other Cummins plants around the world. Cummins' Guarulhos factory presently has capacity to produce over 70 thousand engines per year. The company owns a network of 32 dealers in Latin America—three of them are owned by Cummins: São Paulo, Buenos Aires and Santiago, besides hundreds of spare parts sales points and technical assistance within the 22 countries that are covered by the Brazilian factory. Cummins is the first diesel engine manufacturer in Brazil to receive the ISO 9001 certification and also the first to achieve QS 9000 certification.

CONCLUSION

Cummins encourages the TPSC to look for ways to encourage trade with the least developed nations in the world. In doing so, Trade Policy Staff Committee must look for ways to accomplish that goal that recognize the continuing importance of GSP to larger economies such as India and Brazil. Possible alternatives include increasing the number of products included in the GSP program and allowing all GSP beneficiaries to include the value of materials from other GSP countries in the qualifying local content.

The removal of product designations that appear to have reached competitive capacities is already included in the GSP statute, this provides a safety valve for sectors of the economy that have demonstrated a significant level of development through the competitive need limit data review. In addition, this safety valve ensures the continued development of the GSP beneficiary country because if the sector experiences economic turmoil and exports fall, the designation can be re-established. In addition, the current process of relying on Competitive Needs Limit reviews permits the continuation of GSP benefits for those industries that are not yet relatively developed. Thus, it is better for developing countries when the United States manipulates GSP eligibility on individual products, than when it graduates entire countries on a permanent basis.

India and Brazil are commercially powerful countries in part because they are large. India is the second most populous country in the world, behind China, and Brazil is the third most populous GSP beneficiary, behind India and Indonesia. However, a country's size should not be permitted to mask the continuing benefit tariff preferences provide to it. On the contrary, because of their large size, the economic welfare of these countries has tremendous influence on the strength of the world economy. Therefore, the need for GSP preferences should be paramount in the formulation of U.S. global economic policy.

Cummins 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.

Respectfully submitted,

BARNES, RICHARDSON & COLBURN

By:

/s/ Lawrence M. Friedman
Lawrence M. Friedman
Amy H. Warlick, Economist
303 East Wacker Drive
Suite 1100
Chicago, Illinois 60601
(312) 565-2000

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

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

Dear Ms. Sandler:

On behalf of Rhodia do Brasil, I write you 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 by our customers.

Rhodia do Brasil will export in 2006 approximately US$ 30 million to the United States duty free under the GSP program. The main products exported and its HTSUS codes are:

- Polyamide Polymers – HTSUS 3908.10.00.00
- Salicylic Acid – HTSUS 2918.21.10.00 and 2918.21.50.00
- Ethyl Acetate – HTSUS 2915.31.00.00
- Diacetone Alcohol – HTSUS 2914.40.10.00
- Salicilates – HTSUS 2918.23.20.00
- n-Butyl Acetate – HTSUS 2915.33.00.00
- Phenol – HTSUS 2907.11.00.00
- Methyl isobutyl ketone – HTSUS 2914.13.00.00
- Silica Dioxide – HTSUS 2811.22.10.00
- Isoamyl Acetate – HTSUS 2915.30.20.00
- Hexyl Acetate – HTSUS 2915.39.90.00
- Bisphenol A – HTSUS 2907.23.00.00
- Acetofenone – HTSUS 2914.39.90.00

Rhodia do Brasil 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 Brazilian companies may continue to export its products to the United States on a duty free basis.

The GSP program permits our products to be competitive, which would not be the case should the applicable duties had to be paid. The GSP program has benefited our customers in the United States as they import duty free at lower cost and thus remaining competitive in the global market and lowering the cost of the products they sell to American consumers.

Sincerely,

Marcos A. De Marchi
President
Rhodia Latin America
marcos.demarchi@br.rhodia.com

“Public Version”

GSP Subcommitee Natal, September 4th, 2006
Office of the United States Trade Representative
USTR Annex, Room F-220
1724 F. Street, NW
Washington, DC 20508

Dear Sirs,

The Federation of Industries of the State of Rio Grande do Norte-FIERN is the state’s representative institution of the manufacturing industry, currently representing 21 industry sectors, with a total of 586 associated companies, about ninety percent of them of small and medium sizes.

Rio Grande do Norte, like all other states in the northeast area of Brazil, has been struggling hard in order to move from a less developed economy to a modern and competitive one. In this sense, the export market appears as a very important factor in creating jobs and economic sustainability and The United States has remained as the most important destination of our products for many years.

Two of the exporting sectors benefit from the United States Generalized System of Preferences (GSP) in our state: confectionery (HS Codes 17.04.90) and plastics (HS Codes 39.21.90). Other companies of other sectors are also being prepared to start exporting and count on this system in order to be able to succeed in the global market environment.

It is important to note that part of the machinery involved in the structuring of these two sectors have been imported from the United States, our main supplier of industrial equipment, which proves that the maintenance of GSP goes far beyond a simple intention of selling products to American companies, since machines need constant spare parts and new additions.

Although the export figures involved may seem small on a global perspective, they are very meaningful to the local economy (see bellow).

Rio Grande do Norte’s Exports to the United States under GSP

	Confectionery products		Pastic Sheets	
YEARS	US$ FOB	NET WEIGHT (MT)	US$ FOB	NET WEIGHT (MT)
2002	5,950,019	5.598	0	0
2003	9,739,897	9.717	95,625	35.1
2004	10,827,264	11.051	4,660,118	1.611
2005	9,336,727	9.145	725,551	2.190
2006 (*)	8,034,702	6.907	2,612,109	728
Total	**43,888,609**		**8,093,403**	

(*) Jan-July/2006

“public version”

The exclusion of Brazil from the GSP will not only harm the exporting companies and their importing partners in the United States, but our local and regional economies. The resulting loss of jobs would be hard to bear for Rio Grande do Norte and the other northeastern states.

We therefore appeal to the US Administration, to take into consideration all aspects involved in such an important decision and maintain the current status of Brazil within the GSP framework, which will only strengthen the commercial, political and cultural relationship between the two nations.

Sincerely yours,

FLÁVIO JOSÉ CAVALCANTI DE AZEVEDO
President
FIERN-Federation of Industries of the State of Rio Grande do Norte
Av. Senador Salgado Filho, 2860 – Natal/RN Brazil 59075-900
Tel.: +55 (84) 3204 6263 Fax.: +55 (84) 3204 6278
e-mail: cin@fiern.org.br

From: Riso Anselmo (RBLA/LOG) [Anselmo.Riso@br.bosch.com]
Sent: Tuesday, September 05, 2006 4:45 PM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility abd CNL Waiver Reviw

ROBERT BOSCH LTDA.

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:

ROBERT BOSCH LIMITADA Corporation is a manufacturer of automotive parts with headquarters in Campinas, São Paulo. Our company is currently employing more than 12.000 (twelve thousand) people in our four factories in Brazil.

We have been in operation since 1.954 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.

Therefore, 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.

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.

ROBERT BOSCH LIMITADA Corporation exports to the United States duty free under the GSP program, as follows:

ROBERT BOSCH LIMITADA 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,

Anselmo Félix Riso
Logistics Manager
ROBERT BOSCH LIMITADA
anselmo.riso@br.bosch.com

São Paulo, September 1st, 2006.

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 Sabó Industria e Comercio de Autopeças 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.

Sabó Industria e Comercio de Autopeças Ltda. exports over US$28 million in auto parts to the United States duty free under the GSP program. Our primary products are: seals, gaskets, hoses, and similar automotive parts.

Our company has manufacturing sites in Brazil, Argentina, Germany, Austria and Hungary and now is building its first manufacturing facility in the United States (Lincolnton – North Carolina) – which should start production in 2007 and it will employ more than 200 people by 2010. Currently, Sabó has a Technical and Commercial office in Plymouth, MI with 20 employees.

Sabó employs over 3,000 workers in Brazil and service several customers in the United States, such as: American Axle, Cummins, Dana Corporation, Delphi Chassis, Delphi Saginaw, Eaton Corporation, Ford, GM Allison, GM Truck Group, and GM Powertrain.

Sabo Industria e Comercio de Autopeças 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,

Bráulio de Carvalho
CFO
Sabó Indústria e Comércio de Autopeças Ltda.
BCarvalho@sabo.com.br

GSP Factsheet: 17th 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 17th Custom 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 custom district.

GSP Imports from Brazil by Custom District

Custom District	GSP Imports	Share %
14th Custom District - Norfolk, VA	$533,503,981.00	15
10th Custom District - New York, NY	$514,221,652.00	14
53rd Custom District - Houston-Galveston, TX	$430,468,061.00	12
13th Custom District - Baltimore, MD	$314,672,873.00	9
16th Custom District - Charleston, SC	$306,491,200.00	8
52nd Custom District - Miami, FL	$235,758,551.00	7
17th Custom District - Savannah, GA	$148,546,515.00	4
All other (35)	$1,132,488,016.00	31

Source: USITC

Among the developing countries eligible for the program, Brazil is the most important supplier for the companies in this region. The 17 h Custom 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.

17th Custom District's GSP Imports by Country

Country	GSP Imports	Share
Brazil	**$148,546,515.00**	**18.55**
Thailand	$147,855,564.00	18.46
Indonesia	$68,490,876.00	8.55
India	$68,114,981.00	8.50
Turkey	$49,133,313.00	6.13
Subtotal	**$482,141,249.00**	**60.20**
All Other	**$318,775,165.00**	**39.80**
Total	**$800,916,414.00**	**100.00**

Source: USITC

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 American 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 American consumers and companies that use GSP to reduce costs and increase competitiveness.

The 17 h Custom 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 Custom District's GSP imports from Brazil by Chapter - 2005

Chapter	Description	Articles	GSP Imports from Brazil	Duty Exemption
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
Subtotal		**137**	**$129,772,005**	**$5,140,603**
All other		**69**	**$18,774,510**	**$666,044**
Total		**206**	**$148,546,515**	**$5,806,647**

Source: USITC

17th Custom District's GSP imports from Brazil by Article - 2005

HTS	Description	GSP Imports from Brazil	Duty	Duty Exemption
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	$16,573,147	3.20%	$530,341
41071150	Full grain unsplit upholstery leather of bovines (not buffalo) nesoi and equines, w/o hair on, prepared after tanning or crusting, not 4114	$15,389,015	2.80%	$430,892
29214315	alpha,alpha,alpha-Trifluoro-2,6-dinitro-N,N-dipropyl-p-toluidine (Trifluralin)	$13,272,243	6.50%	$862,696
73261900	Iron or steel, articles forged or stamped but n/further worked, nesoi	$8,919,962	2.90%	$258,679
44092005	Nonconiferous wood continuously shaped along any of its ends, wether or not also continuously shaped along any its edges or faces	$4,872,962	3.20%	$155,935
68022300	Monumental or building stone & arts. thereof, of granite, simply cut/sawn, w/flat or even surface	$4,438,463	3.70%	$164,223
87083950	Pts. & access. of mtr. vehicles of 8701, nesoi, and 8702-8705, brakes and servo-brakes & pts thereof (o/than mounted brake linings)	$4,166,480	2.50%	$104,162
44121340	Plywood sheets n/o 6 mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface-covered beyond clear/transparent	$4,127,795	8%	$330,224
74081160	Refined copper, wire, w/maximum cross-sectional dimension over 6 mm but not over 9.5 mm	$3,749,945	3%	$112,498
84839050	Parts of gearing, gear boxes and other speed changers	$3,478,358	2.50%	$86,959
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	$3,432,536	8%	$274,603
74031100	Refined copper cathodes and sections of cathodes	$3,367,717	1%	$33,677
84818090	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, other than hand operated, nesi	$3,290,602	2%	$65,812
39021000	Polypropylene, in primary forms	$3,287,021	6.50%	$213,656
39171010	Artificial guts (sausage casings) of cellulosic plastics materials	$3,091,362	6.50%	$200,939
Subtotal		**$95,457,608**		**$3,825,296**
All Other		**$53,088,907**		**$1,981,352**
Total		**$148,546,515**		**$5,806,647**

Source: USITC

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 IBGM IS? About IBGM

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.

It operates as a true 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. 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.

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

2.1 - NUMBER AND SIZE OF COMPANIES BY SEGMENT - 2005

INDUSTRY*	Cutting/polishing & Stone works	**790**
	Gold jewellery	**700**

	Plating	**560**
	INDUSTRY TOTAL	**2,050**

* 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, Paraiba 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.

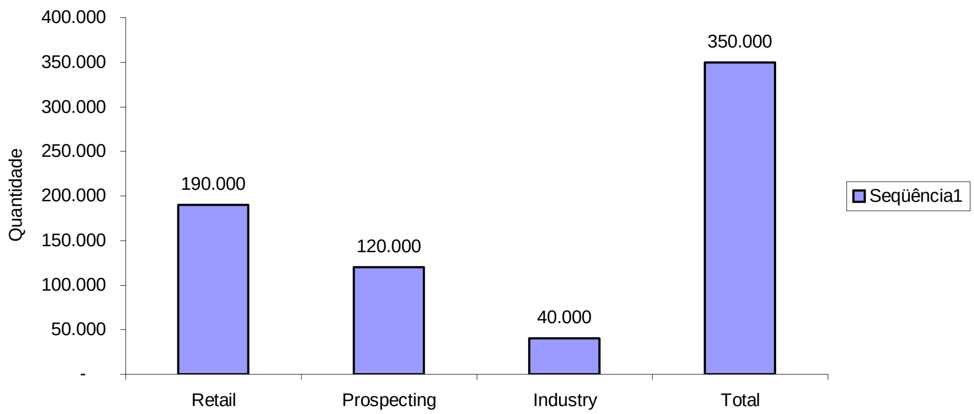
➢ **Gold Jewellery Industries:** the largest number of manufacturers is concentrated in the state of São Paulo, followed by Minas Gerais, Rio Grande do Sul, Rio de Janeiro, Amazonas and Parana.

➢ **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 Nomemclature – 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 know 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 tem 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 preocious 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 us 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 counties 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 temporaril	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 thereo, 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 jewellry or goldsmiths' wares), nesoi	3,9%
71159040	Silver (including metal clad with silver) articles (o/than jewellry 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

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 Siemens Power Transmission and Distribution Corporation (Brazil), 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.

Siemens Power Transmission and Distribution Corporation (Brazil) exports US$ 60,000 (sixty million dollars) to the Unites States duty free under the GSP program. Our factory in Brazil is responsible for the production of Distribution Transformers, Power Transformers, Reactors, Transformer Monitoring System and related Repair Service.

Siemens Power Transmission and Distribution Corporation in Brazil is responsible for sales in Brazil, Unites States, Canada, Mexico, other Latin American Countries, South America and New Zealand.

Some of our clients for the export market are:
USA: United Illuminating, Centerpoint Energy, Cinergy, First Energy, American Electric Power, Mesquite Power, Entergy, Gerdau, Avista Energy, Mid American Energy, Con Edison, APS, Black & Veatch, Dominion, Duke Power, Exelon, FPL, KEYSPAN, Mid American, Northeast Utilities System, Pacific Gas and Electric Company, Progress Energy, Southern California Edison, Southern Company, TVA, TXU, Xcel Energy.
Canada: New Foundland Hydro, Bruce Power, BCHydro
Mexico: C.F.E
Chile: Transelec
Argentina: Intesar
New Zealand: Transpower, Huntly, Genesys

Siemens Power Transmission and Distribution Corporation (Brazil) has 445 employees working in the Jundiaí plant- Sao Paulo State.

Siemens Power Transmission and Distribution Corporation (Brazil) 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,

Leonardo Coelho Pereira
BA General Manager
Siemens Ltda.
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Av. Engenheiro João F. G. Molina, 1745
Engordadouro- Distrito Industrial
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Jundiaí- SP- Brasil
Visit our website at: www.siemens.com/transformers

"PUBLIC VERSION"

Guarulhos, September 04th, 2006.

To:
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments
Country Eligibility Review

INTRODUCTION

Siemens VDO Automotive is a global manufacturer of electronics and mechatronics equipments for vehicles. The company is divided in four business units – Powertrain, Chassis & Carbody, Interior & Infotainment and Service & Special Solutions. In Brazil we have six manufacturer plants that employ approximate 1,600 people and produce Instrument Cluster, Tachograph, Ventilation and Heating Control Unit, Engine Control Unit, Intelligent Switching Unit, Immobilizer, Electronic Relays, Sensors, Electronic Motors, Blower, Throttle Body (ESB / E-GAS), Intake Manifold, Cockpit, Car Radios, Vehicle Tracking System etc.

IMPORTANCE

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 in a global economy.

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.

The export to US market represents 20% of our turnover sales and it will affect directly the investments for new business in the future.

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. We delivery mainly the following products:

- Electrical HVAC Motor (HTS: 8501314000)
- HVAC Blower (HTS: 8414596040)

Av. Senador Adolf Schindling, 131
07042-020 Guarulhos – SP – Brazil
Phone: +55 (11) 6423-3400
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- HVAC Control Unit (HTS: 8537109050)
- Air Control Valve (HTS: 8409999190)

If GSP is allowed to expire or Brazil is excluded from it, our products will cost us at least 3.0% more, which represents a major impact in our revenues and a higher price to our American Clients and their final consumers. Therefore we would have to adjust our staff and review all corporate strategy that was agreed before.

It is important to inform that our products have, at least, 5% of US components on its content. So, GSP makes a difference not only to us but also to some US companies and their workers. Letting it expire, even temporarily, or reducing its benefits in any way would impose a costly hardship on them, 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,

Daniel Cotrim
Siemens VDO Automotive Ltda
Foreign Trade Supervisor

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São Paulo, Brazil, September 5th, 2006

To
United States Trade Representative

Ref:2006 GSP Eligibility and CNL Waiver Review

On behalf of the National Agriculture Defense Industry Syndicate (SINDAG), we would like to express our strong support for Brazil's maintenance in the General System of Preferences Program, which expires on December 2006.

SINDAG represents the Brazilian manufacturers of agrichemical products. Its memberships amounts 41 companies, which produce insecticides, fungicides, herbicides and others.

Our memberships' investments in Brazil in 2005 reached US$ 49.2 million in Research & Development and US$ 38.3 million in Industrial Units. For the period 2006 – 2008 an investment of US$ 77.9 million in Industrial Units is expected. In 2005, Brazil imported US$ 1,722 million in agrichemical products and exported 378 million.

Our sector has 91 products that are today benefited by the US GSP Program and all these investment and jobs will be affected if the program is withdrawn. The products which we must ensure that are maintained are listed below:

HTSUS	Description
11081200	Corn (maize) starch
28111960	Other inorganic acids
28121050	Chlorides and chloride oxides other than phosphorus pentachloride
28131000	Carbon disulfide
28255030	Copper hydroxides
28274100	Chloride oxides and chloride hydroxides of copper
28332950	Other sulfates nesoi
28353100	Sodium triphosphate (Sodium tripolyphosphate)
28470000	Hydrogen peroxide, whether or not solidified with urea
29033020	Fluorinated, brominated or iodinated derivatives of acyclic hydrocarbons, nesoi
29036908	p-Chlorobenzotrifluoride; and 3,4-Dichlorobenzotrifluoride
29036930	Pesticides derived from halogenated derivatives of aromatic hydrocarbons
29049050	Nonaromatic sulfonated, nitrated or nitrosated derivatives of hydrocarbons nesoi
29051120	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for dire
29051900	Saturated monohydric alcohols, nesoi
29061950	Other cyclanic, cyclenic or cycloterpenic alcohols and their halogenated, sulfonated, nitrated or nitrosated deriv
29062920	Odoriferous or flavoring compounds of aromatic alcohols and their halogenated, sulfonated, nitrated or nitrosa
29093030	Pesticides, of aromatic ethers and their halogenated, sulfonated, nitrated

	or nitrosated derivatives
29094960	Other non-aromatic ether-alcohols and their halogenated, sulfonated, nitrated or nitrosated derivatives
29101000	Oxirane (Ethylene oxide)
29121100	Methanal (Formaldehyde)
29124950	Nonaromatic aldehyde-ethers, aldehyde-phenols and aldehydes with other oxygen function, nesoi
29126000	Paraformaldehyde
29130050	Nonaromatic halogenated, sulfonated, nitrated or nitrosated derivatives of products of heading 2912
29141900	Acyclic ketones without other oxygen function, nesoi
29151350	Nonaromatic esters of formic acid
29155010	Propionic acid
29159050	Nonaromatic anhydrides, halides, peroxides and peroxyacids, of saturated acyclic monocarboxylic acids, and t
29161950	Unsaturated acyclic monocarboxylic acid anhydrides, halides, peroxides, peroxyacids and their derivatives, ne
29162050	Cyclanic, cyclenic or cycloterpenic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacids an
29189018	4-(4-Chloro-2-methyl-phenoxy)butyric acid; p-chlorophenoxyacetic acid; and 2-(2,4-dichlorophenoxy)propionic
29189050	Nonaromatic carboxylic acids with additional oxygen function, and their derivatives, nesoi
29190050	Nonaromatic phosphoric esters and their salts, including lactophosphates, and their derivatives
29201010	O,O-Dimethyl-O-(4-nitro-m-tolyl)-phosphorothioate (Fenitrothion)
29201050	Nonaromatic phosphorothioates, their salts and halogenated, sulfonated, nitrated or nitrosated derivatives, nes
29209010	Aromatic pesticides of esters of other inorganic acids (excluding hydrogen halides), their salts and their derivat
29211100	Methylamine, di- or trimethylamine, and their salts
29211910	Mono- and triethylamines; mono-, di-, and tri(propyl- and butyl-) monoamines; salts of any of the foregoing
29212100	Ethylenediamine and its salts
29213050	Cyclanic, cyclenic or cycloterpenic mono- or polyamines, and their derivatives and salts, from any nonaromatic
29214215	N-Ethylaniline and N,N-diethylaniline
29214315	alpha,alpha,alpha-Trifluoro-2,6-dinitro-N,N-dipropyl-p-toluidine (Trifluralin)
29221995	Other non-aromatic amino-alcohols, their ethers and esters other than those containing more than one oxygen
29224940	Nonaromatic amino-acids, other than those containing more than one kind of oxygen function, nesoi
29224980	Non-aromatic esters of amino-acids, other than those containing more than one kind of oxygen function; salts
29239000	Quaternary ammonium salts and hydroxides, except choline and its salts
29242150	Nonaromatic ureines and their derivatives; and salts thereof
29242947	Other cyclic amides used as pesticides

29251990	Other non-aromatic imides and their derivatives
29252090	Non-aromatic imines and their derivatives; salts thereof
29269025	Aromatic herbicides of nitrile-function compounds, nesoi
29280050	Nonaromatic organic derivatives of hydrazine or of hydroxylamine, nesoi
29291030	3,4-Dichlorophenylisocyanate
29299050	Nonaromatic compounds with other nitrogen functions, except isocyanates
29302010	Aromatic pesticides of thiocarbamates and dithiocarbamates
29309010	Aromatic pesticides of organo-sulfur compounds, nesoi
29310025	Pesticides of aromatic organo-inorganic (except organo-sulfur) compounds
29329920	Aromatic pesticides of heterocyclic compounds with oxygen hetero-atom(s) only, nesoi
29331923	Aromatic or modified aromatic pesticides containing an unfused pyrazole ring (whether or not hydrogenated) in
29332100	Hydantoin and its derivatives
29332990	Other compounds (excluding drugs, aromatic and modified aromatic compounds) containing an unfused imida
29333921	Fungicides of heterocyclic compounds with nitrogen hetero-atom(s) only, containing an unfused pyridine ring
29333923	o-Paraquat dichloride
29333925	Herbicides nesoi, of heterocyclic compounds with nitrogen hetero-atom(s) only, containing an unfused pyridine
29334930	Pesticides of heterocyclic compounds with nitrogen hetero-atom(s) only, cont. a quinoline or isoquinoline rings
29335910	Aromatic or modified aromatic herbicides of heterocyclic compounds with nitrogen hetero-atom(s) only, cont. a
29335915	Aromatic or mod. aromatic pesticides nesoi, of heterocyclic compounds with nitrogen hetero-atom(s) only cont
29336960	Other compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure
29339917	Aromatic or modified aromatic insecticides with nitrogen hetero-atom(s) only, nesoi
29339922	Other heterocyclic aromatic or modified aromatic pesticides with nitrogen hereo-atom(s) only, nesoi
29341090	Other compounds (excluding aromatic or modified aromatic) containing an unfused thiazole ring (whether or n
29349912	Aromatic or modified aromatic fungicides of other heterocyclic compounds, nesoi
29349915	Aromatic or modified aromatic herbicides of other heterocyclic compounds, nesoi
29349916	Aromatic or modified aromatic insecticides of other heterocyclic compounds, nesoi
34021150	Nonaromatic anionic organic surface-active agents (other than soap)
34029050	Surface-active, washing, and cleaning preparations nesoi, put up for retail sale
38029050	Activated natural mineral products, nesoi; animal black, including spent animal black
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
38082015	Fungicides containing any aromatic or modified aromatic fungicide, nesoi
38082028	Fungicides containing any fungicide which is a thioamide, thiocarbamate, dithio carbamate, thiuram or isothioc
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
39139050	Natural polymers and modified natural polymers, nesoi, in primary forms

The maintenance of Brazil in the GSP program is also important for US economy. Through the program, companies in the US import agrichemical 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. Only Brazil has the manufacturing base of chemical products that meets the needs of the US companies which benefits from the system.

Besides that, around 95% of our the exports to the US through GSP correspond to intercompany trade, increasing the competitiveness of American companies in World markets.

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.

Also, the GSP program is a symbol of US – Brazil partnership, the exclusion of Brazil from this program will empower internal forces against a strong and lasting relationship.

Once again, SINDAG entreats 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.

Sincerely yours,

Silvia de Toledo Fanhani
Foreign Trade
SINDAG – Sindicato Nacional da Indústria de Produtos para Defesa Agrícola
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From: sinvidro [sinvidro@wm.com.br]
Sent: Tuesday, September 05, 2006 11:22 AM
To: FN-USTR-FR0052
Subject: GSP

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To:

THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Email: FR0052@USTR.EOP.GOV

Ref: General System of Preferences (GSP)
Request for Public Comments – HTSUS – Chapter 70 - Glass

The present comments were prepared and are being submitted by the following Brazilian associations:

Sindicato da Industria de Cristais Planos e Ocos do Estado de São Paulo-Brasil
(Producers of Flat and Hollow Glass Association in the State of Sao Paulo – Brazil)

Dear Sirs:

Since 1974 glass products manufactured in Brazil and exported to USA are receiving the benefits of the USA General System of Preferences, which creation aimed to promote economic growth in the developing world, through the expansion of trade between the United States and the GSP beneficiaries The list below identifies, according to the Harmonized Tariff Schedule of the United States (HTSUS), around 65 positions of glass goods that are eligible in the Program.

LIST

70010020 Glass in the mass (other than of fused quartz or other fused silica)
70022050 Glass rods (o/than of fused quartz or other fused silica), unworked
70023200 Glass tubes (o/than fused quartz/silica), w/linear coefficient of expansion n/o 5x10-6 per Kelvin in range
70023900 Glass tubes (o/than fused quartz/silica), nesoi, unworked

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70031200 Cast or rolled glass, in nonwired sheets, colored thru the mass, opacified, flashed or w/ absorbent, reflect. or no
70031900 Cast or rolled glass, in nonwired sheets, n/colored thru the mass, opacified, flashed, etc. & not further worked
70032000 Cast or rolled glass, in wired sheets
70033000 Cast or rolled glass profiles
70042020 Drawn or blown glass, in rect. sheets, colored thru the mass, etc., w/o absorbent, reflecting or non-reflect. layer 1 cents/kg
70042050 Drawn or blown glass, in sheets (o/than rect.), colored thru the mass, opacified, flashed, w/o absorbent, etc.
70049025 Drawn or blown glass, nesoi, in rectangular sheets, w/thick. over 2 but n/o 3.5 mm, not further wkd.
70049050 Drawn or blown glass, nesoi, in sheets (other than rectangular), nesoi
70051080 Float glass & surface ground or polished glass, nonwired, in sheets, w/absorb. or reflect. layer, nesoi, not work
70052925 Float glass & surface ground or polished glass, nonwired, in sheets, 10 mm or more in thickness
70053000 Float glass & surface ground or polished glass, wired, in sheets
70060010 Glass of heading 7003-7005 in strips n/o 15.2 cm wide & o/2 mm thick, w/longitudinal edges ground or smooth
70060020 Drawn or blown glass, not containing wire netting & not surface ground or polished, but bent, edged or otherwise
70060040 Glass of heading 7003-7005, bent, edge worked, engraved, drilled, enameled or otherwise worked, but not framed
70071100 Toughened (tempered) safety glass, of size and shape suitable for incorporation in vehicles, aircraft, and spacecraft
70071900 Toughened (tempered) safety glass, not of size or shape suitable for incorporation in vehicles, aircraft, and spacecraft
70072110 Laminated safety glass, windshields, of size and shape suitable for incorporation in

vehicles, aircraft, spacecraft
70072150 Laminated safety glass (o/than windshields), of size and shape suitable for incorporation in vehicles, aircraft, spacecraft
70072900 Laminated safety glass, not of size or shape suitable for incorporation in vehicles, aircraft, spacecraft or vessel
70080000 Glass multiple-walled insulating units
70091000 Glass rearview mirrors for vehicles
70099110 Glass mirrors (o/than rearview mirrors), unframed, n/o 929 cm2 in reflecting area
70099150 Glass mirrors (o/than rearview mirrors), unframed, over 929 cm2 in reflecting area
70099210 Glass mirrors (o/than rearview mirrors), framed, n/o 929 cm2 in reflecting area
70099250 Glass mirrors (o/than rearview mirrors), framed, over 929 cm2 in reflecting area
70102020 Glass stoppers, lids and other closures produced by automatic machine

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70102030 Glass stoppers, lids and other closures not produced by automatic machine

70109020 Glass containers for conveyance/packing perfume/toilet preps & containers with/designed for ground glass
70109030 Glass containers for convey/pack perfume/toilet preps & containers with/designed for ground glass stopper
70111050 Glass envelopes, open, & glass parts thereof, for electric lighting (other than bulbs for incandescent lamps),
70112010 Glass cones (w/o fittings) for cathode-ray tubes
70112080 Glass envelopes (open & w/o fittings) & glass parts thereof, nesoi, for cathode-ray tubes
70119000 Glass envelopes (open & w/o fittings) & glass parts thereof (o/than for electric lighting or cathode-ray tubes
70120000 Glass inners for vacuum flasks or for other vacuum vessels
70131010 Transparent glass-ceramic kitchenware 75% by vol. crystalline, of lithium aluminosilicate, w/low lin. coefficient
70132150 Drinking glasses of lead crystal, valued over $5 each
70133130 Glassware for table or kitchen purposes (o/than drinking glasses), of lead crystal, valued over $3 but n/over $5
70133150 Glassware for table or kitchen purposes (o/than drinking glasses), of lead crystal, valued over $5 each
70139150 Glassware for toilet/office/indoor decor. & similar purposes, of lead crystal, valued over $5 each
70139930 Smokers' articles of glass, nesoi; perfume bottles of glass fitted with ground glass

stoppers, nesoi
70139935 Votive-candle holders of glass, nesoi
70140010 Glass lens blanks (other than for spectacles), not optically worked
70140020 Glass optical elements (other than lens blanks), not optically worked
70140030 Glass lenses and filters (other than optical elements) and parts thereof, for signaling purposes, not optically worked
70140050 Signaling glassware, nesoi, not optically worked
70161000 Glass cubes and other glass small wares, whether or not on a backing, for mosaics or similar decorative purposes
70169010 Paving blocks, slabs, bricks, squares, tiles & other arts. of pressed or molded glass, for building or construction
70169050 Leaded glass windows & the like; multicellular or foam glass in blocks, panels, plates, shells or similar forms
70171060 Laboratory, hygienic or pharmaceutical glassware, whether or not calibrated or graduated, of fused quartz or o
70172000 Laboratory, hygienic or pharmaceutical glassware, whether or not calibrated or graduated, of glass w/low coefficient
70179050 Laboratory, hygienic or pharmaceutical glassware, whether or not calibrated, nesoi, of glass, nesoi

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70181010 Glass imitation pearls and pearl beads of all shapes and colors, whether or not drilled, not strung and not set

70189010 Glass eyes, except prosthetic articles
70189050 Articles (o/than imitation jewelry) of glass beads, pearls and imitation stones and statuettes & ornaments of la
70191100 Glass fiber chopped strands of a length not more than 50 mm
70191200 Glass fiber roving
70191930 Glass fiber chopped strands of a length more than 50 mm
70193100 No woven glass fiber mats
70193200 No woven glass fiber in thin sheets (voiles)
70193910 No woven glass wool insulation products
70193950 No woven glass fiber webs, mattresses, boards and similar articles of no woven glass fibers, nesoi
70199050 Glass fibers (including glass wool), nesoi, and articles thereof, nesoi
70200060 Articles of glass, not elsewhere specified or included

Initially we need to point out that the GSP increases the competitiveness of the Brazilian glass products. Along with several other products it is a key factor for the economic growth of a country in process of development. The System is not only relevant for the Brazilian exports that are directly beneficiaries from the Program. It has also favorable effects to the US companies, either commercial or industrial, which get cost reduction by not expending to pay Import Tariffs in the imports through the Program of glass products originated in Brazil.

Beyond this, the most important beneficiary is, without a doubt, the final consumer that obtains high-quality products at less cost.

We have to emphasize that Brazil has the manufacturing conditions to supply the US market with the mentioned glass products, so its elimination from the GSP will not benefit other poor countries.

The annual volume of Brazilian exports of glass products to USA covered by the GSP is around US$ 31 millions per year, given an average of US$ 564 thousands per each eligible position of the HTSUS. This means that the total and the average per tariff position and the volume of exports in each heading are modest amounts, far from the restrictions of the Program.

A breakdown of the composition of the exports indicates:

Around 58% (US$ 18 millions) of the products are classified in the heading 7007 in the HTSUS, corresponding to *"laminated or tempered safety glass suitable for incorporation in vehicles, aircraft, spacecraft or vessel and mirrors for cars.*

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It has an unquestionable direct relevance for the automotive industry, contributing to reduce the cost of their final products.

The Brazilian producers, all of them certified with the ISO 2001, furnish products according to the rigorous specifications of the American automotive industry and have made a huge investment to install sophisticated equipment to maintain the quality of the products.

A large amount of trade, estimated in 60%, is made inter-companies in accordance with a project of supply chain and corporative strategy.

The number of jobs related to exports of such products through the USA GSP is calculated around 300 people.

- A group of technical products, consisting mainly of fiber glass, glass mirrors, bottles, glass rods and tubes, sheets, glass envelopes for electric lighting or cathode tubes and laboratory and hygiene glass ware amounts to US$ 10 millions or 32 % of the total. Most of them are specially produced and destined to American companies according their technical requirements for specific applications in the projects of their products.

It is a category of product that requires perfect domination of advanced technologies, high investments in costly equipment, very skilled people for its operation and strict control of quality.

The number of jobs associated to the SGP exports of this group is estimated in 350 people.

- Approximately US$ 2,5 millions or 8% or the glass exports to USA through the GPS is composed by *glassware for table or kitchen purposes*, classified in the heading 7013 of the HTSUS.

The local industry is recognized by its creativeness, offering products with very attractive design and effective utility, in most of the cases specially created for the very demanding American consumer.

Part of the industry is automatic, but a large number of small producers use artisan methods in the manufacturing.

The suspension of Brazil of the USA GSP benefits for this kind of products will directly incentive the Chinese exports, occupying the present Brazilian share in the US market and will not benefit other poor countries.

The number of jobs related to the exports under the USA GSP is around 200 in the

automatic segment and the number of skilled manual works required in the artisan production is approximately 450.

-The last group of HTSUS headings in the Chapter 70 that is eligible for the USA GSP comprises a miscellaneous of glass products, participating with 2 % of the total, or US$ 0,660 millions. It includes glass of toilet/office/indoor, perfume bottles and a variety of decorative articles, some of them made of crystal. Without few exceptions they are entirely hand made in very small industries.

The number of craftsperson dedicated to this segment is around 400 people.

As a final comment that we repute important for the study, we emphasize that the glass industry in Brazil has a strict obedience to the legislation on the intellectual property and systematically pays royalties for the patents used in its process of production.

Hopping that the present comments can be useful for the revision of the GSP the USTR is preparing, we anticipate our appreciation for the attention they can receive.

Best Regards

Sindicato da Industria de Vidros e Cristais Planos e Ocos do
Estado de São Paulo

Arnaldo Manoel Alves
President

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PUBLIC VERSION

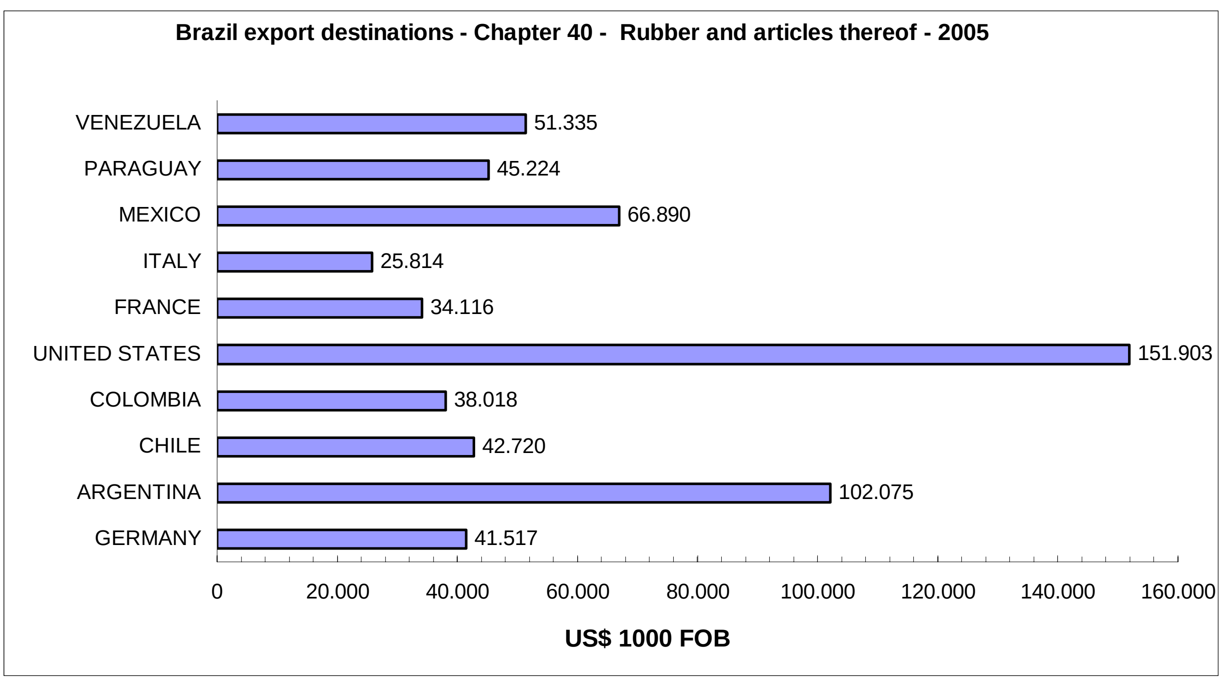
TO: USTR OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
ATT: GSP SUBCOMITTEE
1724 F STREET, NW
WASHINGTON, DC 20508

Dear Sirs,

We from SINDIBOR / ABIARB – Trade Commission of Rubber Goods, represent all rubber good industries in Brazil. Our sector currently employs over 80.000 workers; among direct and indirect, which 95% of these positions are generated by small and medium industries. The other 5% corresponds to the big multinational companies such as Goodyear, Eaton, Gates, Hutchinson Automotive, etc. We actually have 1150 Rubber goods industries in operation within Brazil, producing 50000+ rubber products, being the Automotive, Mining, Electronic, Health and Construction the main consumers of products made by rubber / latex.

As you know, the Generalized System of Preferences (GSP), which expires at the end of this year, has been an important tool for our business, guaranteeing competitiveness to our products in the US market. Based on the GSP benefit, we have invested over US$ 200,000 dollars promoting export activities among our industries and the US market.

The Brazilian Rubber Industry was sponsored by the Brazilian Trade Agency of Export Investment (APEX) to promote Brazilian products in the US market, which is the biggest international partner of Brazil in Rubber Goods business (below). In the US, we have participated of 2 international shows, exhibiting our products and opportunities to the US market. In 2006, we have also reserved a booth in the SEMA Automotive Exposition in Las Vegas. But all these efforts to maintain (and increase) our business with the US market are very fragile, since Brazil will lose its competitiveness in the US market if the GSP benefit expires.



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abiarb SINDIBOR

PUBLIC VERSION

The GSP system is not only relevant for Brazil, but also for the whole US economy. Since the program was instituted in 1974, American companies have incorporated the benefits of duty-free savings into their products. Therefore, these savings were translated automatically into lower prices to final US consumers. Other great advantage taken from the GSP needs to be considered: American companies established in Brazil frequently export its production to the American headquarters, strategically using the benefit of duty-free to supply the US market with high quality Brazilian products at attractive prices. Some of these companies are: Goodyear, West Pharmaceutical, Tenneco Automotive, Eaton, Parker, etc.

We emphasize that the GSP must continue to apply to the current list of beneficiaries. Considering our segment of rubber goods, if Brazil is excluded from the GSP list, the main benefited country will be China, which is actually the only country with all the expertise needed to produce top quality products requested by the US market. Thus, this would affect the whole rubber industrial segment in Brazil, which will result in a considerable reduction of Brazilian productivity and capability of our industrial plants.

The applicable import duty for rubber goods vary from 2,5 to 8%, sufficient enough to maintain our survival in the US market. If our products were excluded, these costs will be transferred to the US importers, resulting in a higher price to US clients and final consumers.

We hereby declare that GSP makes an enormous difference to us. 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,

Edgar Solano Marreiros
President
Trade Comission of Rubber Goods in Brazil - ABIARB / SINDIBOR
sindibor@borracha.com.br

September 5Th 2006.
Of.Pres.043/06

To
United States Trade Representative
Washington, DC

Subject : " 2006 GSP Eligibility and CNL Waiver Review "

Dear Sir or Madam,

Taking in consideration the possibility that the United States Congress authorizes the extension of the Generalized System of Preferences (GSP) American, which will expire on 31/12/06, and considering that the USTR is analyzing the possibility to reformulate the System, receiving public manifestations regarding to eligibility of certain countries, we would like to submit the following facts to your consideration :

1. The Sindicel – Sindicato da Indústria de Condutores Elétricos, Trefilação e Laminação de Metais Não-Ferrosos do Estado de São Paulo is a Brazilian entity that represents the interests of the manufacturers of electric conductors (copper and aluminum wires and cables), as well as of semi-manufactured copper and alloys products.

2. With 52 companies affiliated, Sindicel represents around 90% of the Brazilian production of electric conductors and 70% of Brazilian production of semi-manufactured copper and alloys products.

3. The sectors represented by Sindicel exported, in 2005, a total of US$ 560 million, meaning a 40% increase over 2004 exports. It is important to remind that significant part of this increase was due to the copper and aluminum – main raw materials for our products - LME prices increase in the international market, averaging 28.4% in the period of 2004 to 2005.
Of total exports, US$ 261 million was of electric conductors and US$ 299 million of semi-manufactured copper and alloys products (including wire-rod position HTS 7408.11.60).

4. According to the United States International Trade Commission (USITC), the American imports of semi-manufactured copper and alloys products (HTS 7407.10.30 to 7412.20.00), in 2005, was US$ 143.7 million, representing 48.1% of total exports of Brazil.
Of this total, American imports benefiting from GSP was US$ 143.6 million, representing, practically, 100% of total imports by American companies.

5. For wires and cables (HTS 7413 + HTS 7614 + HTS 8544.11.00 to 8544.70.00), also according to USITC, American imports of Brazilian products was US$ 49 million, representing 19% of the total exports of Brazil. Of this volume, American imports benefiting from GSP was US$ 36 million, representing 73.5% of total imports by American companies.

6. Those data clearly show that United States are today the main destination of Brazilian exports for the products herein mentioned, and - more important than that – that the Generalized System of Preferences is key to provide the American industry with competitive sources of supplies and products which contribute to the enhancement of the competitiveness of its final products in the world market, as for example China.

7. Brazil believes that its eventual exclusion as beneficiary of GSP American, will results in a minimum commercial loss of US$ 386 million per year, with US$ 40 million accounted to the wires and cables and semi- manufactured copper and alloys products, or little over 10% of total Brazilian losses.

8. However, the negative consequences of an eventual non-extension of the benefit for Brazil, would not be restricted to the bilateral commerce, advancing into the social area, causing the elimination of some 2,000 jobs and the impoverishment of regions that, since the end of the years 70th´s, were able to develop its economic activities due to the institution of the GSP American, and today have companies with their production totally directed to serve the United States market.

From the above displayed motives, we would like to reaffirm that the maintenance of Brazil as a beneficiary country of 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

Sérgio Aredes Piedade Gonçalves
President

SINDICERAMICA
SINDICATO DAS INDÚSTRIAS DE CERÂMICA SANITÁRIA DO ESTADO DE SÃO PAULO

To the
Office of the United States Trade Representative
GSP Subcommittee
fr0052@ustr.eop.gov

Subject: **Initiation of reviews and request for comments on the eligibility of certain GSP beneficiaries – comments of Sindicato das Industrias de Ceramica Sanitaria do Estado de Sao Paulo – SINDICERAMICA in support of the continued designation of Brazil as a GSP eligible beneficiary developing country**

Dear Sirs,

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) Program of certain current designated beneficiary countries.

On behalf of Sindicato das Industrias de Ceramica Sanitaria do Estado de Sao Paulo – **SINDICERAMICA**, we would like to express our strong support for maintaining Brazil in the GSP Program, which expires on December 2006.

GSP treatment for the Brazilian sanitary ware products have been removed because exports exceeded the competitive need limit in the past. **SINDICERAMICA** had already requested their redesignation and will do it again until November 17, 2006, because it's a very important support for the operations of ours associates and their American customers.

SINDICERAMICA is a Brazilian trade association that represents the manufactures of sanitary ware in Sao Paulo state, which products are used in bathrooms and laundry rooms of residences and commercial locations. The product line includes ceramic sinks, washbasins, washbasin pedestals, baths, bidets, water closet bowls, flush tanks, urinals and similar sanitary fixtures, imported under HTS number 6910.9000, and others imported under HTS number 6912.0000.

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Companies associated to **SINDICERAMICA** have been constantly making investments for expansion, modernization and automation of all its industrial plants located at Sao Paulo, Rio Grande do Sul, Rio de Janeiro, Minas Gerais and Espirito Santo states, besides Pernambuco and Paraiba states (less develop states in the Northeast of the country).

They consider environmental management as part of their quality program and, therefore, invest heavily on the improvement of manufacturing conditions along with a high level of environmental sustainability. The investments on the environmental area can be synthesized by certifications, rational water use programs, acquisitions of filters and equipment for controlling atmospheric emissions, the construction of effluent treatment plants and material recovery areas, and waste management.

Current preoccupations over worldwide water availability call for a new awareness regarding use of that resource. Only 0.007% of the available water is fit for human consumption and only 8% of that percentage is for individual use (clubs, homes, hospitals, offices, among others). The trend of the next few years points toward an increase in water consumption due general demand and a soaring and disorganized increase in world population, chiefly to take place in large urban centers. This is why rational water use programs are being implemented all over the world by means of programs aimed at orienting and increasing people's awareness, and mainly by high technology applied to sanitary hydraulic devices.

The Brazilian's manufactures of sanitary ware are continuously developing new products that contribute with rational water use programs. This 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.

In the last year, Brazilian's sanitary ware manufactures associated to **SINDICERAMICA** exported to the US the following products:

HTSUS	Exports to US – customers			District and State
	2003	2004	2005	
69109000			**************** **************	Scheley / Pennsylvania and Tupelo / Mississippi
69109000			********** **********	Bunnell, Oakland Park and Miami Beach / Florida
69120000			************ **********	Bunnell, Oakland Park and Miami Beach / Florida

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The exports of sanitary ware products to the US market also involve inter-company trade, increasing the competitiveness of American companies in world markets:

HTSUS	**Inter-company Trade**			**District and State**
	2003	**2004**	**2005**	
69109000		***** ******* ***** ******	***** ******* ***** *******	High Point / North Carolina
69109000	********* ****** ***** **********	********* ****** ***** *********	********* ****** ***** *********	San Antonio / Texas and Columbus / Ohio

The US Commerce Department Import Statistics indicate that Mexico, a non GSP country, is the dominant factor among US imports, with 70% of the market by quantity and 69% by value:

Table I - HTS 6910.90.00
Ceramic Sanitary Fixtures Other Than of Porcelain or China, Quantity (in numbers)
(2005 Figures are Jan. through Oct.)

Country	**2004 Quantity**	**Percentage of U.S. 2004 Quantity**	**2005 Quantity**	**Percentage of U.S. 2005 Quantity**
Canada	236	0.00%	13	0.00%
Mexico	11,174,434	74.06%	9,475,983	70.48%
Guatemala	135,584	0.90%	262,219	1.95%
Nicaragua	87,304	0.58%	168,801	1.26%
Costa Rica	108,809	0.72%	202,148	1.50%
Dom. Republic	186,111	1.23%	275,796	2.05%
Colombia	1,330,227	8.82%	260,248	1.94%
Venezuela	21,314	0.14%	13,494	0.10%
Ecuador	16,769	0.11%	13,442	0.10%
Peru	71,370	0.47%	47,912	0.36%
Chile	20,605	0.14%	20,565	0.15%
Brazil	**455,563**	**3.02%**	**1,332,994**	**9.91%**
Argentina	0	0.00%	1,910	0.01%
Uruguay	3,050	0.02%	6,830	0.05%
Sweden	0	0.00%	0	0.00%
Denmark	0	0.00%	80	0.00%

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U.K.	7,841	0.05%	2,360	0.02%
Belgium	1	0.00%	0	0.00%
France	19,634	0.13%	19,555	0.15%
Finland	1,090	0.01%	1,589	0.01%
Netherlands	752	0.00%	1,084	0.01%
Germany	35,944	0.24%	28,370	0.21%
Hungary	142	0.00%	286	0.00%
Poland	0	0.00%	0	0.00%
Spain	5,823	0.04%	758	0.01%
Austria	60	0.00%	0	0.00%
Switzerland	0	0.00%	10	0.00%
Italy	34,002	0.23%	36,407	0.27%
Bulgaria	141	0.00%	114	0.00%
Israel	576	0.00%	993	0.01%
Turkey	166,131	1.10%	197,734	1.47%
Arab Emirates	215,532	1.43%	144,850	1.08%
Pakistan	0	0.00%	148	0.00%
India	47	0.00%	15	0.00%
Thailand	72,795	0.48%	41,186	0.31%
Vietnam	0	0.00%	10,411	0.08%
Indonesia	47,162	0.31%	16,368	0.12%
Philippines	45,830	0.30%	1,391	0.01%
China	787,106	5.22%	846,032	6.29%
Hong Kong	221	0.00%	4,635	0.03%
Korea	450	0.00%	136	0.00%
Taiwan	32,813	0.22%	1,784	0.01%
Japan	3	0.00%	0	0.00%
Australia	1,806	0.01%	1,590	0.01%
Tokelau	0	0.00%	0	0.00%
Morocco	366	0.00%	33	0.00%
Egypt	1,396	0.01%	3,072	0.02%
South Africa	22	0.00%	40	0.00%
Dominica	0	0.00%	0	0.00%
All Countries	**15,089,062**	**100%**	**13,444,450**	**100%**

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Table II - HTS 6910.90.00 - Ceramic Sanitary Fixtures other than of Porcelain and China - Value (in US $)*(2005 Figures are Jan. through Oct.)*

Country	2004 Value	Percentage of U.S. 2004 Value	2005 Value	Percentage of U.S. 2005 Value
Canada	12,462	0.00%	12,186	0.00%
Mexico	268,306,453	78.78%	247,479,511	68.99%
Guatemala	3,737,522	1.10%	7,807,251	2.18%
Nicaragua	4,274,157	1.25%	6,993,597	1.95%
Costa Rica	4,836,654	1.42%	7,898,394	2.20%
Dom. Republic	4,076,863	1.20%	6,529,225	1.82%
Colombia	6,185,700	1.82%	3,245,639	0.90%
Venezuela	377,543	0.11%	273,272	0.08%
Ecuador	235,318	0.07%	168,825	0.05%
Peru	846,416	0.25%	652,747	0.18%
Chile	336,001	0.10%	278,294	0.08%
Brazil	**14,522,679**	**4.26%**	**43,290,164**	**12.07%**
Argentina	0	0.00%	27,621	0.01%
Uruguay	27,176	0.01%	56,550	0.02%
Sweden	0	0.00%	0	0.00%
Denmark	0	0.00%	6,395	0.00%
U.K.	1,509,137	0.44%	406,849	0.11%
Belgium	3,619	0.00%	0	0.00%
France	1,780,241	0.52%	2,122,721	0.59%
Finland	176,731	0.05%	424,812	0.12%
Netherlands	74,417	0.02%	91,129	0.03%
Germany	3,605,070	1.06%	2,808,263	0.78%
Hungary	3,409	0.00%	6,111	0.00%
Poland	0	0.00%	0	0.00%
Spain	301,163	0.09%	47,113	0.01%
Austria	5,303	0.00%	0	0.00%
Switzerland	0	0.00%	14,385	0.00%
Italy	2,890,292	0.85%	2,641,634	0.74%
Bulgaria	3,313	0.00%	6,808	0.00%
Israel	64,505	0.02%	110,418	0.03%
Turkey	2,995,307	0.88%	4,568,879	1.27%
Arab Emirates	2,482,852	0.73%	1,742,390	0.49%
Pakistan	0	0.00%	6,198	0.00%

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India	3,437	0.00%	6,226	0.00%
Thailand	2,791,850	0.82%	1,866,758	0.52%
Vietnam	0	0.00%	229,339	0.06%
Singapore	0	0.00%	8,713	0.00%
Indonesia	1,225,813	0.36%	465,506	0.13%
Philippines	1,532,109	0.45%	70,520	0.02%
China	10,940,200	3.21%	15,936,786	4.44%
Hong Kong	24,645	0.01%	269,047	0.08%
Korea	13,563	0.00%	23,100	0.01%
Taiwan	146,643	0.04%	23,369	0.01%
Japan	8,446	0.00%	0	0.00%
Australia	72,485	0.02%	16,700	0.00%
Tokelau	0	0.00%	0	0.00%
Morocco	40,220	0.01%	4,666	0.00%
Egypt	107,840	0.03%	19,904	0.01%
South Africa	20,000	0.00%	49,750	0.01%
All Countries	**340,597,554**	**100%**	**358,707,765**	**100%**

We know that GSP program is a unilateral non-reciprocal program whose goals are among others to increase exports and foreign exchange for developing countries to diversify their economies and to reduce developing countries' dependency on foreign aid.

To determinate which Beneficiary Developing Countries (BDC) were subject to the review, the USTR used an assortment of criteria taken from various sources.

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. However, it ranks only 97th in GDP *per capita* among all countries listed in the 2005 World Development Indicators Data base published by the World Bank on July, 1st, 2006.

It should be noted that seven of the countries on the USTR list being considered for removal from GSP program 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 GPD *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 the lower middle-income countries based on GNI *per capita* of about USD 3,000 (2004 most recent World Bank Data on this number).

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SINDICATO DAS INDÚSTRIAS DE CERÂMICA SANITÁRIA DO ESTADO DE SÃO PAULO

Poverty is a huge social problem that puts Brazil in a special class among the countries listed. The percentage of persons living below poverty in Brazil is 22%, which is the third highest of all the thirteen countries being investigated by the USTR.

According to the Brazilian's Government website, in 2003 53.9 millions of poor people (31.7% of the Brazilian's population) were living with GNI *per capita* unless than $100 and 21.9 millions of poor people (12.9% of the Brazilian's population) were living with GNI *per capita* of less than $50.

One of the fallacies behind the efforts to redistribute GSP benefits from the supposedly larger GSP BDC to the least economically developed BDC 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. If Brazil loses GSP, you are not going to see industries suddenly develop in some of the least developed countries such as Togo or Guyana. These countries do not have educated workforce, the domestic market that makes production of the products for export economical nor the infrastructure to produce them.

Brazil and the least developed countries have diverse productive and export profiles. The maintenance of Brazil in the GSP program is also important for US economy. Through the program, companies in the US import 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.

As shown, the main part of Brazil's exports of sanitary ware to the US market corresponds to inter-company trade, increasing the competitiveness of American companies in world markets. The Brazilian companies also maintain US subsidiaries in US that generate additional jobs through the import and shipping activities and create significant tax revenues.

The exclusion or limitation of Brazil from the GSP will stimulate imports from China and other non-GSP more developed countries. 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 products exported by Brazil in the program competes in the US market with Chinese exports. Loss of GSP would not benefit any lesser-developed GSP beneficiary country.

In fact, GSP gives Brazil an advantage over China in the US market. In 2005, the US trade deficit with China reached more than $ 200 billion. The exclusion of Brazil from the GSP will stimulate even more imports from that country.

Thousands of 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.

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For the reasoning presented above, **SINDICERAMICA** 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 being excluded or limited in GSP program, China will take advantage while American industries and consumers would lose privilege.

Brazilian producers of sanitary ware need GSP benefits to be competitive in the US market and this will not adversely impact US producers who already have a price advantage

Sincerely,

Paulo Setúbal Neto
Vice-President

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September, 4, 2006

SINDIFIBRA
SINDICATO DAS INDÚSTRIAS DE CHAPAS DE FIBRA E AGLOMERADOS DE MADEIRA DO ESTADO DE SÃO PAULO

To the
Office of the United States Trade Representative
GSP Subcommittee
fr0052@ustr.eop.gov

Subject: **Initiation of reviews and request for comments on the eligibility of certain GSP beneficiaries – comments of Sindicato das Industrias de Chapas de Fibra e Aglomerados de Madeira do Estado de Sao Paulo – SINDIFIBRA in support of the continued designation of Brazil as a GSP eligible beneficiary developing country**

Dear Sirs,

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) Program of certain current designated beneficiary countries.

On behalf of Sindicato das Industrias de Chapas de Fibra e Aglomerados de Madeira do Estado de Sao Paulo – **SINDIFIBRA**, we would like to express our strong support for maintaining Brazil in the GSP Program, which expires on December 2006, because it's a very important support for the operations of ours associates and their American industrial customers.

SINDIFIBRA represents the Brazilian manufactures of wooden panels in Sao Paulo state, which are made from pinus and eucalyptus, largely employed by the furniture industry. The product line includes hardboards, particle boards, as well as medium, high and super-density fiberboard, best known as MDF, HDF and SDF, which are used for manufacturing laminated floorboards, ceiling and wall panels. They currently produce products that are receiving GSP benefits, imported under HTS numbers 4411.19.40, 4411.29.90 and 9610.00.00.

Companies associated to **SINDIFIBRA** have been constantly making successive investments for expansion, modernization and automation of all its industrial plants located at the cities of Jundiai, Bauru, Itapetininga, Botucatu and Salto.

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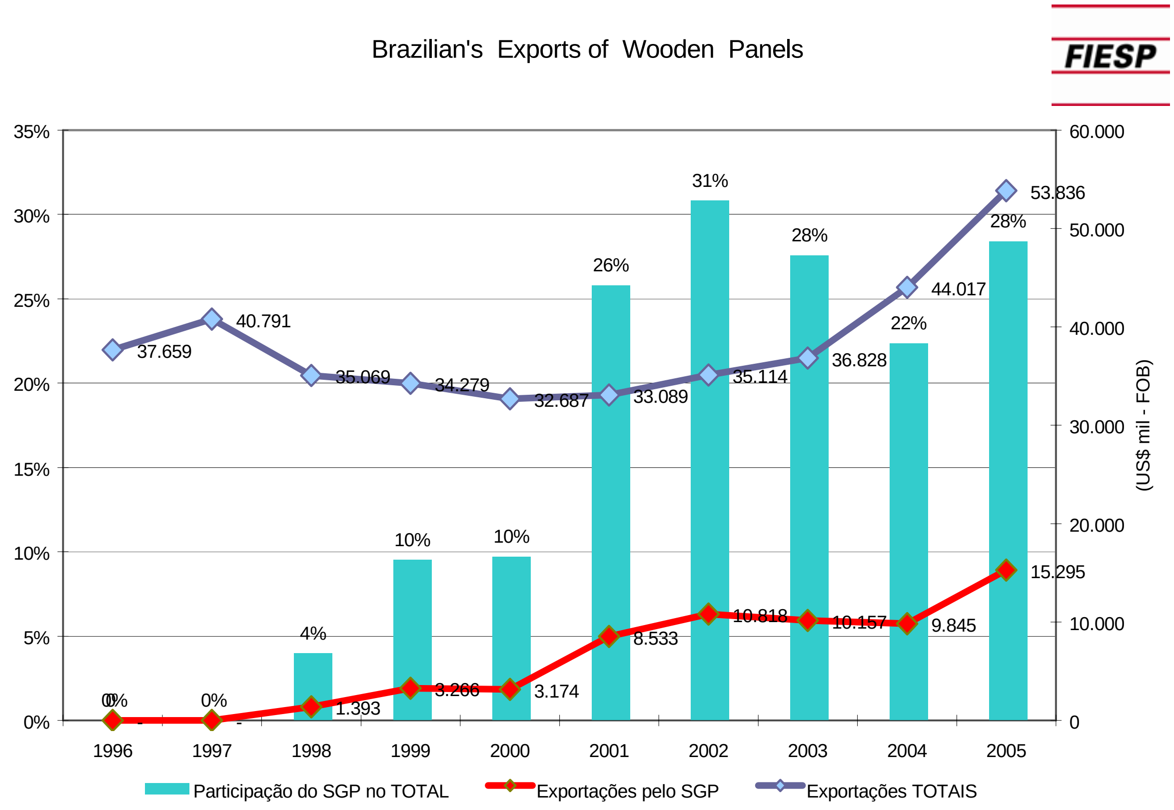
SINDICATO DAS INDÚSTRIAS DE CHAPAS DE FIBRA E AGLOMERADOS DE MADEIRA DO ESTADO DE SÃO PAULO

They consider environmental management as part of their quality program and, therefore, invest heavily on the improvement of manufacturing conditions along with a high level of environmental sustainability. The investments on the environmental area can be synthesized by certifications and recertifications of forestlands, acquisitions of filters and equipment for controlling atmospheric emissions, the construction of effluent treatment plants and material recovery areas, and waste management.

Their forests complexes are managed according to sustainable, environmentally correct principles. Two certifications support this affirmation: the ISO 14001 and the Forest Stewardship Council (FSC) Green Seal. The first one attests that the companies have an environmental management system, which complies with the requirements of the NBR ISO 14001 norm. The FSC certification attests that these areas meet the principles and criteria for good forest management, being economically viable, environmentally adequate and socially fair.

The wooden panels 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.

The graph below compares the Brazilian's total exports of wooden panels to US and the quantity that were benefited by GSP program:



Fonte: Dataweb/USITC
Elaboração: Departamento de Relações Internacionais e Comércio Exterior (DEREX)/FIESP

The major part of Brazil's exports to the US market corresponds to inter-company trade. In the last years, companies associated to **SINDIFIBRA** exported to the US the following products, some of them benefited by the GSP Program:

HTSUS	Inter-company Trade			District and State
	2003	2004	2005	
4411.19.40	*********** ****	*********** ****	*********** ****	Baltimore-MD, Gulfport-MS, Beaumont-TX, Port Manatee-FL, Stockton-CA, Mobile-AL, Savannah-GA, Camden-NJ, Gloucester-VA, Lake Charles-LA, Grand Rapids-MI, Fernandina-FL
4411.29.90	****	****	****	
9610.00.00	***********	**********	**********	

We know that GSP is a unilateral non-reciprocal program whose goals are among others to increase exports and foreign exchange for developing countries to diversify their economies and to reduce developing countries' dependency on foreign aid.

To determinate which Beneficiary Developing Countries (BDC) were subject to the review, the USTR used an assortment of criteria taken from various sources.

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. However, it ranks only 97th in GDP *per capita* among all countries listed in the 2005 World Development Indicators Data base published by the World Bank on July, 1st, 2006.

In fact, seven of the countries on the USTR list being considered for removal from GSP program 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 GPD *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 the lower middle-income countries based on GNI *per capita* of about USD 3,000 (2004 most recent World Bank Data on this number).

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Poverty is a huge social problem that puts Brazil in a special class among the countries listed. The percentage of persons living below poverty in Brazil is 22%, which is the third highest of all the thirteen countries being investigated by the USTR.

According to the Brazilian's Government website, in 2003 53.9 millions of poor people (31.7% of the Brazilian's population) were living with GNI *per capita* unless than USD 100 and 21.9 millions of poor people (12.9% of the Brazilian's population) were living with GNI *per capita* of less than USD 50.

One of the fallacies behind the efforts to redistribute GSP benefits from the supposedly larger GSP BDC to the least economically developed BDC 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. If Brazil loses GSP, you are not going to see industries suddenly develop in some of the least developed countries such as Togo or Guyana. These countries do not have educated workforce, the domestic market that makes production of the products for export economical nor the infrastructure to produce them.

Moreover, Brazil and the least developed countries have diverse productive and export profiles. It should be noted that Brazil has the manufacturing base of wooden panels that meets the needs of the US companies which benefits from the system. Loss of GSP would not benefit any lesser-developed GSP beneficiary country.

The maintenance of Brazil in the GSP Program is also important for US economy. Through the program, companies in the US import wooden panels 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.

As shown, part of Brazil's exports to the US market trough the GSP corresponds to inter-company trade, increasing the competitiveness of American companies in world markets. The Brazilian companies maintain US subsidiaries that generate additional jobs through the import and shipping activities and create significant tax revenues.

There is no real substitute product for the eucalyptus hardwood fiberboard exported from Brazil. Although there is some hardwood fiberboard production in the US, the US companies frequently purchase raw materials form Brazil. And the efforts at making the finished product with fiberboard made of materials other than eucalyptus have produced inferior products that are not acceptable to US customers.

The exclusion or limitation of Brazil from the GSP will stimulate imports from China and other non-GSP more developed countries. 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 wooden panels exported by Brazil in the program competes in the US market with Chinese exports.

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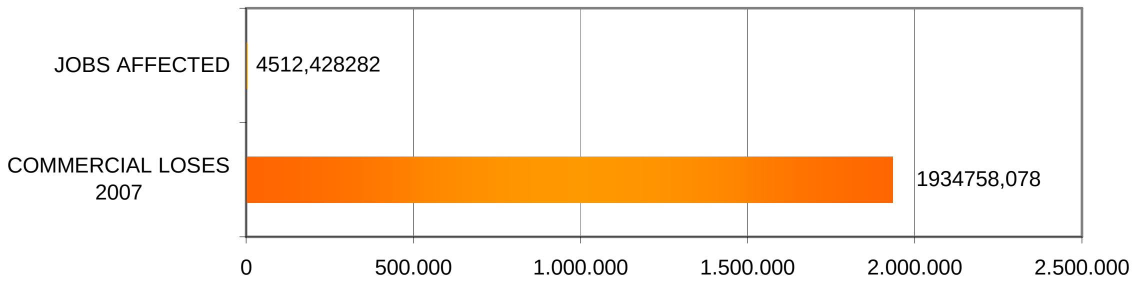
In fact, GSP gives Brazil an advantage over China in the US market. In 2005, the US trade deficit with China reached more than USD 200 billion. The exclusion of Brazil from the GSP will stimulate even more imports from that country.

Thousands of 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, according to Sao Paulo Federation of Industries' (Fiesp) analysis:

Wooden Panels Statics



For the reasoning presented above **SINDIFIBRA** 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 being excluded or limited in GSP program, China will take advantage while American industries and consumers would lose privilege.

Sincerely,

Paulo Setúbal Neto
President

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September, 4, 2006

GENERALIZED SYSTEM OF PREFERENCES - GSP

Sindijóias/RS - Brazil

The Patronal Union of Jewellery and Lapidation of Precious Stones of the Northeast Region of the State of Rio Grande Sul – SINDIJÓIAS/RS – Brazil, is a non-profit private entity founded in October 27th, 1987. Its mission is to promote, contribute and support actions that are aimed to the development of the jewellery sector; to propose or promote the understanding of the needs of the sector regarding machinery, equipments, managerial training and human resources, design and market promotion; as well as to be considered as a permanent voice before the government in search for solutions for the problems of the sector.

The territorial base in which SINDIJÓIAS/RS has the strongest presence is in the Northeast Region of the State of Rio Grande do Sul, where the entity is very active in the jewellery sector and is seen as an important reference in the segment, having in its client directory almost 100% of the jewels industries of the State of Rio Grande do Sul.

Its success is due to the perception and the performance of its board of directors, who have decided to sign different partnerships and/or to affiliate themselves to important Entities and Governmental Bodies throughout the country, turning the organization into a proactive one, and strengthening it in order to improve Rio Grande do Sul's jewellery sector, becoming more competitive, both in the national and the international level, with the objective to generate new job fronts and to contribute for the development of Brazil.

The city of Guaporé is the base of the jewellery complex in the State of Rio Grande do Sul. Its geographical area is 297.667 sq.m2. and the population is 21,772 inhabitants.

Guaporé has 430 manufacturing industries, of which 123 (28%) belong to the jewellery sector, all affiliated to Sindijóias/RS, generating 3,500 job places and 1,200 indirect ones.

Currently, the industrial production is basically oriented to 18 karat gold, silver and gold-filled and rodium jewels, sold in all regions of Brazil and many other countries, including the United States.

The Importance of the Brazilian Jewellery Sector in the World

According to IBGM – the Brazilian Institute of Gems and Precious Metals, out of the 40 countries that purchase Brazilian articles, the United States come up as one of our main clients. In 2005, Brazil has exported US$ 834 million, including products from the entire productive chain, comprising jewels products, lapidated and non-lapidated stones, filled-jewel-pieces and bijouterie. Almost 20% of these total are exported through the GSP.

Besides the Fair in Las Vegas, Brazil also participates with national pavilions in the following World Exhibitions: BaselWorld (Switzerland), Tucson (USA), JIS Winter Miami Show (USA), JA New York Winter Show (USA), Tucson Show (USA), JA New York Summer Show (USA), More (Italy), Bisutex (Spain), Eclat de Mode (France), September Hong Kong Fair, JIS Oct Miami, JA New York Delivery Show (USA) and Jewellery Arabia.

The HTSUS codes used by the Brazilian jewellery sector are related to Chaprter 71, more specifically as follows:

HTSUS	Description	MFN tariff
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 strung), mtd. or set	10,5%
71131110	Silver rope, curb, etc. in continuous lengths, whether or not plated/clad with other precious metal, suitable for jewelry manufacture	6,3%
71132010	Base metal clad w/precious metal, rope, curb & like articles in continuous lengths, suitable for use in jewelry manufacture	7,0%
71132021	Base metal clad w/gold rope necklaces and neck chains	5,8%
71132025	Base metal clad w/gold mixed link necklaces and neck chains	5,8%
71132029	Base metal clad w/gold necklaces and neck chains, nesoi	5,2%
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%
71171915	Rope, curb, cable, chain, etc., of base metal (whether or n/plated w/prec. metal), val. n/over 33 cents/meter for jewelry mfr.	8,0%
71171920	Rope, curb, cable, chain, etc., of base metal (whether or n/plated w/prec. metal), val. o/33 cents/meter, for jewelry mfr.	11,0%
71171930	Religious articles of a devotional character, design. to be carried on the person, of base metal (whether or not plated with precious metal)	3,9%
71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi	11,0%

Impacts for the Sector

The withdrawal of the segment from the GSP, according to our estimates, will provoke a reduction of US$ 16 million to the Brazilian exports, a very high amount for the sector, specially for the local productive regions, even though this amount is proportionally not as relevant for the United States.

At the same time, it is also expected a reduction of about 750 jobs, which will affect very strongly the economy of the productive regions.

In addition, the withdrawal of the products of the sector from the GSP list will not benefit the *least developed countries*, once the substitute countries will be developed nations or countries under development like China, for example.

It is important to mention that the reduction in exports, originated from the withdrawal of Brazil and the jewels products from the GSP, can have an important impact, once the economy of the region depends upon the production of jewels.

Conclusion

Therefore, the SINDIJÓIAS/RS understand that it is of an extreme importance for the Brazilian Foreign Trade Balance to maintain Brazil in the GSP and the products previously mentioned. At the same manner, the maintenance of Brazil, with the renewed GSP, will keep the import prices for the American companies reduced, bringing benefits for both countries.

Guaporé/RS - Brazil, September, 2006.

Heitor Girelli
President of Sindijóias/RS- Brazil

SINDIPEÇAS

ABIPEÇAS

September 05, 2006.
Ref: 844/06

Marideth J. Sandler
Executive Director for the GSP Program
Chairman, GSP Subcommittee
Of Trade Policy Staff Committee
United States Trade Representative
Fr0052@ustr.eop.gov

Dear Ms. Sandler,

On behalf of Sindipeças, 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.

This document is submitted in response to the "Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments" published in the Federal Register / Vol. 71, No. 152 / Tuesday, August 8, 2006, pages 45079 and 45080.

Sindipeças 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 companies can continue to export their 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 customers in the United States as they import products duty free thereby lowering the cost of the products they sell to American consumers.

Sincerely,

Paulo Roberto Rodrigues Butori
President
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I. Characteristics of Brazil:

Brazil is a developing country. The Brazilian per capita income is about US$ 3 thousand, which classifies it as a lower-middle-income country. According to World Bank data, 22% of the Brazilian population lives below the poverty line.

Being a developing country, Brazil is subject to consequences of oscillations in the international economy. These challenges end up reflecting in the economic, currency and interest situations in the country, which can be regarded as the main adverse factor for domestic industry at present time, especially for those companies that operate in the international market. Add to the above-mentioned situation, raising cost of inputs (many materials are quoted on the LME – London Metal Exchange), labor and energy accentuate even more the difficulty in negotiating price adjustments on the international market.

II. Brazil and the United States trade relations:

Total exports from Brazil to the USA amounted to US$ 22.5 billion, in 2005. From this amount about US$ 3.6 billion were transacted under the GSP. Brazil is the third largest beneficiary of USA GSP, behind only India and Angola.

The United States is Brazil's main individual supplier. Brazilian imports originated in the USA were US$ 12.9 billion, in 2005.

III. The GSP importance for the Autoparts sector.

The GSP is a well-established program, created in 1974, focusing on the development advancement of less favored countries. As a unilateral mechanism, the GSP allows the USA to grant tariff exemptions on 3,350 Brazilian tariff items that are eligible for this duty-free treatment. As a result, US companies saved over US$ 128 million, the amount that would have been disbursed if Brazil had not been included in the GSP.

Brazil as a beneficiary of the system throughout these years has provided a strong bond between the automotive industries in the USA and Brazil.

The automotive sector is the largest user of the benefits conferred by the GSP. The autoparts items beneficiated by SGP can be noted in the attached spreadsheet.

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IV. Sindipeças and the Autoparts industry in Brazil.

Sindipeças is the Brazilian Association of Autoparts Manufacturers. We bring together approximately 500 members. They supply about 95% of parts and components to the Brazilian Assembly industry.

As an association, it congregates large, medium and small companies of different turnover and technology levels, as shown in the table below.

Distribution of companies by sales 2004

Total sales nominal (in US$ million)	2004		
	Number of companies	% share in company number	% share in autoparts sales
to US$ 3.000	77	17,3	0,6
from US$ 3.001 to US$ 5.000	54	12,1	1,1
from US$ 5.001 to US$ 10.000	73	16,4	2,9
from US$ 10.001 to US$ 21.000	88	19,7	7,0
from US$ 21.001 to US$ 50.000	68	15,2	11,7
from US$ 50.001 to US$ 100.000	43	9,6	15,7
from US$ 100.001 to US$ 150.000	16	3,6	11,0
from US$ 150.001 onward	27	6,1	50,1
Total	446	100,0	100,0

Source:446 members in 2004.

Autoparts sector total sales in 2005 reached approximately US$ 24.2 billion. Nearly 60% of the production of autoparts is destined to OEM (Original Equipment Material) market; 21% is addressed to exports; 12% to local aftermarket; and 7% traded intra-sector (between the autoparts industry sectors).

The sector employed 196.5 thousand employees in 2005. It is estimated that in 2006 this number should increase by 4.6%.

In 2005, exports reached US$ 7.5 billion and the imports US$ 6.7 billion, generating a surplus of US$ 832 million. This year there were US$ 1.4 billion of investments, representing 5.8% of total turnover.

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The table below shows the evolution of the autoparts industry in Brazil.

	1976	1985	1995	2000	2001	2002	2003	2004	2005
Total sales									
Value in currency	34	34.327	15.191	24.339	27.988	33.176	40.938	54.254	58.800 *
Value in dolares (US$ million)	3.178	5.541	16.584	13.309	11.903	11.309	13.330	18.549	24.200 *
Percentage distribution per destination									
Assemblers OEM's	NA	60,3	59,5	56,8	57,8	54,9	55,6	58,5	60,0 *
Aftermarket	NA	22,5	19,8	17,5	17,3	15,5	14,3	13,4	12,0 *
Exports	NA	12,7	15,0	20,0	18,8	23,1	23,5	20,9	21,0 *
Intersectorial	NA	4,5	5,7	5,7	6,1	6,5	6,6	7,2	7,0 *
Total	NA	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Trade balance (US$ million FOB)									
Exports (direct and indirect)	286,8	1.396,6	3.262,1	3.823,5	3.674,3	3.891,0	4.791,8	6.057,3	7.486,2 *
Imports	NA	NA	2.789,4	4.236,5	4.206,0	3.986,0	4.329,6	5.595,5	6.654,4 *
Balance	NA	NA	472,7	(412,9)	(531,8)	(95,0)	462,2	461,8	831,8 *
Investments (US$ million) (3)	**291**	**254**	**1.247,0**	**1.100,0**	**798,2**	**260,0**	**532,0**	**843,0**	**1.400,0** *
Share of investments on sale results (%)	**9,2**	**4,6**	**7,5**	**8,3**	**6,7**	**2,3**	**4,0**	**4,5**	**5,8** *
Employees (thousand employees) (4)									
Hourly workers	175,7	203,2	160,2	122,4	124,6	122,7	122,9	134,6	141,5
Monthly workers	50,0	57,6	54,0	47,6	45,4	45,3	47,8	52,4	55,0
Total	**225,7**	**260,8**	**214,2**	**170,0**	**170,0**	**168,0**	**170,7**	**187,0**	**196,5**
Idle capacity (%)	NA	19,8	**20,0**	**25,0**	**26,0**	**26,0**	**26,0**	**15,0**	**13,0** *
Electric energy consumption (billion KWh)	**2,1**	**3,3**	**3,7**	**4,2**	**4,0**	**4,3**	**4,5**	**5,2**	**5,5**

Source:Sindipeças and MDIC - Secex/Depla/Gerest (www.mdic.gov.br)

(*) Preliminary data / NA = Not Available

Notes:

1. Total sales including ICMS (Tax on Circulation of Goods and Services), excluding IPI (Industrialized Products Tax)
2. Cr$ billion from 1976 to 1985, Cz$ billion from 1986 to 1988; NCz$ billion in 1989; Cr$ billion from 1990 to 1992; CR$ billion for 1993; R$ million from 1994 to 2005.
3. Converted at the average exchange rate.
4. Annual report.

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Autoparts in Brazil is produced in several states. The state of Sao Paulo represents approximately 70% of total turnover, employing 68.9% of labor in the sector. It is followed by Minas Gerais, Paraná, Rio Grande do Sul and Santa Catarina states.

Production also is located in socially and economically less developed states such as Bahia, Pernambuco and Ceará. Around 4% of autoparts factories are installed in these three states, with 4% of the sector's employment. In these states the *per capita* GDP is below US$ 3 thousand, and Ceará only reaches US$ 1.6 thousand.

Estate	% Sales	% employees	% companies
São Paulo	70,10	68,90	71,30
Minas Gerais	9,90	11,20	9,70
Paraná	7,70	5,30	5,30
Rio Grande do Sul	4,00	4,00	5,10
Santa Catarina	3,60	5,70	2,90
Bahia	2,10	1,30	2,60
Rio de Janeiro	1,10	1,00	1,70
Pernambuco	0,80	1,40	0,60
Amazonas	0,60	1,00	0,60
Ceará	0,10	0,20	0,20
Total	100,00	100,00	100,00

Global automotive industry relay upon corporate strategies. Over the years, the automobile and autoparts manufacturers have redefined their global activities, identifying the attractive markets for vehicles and autoparts production. Consequently, entire production lines of particular vehicles have been shifted to a specific market, locating the entire production of the item in that country.

The automotive industry means long-term projects, beginning with the vehicle conception, moving through the parts and systems technological development, until the vehicle assembling. These stages may take 2 to 3 years as an average. Investments recovery also requires long-term. Therefore, autoparts production generally accompanies the assembling process, following the vehicle's lifetime, which averages 9 years, both in Brazil and the United States.

For that reason, there are several autoparts production lines in Brazil, serving exclusively the North-American OEM and aftermarket.

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Any amendment to Brazil's GSP eligibility could impact the stability of this process. The disruption of projects in progress, presently at different stages, would lead us to the obsolescence, bringing a threat of not being able to supply parts required for the North-American projects, within the near future.

To meet demands of the global automotive market, Brazilian autoparts manufacturers obey with the intellectual property of the projects and industrial property of the production line, complying with the necessary technological and quality requirements in order to service demand in the American automotive industry.

The following table shows the number of companies certified in quality and technology systems demanded by the automotive industry.

Number of companies certified or in process of certification - 2005

Number of companies

System	In process	%	Certifications	%
AVSQ	0	**0,0**	3	**0,4**
BS 8800/OHSAS 18001	8	**5,4**	18	**2,7**
EAQF	0	**0,0**	8	**1,2**
ISO 14001	50	**33,8**	141	**21,0**
ISO 9001:2000	25	**16,9**	176	**26,2**
ISO TS 16949:2002	59	**39,9**	244	**36,3**
QS 9000	2	**1,4**	71	**10,6**
SA 8000	1	**0,7**	4	**0,6**
VDA 6.1	3	**2,0**	7	**1,0**
Total	**148**	**100,0**	**672**	**100,0**

Source: 478 members.

Notes:

1. The number of QS 9000, VDA 6, EAQF, and AVSQ certified companies refers to members which are only certified in those systems and have not yet been issued with the ISO TS 16949 certificate. The QS 9000, VDA 6, EAQF, AVSQ certified companies, which already have the ISO TS 16949 certification, are regarded as ISO TS 16949 only.
2. The data above refer to the number of industry certifications, not to the number of members.

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V. Brazil and the United States Trade relations: Autoparts sector.

The United States has long been the principal export destination for Brazilian autoparts. The growth in exports to the USA is significant. In ten years, exports amount have grown more than 77%, moving from US$ 1.3 billion in 1995 to more than US$ 2.3 billion, or 30% of total exports, in 2005.

Between January and July 2006, Brazilian autoparts exports to the USA totaled US$ 1.5 billion, continuing to represent 30% of total sector exports.

The global automotive component market today is so competitive that the price advantage granted by the GSP results in advantage for North-American customers, through cost reduction, comparing to purchases from other countries not benefit by the system. In the attached spreadsheet it is possible to identify import tariffs that would be charged in the event of autoparts items not being beneficiaries of the GSP.

On the other hand, Brazilian autoparts imports from the United States totaled US$ 975 million, representing 14% of total imports in 2005.

Between January and July 2006, the volume of imports from the USA reached US$ 580 million, representing 14% of the total in the period.

VI. Trade with the Americas.

Brazilian autoparts foreign trade is concentrated in the Americas. In 2005, more than 66% of our exports were destined to the American continent.

Region	2005	%
North America	3.028.609.645	40,46
South America	1.866.565.535	24,93
Central America & Caribe	60.575.823	0,81
Europe	1.728.278.811	23,09
Asia & Oceania	508.750.074	6,80
Africa	293.437.855	3,92
Total	7.486.217.743	100,00

Sindipeças, as a representative of a significant industrial sector, believes that trade agreements among the Americas, particularly the FTAA (Free Trade Area of the Americas), would provide commercial development and regional industrial integration.

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VII. North-American Investment in the Brazilian autoparts industry.

The Brazilian autoparts industry has gone through a process of internationalization of capital, following trends in the global automotive industry. In 1994, around 48% of capital invested in the sector was of overseas origin. In 2005, the proportion of foreign capital has risen, reaching 77% of the total capital in the sector.

American companies have invested intensively in production lines located in Brazil. The technological status reached by direct American investment in the country has provided to Brazilian autoparts companies international competitiveness capacity, which is evidenced by the growing volume of autoparts exports from Brazil to the USA.

Out of Sindipeças member companies holding foreign capital, around 25% have North-American capital (either in minority, mixed or majority holdings). ***

At present, the member companies holding American capital are:

- Affinia Automotiva Ltda.
- Alliedsignal Automotive Ltda.
- Associated Spring do Brasil Ltda.
- Autocam do Brasil Usinagem Ltda.
- Autotex Indústria e Comércio Têxtil Ltda.
- BorgWarner Brasil Ltda.
- Casco do Brasil Ltda.
- Caterpillar Brasil Ltda.
- Cooper Standard Automotive Brasil Sealing Ltda.
- Cummins Brasil Ltda.
- Dana Albarus Indústria e Comércio de Autopeças Ltda.
- Dana Indústrias Ltda.
- Dayco Power Transmission Ltda
- Delphi Automotive Systems do Brasil Ltda.
- Delphi Diesel Systems do Brasil Ltda.
- Eaton Ltda.
- Echlin do Brasil Indústria e Comércio Ltda.
- ECS do Brasil Metalúrgica e Participações Ltda.
- Enertec do Brasil Ltda.
- Engelhard do Brasil Indústria e Comércio Ltda.
- Federal-Mogul do Brasil Ltda.
- Federal-Mogul Electrical do Brasil Ltda.

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- Fleetguard Nelson Brasil Ltda.
- Freudenberg-Nok Componentes Brasil Ltda.
- Gates do Brasil Indústria e Comércio Ltda.
- General Motors do Brasil Ltda.
- GGB Brasil Indústria De Mancais E Componentes Ltda.
- Ideal Standard Wabco Trane Indústria e Comércio Ltda.
- International Engines South América Ltda.
- ITW Delfast do Brasil Ltda.
- Jurubatech Tecnologia Automotiva Ltda.
- Kongsberg Automotive Ltda.
- Lear do Brasil Indústria e Comércio de Interiores Automotivos Ltda.
- Metalac SPS Indústria e Comércio Ltda.
- Molex Brasil Ltda.
- Parker Hannifin Indústria e Comércio Ltda. - Div. Filtros
- Plascar Indústria de Componentes Plásticos Ltda.
- PST Indústria Eletrônica da Amazônia Ltda.
- Radiadores Visconde Ltda.
- Remy Automotive Brasil Ltda.
- Schrader Bridgeport Brasil Ltda.
- Senior do Brasil Ltda
- Sensata Technologies Sensores e Controles do Brasil Ltda.
- SM Sistemas Modulares Ltda.
- SMB Automotive Ltda.
- Takata-Petri S/A
- Teksid Alumínio do Brasil Ltda.
- Teleflex Componentes Automotivos Brasil Ltda.
- Tenneco Automotive Brasil Ltda.
- Textron Fastening Systems do Brasil S/A
- TI Brasil Indústria e Comércio Ltda. - Divisão Bundy
- Timken do Brasil Comércio e Indústria Ltda.
- Transtechnology Brasil Indústria e Comércio Ltda.
- Tritec Motors Ltda.
- TRW Automotive Ltda.
- TS-Tech do Brasil Ltda.
- Tyco Electronics Brasil Ltda.
- Ventrabras Metalúrgica Ltda.
- Visteon Sistemas Automotivos Ltda.
- ZF do Brasil Ltda.
- ZF do Brasil Ltda. - Divisão ZF Sachs

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VIII. Threat of transference of North-American investment.

North-American companies have carried out long-term strategic studies to evaluate the feasibility of business with Brazil. The benefits generated by GSP were a relevant factor to the analysis conclusion, while in the global market of such frenetic competition, the costs saving is a decisive factor to remain competitive in this market.

The exclusion of Brazil as a GSP beneficiary country could lead to the transference of North-American investment to other apparently more attractive markets, such as China and India, for example.

The automotive industry is one of the Brazilian most traditional industries, being established in Brazil for more than 50 years. Know-how, engineering solutions, and new technologies development are characteristics of our autoparts industry, which distinguish it from other countries. Brazilian companies are result oriented and committed to attend their customers, offering credibility, responsibility and guarantee of quality production.

In addition, supplying of raw materials and other production inputs (iron, steel, oil products, etc), due to production and transformation capacity, generate privileged conditions to attend local autoparts manufacturers needs.

China and India are still in lower stages of technological development comparing to Brazil. Despite having the advantage of lower labor costs, they are in disadvantage regarding to production resources and scarce raw materials.

The transference of North-American investment to less qualified countries could guide the American companies to a risk of non-supplying of parts and components and no guarantee of quality products, threatening the North-American automotive industry and consequently the quality of products and services offered to the US public.

IX. Conclusion: Losses in autoparts with sector's exclusion from the GSP

The possible exclusion of Brazil from the GSP, added to the present economic situation in Brazil, its "vulnerability" due to oscillations in the international economy, may cause the Brazilian autoparts sector less favorable competitive conditions in the North-American market.

The GSP benefits the Brazilian autoparts industry, once it provides to different companies, with different levels of technology and located in diverse geographic regions with distinct

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social and economic development, the opportunity to offer their products and to access the US market.

Also considering that:

- Brazil and the United States trade relations have been growing over the years and the United States is the main destination for Brazilian autoparts exports;

- **

- As North-American investment in the Brazilian autoparts industry is the result of corporate strategies, there are exclusive autoparts production lines in Brazil that supply the United States industries;

- The interruption of projects in progress, at different stages, would lead to the obsolescence and the threat of not being able to supply the necessary parts for North-American projects.

It is possible to conclude that the exclusion of Brazilian autoparts sector from the GSP may produce a significant impact on the domestic autoparts industry.

As above explained, we would request that the GSP Subcommittee of Trade Policy Staff Committee considers Sindipeças petition to keep Brazilian autoparts sector as beneficiary of the GSP.

Appendix:

Spreadsheet – List of GSP eligible autoparts and their import tariffs into the USA.

"eligible
autoparts_gsp usa.xl

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DOCUMENT of SINDIPEDRAS to USTR

SINDIPEDRAS – the Patronal Union of Jewellery, Mining, Lapidation, and Industrialization of Precious Stones performs its activities under the scope of the State of Rio Grande do Sul – Brazil and represents about 70 companies of the sector. All of these companies have a strong experience in exports and belong to the main productive regions of our most important minerals, such as: agate and amethyst, benefiting around 2,000 direct jobs and 4,500 indirect ones.

The main objective of our request is to maintain Brazil in the list of the products of the GSP with the United States, with regard to the following HTSUS codes: 71031040, 71039950, 71162005, 71162015, 71162030, 71162035, 71162040, 44219030, and 44219097. The products related to these codes comprise the source of our economy.

Importance of the GSP for the sector:

The exclusion of our products from the GSP list will reduce dramatically the exports to the USA - about 20% per year.

There is a large probability of a 20% increase of the total annual sales to the USA. The GSP is a great opportunity to gain competitiveness, promoting investment and progress for the region, helping it to face current globalization challenges and to insert itself in the global economy.

Impact on the sector:

Remaining in the GSP, we hope to have a significant increment in production, originated from a higher demand by importers, once they will also be benefited from this incentive, and, consequently, we will have a positive response regarding social inclusion, where new job posts will be generated. Investments are awaiting the results of this demand, in search of an alternative solution towards product diversification.

We understand that the sector must remain with the benefit of the GSP, in order that other countries that compete directly with Brazil don’t be benefited, especially countries like Thailand, India, China and Hong Kong.

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 Solutia 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.

Solutia Brasil Ltda.corporation exports US$3,700,000 per year to the United States duty free under the GSP program. We have been exporting our product "Polivinyl Butyral Films" (Saflex and Vanceva) to our head office Solutia Inc. The product is sent with the purpose of resale to the glass lamination industry, and the final application of the laminated glass is windshields for the automotive industry. For reference, Solutia Group has more than 6,000 employees all over the world.

Solutia 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,

Leny Kazue Watanabe Nakamura
Customer Service, Foreign Trade & Purchasing Lead
Solutia Brasil Ltda.
lknaka@solutia.com

SPRINGS GLOBAL

Crandall C. Bowles
Chairman and Chief Executive Officer

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September 5, 2006

Marideth J. Sandler, Chairman, GSP Subcommittee
Office of the United States Trade Representative
USTR Annex, Room F—220
1724 F. Street, NW
Washington, DC 20508

via email: fr0052@ustr.eop.gov

Dear Chairman Sandler:

As Chairman and CEO of Springs Global US, the North American unit of Springs Global Participações S.A., the world's largest textile home furnishings company, I am writing to express my strong support for renewal of the Generalized System of Preferences, and, particularly, for maintaining the eligibility status of Argentina and Brazil as beneficiary countries.

Springs Global employs about 19,000 people worldwide and operates 28 plants, which are evenly divided between North and South America. Most of our North American operations are in the southeastern United States, while our South American facilities are primarily in the less developed areas of Brazil. Our employees and facilities produce a variety of home textiles, including sheets, towels, comforters, rugs and other products that are sold mostly to leading North American retailers.

A large percentage of our global towel capacity is based in our finishing and distribution facility in Griffin, Georgia, where we employ about 550 people. Although we have suffered significant employment declines in the United States in the past few years because of global competition, we believe the jobs of our remaining 550 towel employees in Georgia are secure, provided the Administration does not restrict eligibility status of Argentina and Brazil and Congress renews GSP.

While it may be unusual for a textile product to be included in GSP, we received a ruling that allows us to bring unfinished towel fabric from our South American operations into our Griffin facility, where we bleach, dye, sew and distribute the finished towels to retail customers. Because of global competitive conditions in our industry, earlier this year we announced we would no longer be able to weave towel fabric in the United States and would instead transition all of our weaving to South America, while maintaining some of our global finishing capacity in Griffin, Georgia. A critical assumption in this decision was that we would not lose the duty-free benefit under GSP of bringing our unfinished towel fabric into Griffin.

If we were to lose this benefit, I feel certain the added cost of duty on our imports of towel fabric would seriously harm our competitive position and likely lead to the loss of more American textile jobs.

I respectfully request the committee maintain the eligibility status of Argentina and Brazil as beneficiary countries, and that the Administration work with leaders in Congress to renew GSP.

Sincerely,

Crandall C. Bowles

FEDERAÇÃO DAS INDÚSTRIAS DO ESTADO DO CEARÁ
INTERNATIONAL BUSINESS CENTER
Av. Barão de Studart, 1980 – 2nd floor – Aldeota
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Fortaleza, September 4th, 2006

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

Dear Sirs,

The Federation of Industries of the State of Ceará is the institution that represents the industrial sector of one of the main states of the Northeast Region of Brazil. Created in 1950, FIEC is a permanent forum for debate and action in favor of the sustainable development of the state of Ceará. The Federation currently gathers 38 sectorial associations representing 10.500 industries and participates actively in the economic growth, expansion and modernization process of the industry of Ceará, assuming institutional and political representation among diversified sectors. It also stimulates the implementation of actions that support the industries through consulting services in the fields of technology, entrepreneurial strategies, economical studies and researches, and qualification of the entrepreneurs and their employees.

The State of Ceará is known for its recent internationalization process. The State's export numbers have jumped from US$ 274 million, in 1993, up to US$ 930 million, in 2005. Although this increase is relatively significant, the participation of Ceará in the Brazilian trade balance represents only one per cent. This clearly demonstrates an existing potential for growth and development.

The United States of America is the most important trade partner of Ceará. More than 30% of all exported products of the State, such as cashew nuts, footwear, fruit juices, granite stones, among others, are destined to the US. Most of these products are contemplated in the Generalized System of Preferences (GSP) which has been benefiting not only big sized companies, but mainly small and medium enterprises that represent approximately 65% of all export companies of Ceará. It is also important to mention that the Northeast Region has the smallest income in Brazil and is the most beneficiary through the SGP in exports to the United States.

FIEC is widely concerned about the current revision of the Generalized System of Preferences (GSP) of the United States, once a possible exclusion of Brazil will certainly impact in Ceará's local economy and its social development, as GSP is already consolidated as one of the ways to compete fairly in the global market.

FEDERAÇÃO DAS INDÚSTRIAS DO ESTADO DO CEARÁ
INTERNATIONAL BUSINESS CENTER
Av. Barão de Studart, 1980 – 2nd floor – Aldeota
60.120-901 Fortaleza, CE - Brazil

The Federation of Industries of the State of Ceará and the industries represented by this institution urge the US Administration to maintain Brazil as a beneficiary of the system.

Faithfully yours,

Eduardo de Castro Bezerra Neto
C.E.O.

TAKATA

TAKATA-PETRI S.A.
ROD. D. GABRIEL PAULINO
BUENO COUTO, KM 66
JUNDIAÍ, SP, BRASIL
CEP 13212-240
TEL 55 11 45853700

SEPTEMBER 04, 2006

BUSINESS CONFIDENTIAL

REF.: 2006 SGP ELIGIBILITY AND CNL WAIVERS REVIEW

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 TAKATA-PETRI 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.

During the year 2005, TAKATA-PETRI S/A exported steering wheel and armatures in the total amount of US$ 9.420.330 to the United States duty free under the GSP program.

TAKATA-PETRI S/A produces seat belt systems, airbag modules, steering wheels and webbing with sales to USA, Africa, Mexico and South America. Our main customers are Ford, Nissan, GM and Toyota. TAKATA-PETRI S/A has approximately 1050 employees in Brazil.

TAKATA-PETRI 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,

Vinicius Specht
Purchasing Manager
TAKATA PETRI S/A
vinicius.specht@takata.com.br

HOWREY LLP

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

Juliana M. Cofrancesco

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

September 5, 2006

VIA EMAIL (FR0052@USTR.EOP.GOV

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

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

Dear Ms. Sandler:

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

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

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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

EDMUND MACIOROWSKI
ATTORNEYS AND COUNSELORS AT LAW
PROFESSIONAL CORPORATION
33 BLOOMFIELD HILLS PARKWAY, SUITE 250
BLOOMFIELD HILLS, MICHIGAN 48304
TEL. (248) 646-6771 TELEFAX (248) 646-6928

September 5, 2006

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

Attn: Marideth J. Sandler, Executive Chairman

Re: Tower Automotive Products Company, Inc., 2006 GSP Eligibility and CNL Wavier Review

Dear Ms. Chandler:

In accordance with the concepts of the generalized system of preference trade program of the United States as codified in Section 502 and 503 of the Trade Act of 1974, (§ 19 USC 2461 *et. seq.*), please consider these comments on behalf of our client, Tower Automotive Products Company, Inc. [hereinafter Tower]. Tower hereby submits these comments in support of renewal of the GSP program and specifically, the renewal of Brazil as a GSP eligible county under the act. The comments herein are submitted in accordance with the submission guidelines defined in Federal Register Notice, Generalized System of Preferences (GSP) Initiation of Reviews and Request for Public Comments, 71 Fed. Reg. 152, 45079-45080 (August 8, 2006).

PUBLIC VERSION

Comments of The Home Depot to the GSP Subcommittee of the Trade Policy Staff Committee re: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

September 26, 2006

Submitted by:

The Home Depot
2455 Paces Ferry Road
Atlanta, GA 30339
Contact: Kerry Shultz
Tel. 770/433-8211, ext. 83951
Fax. 770/384-3037

Comments of The Home Depot to the GSP Subcommittee of the Trade Policy Staff Committee re: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

September 26, 2006

These comments are submitted by The Home Depot in accordance with the *Federal Register* announcement of August 8, 2006 (Volume 71, Number 152) by the GSP Subcommittee of the Trade Policy Staff Committee (TPSC) regarding the Generalized System of Preferences (GSP): Initiation of Reviews and Request for Public Comments.

In 2005, Home Depot imported from [***]

Home Depot's imports from GSP beneficiary countries in 2005 included:

[***]

The specific products by GSP beneficiary country of origin are as follows:

[***]

[***]

[***]

[***]

About The Home Depot

At the end of the first quarter, The Home Depot operated a total of 2,051 retail stores, which included The Home Depot stores with 1,807 stores in the United States (including the Commonwealth of Puerto Rico and the territory of the U.S. Virgin Islands), 141 stores in Canada, and 56 stores in Mexico. The company also operates 34 EXPO Design Centers, 11 The Home Depot Landscape Supply stores, and two The Home Depot Floor Stores. Through its Home Depot Supply℠ businesses, The Home Depot is also one of the largest diversified wholesale distributors in the United States, with more than 900 locations, including 10 Contractors' Warehouse locations, in the United States and Canada offering products and services for building, improving and maintaining homes, businesses and municipal infrastructures.

The Company employs approximately 355,000 associates and has been recognized by FORTUNE magazine as the No. 1 Most Admired Specialty Retailer and the No. 13 Most Admired Corporation in America for 2006. The Home Depot's stock is traded on the New York Stock Exchange (NYSE: HD) and is included in the Dow Jones industrial average and Standard & Poor's 500 index.

[***].

The subject notice initiates further review of certain country eligibility for GSP by requesting comment to determine whether certain eligible GSP Beneficiary Developing Countries (BDC's) should be limited, suspended, or withdrawn, pursuant to section 502(d) of the Trade Act of 1974 (19 USC 2462(d). The Trade Policy Staff Committee (TPSC) have requested comments as further review as to 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. Brazil is one of several counties identified in the Federal Register notice as being subject to this review.

Tower strongly supports the timely renewal of GSP and the continued GSP eligibility for Brazil. The negative economic impact of either a retroactive renewal of GSP or the removal of Brazil as a GSP eligible country would extend beyond the adverse effect on Tower's operations in Brazil and the United States themselves. The negative impact of these actions would ultimately impact U.S. consumers in the United States.

By way of background, Tower is a global supplier of automotive components, including vehicle structures, assemblies, and a variety of automotive technology solutions relating primarily to the stamping industry. Since 1993 the corporation has established its position as a preeminent first tier supplier through a series of significant acquisitions and mergers, including their Brazilian facilities in Sao Paulo and Minas Gerais. With annual sales exceeding 2.5 billion dollars annually, it should be noted that Tower is engaged in importing articles such as its tooling and automotive body stamping parts used in its U.S. production operations from these Brazilian facilities.

Tower has current orders with the Sao Paulo facility for metal working die sets. The dies are classifiable under HTS 8207.30.6032. These articles, manufactured in accordance with GSP guidelines in Brazil, are currently afforded duty free status as GSP eligible articles. It also imports automotive body stampings under HTS 8708.29.50, duty free under GSP.

Tower is compelled to comment that the current duty-free treatment accorded to eligible articles from Brazil under GSP be renewed in its entirety. In particular Tower supports the full renewal of GSP benefits for its Brazilian made dies under HTS 8207.30.60 and automotive body stampings 8708.29.50. These are key articles the corporation imports from its Brazilian facilities and thus, renewed GSP eligibility for these articles represents a competitive benefit to Tower both in Brazil and the United States. The removal of Brazil from GSP would have significant negative economic impact on Towers' operations, both in Brazil and in the United States. That negative economic impact to the corporation would naturally translate to negative economic impact on the economies of both countries through effects on labor and consumer costs.

Additionally, any delay in renewal past the December 31, 2006 expiration will have negative economic impact due to carrying costs of outlays of substantial duty amounts pending retroactive refund filing with customs, as well as the burdensome costs associated with the recovery of duties resulting from retroactive GSP renewal.

Tower is of the view that Brazil's GSP eligibility should not hinge upon the fact that it is a larger developing country, and thus may realize increased benefit from GSP by virtue of its success in developing its exports through the trade preference program that was designed to foster just such development.

In its review guidelines as published in the U.S. Generalized System of Preferences Guidebook, January 2006, at page 12 with respect to graduation of a beneficiary country from GSP, a key factor in the normal review process is "the overall economic interests of the United States, including the effect continued GSP treatment would have on the relevant U.S. producers, workers and consumers."

Tower strongly supports the timely renewal of GSP and likewise the renewal of GSP status for Brazil in anticipation of negative economic impact on both Tower's operations in the United States and also to Tower, Brazil. As an original equipment automotive supplier, Towers' cost increases due to non renewal of GSP would not only impact their own operations through higher costs due to duties and fees. The higher costs of sourcing these imported articles from the same location or other non trade preference countries would also amount to increased costs to the automotive manufacturers themselves, and ultimately would impact the end consumer in the United States through the increased costs of automobile purchases.

Moreover, it is arguable that eliminating GSP eligibility from an existing major beneficiary would actually shift production to lesser developed beneficiaries. This logic appears to leap to a conclusion that is unsupported by any empirical evidence. Tower is of the view that in its own scenario, it would not be in a position to shift all of its established resources to a lesser developed country in any type of economically feasible manner. The impact therefore is harmful to the corporation, the economies of either country and to U.S. consumers with no evidence of benefit to any other lesser developed country. Tower asserts that the scope of the GSP program, together with the intent of the program therein applied, is properly invoked to encompass all articles as described made in Brazil.

Accordingly, Tower disagrees with the position, advanced in the Federal Register notice that a change in operation of the GSP program is necessary to equalize the larger beneficiary developing countries. It is equally and readily apparent to Tower that the renewed universal application of GSP to the existing BDC’s in its current state will assist in bringing a level of consistency to an extremely competitive industry through the even handed application of the Customs laws to competing industry segment.

Tower, through its counsel, remains at your disposal to discuss any aspect of this matter that may be of concern.

Respectfully submitted.

/S/

Edmund Maciorowski

ATTORNEY FOR PLAINTIFF

33 Bloomfield Hills Parkway, Suite 250
Bloomfield Hills, MI. 48304
(248)646-6771

Tower Automotive Product Company, Inc.
27175 Haggerty Road
Novi, MI 48377-3626

From: Trablin - Trading [trading@trablin.com.br]
Sent: Tuesday, September 05, 2006 2:38 PM
To: FN-USTR-FR0052
Subject: "2006 GSP Eligibility and CNL Waiver Review"

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

E-mail: FR0052@USTR.EOP.GOV
Subject: **"2006 GSP Eligibility and CNL Waiver Review"**
September, 05th, 2006 - São Paulo - Brazil

Dear Ms. Sandler,

On behalf of Trablin Trading Brasileira de Ligas e Inoculantes S/A, (Producer: *ITALMAGNÉSIO NORDESTE 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 reliable suppliers of eligible duty free products to our customers in the United States.

Trablin Trading Brasileira de Ligas e Inoculantes S/A exports Ferro Zirconium to the United States, duty free, under the GSP Program.

We would like to point out that, our Ferro Zirconium is none-radioactive, which makes it a highly demanded product in the U.S.A..

The application of Ferro Zirconium is as follows:

Ferro Zirconium – HTC Number: 7202.99.10:

Ferro Zirconium is used in steel foundries as well as in continuous and conventional ingot casting in steel mills.

Zirconium is a chemical element with great affinity for Oxygen, Nitrogen and Sulfur. Therefore, different from the most common deoxidizers, Zirconium has multiple effects upon steel properties. For example, Zirconium is used in the manufacture of steel wheels for railcars and edge parts for pay loaders.

In the last five years, our sales of Ferro Zirconium were as follows:

2002: US$ 292,210.00 **2003:** US$ 178,300.00

2004: US$ 477,653.09 **2005:** US$ 587,887.84

2006: US$ 163,995.62

Our customers for Ferro Zirconium are Alloys & Coke, Asi International Inc. and Shieldalloy. All these companies are distributors of raw materials to the foundry and steel industries in the United States.

Trablin Trading Brasileira de Ligas e Inoculantes S/A has 20 employees, and the manufacturer, *ITALMAGNÉSIO NORDESTE S/A*, producer of the above product for export, has approximately 400 employees.

Trablin Trading Brasileira de Ligas e Inoculantes S/A in its capacity, as exclusive Trading Company for *ITALMAGNÉSIO NORDESTE S/A* products, 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 these 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,

Sidenio Costa
Manager Director
Trablin Trading Brasileira de Ligas e Inoculanes S/A
e-mail: trading@trablin.com.br

TRAMONTINA

Tramontina Farroupilha S.A.

Company History

Tramontina is a solid Brazilian group, with ten industrial units; each one dedicated to its own determined speciality.
Ever since Tramontina started operating in the interior region of the State Rio Grande do Sul, Brazil, in a small city called Carlos Barbosa, the company has never been restricted. Today, 95 years after its creation in 1911, Tramontina exports its products to more than 120 countries worldwide. It has over 17.000 items, employs over 5.5 thousand employees, ranging from furniture to pans and even cutlery and tooling, which it manufactures using material such as stainless steel, aluminium, wood and plastic.

Its ten industrial units enable the company to meet both internal and external demands, providing a fast top quality service. Moreover, its expensive logistics are organized to enable a smooth supply to a wide range of markets. Moreover, its 6 Distribution Centers and 4 Regional Offices in Brazil, and its 5 Centers (in the United States of America, Germany, Mexico, Colombia and Chile) and 3 Offices (in France, United Arab Emirates and Peru) abroad form an efficient distribution system.

Tramontina Farroupilha is one of the ten factories of the group and it has three basic lines in stainless steel, cookware, serving dishes and trays and flatware, it has more than 650 employees and an amazing production capacity in a 62,000 m2 facility that makes over 4.5 million items monthly.

The company figures show its rapid growth over almost a century of history. But those figures are not what matters the most. The people are what matter most to Tramontina. To that purpose, Tramontina is increasingly more involved in social issues and has developed community programs wherever it is based. Moreover, it takes measures to preserve the environment through water-treatment, recycling, and reforestation programs. A company committed to quality and social responsibility: that is what characterizes Tramontina.
Our products are approved by the NSF (National Sanitation Foundation).
Tramontina Farroupilha was certified by “DNV” DET NORSKE VERITAS, with NBR ISO 14001:2004.

Tramontina USA, Inc.

Company History

TRAMONTINA

Located in Sugar Land, Texas, just southwest of Houston, Tramontina USA, Inc. was founded in 1986 and is one of the largest corporate affiliates of the Tramontina Group from Brazil. The Tramontina Group is an international consortium founded in 1911 and headquartered in the Rio Grande Do Sul, the southernmost state of Brazil. The group operates 10 automated factories and 12 distribution centers worldwide, and is one of the world's leading manufacturers of household goods, ranging from cookware and cutlery to flatware and kitchen utensils.

Tramontina USA has become the largest channel of distribution for products made by the Tramontina factories in Brazil. The company currently operates out of four facilities, totaling more than 1.4 million square feet of offices, assembling and processing warehouses, and distribution center and providing jobs for more than 400 employees.

Nowadays Tramontina USA is currently supplying the largest retailers like Wal-Mart, Sam´s Club, Costco and others.
The company received the 2004 and 2005 Wal-Mart Suppliers of the Year and the Wal-Mart Supplier of Excellence 4th Quarter 2004 awards at its Houston headquarters.

Products

Tramontina focus on the design and manufacturing of items specifically for the houseware market with a goal of providing the highest quality and value for consumers. The company's product range includes several lines of stainless steel, hard anodized and porcelain enamel cookware, combined with forged and stamped cutlery.

Production in the USA

In 2005, Tramontina USA formed a new company, Tramontina US Cookware Inc., to reopen a manufacturing facility in Manitowoc, Wisconsin. Since July, 2005, the facility has been operational and producing about 12 million units of aluminum nonstick cookware in a variety of exterior finishes, including porcelain enamel, commercial satin finish and colored enamel, for both consumer and commercial food service cooking.

Support

Tramontina's fully integrated operation combines a corporate office, warehousing, distribution, manufacturing and assembling, all within its modern headquarters in Sugar Land, Texas. Additionally, a well equipped engineering department supports new product development and continuously submits designs to the many

Tramontina units abroad, as well as to the Manitowoc production unit. It also includes an in-house advertising and design department fully equipped with the latest generation of design software and computers and a digital photography studio.

The facility also incorporates a professional demonstration kitchen attached to a presentation auditorium which is capable of seating 250 spectators. Other amenities include a large product showroom and a Tramontina Home Store. Tramontina's entire organization is focused on logistics and quick response to the marketplace.

Objective

Keep Brazil and the list of exported products by Tramontina under the U.S. GSP (Generalized System of Preferences) duty-free treatment. Below it follows the list of the Harmonized Codes from Tramontina Farroupilha which are currently being exported to its subsidiary Tramontina USA, Inc.

PRODUCTS	NALADI/SH	NCM
Trays, cookware and mixing bowls	7323.93.10	7323.93.00
Chafing dish	7321.12.00	7321.12.00
Gastronorm line	7310.29.00	7310.29.10
Citrus Squeezer	8205.51.00	8205.51.00

The real importance of the GSP to the household goods segment

To keep supplying the American market, Tramontina USA, Inc. is currently acquiring household goods from several countries, such as: Italy, China and Brazil. These products herewith combined with the supplied items from our own manufacturing plant located in Manitowoc (Wisconsin), are distributed to major retailers like Wal-Mart, Sam´s Club and Costco. This operation ensures the availability of quality products at competitive prices. Both production units Tramontina Farroupilha and Manitowoc complement the entire range of products to be offered to the American market. This way the Brazilian factories contribute decisively to the American market needs, offering a complete mix of products to attend each application.

The exclusion of the Brazilian products from the GSP program would result an increase on its acquisition costs, depressing the level of competitiveness from the same. Consequently the operation between Tramontina Farroupilha and Tramontina USA, Inc. would be affected once Tramontina USA, Inc. buys the related products in bulk for further packaging and assembling of sets as per the American market requirements. Therefore, besides our Brazilian unit, also the American local suppliers of Tramontina USA, Inc. would be affected with a possible decrease on the operation of the listed products.

The maintenance of the GSP program is an issue of great importance for the product acquisitions from Brazil in order to keep the stable costs, and so forth, beneficiate the American suppliers and consumers.

The maintenance of Brazil as well as its products manufactured by Tramontina under the GSP program would justify our investments done until this moment, for the American market. As a result of this, the implantation of a factory in Manitowoc (Wisconsin) was accomplished, employing 120 workers. In addiction, the development of the Tramontina Group in Brazil depends on the sales volume destined to Tramontina USA, Inc. where in the 2005 year overreached more than 600,000 units sold, representing an amount of about US$ 8,000,000.00

Some investments effected at Tramontina Farroupilha in the last years allocated mainly to serve the U.S. market are described below:

- Machinery and equipments acquisition and building of facilities amounting about US$ 6,000,000.00 per year.

- Maintenance of 600 people in employment.

The withdrawal of Brazil as well as the products manufactured by Tramontina Farroupilha from the GSP program will reduce our product competitiveness in the U.S. market if compared with the European and Chinese products. Thereupon, it will be unavoidable the gradually reduction of future investments towards the American market.

Why must this household goods segment remain in the GSP program?

The non maintenance of the products manufactured by Tramontina in Brazil under the GSP program would entail an increase on the sales prices to the final American consumers. This fact would be unprofitable to commit our export operation to the U.S. market.

It is important to mention that nowadays the products manufactured in Brazil suffer an incredible competition from the products manufactured in China, which are currently affecting the company´s competitiveness.

Certainly the withdrawal of the products manufactured in Brazil from the GSP program, will benefit the acquisition of products from countries with no appropriate environment policies, social responsibilities neither investments in the American market as per the Tramontina Group reflects.

Tramontina S.A. Cutelaria

Company History

Tramontina is a solid Brazilian group, with ten industrial units; each one dedicated to its own determined speciality.
Ever since Tramontina started operating in the interior region of the State Rio Grande do Sul, Brazil, in a small city called Carlos Barbosa, the company has never been restricted. Today, 95 years after its creation in 1911, Tramontina exports its products to more than 120 countries worldwide. It has over 17.000 items, employs over 5.5 thousand employees, ranging from furniture to pans and even cutlery and tooling, which it manufactures using material such as stainless steel, aluminium, wood and plastic.

Its ten industrial units enable the company to meet both internal and external demands, providing a fast top quality service. Moreover, its expensive logistics are organized to enable a smooth supply to a wide range of markets. Moreover, its 6 Distribution Centers and 4 Regional Offices in Brazil, and its 5 Centers (in the United States of America, Germany, Mexico, Colombia and Chile) and 3 Offices (in France, United Arab Emirates and Peru) abroad form an efficient distribution system.

Tramontina Cutelaria is the biggest factory of the group, has more than 2000 employees and an amazing production capacity in a 200,000 m2 facility that makes over 30 million items monthly. Tramontina Cutlery produces knives, flatware, kitchen utensils, scissors, utility knives, swiss army, knives, skewers, large knives and a full line on non-stick coated aluminum utensils.

The company figures show its rapid growth over almost a century of history. But those figures are not what matters the most. The people are what matter most to Tramontina. To that purpose, Tramontina is increasingly more involved in social issues and has developed community programs wherever it is based. Moreover, it takes measures to preserve the environment through water-treatment, recycling, and reforestation programs. A company committed to quality and social responsibility: that is what characterizes Tramontina.
Our products are approved by the NSF (National Sanitation Foundation).

Tramontina USA, Inc.

Company History

Located in Sugar Land, Texas, just southwest of Houston, Tramontina USA, Inc. was founded in 1986 and is one of the largest corporate affiliates of the Tramontina

Group from Brazil. The Tramontina Group is an international consortium founded in 1911 and headquartered in the Rio Grande Do Sul, the southernmost state of Brazil. The group operates 10 automated factories and 12 distribution centers worldwide, and is one of the world's leading manufacturers of household goods, ranging from cookware and cutlery to flatware and kitchen utensils.

Tramontina USA has become the largest channel of distribution for products made by the Tramontina factories in Brazil. The company currently operates out of four facilities, totaling more than 1.4 million square feet of offices, assembly and processing warehouses, and distribution center and providing jobs for more then 400 employees.

Products

Tramontina focus on the design and manufacturing of items specifically for the housewares market with a goal of providing the highest quality and value for consumers. The company's product range includes several lines of stainless steel, hard anodized and porcelain enamel cookware, combined with forged and stamped cutlery.

Production in USA

In 2005, Tramontina USA formed a new company, Tramontina US Cookware Inc., to reopen a manufacturing facility in Manitowoc, Wisconsin. Since July, 2005, the facility has been operational and producing about 12 million units of aluminum nonstick cookware in a variety of exterior finishes, including porcelain enamel, commercial satin finish and colored enamel, for both consumer and commercial food service cooking.

Support

Tramontina's fully integrated operation combines a corporate office, warehousing, distribution, manufacturing and assembly, all within its modern headquarters in Sugar Land, Texas. Additionally, a well equipped engineering department supports new product development and continuously submits designs to the many Tramontina units abroad, as well as to the Manitowoc production unit. It also includes an in-house advertising and design department fully equipped with the latest generation of design software and computers and a digital photography studio.

The facility also incorporates a professional demonstration kitchen attached to a presentation auditorium which is capable of seating 250 spectators. Other amenities include a large product showroom and a Tramontina Home Store. Tramontina's entire organization is focused on logistics and quick response to the marketplace.

TRAMONTINA

Objective

Keep Brazil and the list of exported products by Tramontina under the U.S. GSP (Generalized System of Preferences) duty-free treatment. Below it follows the list of the Harmonized Codes from Tramontina Farroupilha which are currently being exported to its subsidiary Tramontina USA, Inc.

PRODUCTS	NALADI/SH	NCM
Non-stick items	7615.19.10	7615.19.00
Utensils	8205.51.00	8205.51.00
Table Knives	8211.91.00	8211.91.00
Cook's knives	8211.92.00	8211.92.10
Mincing knife and spatulas	8214.90.90	8214.90.90
Fork, Spoon e Utensils	8215.99.10	8215.99.10

The real importance of the GSP to the household goods segment

To keep supplying the American market, Tramontina USA, Inc. is currently acquiring household goods from several countries, such as: Italy, China and Brazil. These products herewith combined with the supplied items from our own manufacturing plant located in Manitowoc (Wisconsin), are distributed to major retailers like Wal-Mart, Sam´s Club and Costco. This operation ensures the availability of quality products at competitive prices. Both production units Tramontina Farroupilha and Manitowoc complement the entire range of products to be offered to the American market. This way the Brazilian factories contribute decisively to the American market needs, offering a complete mix of products to attend each application.

The exclusion of the Brazilian products from the GSP program would result an increase on its acquisition costs, depressing the level of competitiveness from the same. Consequently the operation between Tramontina Farroupilha and Tramontina USA, Inc. would be affected once Tramontina USA, Inc. buys the related products in bulk for further packaging and assembling of sets as per the American market requirements. Therefore, besides our Brazilian unit, also the American local suppliers of Tramontina USA, Inc. would be affected with a possible decrease on the operation of the listed products.

The maintenance of the GSP program is an issue of great importance for the product acquisitions from Brazil in order to keep the stable costs, and so forth, beneficiate the American suppliers and consumers.

TRAMONTINA

The maintenance of Brazil as well as its products manufactured by Tramontina under the GSP program would justify our investments done until this moment, for the American market. As a result of this, the implantation of a factory in Manitowoc (Wisconsin) was accomplished, employing 120 workers. In addiction, the development of the Tramontina Group in Brazil depends on the sales volume destined to Tramontina USA, Inc. where in the 2005 year overreached more than 45,000,000 units sold, representing an amount of about US$ 24,000,000.00

Some investments effected at Tramontina Farroupilha in the last years allocated mainly to serve the U.S. market are described below:

- Machinery and equipments acquisition and building of facilities amounting about US$ 10,000,000.00 per year.

- Maintenance of 2,000 people in employment.

The withdrawal of Brazil as well as the products manufactured by Tramontina Farroupilha from the GSP program will reduce our product competitiveness in the U.S. market if compared with the European and Chinese products. Thereupon, it will be unavoidable the gradually reduction of future investments towards the American market.

Why must this household goods segment remain in the GSP program?

The non maintenance of the products manufactured by Tramontina in Brazil under the GSP program would entail an increase on the sales prices to the final American consumers. This fact would be unprofitable to commit our export operation to the U.S. market.

It is important to mention that nowadays the products manufactured in Brazil suffer an incredible competition from the products manufactured in China, which are currently affecting the company´s competitiveness.

Certainly the withdrawal of the products manufactured in Brazil from the GSP program, will benefit the acquisition of products from countries with no appropriate environment policies, social responsibilities neither investments in the American market as per the Tramontina Group reflects.

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

Dear Ms. Sandler,

On behalf of TRW Automotive 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.

TRW Automotive Ltda. appreciates the opportunity to submit these comments to the GSP Subcommittee of the Trade Policy Staff Committee for is 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.

TRW Automotive Ltda., is a Company located in Brazil, part of TRW Automotive Worldwide, with Headquarter in Livonia, MI, manufacturer of Chassis Systems "Active Safety", Automotive Components and Occupant Safety System "Passive Safety", with the highest quality standard.

Our Brazilian branch has 06 Plants and Facilities in different states and cities in Brazil, employing approximately 4,700 direct people and also in charge for thousands indirect employment, making this Company the Leader in the Automotive Safety System market in Brazil.

TRW is recognized in Brazil and Worldwide by its highest quality standard and its Social Policies, regarding the welfare of the Local Community, Employees and the working environment

TRW Brazil, has been operating since January 1945, supplying Chassis Systems "Active Safety", Automotive Components and Occupant Safety System "Passive Safety" to the local automakers and also to the exportation market, with main focus on North American market, (For instance, Ford Motor, General Motors and DaimlerChrysler), where our Headquarter is located.

As an Export Company to the United States, all our product portfolio is eligible for GSP, which benefit granted by US Government has been of extreme importance to maintain our competitiveness, making the North American automotive industry competitive as well.

The GSP is a program that grants preferential duty-free entry for a number of products coming from developing countries. We are concerned about recent reports which indicate that GSP might be allowed to expire in December/ 2006. We strongly urge you to renew it in its entirety before the expiration deadline this year, in the best interest of the Brazilian companies and US clients and final consumers as well.

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 the consumers. The maintenance of Brazil as an eligible country for GSP is extremely important for the commercial relationship among both countries and will result in new and strong business opportunities.

Brazil is the 4th. largest trade partner of the US in Americas with a bilateral trade flow of US$38 billion in 2005. A significant amount from this total refers to the export of GSP eligible products .

One additional data which reinforces our best interest in the maintenance of the GSP to Brazil is that, for calendar year 2007 up to 663,000 jobs will be direct or indirectly related to the production of goods to be exported to the US market. All these products are eligible for GSP.

The Brazilian Companies have been making their Long Range Planning based on the export sales to US counting on the benefits granted by GSP. Since this benefit be allowed to continue to support Brazil, we can continue the production of high quality goods, with lower cost to the North American Consumers

Following this directive, TRW Brazil has allocated 30% of its manpower to support the export Sales to US, which products are eligible for GSP.

Our products are eligible for GSP once they have minimum 35% of local content requested by US GSP Policy. In some cases, we achieve 100% of local content and, therefore, TRW Brazil has been following 100% of the GSP Policy.

To support current and new Programs to the US Automakers, TRW Brazil have applied approx. US$25 Million, which programs will be launched in calendar year 2007. Once the GSP might be allowed to expire in December/2006 and Brazil is not preserved in the program, all these expenses and resources would be unfeasible, resulting losses for Brazil and United States Companies as a whole.

Due to the current economic scenario, which lays waste the worldwide economy, our products have been commercialized with marginal profitability, running in the board line but, on the other hand, TRW Brazil has been honoring the contracts and keep supplying its products to the US Customers. In addition to that, any change on the current terms and conditions for export sales to the US would worsen the conditions with consequent losses to our North America Customers and Stockholders.

TRW Automotive North America, through our Headquarter in Livonia, MI, has been following the GSP rules and has given directives to promote the supply from emerging countries, including Brazil due to the high quality standard and benefits from GSP.

Following same direction, the Big Three (Ford Motor, General Motors and DaimlerChrysler) have been focusing their efforts to promote development and establish partnership with Suppliers from Brazil.

Current sales from TRW Brazil to US achieve US$60 Million/year and it is expected for calendar year 2007 an increment of US$25 Million regarding new launches. The expiration of GSP would jeopardize current and new North American Programs.

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, increasing costs for the US Consumers and reducing our and American Companies competitiveness in this global economy as well. The loss of competitiveness would be beneficial for the Asiatic Automakers in the direct dispute of the North American market.

7 Good Reasons to Keep Brazil In

1) American Consumers and Companies are Benefited : up to 53% of Brazil exports to the US market through the GSP correspond to inter-company trade, increasing the competitiveness of American Companies in world markets. Consumers in the US also benefit from lower prices.

2) Intellectual Property Is Enforced : due to the recent application of IP provision of GSP, Brazilian government and private sector have carried out a series of initiatives to protect IP, which resulte4d in a 53% increase in the apprehension of counterfeit goods in 2002-2005.

3) China Will Benefit : GSP gives Brazil an advantage over China in the US market. In 2005, the US trade deficit with China reached more than $200 Billion. The exclusion of Brazil from the GSP will stimulate even more imports from that country.

4) Poor Countries Will Not Benefit : Brazil and the Least Developed Economies have diverse productive and export profiles. Only Brazil has the manufacturing base that meets the needs of the US Companies which benefit from the system through imports from Brazil.

5) GSP Contributes To Development In Brazil : Up to 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.

6) Fostering Bilateral Trade : Brazil is the 4^{th}. largest trade partner of the US in the Americas, with a bilateral trade flow of $38 billion in 2005. Bilateral trade can be significantly enhanced and the GSP is a key instrument to promote a strong and sustained trade flow between the two partners.

7) A Symbol Of The US – Brazil Partnership : Brazil has a good relationship with the US in the Americas, by virtue of a wide range of common values, such as democracy and the promotion of human rights. The exclusion of Brazil from GSP will empower internal forces against a strong and lasting partnership.

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

Sincerely,

Valmir Lopes Teixeira Martins
Legal Manager
TRW Automotive Ltda.
valmir.martins@trw.com

SUBJECT: 2006 GSP Eligibility and CNL Waiver Review
FROM: Rafael Lourenço, U.S. Chamber of Commerce
TO: USTR GSP Subcommittee

Dear GSP Subcommittee Officer,

Below are the comments on the GSP Program (71 Fed. Reg. 45079) from the U.S. Chamber of Commerce, the Brazil U.S. Business Council, the U.S. India Business Council, the Association of American Chambers of Commerce in Latin America (AACCLA), the American Chamber of Commerce for Brazil-Rio de Janeiro, and the American Chamber of Commerce for Brazil-São Paulo. If further information is needed to conclude the submission process please do not hesitate to contact me; also, if you could confirm the receipt of this submission it would be highly appreciated.

Best,

Rafael Lourenço
Associate Manager, Western Hemisphere Affairs
U.S. Chamber of Commerce
Phone:(202) 463-5427
Fax: (202) 463-3126
rlourenco@uschamber.com

September 5, 2006

GSP Subcommittee
Trade Policy Staff Committee
Office of the United States Trade Representative
USTR Annex
Room F-220
1724 F Street, N.W.
Washington, D.C. 20508

Re: Request for Public Comment on the GSP Program (71 Fed. Reg. 45079)

Dear Members of the Subcommittee:

On behalf of the U.S. Chamber of Commerce, the Association of American Chambers of Commerce in Latin America (AACCLA), the Brazil-U.S. Business Council, the U.S.-India Business Council, the American Chamber of Commerce for Brazil-Rio de Janeiro, and the American Chamber of Commerce for Brazil-São Paulo, we would like to voice our strong support for the continuation of the U.S. Generalized System of Preferences (GSP) program. Responding to some particular issues raised in public discussion of the program's future, we also highlight the importance of maintaining GSP benefits for Brazil and India.

Since the GSP program was instituted in 1976, it has served as a valuable tool to promote economic development in some of the least developed nations around the world. It has created mutually beneficial economic ties with strategically important countries around the world and contributed to the growth of U.S. industry as well as the quality of life of U.S. consumers.

Trade Not Aid

According to the World Bank, trade is way of promoting development that has been shown to reduce poverty by allowing countries grow faster than their less internationally-oriented counterparts. The GSP program promotes sustainable development in beneficiary countries by helping foster the growth of export-oriented industries. The program has helped create complementary trade-related industries that provide crucial economic inputs for U.S. industry and support tens of thousands of good-paying jobs in the poorest countries around the world. The positive impact of the program is widespread. Under the GSP program, 133 countries export 4,650 products worth $26.7 billion to the United States duty free. GSP spells economic opportunity for countries in dire need of economic development and creates an economic linkage with the U.S. that promotes stronger diplomatic and commercial ties in strategic regions around the world.

Providing Low Cost Inputs for U.S. Industry

As U.S. companies face increasing competition in our home market and abroad, GSP helps level the playing field and keep U.S. manufactured goods competitive. Indeed, GSP strengthens U.S. competitiveness by providing reliable low-cost inputs for U.S. industry, including many chemicals, minerals, and climate-specific fruits and vegetable products imported under the program.

GSP imports of automotive engine parts from Brazil and PET resin from India are telling examples of the importance of the program for U.S. industry. The U.S. automotive industry benefits from being able to import engine parts from Brazil duty free under the program. In a low-margin business like the auto industry, the absence of tariffs on these products makes an important difference as our auto sector restructures itself to maintain its competitiveness and profitability.

For the food, beverage, and consumer products industry, GSP provides duty-free imports of Bottle-Grade PET Resin from India used for packaging a wide range of consumer goods, such as carbonated soft drinks, juices, bottled water, salad dressing, peanut butter, shampoo, and liquid soap. Exclusion of GSP benefits from India will effectively raise the tariff from zero to 6.5%, with sourcing likely switching to more developed or industrialized exporters. In a competitive global economy, this may translate into higher production costs, shifts in material sourcing, and a whole host of hidden costs associated with the necessary adjustments within the industry. The ultimate result will be increased prices for consumers and potentially negative economic consequences for developing-country exporters. Maintaining GSP benefits helps keep U.S. industry competitive by continuing longstanding, mutually beneficial sourcing relationships fostered and sustained by the GSP program. Indeed, rather than sending a message about the importance of constructive engagement on the WTO, a decision not to renew GSP benefits primarily punishes U.S. firms.

Leverage for Intellectual Property Enforcement

GSP serves as valuable leverage for the protection of U.S. intellectual property (IP) abroad by tying continued tariff-free access to the U.S. market to effective IP protection. While IP belonging to U.S. companies continues to be susceptible to counterfeiting and piracy around the world, the GSP program’s conditionality places an effective resource at our disposal when it comes to working with beneficiary countries to secure improvements in IP protections and enforcement. For example, USTR’s review of Brazil’s GSP benefits last year led to concrete progress in the enforcement of U.S. copyrights. Without GSP, the United States will lose important leverage in these growing markets for protecting and enforcing U.S. industry’s IP rights, increasing our reliance on the arduous WTO dispute resolution process for relief.

A Positive Factor in U.S. Ties to Brazil and India

GSP has been an important factor in promoting stronger commercial and diplomatic ties with Brazil and India. These countries are among the most important emerging markets for U.S. business worldwide, and the commercial ties forged by the program have helped create a more welcoming environment for U.S. goods and investments.

Both India and Brazil have progressed considerably toward becoming upper-middle-income economies when viewed from a GDP per capita basis, but they still suffer from extreme income disparities between the rich and poor, as well as stark internal differences in the level of economic development between various regions. In Brazil, for example, 15% of GSP exports come from the poverty-stricken northeast of the country, where GDP per capita is squarely in the lower-income category. Promoting greater ties between businesses in less developed regions of these countries and their U.S. counterparts through GSP trade not only creates important allies and partners but helps these countries disperse the economic benefits of trade more broadly and promotes economic stability.

Cost/Benefit Analysis and Impact on the Trade Deficit

While considering whether to continue to extend GSP to the many beneficiaries world wide, it is important to keep both the costs and benefits of the program in perspective. Here are the facts:

- The combined GSP exports of the 133 beneficiary countries account for only 1.6%[1] of U.S. imports.
- GSP imports account for less than 3.5% of the total trade deficit.
- Together, U.S. imports from Brazil and India under the GSP program account for only $7.81 billion, or 0.22% and 0.25% of total U.S. imports in 2005, respectively.

Clearly, the benefits of the GSP program for U.S. foreign policy and commercial interests are substantial. Removing GSP benefits from Brazil and India will only serve to strengthen the hand of the forces overseas that argue against greater ties with the United States at a time when we need to solidify relationships with these important partners.

Conclusion

In summary, by offering a helping hand to partners in the developing world, GSP allows the United States to develop diverse low-cost sources of inputs for our manufacturing base while strengthening protection of U.S. intellectual property. GSP also creates a positive economic interdependence based on mutual interest that improves the overall environment for U.S. exporters and investors in some of the fastest growing countries in the developing world. For these reasons, our organizations strongly urge the GSP Subcommittee to support the continuation of the GSP program and voice our support for the continued inclusion of Brazil and India in the program.

[1] U.S. International Trade Commission Dataweb

Daniel W. Christman
Senior Vice President, International Affairs
U.S. Chamber of Commerce

Kathleen C. Barclay
Chair, Association of American Chambers of Commerce in Latin America
President, Asesorías KCB, Ltda

Tom Catania
Chairman, Brazil-U.S. Business Council-U.S. Section
Vice President, Government Relations, Whirlpool Corporation

Charles R. "Chip" Kaye
Chairman, U.S. India Business Council
Co-President, Warburg Pincus

Sérgio Raposo
Executive Director
American Chamber of Commerce for Brazil - Rio de Janeiro

Hélio Magalhães
Chairman of the Board, American Chamber of Commerce for Brazil - Sao Paulo
President Director, American Express do Brasil

Ms. Marideth J. Sandler
Executive Director
Generalized System of Preferences (GSP) Program
Office of the U.S. Trade Representative
600 17th Street NW, Room 403
Washington, DC 20508

To the GSP Subcommittee:

In response off the request for public comments on the GSP, we inform that we are a dried fruits, nuts and preserved food processor and trader with headquarters in Porto Alegre, state of Rio Grande do Sul, currently employing 36 people. We have been in operation since 1951 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.

The GSP is not only relevant for the companies that benefit directly from the program, but also for the whole Brazil and 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. We also want to emphasize that the GSP must continue to apply to the current list of beneficiaries.

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

In light of its many benefits, we strongly urge you to renew GSP in advance maintain Brazil as a beneficiary country. Our company wants to keep providing high quality products on low price basis to the American consumer. So that it is necessary that the USTR maintain the GSP benefits for the Brazilian companies.

Sincerely,

Pedro Calazans
Export Manager
Uniagro Ind. Com. Prod. Alim. Ltda.

Porto Alegre, September 4, 2006

From: Sindijoias [sindijoias-rs@sindijoias-rs.com.br]
Sent: Tuesday, September 05, 2006 8:05 AM
To: FN-USTR-FR0052
Cc: abarbosa@fiergs.org.br
Subject: "2006 GSP Eligilbility and CNL Waiwer Review"

GENERALIZED SYSTEM OF PREFERENCES - GSP

Sindijóias/RS - Brazil

The Patronal Union of Jewellery and Lapidation of Precious Stones of the Northeast Region of the State of Rio Grande Sul – SINDIJÓIAS/RS – Brazil, is a non-profit private entity founded in October 27th, 1987. Its mission is to promote, contribute and support actions that are aimed to the development of the jewellery sector; to propose or promote the understanding of the needs of the sector regarding machinery, equipments, managerial training and human resources, design and market promotion; as well as to be considered as a permanent voice before the government in search for solutions for the problems of the sector.

The territorial base in which SINDIJÓIAS/RS has the strongest presence is in the Northeast Region of the State of Rio Grande do Sul, where the entity is very active in the jewellery sector and is seen as an important reference in the segment, having in its client directory almost 100% of the jewels industries of the State of Rio Grande do Sul.

Its success is due to the perception and the performance of its board of directors, who have decided to sign different partnerships and/or to affiliate themselves to important Entities and Governmental Bodies throughout the country, turning the organization into a proactive one, and strengthening it in order to improve Rio Grande do Sul's jewellery sector, becoming more competitive, both in the national and the international level, with the objective to generate new job fronts and to contribute for the development of Brazil.

The city of Guaporé is the base of the jewellery complex in the State of Rio Grande do Sul. Its geographical area is 297.667 sq.m2. and the population is 21,772 inhabitants.

Guaporé has 430 manufacturing industries, of which 123 (28%) belong to the jewellery sector, all affiliated to Sindijóias/RS, generating 3,500 job places and 1,200 indirect ones.

Currently, the industrial production is basically oriented to 18 karat gold, silver and gold-filled and rodium jewels, sold in all regions of Brazil and many other countries, including the United States.

The Importance of the Brazilian Jewellery Sector in the World

According to IBGM – the Brazilian Institute of Gems and Precious Metals, out of the 40 countries that purchase Brazilian articles, the United States come up as one of our main clients. In 2005, Brazil has exported US$ 834 million, including products from the entire productive chain, comprising jewels products, lapidated and non-lapidated stones, filled-jewel-pieces and bijouterie. Almost 20% of these total are exported through the GSP.

Besides the Fair in Las Vegas, Brazil also participates with national pavilions in the following World Exhibitions: BaselWorld (Switzerland), Tucson (USA), JIS Winter Miami Show (USA), JA New York Winter Show (USA), Tucson Show (USA), JA New York Summer Show (USA), More (Italy), Bisutex (Spain), Eclat de Mode (France), September Hong Kong Fair, JIS Oct Miami, JA New York Delivery Show (USA) and Jewellery Arabia.

The HTSUS codes used by the Brazilian jewellery sector are related to Chaprter 71, more specifically as follows:

HTSUS	Description	MFN tariff
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 strung), mtd. or set	10,5%
71131110	Silver rope, curb, etc. in continuous lengths, whether or not plated/clad with other precious metal, suitable for jewelry manufacture	6,3%
71132010	Base metal clad w/precious metal, rope, curb & like articles in continuous lengths, suitable for use in jewelry manufacture	7,0%
71132021	Base metal clad w/gold rope necklaces and neck chains	5,8%
71132025	Base metal clad w/gold mixed link necklaces and neck chains	5,8%
71132029	Base metal clad w/gold necklaces and neck chains, nesoi	5,2%
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%
71171915	Rope, curb, cable, chain, etc., of base metal (whether or n/plated w/prec. metal), val. n/over 33 cents/meter for jewelry mfr.	8,0%
71171920	Rope, curb, cable, chain, etc., of base metal (whether or n/plated w/prec. metal), val. o/33 cents/meter, for jewelry mfr.	11,0%
71171930	Religious articles of a devotional character, design. to be carried on the person, of base metal (whether or not plated with precious metal)	3,9%
71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi	11,0%

Impacts for the Sector

The withdrawal of the segment from the GSP, according to our estimates, will provoke a reduction of US$ 16 million to the Brazilian exports, a very high amount for the sector, specially for the local productive regions, even though this amount is proportionally not as relevant for the United States.

At the same time, it is also expected a reduction of about 750 jobs, which will affect very strongly the economy of the productive regions.

In addition, the withdrawal of the products of the sector from the GSP list will not benefit the *least developed countries*, once the substitute countries will be developed nations or countries under development like China, for example.

It is important to mention that the reduction in exports, originated from the withdrawal of Brazil and the jewels products from the GSP, can have an important impact, once the economy of the region depends upon the production of jewels.

Conclusion

Therefore, the SINDIJÓIAS/RS understand that it is of an extreme importance for the Brazilian Foreign Trade Balance to maintain Brazil in the GSP and the products previously mentioned. At the same manner, the maintenance of Brazil, with the renewed GSP, will keep the import prices for the American companies reduced, bringing benefits for both countries.

Guaporé/RS - Brazil, September, 2006.

Heitor Girelli
President of Sindijóias/RS- Brazil

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William B. Doggett
Vice President
Public and Community Affairs

September 1, 2006

GSP Subcommittee
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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 specialty 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,

Willie B Doggett

Brazil, September 4, 2006

To
GSP Subcommittee

Dear Sirs

We are Maqplas a Brazilian producer of plastic bag making machines. We have been working at the plastic and laminated market for 16 years; we had the more complete line of bag making machines to flexible films with the quality and performance of the machines produced in Europe and USA. Since its foundation in 1990, Maqplas is following the technology way and is proud to be the first producer of bag making machine of Latin America to use and dominate the servo-motors and to be the first company 100% Brazilian of its sector to obtain the ISO 9001 / 2000 certificate of quality as a result of its efforts. We have machines in the principal bags' producers of Brazil, and in almost of all countries of Latin America, EUA, Canada, Europe and Africa.

We have a great line of equipments to produce different kinds of plastic bags, as follows:

High and Low Density Polyethylene
Polypropylene
Pouch weld
Stand up
Side valve
Top valve
Conical (trapezoidal to flowers, grape, pictures, etc…)
Bags with soft loop handle and shopping bag
Raffia bags (automatic cutting and sewing raffia)
Diapers

We also have an extensive line of attachments which can be incorporated to our machines and produce the following bags:

Pet food
Zipper
Soft loop handle (independent)
Continuous welding

HTSUS: 84778000

Av. Lourenço Bellolli, 1.239 - CEP: 06268-110 - Osasco - S.Paulo - Brasil
Tel: 55-11- 3602-8355 / Fax: 55-11-3603.5006
www.maqplas.com.br / vendas@maqplas.com.br

We are increasing our sales for USA, this allows us to compete with another foreign companies equipments with the same competitiveness once we have some disadvantageous points as: logistic, taxes and interests. If we keep the GSP we can offer a better price (competitiveness) because we haven't to pay the import tax, it allow us to offer more employment and also get more yield.

The importance of this for the North American customer is getting more options to buy the same quality of machine, more competitiveness and reduction of its costs.

As you can see it is indispensable for us the maintenance of GSP once this systems benefits with a preference of 100% on import reduction of our equipments and its extinction would certainly cause prejudice for both sides.

We hope this can helps you to take the decision to keep the benefit to Brazilian's companies.

We are at your disposal to clarify any doubt you may have.

Best Regards,

Maristela S. Miranda
Director

Visteon Sistemas Automotivos Ltda.
Av. Orlanda Bérgamo, 1000
Guarulhos - SP - Brasil
Tel: 55-11-6465-9300
Fax: 55-11-6465-9350
e-mail: hcontado@visteon.com
www.visteonet.com

September 5, 2006

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

See the possibilities™

Subject: 2006 GSP Eligibility and CNL Waiver Review

Dear Ms. Sandler:

Visteon Sistemas Automotivos Ltda. (Visteon Corporation) is a leading global automotive supplier that designs, engineers and manufactures innovative climate, interior, electronic and lighting products for vehicle manufacturers, and also provides a range of products and services to aftermarket customers.

I am contacting you regarding the Generalized System of Preferences (GSP) program. We are in support of retaining Brazil’s eligibility status as a GSP beneficiary country. The current five year authorization of the GSP program has allowed business based in Brazil to become a reliable supplier for eligible duty free products for use in the United States by our customers.

In Brazil, Visteon employs approximately ****** people at facilities in the cities of Guarulhos, (State of São Paulo), Camaçari, (State of Bahia), and Manaus (State of Amazonas, Visteon Amazonas Ltda). Products in the areas of climate, interiors, chassis and electronic systems are manufactured at these locations.

Visteon has been awarded with Quality and Control Certifications, such as: ISO9000, ISO14000, TS16949, QS9000, Sarbanes Oxley and CTPAT among others.

“Public Version”

Currently, Visteon exports to the United States several products within the following classes: HTS * . Exports to the United States in 2005 exceeded US$ ***

The utilization of GSP not only benefits Visteon, but the automotive industry as a whole, while maintaining competitiveness in relation to vehicle imports.

Visteon Sistemas Automotivos Ltda. appreciates the opportunity to submit comments to the GSP Subcommittee of the Trade Policy Staff Committee for consideration during the current review of the GSP system. We support retaining Brazil as a GSP eligible country so Visteon can continue to remain competitive. 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.

Very truly yours,

José Helio Contador Filho
Vice President & General Manager – South America
hcontado@visteon.com

Non Confidential

São Paulo, September 5th, 2006.

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

Re: 2006 GSP Eligibility and CNL Waiver Review

Dear Sirs,

We are the brazilian paper and cellulose producing market`s leading supplier of machines and equipments. Around 85% printing and writing paper and 80% of national cellulose  are produced by Voith Machines. Voith Brasil has also the Group`s only foundry. 30- year modeling , founding, machining and thermal treatment of industrial parts. These activities in Brazil have accredited it as one main paper and pulp, energy generation, base industry and metallurgy sector suppliers.

We export paper making machinery and its parts as well as wind turbine parts and gas compressor center bodies.and would like to emphasize that the GSP must continue to apply to the beneficiaries since it is crucial to the business between Brazil and United States. This program offers tariff free entry on our products and it benefits numerous small business and american consumers offering lower prices.
A long term renewal of GSP is so important to American and brazilian companies , and today both need this program.

For the reasons above, we kindly ask you to renew GSP considering the harmonized tariff 8503.00.9545, used by our customers in United States, as to preserve the competitiveness of our customer.

Sincerely

Silvia Barroso
Export Manager
Voith Paper Máquinas e Equipamentos Ltda
Rua Friedrich Von Voith 825
02990-000 – São Paulo – Brazil
e-mail: Silvia.Barroso@voith.com

Non confidential

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

São Paulo, September 05th 2006

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

Dear Sirs,

Voith Siemens Hydro Power Generation Ltda (VSH São Paulo) is the Brazilian subsidiary of Voith Siemens Hydro Power Generation GmbH & Co. KG, Germany, a Voith and Siemens Company. Responsible for the Latin-American market operations and with 40 years of operations in Brazil, VSH São Paulo has the only facility in the VSH Group with an on-site foundry and factory that is capable of producing all types of turbines and hydro generators.

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VSH São Paulo main products are hydraulic turbines and hydro generators.

Our products that are benefited with the GSP program are:

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;

85016400 – AC generators (alternators) of an output exceeding 750 kVA

We would like to highlight the aspects we have collected to describe the business relationship with our US-Customer, Voith Siemens Hydro Power Generation Inc. (VSH York), the US subsidiary of the Group, and the respective importance of the GSP program.

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They are presented in following three (03) categories:

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a) Importance for the Country
b) Benefits for our US-Customer, VSH York
c) Benefits for VSH São Paulo

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Importance for the Country

a) Utilization of a clean and renewable source of energy

Hydro power accounts for approximately 7 % of the United States' electricity generation and approximately 45 % of its renewable energy.

According to the U. S. Department of Energy, there is approximately 21,000 MW of untapped hydro-power potential at existing dams in the U. S. and the insatiable demand for energy in North America, already greater than anywhere else in the world, continues to grow at a steady pace.

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b) More capacity to meet energy demand increase through rehabilitation of existing hydro facilities

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Hydro owners in the United States focus on increasing energy production by upgrading the thousands of hydroelectric plants that were built from the early 1900s through the mid 1980s.

Total U.S. annual electricity demand grew about 1.7 percent during 2004 . For the first seven months of 2005, electricity demand increased about 1.9 percent year-over-year, driven by accelerated growth in the economy and weather-related increases in the first and the fourth quarters. Overall, electricity demand is expected to increase by 3.3 percent in 2005 and about 1.3 percent in 2006 due largely to weather conditions as well as continuing economic growth.

c) Hydro generation is the main supply for the peak load

Hydro generation in the US is planned to supply the system in the peak period, when the thermo generation responds for the base load.

The GSP program leverages new investments in the hydro segment by reducing the respective cost of the hydropower plant's main equipment such as water turbines and hydro generators. In the end, American electricity consumers benefit from the GSP program.

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Benefits for our US- Customer, VSH York

The continuance of the GSP program is essential for VSH York because:

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a) The Voith Siemens Hydro Group worldwide center of competence for hydro generators is located in Brazil, where core components for generators and turbines that VSH York supplies to the US energy utilities are manufactured;

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The only foundry of the Voith Siemens Hydro Group is located in São Paulo, Brazil. As the new and modernization businesses require heavy and complex cast steel components, these components supplied from Brazil are fundamental for the competitiveness of VSH York.

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Voith Siemens Hydro has installed more than 3,000 units with a total output of around 55,000 GW in North America.

Current hydro power projects being developed together are Noxon, Calderwood, Bath County, Starke, Watts Bar, Conowingo, Wanapum, Ohio Falls, Bonneville, Helms, among others.

VSH York employs over 400 full-time employees and this manufacturing and engineering facility has been located in York, PA for over 135 years.

b) VSH São Paulo supplies are competitive and are complementary to the VSH York products;

c) VSH York has a staff with an unparalleled knowledge in the rehabilitation and up rating of existing equipment. Apart from Corporate Technology, the heart of Voith Siemens Hydro's R & D in the Brunnenmühle at the headquarters in Heidenheim, the US facility in York includes the only laboratory for ongoing hydro-electric research in the United States.

d) VSH São Paulo is also a customer of the rehabilitation engineering services, including hydraulic lab studies, performed at VSH York.

e) VSH São Paulo, as a competence center for the development of hydro generators technology in the VSH Group, has a program of know-how transfer to VSH York in order to develop US professionals in the hydro generator design. Currently experienced professionals from VSH São Paulo are assigned at VSH York

The GSP program allows Voith Siemens Hydro York to improve their competitiveness not only in the US Market but also in markets such as Canada, with increased demand for hydro generation. The VSH York importance in the US market led to a Group decision to maintain a research center for hydro business in the US.

Benefits for VSH São Paulo

The GSP program is fundamental for VSH São Paulo due to:

a) The importance of the US rehabilitation market, one of the most important and challenging markets in the world. American customers are technology-oriented and focus on reliability and performance of the supplied equipment.

b) Export Contracts for the US Market reached in the last years over than US$ 50 million representing approximately 25 % of VSH São Paulo inter-company export orders and there are several projects under negotiation by VSH York where supplies from VSH São Paulo are relevant.

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c) The partnership between VHS York and VSH São Paulo has produced remarkable technical results as shown in the attached references.

d) The technology exchange with VSH York in the rehabilitation segment is preparing VSH São Paulo to be well positioned in the Brazilian market, when the refurbishment business grows locally. Specialists from York come frequently to Brazil to present their new developments to Brazilian customers. VSH York is responsible for the technical support of VSH São Paulo in the turbine modernization business during the proposal phase as well as in the detail design phase.

The GSP program allows VSH São Paulo to compete in the US market against other equipment suppliers located in Europe, China, India and Russia.

We expect this brief explanation has showed, how deep the business relationship developed between VSH York and VSH São Paulo is, involving new investments, technology, know-how transfer, maintenance of jobs in both sites among others and the importance of the GSP program as a factor of support of all these actions.

Yours faithfully,

Osvaldo San Martin	Sergio Parada
VSH São Paulo President	VSH São Paulo Vice-President
E. Mark Garner	Mark E. Self
VSH York President	VSH York Executive Vice-President

Contact persons for further information:

	VSH York	**VSH São Paulo**
	Stanley Kocon	João Afonso Pereira da Silva
	Director of Sales and Marketing	Financial Engineering Manager
Phone	(+1) 717 792 7082	(+55) 11 3944-5087
E-mail:	stanley.kocon@vs-hydro.com	joao.silva@vs-hydro.com

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VSH São Paulo¶
João Afonso Pereira da Silva¶
Financial Engineering Manager¶
Phone/Fax : (+55) 11 3944-5087 / (+55) 11 3944-4871¶
E-mail:
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Annex

Bath County, USA

Virginia Electric and Power Company

The pumped storage plant Bath County is situated in a mountainous region in Virginia, USA. The station consists of two large reservoirs – one 385 meters higher than the other, a massive power house and the huge tunnels that connect them.

In order to increase the capacity of the motor-generators, Voith Siemens Hydro experts, using state-of-the-art computerized tests, revealed that in order for the motor-generators to be able to properly handle the performance increase planned for the pump-turbines, changes in the stator winding, the ventilation and cooling system were necessary, while the original stator core could be maintained.

Voith Siemens Hydro designed a completely new stator winding using a 540 degrees transposition instead the original 360 degrees, thus assuring the desired increase in the machines' maximum capacity from 389 MVA and 447 MVA respectively to an impressive 530 MVA.

Upgrading will be completed in 2008. By then, Bath County will again become the world's most powerful pumped storage generating station.

Conowingo, USA

Susquehanna Power Co., USA

Conowingo hydro station is a run-of-the river plant located on the lower part of the Susquehanna River and containing 13 total generating units. The facility was commissioned in 1928 with 7 units rated 40 MVA and was expanded in 1962 with 4 units rated 65 MVA. It contributes an average of1.6 billion kilowatt-hours of electricity annually. There are also two station service units rated 1600 kVA to supply plant auxilliary load.

Voith Siemens Hydro has been selected to modernize turbines and generators for 4 Francis units using the environmentally friendly dissolved oxygen turbine technology for improving the water quality. These Francis runners aerate the gases, mainly oxygen, through fine channels within the runner blades.

The „aerating runner“is only one of several solutions, which Voith Siemens Hydro offers with their turbines and generators for environmentally friendly solutions.

GENERALIZED SYSTEM OF PREFERENCES (SGP): INITIATION OF REVIEWS AND REQUEST POR PUBLIC COMMENTES

PUBLIC COMMENTS

WAHLER METALÚRGICA LTDA. Requests the maintenance of 0 (zero) percent of import tax obtained through the application of the Generalized System of Preferences (GSP), for the Harmonized Tariff Schedule of The United States nr. 8481.80.90, due to following considerations:

APPLICATION REQUESTER IDENTITY:

Company:
Name: WAHLER METALURGICA LTDA.
Address: Av. Comendador Leopoldo Dedini, 310 – Distrito Industrial Unileste
Piracicaba – São Paulo – Brazil
CEP nr.: 13422-210

Contact Persons:
Name: Josué O. Monterossi
Position: General Manager
e-mail: maria.forti@wahler.com.br
phone: 55 19 3429.90 02

Name: Nelson E. Rovay
Position: Commercial Director
e-mail: nelson.rovay@wahler.com.br
phone: 55 19 3429.9005

History Summary:

Wahler Metalúrgica Ltda. Is a Brazilian company, established in 1973, belonging to the Gustav Wahler Group.

The Gustav Wahler Group started as a small company, established in Pforzheim – Germany, in 1902, with the company being transferred later to Esslingen, also in Germany.

In 1938, Wahler started the production of thermostats to control the cooling water temperature in internal combustion motors, according to her own patent.

In 1967, a new factory located in Oberboihingen – Germany, started the operations.

In 1973, as informed above, the company Wahler Metalúrgica Ltda.was established in the city of Piracicaba, State of São Paulo – Brazil, with the objective to produce valves and other products being of interest to the Wahler Group, for automotive application.

In 2004, the company Wahler Automotive Systems, Inc., was established with headquarters in Livonia – Michigan – United States, with the objective to supply the US market, concerning the negotiation and logistics in the distribution of Wahler products.

The main products of the Wahler Group are: water, oil and electrical thermostats, exhaust gas return valves (electrical, electronic and pneumatic) temperature sensors, thermoswitches, vacuum and pressure actuators, water flow valves and relief valves, flexible tubes and components.

PRODUCTS:

The product for which Wahler is interested in maintain the benefit granted by the Generalized System of Preference (GSP) is the following one:

Harmonized System Code:	8481.80.90
Product name:	Thermostatic Valve
Product Destination:	Automotive Industry and After-Sales Market (in a quite reduced quantity)

Product Description:

It is a product that has been developed together with the automotive industries for specific application in the cooling system of a certain engine.

The function of the thermostatic valve is to open or regulate the cooling water or cooling fluid flow existent in the refrigeration loop of the set, as a function of the vehicle engine temperature, in a way to maintain the engine temperature in-between the conditions previously established by the manufacturer.

The thermostatic valves are manufactured using following raw-materials: copper, bras and steel, as well as a certain dilatation wax to activate the valve and other materials, like rubber seals and others.

During the last years, there were improvements about the use of these valves and the customers from Wahler requested the production of thermostatic valves contained in enclosures that usually means the assembly of the thermostatic valve, manufactured with above mentioned materials, in an enclosure and/or cover obtained by means of aluminum or plastic casting, * This improvements represent an added value to the thermostatic valves allowing the reduction of costs for the customers, due to the decrease of the volume of items being purchased and the cost reduction of the assembly of this set.

IMPORTANCE OF THE GSP FOR WAHLER METALÚRGICA LTDA.:

The maintenance of the GSP is mostly important for Wahler Metalúrgica Ltda., because it allows that the Wahler products reach the US market under competitive price conditions, helping to eliminate, even partially, the deficiencies impacting the Brazilian companies, concerning the lack of availability for investments, difficulties with the export processes, costs resulting from the inexistent scale, among others.

-Exports executed to the United States:

A) Quantities (in parts)

	Total Exports	Re-exports	Destined to the US market
2003 –	*	*	*
2004 –	*	*	*
2005 –	*	*	*

B) Values (in USD)

	Total Exports	Re-exports	Destined to the US market
2003 –	*	*	*
2004 –	*	*	*
2005 –	*	*	*

-Exports Forecast to the United States:

A) Quantities (in parts)

	Total Exports	Re-exports	Destined to the US market
2006 –	*	*	*
2007 –	*	*	*
2008 –	*	*	*

B) Values (in USD)

	Total Exports	Re-exports	Destined to the US market
2006 –	*	*	*
2007 –	*	*	*
2008 –	*	*	*

-Re-Exports to the United States to supply third countries:

Re-exports of the last years were made to following countries:

A) Quantities (in parts)

Total Re-exports			
2003 – 831,441	*	*	*
2004 - 261,794	*	*	*
2005 - 411,515	*	*	*

B) Values (in USD)

Total Re-exports			
2003 – 3,727,514.57	*	*	*
2004 – 3,199,927.26	*	*	*
2005 – 4,471,146.83	*	*	*

The re-exports are the result of the corporate strategy of the US customers from Wahler, establishing were certain type of engine will be manufactured and which vehicles will receive the engine.

The commercial negotiations and the products developments are usually handled at the purchasing and engineering departments of the customers headquarters – in the United States, and always considers the delivery condition of the product FOB – Livonia – MI; thereafter, the customer informs the unit or units that will receive the thermostatic valves and execute the assembly of the engine or of the cooling system for which the product was developed.

*

In this way, at this time, it is not possible to confirm which volume, in quantities and values, included in above forecast for 2006 to 2008, will remain in the US and which one will be exported.

-Exports remaining in the United States:

During the last three years, the quantity of thermostatic valves remaining in the US is between * parts, and between * millions dollars.

*

In 2005, a decrease related to both former years was verified, basically due to the substitution and alteration of the product, as well as due to the decease of vehicles sales using valves manufactured by Wahler, as a consequence of the higher oil prices.

It must be also considered that the product manufactured by Wahler, because it a specific product for a certain engine, it has a long maturity cycle. The development of a new product takes from two to three years starting from the first request from our customers. After the product is approved and the related vehicle production starts, there is a reasonably long term in order that the vehicle production reaches the planned levels.

*

In quantities, there will be a significant increase in 2006, related to 2005, and thereafter an increase of * will be maintained in 2007 and being of * in 2008.

In values, the increase will be larger than in quantities, considering the current tendency of the customers from Wahler requesting to add new components to the thermostatic valves, like the enclosures, caps and tubes used in the vehicle cooling system.

As already informed herein above, the volumes and comments above may be altered due to the corporate strategy of the customers from Wahler that may determine that the assembly of the engine is executed in any other country. In this case, part of the volumes being currently considered for the US will be transformed into re-exports.

- How large is the participation of the US exports on the total revenue of Wahler:

Total Exports
2003 – * %
2004 – * %
2005 – * %
2006 – * %
2007 – * %
2008 – * %

- Business Opportunities:

Wahler has several projects under development, such as:

Client	Project	Production start
*	*	*
*	*	*
*	*	*
*	*	*

They are projects in their final development and approval stage, projects that have already requested two years of negotiations and development and that will start their production at the * and *.

-Logistics:

In order to comply with the requests of the Wahler Customers, concerning the quantity, delivery times, delivery frequencies and packing types as well as other ones, Wahler exports it products to a Company belonging to the Wahler Group, called Wahler Automotive Systems, Inc. (WASY), * USA and this Company supplies the Clients according to the conditions established by them.

WASY is responsible for all the commercial part and logistics, from the reception of the products in the entrance port of the US since the release of the products in the US and in third countries, as well as being responsible for the commercial attendance to the clients.

WASY generates labor places, in the US, with activities of custom clearance of the imported products, transport from the port / airport to the Company warehouse, checking of the received goods, splitting of the load and repacking and product release to the transport companies indicated by the Clients, usually, road transportation agencies.

- Competitiors:

According to the data we have available, our main competitors in the US market are:

* – * being practically the market leader.

* – * based company, *, which exports to the US may have a volume being similar to our volume.

* – *company established in *, which exports to the US may have a volume being similar or larger than our volume.

The OEM’s of Japanese origin, Honda, Toyota, Mitsubish, established in the US must be supplied by the same manufacturer of their headquarters abroad.

There are companies in * and in * a that are currently exporting their products to the US to supply the after-sales market.

Considering that the annual production of engine driven vehicles, in the US, is of approx. 18,000,000 and that the *, Wahler is currently supplying less than * of the market. The tendency for the next years is to increase the market share up to * of the market, during the next 5 years.

We understand that a market share of approx. * is a participation representing a healthy competition with the local manufacturer and with the competitors established in other countries, in a way to allow the maintenance or reduction of costs for the OEM’s companies of the US.

-Profitability:

The profitability of Wahler up to the first months of the fiscal year of 2005 is a profitability that may be considered * one for a autoparts industry, which clients are OEM.

Currently, with the increasing value of the Brazilian Real related to the US Dollar, the profitability*

These profitability is essential in order that Wahler may manage the fixed costs and may maintain the current production volume. Any volume decrease of the exports destined to the US market will represent a proportional decrease of direct labor places, as well as the increase of the costs for the remaining products, due to the reduction of the production scale, and may also have an impact on WASY.

WASY, a Wahler Group Company, is in charge of the logistics and commercial part, in the US, and is maintaining a * profitability for a company in the area of automotive products distribution for OEM clients.

- Wages:

Wahler has currently 550 direct employees, and estimated that her activities generate more than 2,000 labor placer at contracted companies.

- Corporate Strategy:

*

IMPORTANCE OF THE GSP FOR US BASED WAHLER CUSTOMERS:

Wahler – Brazil jointly with WASY – USA are responsible for the supply of following clients:

*
*
*
*
*

The supplies for * will start in 2007.

- Costs Reductions:

Wahler is able to place her products in the US market at *

Even with the largely increased value of the Brazilian Real related to the US Dollar, Wahler maintains her prices in the US currency, because there are long-term agreements signed with the clients that must be maintained and respected by Wahler.

Related to the export prices for new projects, Wahler maintains a policy of prices being compatible with the market, in order to obtain a minimum profitability, because Wahler considers that, in the short or medium term, the Brazilian Ral will return to a parity of approx. * to 1 USD

Other point being positively reflected on the costs, for Wahler customers, is the attendance that Wahler, jointly with WASY will make available (for OEM clients), maintaining an inventory in the US, allowing to supply them with negotiated quantities, delivery times and frequencies, in return packing if requested and negotiated with the customer.

With the increase of the quantities exported by Wahler to the US, the preview for the next years is a price decrease resulting from the scale production, something similar to that already implemented with *, of a certain percentage for each year of supply.

-Competitiviness:

With the participation of Wahler in the US market, we understand that we may establish a healthy competition with the local manufacturers or from third countries that will reflect in economy for the US based assemblers and consequent costs reduction for the US consumer.

Otherwise, the US market will be supplied by products with quality, using Germany and Brazilian technology and developed according to the requirements of the OEM clients in the US.

- Corporate Strategy:

*****

-Conclusion:

Due to above mentioned items and considering that Wahler is currently in a growing process related to the exports to the US, and that Wahler continues suffering the impact of *, that Wahler makes available to her OEM clients in the US the possibility to have a supplier with quality and delivery assurance, it is very important to maintain the benefit reducing to 0% (zero percent) the import tax resulting from the application of the GSP for the position 8481.80.90.

In case of technical impossibility to maintain the import tax level at zero for all the position 8481.80.90, we request to maintain this percentage for the stat suffix 45 of the HTSUS that is the item applicable to Wahler products.

Transformando energia
em soluções

Jaraguá do Sul, September 05th, 2006

TO
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE - USTR
600 17th Street, N.W.
Washington, DC 20508
United States of America

Subj: 2006 GSP Eligibility and CNL Waiver Review

With reference of the USTR Billing Code 3190-WG-P which initiates reviews and requests for public comments about the US Generalized System of Preferences, WEG Equipamentos Elétricos, a corporation organized and existing under the laws of Santa Catarina, Brazil, with its principal office at 3.000, Prefeito Waldemar Grubba, Ave, 89256-900, Jaraguá do Sul, Santa Catarina, Brazil, duly enrolled (regularly registered) with the TAX PAYER´S FILE (CNPJ) under n. 07.175.725/0001-60, hereinafter referred to as "WEG", submits its comments on the eligibility status of Brazil as a GSP beneficiary developing country.

I) WEG PRESENTATION

Weg Equipamentos Elétricos SA
Av. Prefeito Waldemar Grubba, 3000
Jaraguá do Sul – SC / Brasil

WEG is a Brazilian Company founded in 1961 which manufactures electric motors, generators, electrical components, industrial automation, power transformers, distribution transformers, liquid painting, powder painting and varnish.

WEG started exporting in 1970 and today it is present (Branches) in several countries throughout the 05 continents, including USA**.** Currently, WEG has 13 manufacturing facilities, 07 in Brazil and 06 overseas.

WEG counts on advanced production processes and very demanding total quality control programs. WEG strongly invests in research and development (R&D), including partnership with Universities in Brazil and abroad.

By adopting a vertically integrated manufacturing strategy, WEG allocates in its manufacturing facilities: Foundry, Wire Production area, Stamping area, Machining area, Winding area , Assembly area and some other very well integrated areas which contributes for the construction of an electric motor.

WEG EQUIPAMENTOS ELÉTRICOS SA
Av. Prefeito Waldemar Grubba, 3000 - Tel. 55 (47)3372-4741 – Fax 55(47)3372-4477/ Email : edgar@weg.net
89256-900 - JARAGUÁ DO SUL - SC
www.weg.com.br

WEG has around 15.000 employees, 13.000 in Brazil and 2.000 abroad.

	WEG ANNUAL REVENUE (US$ MILLIONS)		
	2004	**2005**	**2006 (Goal)**
Domestic Market	532	759	1.029
Export Market	359	467	543
TOTAL	891	1.226	1.572

II) EXPORT SALES ORGANIZATION

WEG EXPORTADORA (BRAZIL) → **WEG ELECTRIC MOTORS (USA)** → **CUSTOMERS IN USA**

III) THE MOST SOLD ITEMS TO USA

	USA		EXPORT FIGURES TO USA		
	HTSUS	**Article Description**	**2004**	**2005**	**2006 (Jan a Jul)**
8501.10.29	8501.10.40	Other motors, of under 18,65 W	$504,396	$252,574	$57,817
	8501.10.60	Other motos, of 18,65 W or more but not exceeding 37,5 W			
8501.34.11	8501.34.30	DC motors of an output exceeding 375 KW	-	$773,312	-

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8501.40.19	8501.40.20	AC motors, single-phase, of an output exceeding 37,5 W but not exceeding 74,6 W	$13,830,847	$13,383,531	$9,459,203
	8501.40.40	AC motors, single-phase, of an output exceeding 74,6 W but not exceeding 735 W			
	8501.40.50	AC motors, single-phase, of an output exceeding 735 W but under 746 W			
	8501.40.60	AC motors, single-phase, of an output 746 W or more			
8501.51.10	8501.51.20	AC motors, multi-phase, of an output exceeding 37,5 W but not exceeding 74,6 W	$1,184,049	$1,837,360	$1,513,241
	8501.51.40	AC motors, multi-phase, of an output exceeding 74,6 W but not exceeding 735 W			
	8501.51.50	AC motors, multi-phase, of an output exceeding 735 W but under 746 W			
	8501.51.60	AC motors, multi-phase, of an output 746 W or more but not exceeding 750 W			
8501.52.10	8501.52.40	AC motors, multi-phase, of an output exceeding 750 W but not exceeding 14,92 KW	$21,995,139	$31,586,881	$24,983,307
	8501.52.80	AC motors, multi-phase, of an output exceeding 14,92 KW but not exceeding 75 KW			
8501.53.10	8501.53.40	AC motors, multi-phase, of an output exceeding 75 KW but under 149,2 KW	$9,025,505	$17,166,982	$14,932,570
	8501.53.60	AC motors, multi-phase, of an outpu 149,2 KW or more but not exceeding 150 KW			
	8501.53.80	AC motors, multi-phase, of an output exceeding 150 KW			

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8501.64.00	8501.64.00	AC generators (alternators) of an output exceeding 750 KVA	$602,714	$1,272,311	$745,028
8503.00.90	8503.00.20	Parts for commutators	$343,340	$732,189	$293,149
	8503.00.35	Stators and rotos for motors for the goods of heading 8501, of under 18,65 W			
	8503.00.65	Stators and rotors for the goods of heading 8501, of an output 18,65 W or more			
	8503.00.75	Other parts for motors of under 16,85 W			
	8503.00.95	Other parts for use solely or principally with the machines of heading 8501 or 8502			
8504.22.00	8504.22.00	Liquid dielectric transformers having a power handling capacity exceeding 650 KVA but not exceeding 10.000 KVA	$20,700	$113,113	$186,957
8504.23.00	8504.23.00	Liquid dielectric transformers having a power handling capacity exceeding 10.000 KVA	$457,446	$493,013	$826,991
8504.40.50	8504.40.40	Static converters for speed drive controllers for electric motors	$1,285,078	$1,821,691	$1,563,520
8504.90.40	8404.90.75	Other printed circuit assemblies	$104,965	$102,099	$102,763
8504.90.90	8504.90.95	Other parts of electrical transformers, static converters and inductors			
8536.49.00	8536.49.00	Relays for a voltage exceeding 60 V, but not exceeding 1.000 V	$117,676	$181,321	$327,429
8537.20.00	8537.20.00	Boards, panels, consoles, desks and other bases for a voltage exceeding 1000 V	-	$668,211	$170,000

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9032.89.11	9032.89.20	Automatic voltage and voltage-current regulators, designed for use in a 6, 12 or 24 V, system	$312,607	$440,556	$342,111
	9032.89.40	Other automatic voltage and voltage-current regulations			
OTHERS			$502,905	$748,842	$1,522,402
TOTAL			$50,287,368	$71,573,986	$57,026,488

IV) WEG SALES STRUCTURE IN USA

- ✓ Around 140 employees;
- ✓ 3 Sales Offices ;
- ✓ 6 warehouses.

Addresses in USA :

WEG ELECTRIC MOTORS CORP.
Commercial Branch – Headquarters and warehouse
1327 Northbrook Parkway – Suite 490
Suwanee, GA 30024 – Atlanta – Georgia
Phone : 1770-338-5656 Fax: 1770-338-1632
http://www.wegelectric.com

WEG ELECTRIC MOTORS CORP.
Branch – Rochester (Sales Office)
2100 Brington Henrietta – Townline Road
Rochester – NY 14623
Phone: 1-585240-1000 Fax: 1-585240-1067

WEG ELECTRIC MOTORS CORP.
Branch – Kansas City (Sales Office)
11705 W. 83rd. Terrace-Buikding I-Suite 100
Lenexa, KS 66215-Kansas City – Kansas
Phone: 1913-492-7000 Fax: 1913-492-6999

WEG ELECTRIC MOTORS CORP.
Branch – Chicago (Warehouse)
295 S.Prospect Av. Itasca, Il 60143 Illinois
Phone: 1630773-8735 Fax: 1630773-8797

WEG ELECTRIC MOTORS CORP.
Branch – Los Angeles (Warehouse)
2631 Lidsay Privado – Ontario, CA 91761
Los Angeles – California
Phone : 1909-390-5030 Fax: 1909-390-1190

WEG ELECTRIC MOTORS CORP.
532 East Emaus Street (Warehouse)
Middletown, PA 17057
717-948-9066

ACTS INTERNATIONAL
1350 Salford (Warehouse)
Houston, TX 77008
713-880-8111

DISTRIBUTION SERVICES
8515 North Columbia Blvd. (Warehouse)
Portland, OR 97203
503-247-5207

V) THE TOP 10 CUSTOMERS IN USA

- ✓ INGERSOLL RAND AIR SOLUTIONS INC
  800-D Beaty Street
  P.O. Box 1840
  Davidson, NC 28036
  Attn: Richard Wize

- ✓ DEVILBISS AIR POWER
  / Black & Decker
  701 East Joppa Road
  Towson, MD 21286
  Attn: Richard Swords

- ✓ CAMPBELL HAUSFELD
  100 Mundy Memorial Drive
  Mt. Juliet, TN 37122
  Attn: Kim Liechty

- ✓ CAPTIVE AIRE SYSTEMS
  Stony Battery Business Center
  1200 Corporate Blvd
  Space 7D
  Lancaster, PA 17601
  Attn: Bill Griffin

- ✓ SPX COOLING TECH, MARLEY DIVISION
  500 Blaine Street
  Michigan City, IN 46360
  Attn: Gerald Smith

- ✓ SCOTT PUMP
  6437 Pioneer Rd
  P.O. Box 286
  Cedarburg, WI 53012
  Attn: Dave Mathias

- ✓ PATTERSON PUMP COMPANY
  1785 Enterprise Drive
  Buford, GA 30518
  Attn: Al Huber

- ✓ AMERICAN ELECTRIC POWER
  1 Riverside Plaza
  Columbus
  Ohio 43215
  Contact is Kevin G.Henry
  Tel: 614.716.1000

- ✓ DRESSER RAND
  1200 Sam Houston Tollway
  Parkway North
  Houston
  Texas 77043
  Contact is James H. King
  Tel: 713.973.5362

- ✓ APPLIED INDUSTRIAL TECHNOLOGIES
  One Applied Plaza
  East 36th Street and Euclid
  Cleveland
  Ohio 44115
  Contact is Ted Stearns
  Tel: 216.426.4170

VI) STANDARD DUTY AND GSP RATE FOR THE PRODUCTS EXPORTED BY WEG

Attachment is enclosed.

VII) THE IMPORTANCE OF GSP TO WEG BRAZIL AND TO WEG USA

If the GSP is not renewed:

- ✓ Our company will loose most of the competitiveness necessary to keep on working in the American market, as to consider this is a top priority corporate strategy.
- ✓ Weg Electric Motors Sales Structure (personnel) will be reduced significantly and also there will be employment reduction in Brazil..
- ✓ Another important negative impact will be the investment interruption not only in Brazil but also in USA.

VIII) THE IMPORTANCE OF THE GSP TO THE AMERICAN COMPANIES

- ✓ 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.
- ✓ WEG can count on technology research structure for the development of all its products lines in total alignment with the TRIPS Conference agreement that took place in Genebra in 1998. If Weg is substituted by Chinese competitors, for instance, these may not take this aspect into account.

- ✓ If GSP program expires at the end of the year there will be a risk to the commercial relationship, as the cost at which Brazilian companies are able to sell their products will increase, since they will no longer enter the US market with zero tariffs.

- ✓ If WEG is absent and the North American market be without one of its important players, mainly China and also some East Europe countries can get advantage of it.

- ✓ Considering the high increase of the raw material and with the Chinese market gain, the competitiveness of the American companies will reduce.

IX) THE REQUEST

In order to look forward to maintaining and growing Brazil and United States of America longstanding commercial relationship, Weg Equipamentos Elétricos requires that United States Trade Representative renew the General System of Preference, in advance of the expiration deadline.

Please feel free to contact us for any further information you may need,

Best Regards,

Edgar Cardoso da Silva
Foreign Trade Relations Manager
Phone: 55 47 3372-4068
Fax: 55 47 3372-4477
Email: edgar@weg.net

Alidor Lueders
Administrative Director
Phone: 55 47 3372-4534
Fax: 55 47 3372-4201
Email: alidor@weg.net

ANEXO

	USA			GSP RATE
	Subheading	Article Description	Normal Duty Rate	
1	8501.10.40	Other motors, of under 18,65 W	4,4%	0%
2	8501.10.60	Other motos, of 18,65 W or more but not exceeding 37,5 W	2,8%	0%
3	8501.34.30	DC motors of an output exceeding 375 KW	2,8%	0%
4	8501.40.20	AC motors, single-phase, of an output exceeding 37,5 W but not exceeding 74,6 W	3,3%	0%
5	8501.40.40	AC motors, single-phase, of an output exceeding 74,6 W but not exceeding 735 W	4,0%	0%
6	8501.40.50	AC motors, single-phase, of an output exceeding 735 W but under 746 W	3,3%	0%
7	8501.40.60	AC motors, single-phase, of an output 746 W or more	3,7%	0%
8	8501.51.20	AC motors, multi-phase, of an output exceeding 37,5 W but not exceeding 74,6 W	2,5%	0%
9	8501.51.40	AC motors, multi-phase, of an output exceeding 74,6 W but not exceeding 735 W	2,5%	0%
10	8501.51.50	AC motors, multi-phase, of an output exceeding 735 W but under 746 W	3,3%	0%
11	8501.51.60	AC motors, multi-phase, of an output 746 W or more but not exceeding 750 W	2,5%	0%
12	8501.52.40	AC motors, multi-phase, of an output exceeding 750 W but not exceeding 14,92 KW	3,7%	0%
13	8501.52.80	AC motors, multi-phase, of an output exceeding 14,92 KW but not exceeding 75 KW	0,0%	-
14	8501.53.40	AC motors, multi-phase, of an output exceeding 75 KW but under 149,2 KW	0,0%	-
15	8501.53.60	AC motors, multi-phase, of an outpu 149,2 KW or more but not exceeding 150 KW	4,2%	0%
16	8501.53.80	AC motors, multi-phase, of an output exceeding 150 KW	2,8%	0%
17	8501.61.00	AC generators (alternators) of an output not exceeding 75 KVA	2,5%	0%
18	8501.62.00	AC generators (alternators) of an output exceeding 75 KVA but not exceeding 375 KVA	2,5%	0%

Transformando energia em soluções

ANEXO

19	8501.63.00	AC generators (alternators) of an output exceeding 375 KVA but not exceeding 750 KVA	2,5%	0%
20	8501.64.00	AC generators (alternators) of an output exceeding 750 KVA	2,4%	0%
21	8503.00.20	Parts for commutators	2,4%	0%
22	8503.00.35	Stators and rotos for motors for the goods of heading 8501, of under 18,65 W	6,5%	0%
23	8503.00.65	Stators and rotors for the goods of heading 8501, of an output 18,65 W or more	3,0%	-
24	8503.00.75	Other parts for motors of under 16,85 W	6,5%	0%
25	8503.00.95	Other parts for use solely or principally with the machines of heading 8501 or 8502	3,0%	0%
26	8504.21.00	Liquid dielectric transformers having a power handling capacity not exceeding 650 KVA	0,0%	-
27	8504.22.00	Liquid dielectric transformers having a power handling capacity exceeding 650 KVA but not exceeding 10.000 KVA	0,0%	-
28	8504.23.00	Liquid dielectric transformers having a power handling capacity exceeding 10.000 KVA	1,6%	0%
29	8504.40.40	Static converters for speed drive controllers for electric motors	1,5%	0%
30	8404.90.75	Other printed circuit assemblies	2,4%	0%
31	8504.90.95	Other parts of electrical transformers, static converters and inductors	2,4%	0%
32	8532.10.00	Fixed capacitors designed for use in 50/60 Hz circuits and having a reactive power handling capacity of not less than 0,5 KVAR (power capacitors)	0,0%	-
33	8536.20.00	Automatic circuit breakers for a voltage not exceeding 1.000 V	2,7%	0%
34	8536.49.00	Relays for a voltage exceeding 60 V, but not exceeding 1.000 V	2,7%	0%
35	8536.50.70	Electronic AC switches consisting ofoptically coupled input and output circuits; electronic switches including temperature protected switches, consisting of a transistor and a logic chip; electromechanical sanp-action switches for a current not exceeding 11 amps, for a voltage not exceeding 1.000 V	0,0%	-
36	8536.50.90	Other switches, for a voltage not exceeding 1.000 V	2,7%	0%
37	8537.10.60	Motor control centers for a voltage not exceeding 1000 V,	2,7%	0%

ANEXO

38	8537.10.90	Other boards, panels, consoles, desks and other bases for a voltage not exceeding 1000 V	2,7%	0%
39	8537.20.00	Boards, panels, consoles, desks and other bases for a voltage exceeding 1000 V	2,7%	0%
40	9032.89.20	Automatic voltage and voltage-current regulators, designed for use in a 6, 12 or 24 V, system	1,1%	0%
41	9032.89.40	Other automatic voltage and voltage-current regulations	1,7%	0%

ZAP!
501 Fourth Street
Santa Rosa, CA 95401
(707) 525-8658 x201
Stock symbol (ZP) NYSE arca
www.zapworld.com
sschneider@zapworld.com

Memo

To: Office of the United States Trade Representative

From: Steven M. Schneider, CEO

CC: Dianne Feinstein United States Senator, Barbara Boxer United States Senator, Governo do Estado do Rio de Janeiro Wagner Granja Victer - Secretário de Estado, U.S. Congresswoman Lynn Woolsey

Date: September 14, 2006

Re: Initiation of Reviews and Request for Comments on the Eligibility of Certain GSB Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers

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Comments:

By way of introduction my name is Steven Schneider, Chief Executive Officer of ZAP the Zero Air Pollution and Advanced Technology Vehicle manufacturer and distributor in Santa Rosa California.

My goal in this memo is to provide information for the Trade Policy Staff committee (TPSC) to recommend to the President and Congress consideration of reauthorization of the Generalized System of Preferences (GSP) program and Existing Competitive Need Limitation Waivers (CNL)

In the spring of 2005 ZAP took over $2 billion dollars in purchase orders from U.S. Auto Dealers, for the high efficient vehicle called the smart car. For various reasons ZAP was unable to deliver these vehicles and looked elsewhere for a replacement. ZAP has found that replacement in Brazil with an ethanol flex fuel vehicle called Obvio. The Obvio Vehicle is consisting of approximately 95% of parts manufactured in Brazil.

ZAP has contracted with Obvio for 50,000 units annually of this Ethanol based vehicle and is now negotiating similar numbers for Obvio's Electric powered vehicles. The Ethanol Vehicles will have a retail price of $14,000 for the model call 828 and $28,000 for the model called 012. The Electric Vehicles will be priced in the $50,000 range. Both cars are using flex-fuel motors from TRITEC, a US$500 million dollars investment of Chrysler joint-venture in Brazil.

Although time does not permit me to obtain all of the HTSUS numbers for all of the parts in each vehicle my understanding is the general HTSUS classification for our vehicle parts is 8708XXX all made in Brazil. Some of the critical numbers whose benefit has already been granted are as follows: HTSUS numbers 84099150 parts nesi used solely or principally with spark ignition internal combustion piston engines for vehicles of head 8701.20, 9702-8704. HTSUS number 84073418 spark – ignition reciprocating piston engines for vehicles of 8701.20 or 8702-8704, cylinder cap over 1000 cc to 2000 cc. HTSUS number 8499130 aluminum cylinder heads for spark-ignition internal combustion piston engines for vehicles of 8701.20 or 8702-8704. HTSUS number 84831030 Camshafts and crankshafts nesi.

On Wednesday September 6th ZAP will be meeting with Industrial Minister of India in our office in Santa Rosa to discuss incentives to promote Electric Vehicles in India and the United States.

The demand for renewable energy vehicles in the U.S. is real. The need for ZAP as a U.S. company to deliver these vehicles to United States consumers demanding to relieve their dependency on foreign oil is also real as well as reliant on the duty free treatment of these vehicles and parts suppliers.

The volume of trade expectation as a result of this demand far exceeds the 2005 GSP article quantity amounts from both Brazil and India and I believe may also exceed a value greater than 50% of the total U.S. imports of this article from all countries under the CNL waivers.

I believe the continuation of the waiver set forth under the current policy should remain in effect for both India and Brazil due to changed circumstances. The United States would be adversely affected in so many ways including economically and environmentally.

Thank you for your consideration of this request.

Yours truly,

Steven M. Schneider

Chief Executive Officer – ZAP

Attachments: ZAP OBVIO Contract

EXCLUSIVE PURCHASE, LICENSE AND SUPPLY AGREEMENT

This Exclusive Purchase, License and Supply Agreement (the "Agreement") is entered into as of September 15th, 2005 (the "Effective Date"), by and between Voltage Vehicles, a Nevada corporation and wholly-owned subsidiary of ZAP, a California corporation ("hereinafter referred to as ZAP"), and Obvio! Automotoveiculos S.P.E. Ltda, a special purpose company of Brasil ("OBVIO"). OBVIO and ZAP may be collectively referred to herein as the "Parties."

RECITALS

A. OBVIO is a manufacturer of cars with the brand name “Obvio” ("Obvio Cars") which will meet all U.S. Environmental Protection Agency (EPA), Department of Transportation (DOT)/Federal Motor Vehicle Safety Standards (FMVSS) and California Air Resource Board (CARB) standards. (See Exhibit A for sketches of OBVIO’s 828/2 and 012 models)

B. OBVIO wishes to manufacture Obvio Cars under the name "ZAP Obvio cars" for purchase by ZAP.

C. OBVIO has assembled a network of suppliers including MVC-Marcopolo for the composite bodyshell, Tritec Motors for the powertrain, ZF for a CVT ecotronic transmission, Valeo for its Stop&Go hybrid starter generator and Magnetti Marelli for suspensions and brake systems.

D. OBVIO has as its design partner, Anisio Campos, the premiere car designer in Brasil and a former racing driver, and the Obvio Cars incorporate many of the state of the art technologies, both materials as well as features.

E. OBVIO’s assembly plant will feature a build-to-suit process working closely with its suppliers and in conjunction with federal agencies’ local incentive programs, such as “Arranjo Productivo Local”, the government of Rio de Janeiro and the municipality of Duque de Caxias.

F. OBVIO desires to grant, and ZAP wishes to acquire, a license to OBVIO's proprietary technology necessary to manufacture Obvio Cars meeting all EPA, CARB and DOT/FMVSS standards.

G. OBVIO wishes to appoint ZAP as its exclusive distributor of Obvio Cars in the Territory (as hereinafter defined), and the non-exclusive distributor of Obvio Cars outside of the Territory.

H. ZAP wishes to be the exclusive distributor of Obvio Cars in the Territory, and the non-exclusive distributor of Obvio Cars outside of the Territory.

I. In consideration of the mutual promises above and the agreements contained herein, the parties hereby agree as follows:

AGREEMENT

ARTICLE 1 - TERM AND TERMINATION

1.1 Term. This Agreement shall remain in effect for a period of 21 years from the later of (i) the date that it is executed by OBVIO and ZAP, or (ii) the date that OBVIO obtains all required approvals and permits (collectively, the "Permits"), as set forth on **Schedule A** attached hereto and incorporated herein by this reference (the "Effective Period"). ZAP shall be entitled to extend the Term of this Agreement for an additional period of seven years by giving notice of such election to OBVIO at least thirty (30) days prior to the expiration of the Effective Period. Upon the expiration of the Effective Period (as extended), this Agreement shall continue in full force and effect until such time as either party gives the other party ninety (90) days written notice of its intention to terminate this Agreement. The Effective Period (as extended) is referred to herein as the "Term."

ARTICLE 2 – GRANT OF LICENSE

2.1 Territory. Subject to the terms and conditions of this Agreement, OBVIO hereby appoints ZAP as the sole exclusive authorized distributor of Obvio Cars within North America and its territories and possessions (collectively, the "Territory"), and the non exclusive authorized distributor of Obvio Cars outside of the Territory. During the Term OBVIO shall not sell or allow Obvio Cars to be sold through any other distributor in the Territory.

2.2 License Grant. OBVIO hereby grants to ZAP an exclusive, irrevocable, perpetual, sub license throughout the Territory in and to all of its proprietary technology necessary and desirable to manufacture Obvio Cars meeting all EPA, DOT/FMVSS and CARB standards, as currently existing and hereinafter developed, for any purpose, including but not limited to manufacturing, advertising, distributing, promoting, selling and exploiting Obvio Cars, or similar vehicles now known or hereinafter developed or invented ("License") and a non-exclusive License with respect to areas outside of the Territory.

ARTICLE 3 - SUPPLY OF OBVIO CARS

3.1 Delivery and Availability.

3.1.1 As soon as practicable after the Effective Date, but in no event later than November 15th, 2005, OBVIO will provide ZAP with an initial delivery schedule for the first shipment of Obvio Cars.

3.1.2 As soon as practicable after the Effective Date, but in no event later than February 5th, 2006, OBVIO will provide ZAP with a firm delivery schedule for the first shipment of Obvio Cars.

3.1.3 OBVIO will provide ZAP with copies of the Permits and be in the position to ship the first shipment no later than September 31, 2007.

3.1.4 OBVIO will deliver to ZAP, and ZAP shall purchase, the first shipment of at least 50 Obvio Cars within four (4) weeks after OBVIO's receipt of the Permits.

3.1.5 OBVIO will deliver to ZAP, and ZAP shall purchase, the first shipment of at least 20 Obvio Cars approved by CARB within fourteen (14) weeks after the Effective Date; provided however, that OBVIO shall have first provided ZAP with proof of receipt of such permits together with a firm delivery schedule.

3.1.6 To the extent that OBVIO provides Obvio Cars as provided above and in accordance with the terms and conditions hereof:

(a) OBVIO shall deliver to ZAP, and ZAP shall purchase, a minimum of 7,500 Obvio Cars within the first twelve (12) months of OBVIO's receipt of the Permits; and

(b) OBVIO shall deliver to ZAP, and ZAP shall purchase, at a minimum an additional 17,500 Obvio Cars during the second anniversary after receipt of the Permits; and

(c) OBVIO shall deliver to ZAP, and ZAP shall purchase, at a minimum a further 25,000 Obvio Cars during the third anniversary after receipt of the Permits for delivery prior to September 1, 2005.

(e) The order and delivery of Obvio Cars after the third anniversary of receipt of the Permits shall be agreed upon by the parties at a future date.

3.1.7 OBVIO shall provide a distributor invoice for all Obvio Cars purchased by ZAP.

3.1.8 Upon execution of this Agreement, OBVIO shall deliver, at no cost to ZAP except for shipping, two Obvio Cars (a running prototype 828/2 and a static prototype 012) to ZAP at its principal executive offices in Santa Rosa by November 15th 2005 for the San Francisco auto show .

3.2 Order. Subject to the terms and conditions of this Agreement, OBVIO shall ship Obvio Cars to ZAP within thirty (30) days from receipt of the purchase order. OBVIO shall acknowledge each of ZAP's orders for Obvio Cars. In no event shall any acknowledgment or shipping document have the effect of varying, altering or modifying the terms and provisions of this Agreement. If there is any conflict between the acknowledgment and the terms of this Agreement, the terms of this Agreement shall prevail.

3.3 Delivery Instruments. All Obvio Cars delivered to ZAP shall be shipped from OBVIO's plant or other place of shipment as designated by OBVIO. Shipments shall be made to ZAP at its address as set forth herein or pursuant to ZAP's written instructions. All customs, duties, costs, taxes, insurance premiums and other expenses relating to transportation and delivery shall be at ZAP's or ZAP's dealer's expense.

3.4 Breach. Failure by OBVIO to timely supply ZAP with Obvio Cars ordered according to the terms of this Agreement or pursuant to the delivery requirements set for the in **Article 2**, shall be considered a material breach of this Agreement.

3.5 OBVIO's Duties and Obligations. OBVIO shall:

3.5.1 timely deliver the Obvio Cars ordered by ZAP to such locations as ZAP shall designate in writing;

3.5.2 refrain from selling Obvio Cars to any person or entity in the Territory, or any person or entity which plans to sell Obvio Cars in the Territory, other than ZAP;

3.5.3 refrain from selling "micro" cars, socially responsible vehicles, advanced technology vehicles or any other cars which have a fuel efficiency rating greater than 30 miles per gallon in the Territory, other than ZAP;

3.5.4 promptly refer to ZAP all leads, prospects and related information which are directed to it or which it receives regarding potential purchases of any of Obvio Car within the Territory;

3.5.5 procure and provide parts for ZAP Obvio Cars dealers, and provide a dealer recommended parts list.

3.5.6 in the event OBVIO discontinues the manufacture of any of Obvio Cars, continue, for a reasonable time after such discontinuance, to make available to ZAP replacement parts for such discontinued products, to the extent reasonably anticipated by ZAP to be necessary to service such discontinued products previously sold to ZAP;

3.5.7 provide ZAP with suggested retail list prices for each Obvio Car, and products and equipment thereto; however, such prices shall in all cases be suggestions only and shall not be binding upon ZAP.

3.5.8 provide ZAP with dealer diagnosis computers at OBVIO's cost

3.5.9 provide ZAP with dealer training and service manuals for Obvio Cars.

3.6 ZAP's Duties and Obligations. ZAP shall:

3.6.1 use its best efforts to locate and communicate diligently with potential purchasers of Obvio Cars in the Territory and promote in all reasonable and proper ways the sale of such products; and

3.6.2 advise OBVIO from time to time of the nature and substance of all substantial contacts made with actual or potential customers in the Territory for Obvio Cars and periodically discuss with OBVIO any significant results from market research relevant to the Territory.

ARTICLE 4 - PRICE AND PAYMENTS

4.1 Distribution and License Fee. Subject to terms and conditions of this Agreement and provided that OBVIO has not breached this Agreement, ZAP will pay US$490,000 payable and order 50,000 OBVIO vehicles in order to obtain this license and distribution agreement.

4.2 Payment Terms. All amounts due hereunder shall be due in U.S. currency. ZAP shall pay the amounts due for the first fifty (50) Obvio Cars to be delivered by OBVIO by wire transfer, or Irrevocable Letter of Credit, in ZAP's sole determination, at least five (5) business days prior to the scheduled delivery date. ZAP shall pay any amounts due for additional Obvio Cars purchased by ZAP with an Irrevocable Letter of Credit subject to the terms and conditions of ZAP's credit facility(ies). The Irrevocable Letter of Credit is payable at the time of shipping of the Obvio Cars from Brasil, and at the time the Vehicle Identification Numbers (VIN) numbers are provided to ZAP. OBVIO shall deliver the Obvio Cars between four (4) and five (5) weeks after the Letter of Credit.

4.3 Certification of Compliance. Each Obvio Car shall be accompanied by a certificate which states that Obvio Cars meets the manufacturing and quality control release specifications (the "Specifications"), as set forth on **Schedule A**, attached hereto and incorporated herein by this reference, each of the stickers evidencing compliance with the Specifications and an invoice.

4.4 Price of Obvio Cars. ZAP shall purchase each Obvio Car at pricing acceptable to ZAP and currently estimated to be US$11,000-US$14,000 and US$24,000-28,000.

ARTICLE 5 - ADVERTISING & MARKETING

5.1 Promotions; Marketing and Advertising. OBVIO and ZAP will work cooperatively to maximize publicity for Obvio Cars throughout the Territory. ZAP may prepare advertising, promotional material, and labeling relating to Obvio Cars. OBVIO will seek approval from its notified body for any labeling so designated by ZAP. OBVIO will, if requested by ZAP, provide additional promotional information regarding Obvio Cars and ZAP may, at its discretion, use such additional promotional information in the advertising, promotional material, and labeling it prepares.

5.2 Intellectual Property/License. OBVIO hereby grants to ZAP, exclusive, non-royalty bearing, license during the Term, to use OBVIO's trade name, trademarks, service marks, copyrights, labels, logos, forms and advertising materials, which are derived from, associated with, or used in connection with Obvi Cars throughout the Territory (the "IP License") and a non-exclusive IP License with respect to areas outside of the Territory. Upon termination of this Agreement for any reason, ZAP, except as agreed by OBVIO in writing, will immediately discontinue the use of Company's trade name, trademarks, service marks, copyrights, forms, labels and advertising materials, if any, except for the purpose of selling any existing stock of Obvio Cars.

5.3 Private Labeling. Upon ZAP's request OBVIO shall manufacture any Obvio Car delivered pursuant to this Agreement under the name "ZAP Obvio car" or any similar name or brand containing the name "ZAP".

ARTICLE 6 - QUALITY CONTROL AND PRODUCT RECALL

6.1 Rejection of Obvio Cars. ZAP may reject and return Obvio Cars not conforming to the warranties, or because of: (a) failure to meet the Specifications when they are delivered; (b) material manufacturing defects; or (c) governmental agency recall, whether or not due to any acts or failure to act by OBVIO. In order to reject Obvio Cars, ZAP must give written notice to OBVIO of ZAP’s intention to reject the shipment, which notice must be received by OBVIO within sixty (60) days of ZAP’s receipt of such Obvio Cars together with an indication of the reasons for such rejection. If no such notice of intent to reject is received, ZAP shall be deemed to have accepted the delivery provided, however, in the case of Obvio Cars having latent defects which upon diligent examination by ZAP upon their receipt could not have been discovered, ZAP must give notice of ZAP’s intent to reject such Obvio Cars within thirty (30) days after discovery of such defects. In the event ZAP has paid for a shipment of Obvio Cars which has been rejected as provided herein, ZAP shall be entitled to a refund of the purchase price of the rejected Obvio Cars (together with insurance and freight charges) at the time it is ultimately rejected, provided, however, that if OBVIO disputes the rejection, any appropriate refund shall be made at the time the dispute is finally resolved. OBVIO shall notify ZAP within fifteen (15) days of its receipt of ZAP's notice of rejection as to whether it accepts ZAP's basis for any rejection.

6.2 Manufacturing Standards. OBVIO shall manufacture Obvio Cars in compliance with EPA, DOT/FMVSS, CARB, and other standards, and in accordance with other government agency requirements, as requested, all in accordance with the Specifications. OBVIO will supply written evidence Obvio is satisfactory to ZAP of the Obvio Car's compliance with the foregoing tests, including written results of verification tests required and any update tests. OBVIO understands and agrees that ZAP shall have no obligations under this Agreement until each Obvio Car is compliant to be sold within the Territory.

6.3 Design Changes. ZAP may, as a result of complaints, adverse events, recalls, or recommendations or requirements as expressed by customers or regulatory bodies, require OBVIO to make modifications to the technical design or manufacturing of Obvio Cars. OBVIO will cooperate fully with ZAP in modifying Obvio Cars, as requested. The party to be responsible for payment of the costs of such modifications, if significant, will be negotiated in good faith by ZAP and OBVIO. The payment of the costs of such modifications, if insignificant, will be the responsibility of OBVIO.

6.4 Recall. In the event that OBVIO shall deem it necessary to recall, or any applicable governmental agency, OBVIO shall be responsible for and shall bear all costs and expenses of such recall, including without limitation expenses or obligations to third parties, the costs of notifying customers, and costs associated with the shipment of such recalled products from customers.

6.5 Warranty, Representations and Remedies.

6.5.1 For each Obvio Car delivered by OBVIO to ZAP, OBVIO shall: (a) provide ZAP with a standard warranty for the product, but for at least the first to occur of the first thirty six (36) months from the date of the Obvio Car delivered by ZAP to the consumer or the date the Obvio Car reaches 36,000 miles; (b) provide the Obvio warranty to all persons who purchase a Obvio Car from ZAP, without varying any of its terms or provisions; and (c) promptly repair or replace any of OBVIO's products which malfunction, fail to operate or are otherwise defective and which are covered, or should be covered, under the warranty hereunder, whether such product is owned at the time of malfunction by ZAP or third-party purchaser of a Obvio Car.

6.5.2 OBVIO represents and warrants that each Obvio Car, when shipped to ZAP, will conform in all respects to the Specifications outlined in **Schedule A** or otherwise as then in effect.

6.5.3 OBVIO represents and warrants that each of its Obvio Cars meets, and it shall maintain, all FMVSS, EPA, CARB and DOT standards.

6.6 Representations and Warranties by ZAP. ZAP represents and warrants to OBVIO that:

6.6.1 Organization. ZAP is duly organized, validly existing and in good standing under the laws of the State of California and is qualified to conduct its business as a foreign corporation in each jurisdiction where the failure to be so qualified would have a material adverse effect.

6.6.2 Authorization of Agreement, Etc. This Agreement when executed and delivered by ZAP, constitutes the valid and binding obligation of ZAP, enforceable against ZAP in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights and remedies generally, and subject as to enforceability to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.7 Representations and Warranties by OBVIO. OBVIO represents and warrants to ZAP that:

6.7.1 Organization. OBVIO is duly organized, validly existing and in good standing under the laws of Brasil and is qualified to conduct its business as a foreign corporation in each jurisdiction where the failure to be so qualified would have a material adverse effect.

6.7.2 Authorization of Agreement, Etc. This Agreement when executed and delivered by OBVIO, constitutes the valid and binding obligation of OBVIO, enforceable against OBVIO in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights and remedies generally, and subject as to enforceability to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.8 Indemnification.

6.8.1 OBVIO shall defend, indemnify and hold ZAP and its parent and affiliates (and each of their employees, officers and directors) harmless from and against any and all damages, injuries, causes of action, costs, losses and expenses, including without limitation the costs of recalls, court costs and reasonable attorneys' fees, if any, resulting from third party product liability claims based on the negligence or willful misconduct of OBVIO, or any claim of infringement or violation of any patent (including any divisionals, continuations, and continuations in part), or common law or statutory rights, or proprietary rights by or on account of the use that ZAP is entitled to make of Obvio Cars hereunder, or failure of Obvio Cars (or any one of them) to conform to the warranty or Specifications set forth herein, or the breach by OBVIO of any representation, warranty, covenant, term or agreement included in this Agreement.

ARTICLE 7 – CONFIDENTIALITY

7.1 Duty of Confidentiality Relating to Trade Secrets and Proprietary Information. Each party ("Receiving Party") shall maintain in confidence and keep safe from third parties all information disclosed by the other ("Disclosing Party") which such party knows or has reason to know comprises trade secrets and other proprietary information of the other, including, without limitation, information relating to Obvio Cars. Each party shall use its best efforts to ensure that its employees, consultants and agents do not disclose to third parties such trade secrets or proprietary information. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other's trade secrets or proprietary information.

7.2 Exceptions. The obligation of confidentiality contained in this Agreement shall not apply to the extent that: (a) the Receiving Party is required to disclose the information by applicable law, regulation or order of a governmental agency or a court of competent jurisdiction; (b) the Receiving Party can demonstrate that the disclosed information was at the time of disclosure already in the public domain other than as a result of actions or failure to act by the Receiving Party in violation hereof; (c) the disclosed information was rightfully known by the Receiving Party (as shown by its written records) prior to the date of disclosure to the Receiving Party in connection with this Agreement; or (d) the disclosed information was received by the Receiving Party on an unrestricted basis from a source which is neither ZAP nor OBVIO and which is not under a duty of confidentiality to the other party.

ARTICLE 8 - PRODUCT LIABILITY

8.1 Notification. Each party shall promptly notify the other of any claim or action by reason of the manufacture, use or Obvio of Obvio Cars of which it becomes aware.

8.2 Insurance. OBVIO shall maintain insurance coverage issued by one or more insurance companies, with Best Rating A or higher, and shall name ZAP a co-insured thereon, adequate to cover the claims, liabilities, judgments, losses, damages, costs and expenses (including reasonable attorney's fees) indemnified in Article 6, but in no event less than $10,000,000 per occurrence.

ARTICLE 9 – MISCELLANEOUS

9.1 Governing Law. This Agreement shall in all respects be interpreted, enforced, and governed by the laws of the State of California.

9.2 Arbitration; Venue. All disputes arising under, or in any way connected with, this Agreement shall be subject to final, binding arbitration before a mutually agreeable arbitrator and pursuant to the attendant, applicable rules for binding arbitration set forth in the California Code of Civil Procedure. If the parties cannot agree upon an arbitrator, then one shall be selected in accordance with the then in effect rules for arbitration before the Los Angeles, California office of JAMS. Any action to enforce the terms of this Agreement and to compel compliance and enforce a decision of the arbitrator must be brought in a court of competent jurisdiction sitting in Los Angeles County, California. In the event any dispute between the Parties arises after the execution of this Agreement in connection this Agreement or the matters herein released should result in litigation or arbitration, the prevailing party shall be entitled to all reasonable costs incurred in connection therewith including, but not limited to, reasonable attorneys' fees.

9.3 Notice. Unless otherwise specifically provided in this Agreement, all notices or other communications (collectively and severally called "Notices") required or permitted to be given hereunder, or which are given with respect to this Agreement, shall be in writing, and shall be given by: (A) personal delivery (which form of Notice shall be deemed to have been given upon delivery), (B) by overnight delivery service (which forms of Notice shall be deemed to have been given upon confirmed delivery by the delivery agency), (C) by facsimile transmission, provided the receiving party has a compatible device or confirms receipt thereof (which forms of Notice shall be deemed delivered upon confirmed transmission or confirmation of receipt), or (D) by mailing in the United States mail by registered or certified mail, return receipt requested, postage prepaid (which forms of Notice shall be deemed to have been given upon the fifth {5th} business day following the date mailed). Notices shall be addressed as follows, or to such other address as the receiving party shall have specified most recently by like Notice, if to ZAP: 501 Fourth Street Santa

Rosa, California, 95401, United States of America, Attn. Renay Cude, Corporate Secretary, with a copy to Donahue Gallagher & Woods LLP, 300 Lakeside Drive, Suite 1900, Oakland, California, 94612, United States of America, Attn. William Hill, Esq.; and if to OBVIO: Avenida Alexandre Ferreira 391, Lagoa, Rio de Janeiro, RJ 22470-220, Brasil, Attn. Mr Ricardo Silva Machado with a copy to Fraga, Bekierman e Pacheco Net Advogados, Rua Rodrigo Silva 26/30, Rio de Janeiro, RJ 20011040, Brasil, Attn: Dr. Roberto Bekierman

9.4 Assignability. This Agreement may not be assigned or transferred in any manner by OBVIO without the prior written consent of ZAP.

9.5 Waiver. The failure of either Party to enforce at any time any of the provisions of this Agreement will not be construed to be a waiver of the provisions or of the right to enforce the provisions subsequently. No modification or waiver of any of the provisions of this Agreement will be binding on the Parties to this Agreement unless such modification or waiver is stated in writing and signed by the appropriate representatives of ZAP or OBVIO.

9.6 Invalidity of a Particular Provision. The invalidity or unenforceability of any term, provision, clause or any portion thereof of this Agreement shall in no way impair or affect the validity or enforcement of any other provision of this Agreement.

9.7 Survival. The provisions which by their meaning and intent have applicability beyond the term of this Agreement shall survive the expiration or termination of this Agreement.

9.8 Relationship of the Parties. The relationship between ZAP and OBVIO is and shall be that of vendor and vendee. Neither party, nor its agents and employees, shall under any circumstances be deemed agents or representatives of the other and neither shall have authority to act for and/or bind the other in any way, or represent that it is in any way responsible for acts of the other. This Agreement does not establish a joint venture, agency or partnership between the parties, nor does it create an employer/employee relationship.

9.9 Time. The parties agree that time is of the essence in the performance of obligations under this Agreement.

9.10 Remedies/Specific Performance. The parties acknowledge and agree that ZAP will suffer irreparable harm in the event of a material breach of OBVIO's obligation to supply and warranty Obvio Cars in accordance with the terms hereof. Accordingly, OBVIO agrees that ZAP will, in addition to any other remedies available to it at law or in equity, be entitled to injunctive relief to enforce OBVIO's obligation to supply Obvio Cars in accordance with the terms hereof. Any specific remedies provided for herein shall be in addition to any other remedies available to it at law or in equity.

9.11 Confidentiality. Except in connection with a press release to be approved by ZAP and OBVIO prior to release, the terms and conditions of this Agreement shall be confidential and shall not be disclosed by any of the parties to this Agreement to any third party, other than to an actual or potential affiliate, successor or assign, except that any party may disclose the terms and conditions of this Agreement (i) to its legal or accounting advisors, as necessary, so long as they agree to be bound by the terms of this confidentiality provision; or (ii) if such party receives a subpoena or other process or order to produce this Agreement, provided that such party shall, prior to any disclosure to any third party, promptly notify the other party to this Agreement so that the party has a reasonable opportunity to respond to such subpoena, process or order; or (iii) as otherwise required by applicable law or regulation. The party receiving the subpoena, process or order shall take no action contrary to the confidentiality provisions set forth above and shall make reasonable efforts to produce only subject to a protective order. The party objecting shall have the burden of defending against such subpoena, process or order. The party receiving the subpoena, process or order shall be entitled to comply with it except to the extent that any other party is successful in obtaining an order modifying or quashing it.

9.12 General. The captions, articles, sections and subsections of this Agreement are solely for convenience of reference and shall not affect its interpretation This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. If this Agreement is executed in counterparts, no signatory hereto shall be bound until both the parties named below have duly executed or caused to be duly executed a counterpart of this Agreement.

9.13 Entire Agreement. This Agreement represents the entire understanding between the parties with respect to the subject matter hereof, and supersedes all prior agreements, negotiations, understandings, letters of intent, representations, statements and writings between the parties relating thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

ZAP	OBVIO
By:___________________	By:_____________
_____	___________
Steven Schneider, Chief Executive Officer	Name: Ricardo Silva Machado, President

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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.

Nelson Zen Filho
Diretor Administrativo Financeiro
Zen S.A Indústria Metalúrgica

e-mail: nelson.zen.filho@zensa.com.br