



United States  
International Trade Commission

# Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

May 2016

Publication Number: 4613

Investigation Number: CAFTA-DR-103-028

# United States International Trade Commission

## Commissioners

Meredith M. Broadbent, Chairman

Dean A. Pinkert, Vice Chairman

Irving A. Williamson

David S. Johanson

F. Scott Kieff

Rhonda K. Schmittlein

---

Catherine B. DeFilippo  
**Director, Office of Operations**

---

Jonathan Coleman  
**Acting Director, Office of Industries**

---

**Address all communications to**  
Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436

United States International Trade Commission

# Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

May 2016

Publication Number: 4613

Investigation Number: CAFTA-DR-103-028

# United States International Trade Commission

*This report was prepared principally by*

***Project Leader***

Philip Stone

[philip.stone@usitc.gov](mailto:philip.stone@usitc.gov)

***Deputy Project Leader***

Brian Allen

[brian.allen@usitc.gov](mailto:brian.allen@usitc.gov)

***Office of Economics***

Alan Fox

***Office of Industries***

Jeff Clark, Christopher Robinson, and Mihir Torsekar

***Office of the General Counsel***

William Gearhart

***Content Reviewers***

Kimberlie Freund and Jan Summers

***Statistical Reviewers***

David Lundy and Jeremy Wise

***Editorial Reviewer***

Peg Hausman

***Administrative Support***

Monica Sanders and Blair Williams

***Help Desk and Customer Service Division***

***Under the direction of***

Dennis Rapkins, Chief

Chemicals and Textiles Division

Office of Industries

# Table of Contents

<b>Acronyms and Abbreviations .....</b>	<b>3</b>
<b>Preface .....</b>	<b>5</b>
<b>Executive Summary .....</b>	<b>7</b>
Scope.....	7
Approach and Summary of Advice .....	7
<b>Chapter 1 Introduction.....</b>	<b>9</b>
Background and Scope .....	9
Information Sources .....	9
Organization of the Report.....	10
<b>Chapter 2 Approach and Summary of Advice .....</b>	<b>11</b>
Approach.....	11
Summary of Advice .....	13
<b>Chapter 3 Advice on the Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin.....</b>	<b>15</b>
Purification Rule (Chapters 36 and 37).....	16
Mixing or Blending Rule (Chapters 33–38).....	19
Change in Particle Size Rule (Chapter 33).....	21
Standards Materials Rule (Chapters 33, 34, 36, and 37) .....	23
Isomer Separation Rule (Chapters 33, 34, 36–38).....	25
Polyvinyl Chloride and Other Products of Headings 3901–3915.....	27
Gaming Machines .....	29
Fishing Lures .....	31
Bibliography .....	34
<b>Appendix A Request Letter and Second Letter Clarifying the Proposed Modifications.....</b>	<b>35</b>
<b>Appendix B <i>Federal Register</i> Notice .....</b>	<b>47</b>
<b>Appendix C Organizations Contacted .....</b>	<b>51</b>
<b>Appendix D Summary of Submission.....</b>	<b>55</b>
<b>Appendix E Tariff Rates .....</b>	<b>59</b>
<b>Appendix F Trade Data.....</b>	<b>63</b>

## Tables

<b>Table ES.1:</b> Summary of effects advice for all proposed modifications .....	8
<b>Table 2.1:</b> Summary of effects advice for all proposed modifications.....	14
<b>Table 3.1:</b> Purification rule .....	16

Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

**Table 3.2:** Mixing or blending rule..... 19  
**Table 3.3:** Change in particle size ..... 21  
**Table 3.4:** Standards materials rule..... 23  
**Table 3.5:** Isomer separation rule..... 25  
**Table 3.6:** Polyvinyl chloride and other products..... 27  
**Table 3.7:** Gaming machines ..... 29  
**Table 3.8:** Fishing lures ..... 31  
**Table E.1:** Compilation of applicable non-preference tariff rates for the United States and  
CAFTA-DR partner countries..... 61  
**Table F.1:** U.S. imports for consumption and U.S. domestic exports, 2015 ..... 65

# Acronyms and Abbreviations

<b>Terms</b>	<b>Definitions</b>
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade and Partnership Act
FR	<i>Federal Register</i>
FTAs	free trade agreements
HS	Harmonized System (international)
HTS	Harmonized Tariff Schedule of the United States
KORUS	U.S.-Korea Free Trade Agreement
MFN	most-favored-nation
nesoi	not elsewhere specified or included
NTR	normal trade relations (U.S. equivalent of MFN)
PVC	polyvinyl chloride
ROOs	rules of origin
RVC	regional value content
TRAINS	Trade Analysis Information System (UNCTAD)
UNCTAD	United Nations Conference on Trade and Development
USITC	United States International Trade Commission
USTR	United States Trade Representative





# Preface

This report provides the advice of the U.S. International Trade Commission (Commission) to the President on the probable economic effects of proposed modifications to the rules of origin (ROOs) for certain products in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement). The advice was requested by the United States Trade Representative (USTR) in a letter received on November 24, 2015.<sup>1</sup> In his letter, the USTR noted that U.S. negotiators have recently reached agreement in principle with representatives of the other CAFTA-DR governments<sup>2</sup> on certain modifications to the ROOs in Annex 4.1 of the Agreement, and that U.S. legislation implementing the Agreement<sup>3</sup> authorizes the President, subject to the consultation and layover provisions of section 104 of that legislation, to proclaim such modifications. One of the requirements set out in section 104 is that the President obtain advice from the Commission.<sup>4</sup>

---

<sup>1</sup> The request letter is reproduced in appendix A, and the Commission notice of investigation as published in the *Federal Register* is reproduced in appendix B.

<sup>2</sup> Besides the United States, CAFTA-DR includes six Caribbean and Central American countries. Those countries, and the dates of the Agreement's entry into force for each, are El Salvador (March 1, 2006); Honduras and Nicaragua (April 1, 2006); Guatemala (July 1, 2006); the Dominican Republic (March 1, 2007); and Costa Rica (January 1, 2009).

<sup>3</sup> Dominican Republic-Central America-United States Free Trade Agreement Implementation Act, 19 U.S.C. 4001 et seq.

<sup>4</sup> 19 U.S.C. 4014.



# Executive Summary

## Scope

The United States Trade Representative requested advice from the U.S. International Trade Commission (Commission or USITC) on the probable economic effects of certain proposed modifications of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) on U.S. trade under the Agreement, on total U.S. trade, and on domestic producers of the affected articles. The products covered are chemical products, polyvinyl chloride (PVC) and other plastics, gaming machines, and fishing lures. The modifications would liberalize the current rules of origin (ROOs) by allowing the use of more non-originating inputs through the expansion of process-based ROOs or changes in tariff shift rules and regional value content requirements.

## Approach and Summary of Advice

The analysis indicates that none of the proposed modifications would likely have significant or substantial effects on total U.S. imports, total U.S. exports, or U.S. production (table ES.1). Only the proposed modification covering fishing lures (HTS 9507.90) would likely have a significant effect on U.S. imports from CAFTA-DR partner countries. Probable effects on U.S. imports under CAFTA-DR for the other proposed modifications were none or negligible.

The Commission's probable economic effects analysis estimated changes in U.S. trade and production under each of the proposed modifications to the CAFTA-DR ROOs. The following codes are used to indicate the probable economic effects advice:

**None:** No effect

**Negligible:** Trade or production value change of less than 6 percent

**Significant:** Trade or production value change of 6 percent to 15 percent

**Substantial:** Trade or production value change of more than 15 percent

The analysis of probable economic effects used assumptions intended to produce the maximum possible effects. For U.S. imports from CAFTA-DR partners and total U.S. imports, the analysis assumed that all U.S. imports not receiving the preferential rate of duty under current CAFTA-DR ROOs would qualify for the preferential rate under the proposed modification. For the

## Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

analysis of total U.S. exports, all exports to CAFTA-DR partners of goods potentially affected by the proposed modifications were assumed to be assessed the most-favored-nation (MFN) rate of duty under the current ROOs and qualify for the preferential rate of duty under the proposed modification. The effects on U.S. production were based on the expected change in total U.S. trade.

**Table ES.1:** Summary of effects advice for all proposed modifications

<b>Proposed modification (HTS chapter or line no.)</b>	<b>Effect on U.S. imports from CAFTA-DR partners</b>	<b>Effect on total U.S. imports</b>	<b>Effect on total U.S. exports</b>	<b>Effect on U.S. production</b>
Purification rule (chapters 36 and 37)	Negligible	Negligible	Negligible	Negligible
Mixing and blending rule (chapters 33–38)	Negligible	Negligible	Negligible	Negligible
Particle size rule (chapter 33)	Negligible	Negligible	Negligible	Negligible
Standards materials rule (chapters 33, 34, 36, and 37)	Negligible	Negligible	Negligible	Negligible
Isomer separation rule (chapters 33, 34, and 36– 38)	Negligible	Negligible	Negligible	Negligible
Polyvinyl chloride and other products (3901–3915)	Negligible	Negligible	Negligible	Negligible
Gaming machines (9504.30)	None <sup>a</sup>	None <sup>a</sup>	Negligible	Negligible
Fishing lures (9507.90)	Significant	Negligible	Negligible	Negligible

<sup>a</sup> No effect because U.S. imports are free of duty on an NTR basis.

# Chapter 1

## Introduction

### Background and Scope

The United States Trade Representative (USTR) requested advice on the probable economic effects of certain proposed modifications of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) on U.S. trade under the Agreement, on total U.S. trade, and on domestic producers of the affected articles. The products covered are chemical products, polyvinyl chloride (PVC) and other plastics, gaming machines, and fishing lures. The modifications would liberalize the current rules of origin (ROOs) by allowing the use of more non-originating inputs, either by expanding process-based ROOs or by making changes in tariff shift rules and regional value content requirements.<sup>5</sup>

### Information Sources

The Commission used multiple data and information sources in preparing its advice. The proposed modifications are taken from the USTR request letter received on November 24, 2015.<sup>6</sup> The rules in their current form are from general note 29 of the Harmonized Tariff Schedule of the United States (HTS).<sup>7</sup> The normal trade relations (NTR) tariff rates<sup>8</sup> cited in the effect statements were taken from the 2016 HTS. The most-favored-nation (MFN) tariff rates<sup>9</sup> of the CAFTA-DR partner countries are from the Trade Analysis Information System database of the United Nations Conference on Trade and Development (UNCTAD

---

<sup>5</sup> ROOs identify the criteria that a finished good imported from a CAFTA-DR member country must meet to be eligible for preferential duty treatment when the finished good incorporates inputs made outside the CAFTA-DR region (considered non-originating inputs). A tariff shift rule requires that the tariff classification of each non-originating input used in a finished good must differ in a prescribed way from the tariff classification of the finished good (e.g., a ROO may require non-originating inputs to be classified in different HTS chapters than the finished good). A regional value content (RVC) requirement sets a minimum for the share of the content of the finished good that is attributable to the CAFTA-DR region.

<sup>6</sup> A copy of the letter appears in appendix A. The Commission received a second letter on February 24, 2016, that clarified three of the proposed modifications. A copy of this letter is also included in appendix A. The proposed modifications appear in the report exactly as they appear in the letters, including the global Harmonized System (HS) product nomenclature. HS nomenclature adds a period (full stop) in the middle of 4-digit heading classifications (e.g., 95.03) while the U.S. system does not (e.g., 9503).

<sup>7</sup> Available at <https://hts.usitc.gov/view/General%20Notes?release=corrections2>.

<sup>8</sup> The NTR tariff rates apply to all products (other than those of Cuba and North Korea) for which special tariff treatment is not claimed and given, such as under a free trade agreement, trade preference program, or product-specific provision. NTR rates are set forth in the “General” subcolumn of “Rate of Duty Column 1” of the HTS.

<sup>9</sup> The NTR tariff rates are commonly called MFN rates in other countries.

TRAINS).<sup>10</sup> In addition, the Commission sought information and views from interested parties through a notice published in the *Federal Register* announcing this investigation and by contacting industry representatives.<sup>11</sup>

Trade data for 2015 were used in the analysis, unless otherwise specified. U.S. import and export data are U.S. Department of Commerce data from the Commission's Interactive Tariff and Trade DataWeb database, unless otherwise specified.<sup>12</sup>

## Organization of the Report

Chapter 2 presents a detailed explanation of the Commission's method for assessing the probable economic effects of the proposed modifications on U.S. imports under CAFTA-DR, on total U.S. imports and exports, and on U.S. industries. Chapter 2 also provides a summary of the advice. The Commission's advice for each proposed modification is presented in separate tables in chapter 3. A list of organizations contacted is given in appendix C. A summary of the written submission from Strike King Lure Company is reproduced in appendix D. Appendix E lists the NTR/MFN rates of duty in the United States and CAFTA-DR partner countries for the chapters and subheadings affected by the proposed modifications. Trade data for products covered by the proposed modifications are in appendix F.

---

<sup>10</sup> Available at <http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-trains.aspx>.

<sup>11</sup> Appendix B has the *Federal Register* notice; appendix C lists the organizations contacted during this investigation; and appendix D contains a summary of the submission received from an interested party.

<sup>12</sup> USITC DataWeb/USDOC (accessed December 2015–February 2016).

# Chapter 2

## Approach and Summary of Advice

### Approach

The Commission's probable economic effects analysis estimates the change to U.S. trade and production that would result from each of the proposed modifications to the CAFTA-DR ROOs. The following codes were used to indicate the probable economic effect of each proposed modification on U.S. imports under CAFTA-DR, on U.S. total trade, and on U.S. production.

**None:** No effect

**Negligible:** Trade or production value change of less than 6 percent

**Significant:** Trade or production value change of 6 percent to 15 percent

**Substantial:** Trade or production value change of more than 15 percent

The general process used in the analysis consisted of several steps. First, the Commission considered each proposed modification in the context of the current rule to assess whether the change would have a substantive effect on any of the products covered by the rule. This analysis indicated that each of the proposed modifications would substantively change the rules under which products qualify for the CAFTA-DR preferential rate of duty.<sup>13</sup>

---

<sup>13</sup> Note that the attachment to the request letter included a proposed chapter rule for chapter 39 that would allow the separation of isomers from a mixture of isomers within the territory of one of the partner countries to confer origin for the goods of chapter 39. This proposed chapter rule would not have involved a substantive change from the existing rule. The Commission received a second letter from USTR on February 24, 2016, that instructed the Commission to disregard the proposed chapter rule for chapter 39. See appendix A.

Second, the Commission analyzed the rates of duty for each of the tariff lines covered by the proposed modifications. For the proposed modification for gaming machines of subheading 9504.30, U.S. imports of the covered goods are free of duty on an NTR basis, so the effects on U.S. imports from CAFTA-DR partners and on total U.S. imports for these goods are listed as “none.”<sup>14</sup> For the remaining proposed modifications, the affected chapters, headings, or subheadings included tariff lines that are dutiable in the United States and CAFTA-DR partner countries.

Third, the Commission analyzed each of the proposed modifications to assess whether it would liberalize or restrict eligibility for the CAFTA-DR preferential rate of duty. If a proposed modification would be liberalizing, it would potentially increase the amount of goods that qualify for the preferential rate of duty (for example, by either allowing the use of more non-originating content or simplifying compliance), and U.S. imports and exports of these goods could potentially increase. The Commission's assessment indicates that each of the proposed modifications would be liberalizing compared to the existing CAFTA-DR ROOs.

## Estimating Effect on Imports

Predicting exactly how much liberalization would result from a proposed modification is difficult, so this analysis is based on those assumptions that would produce maximum effects. In assessing a modification's probable economic effects on U.S. imports from CAFTA-DR partners and on total U.S. imports, the Commission assumed that the modification would allow all imports of goods potentially affected by the proposed modification from the partner countries to receive the CAFTA-DR preferential rate of duty. That is, the Commission assumed that all U.S. imports from CAFTA-DR partners currently imported at NTR rates of duty would qualify for duty-free treatment under the proposed modification, and that all imports that currently receive duty-free treatment under CAFTA-DR would continue to do so.<sup>15</sup> For some of the proposed modifications, which are drafted at least at the Harmonized System (HS) 6-digit subheading level, the effects might be greater for one or more individual tariff lines than for the goods covered by the modification as a whole. The presentation of results in chapter 3 highlights these individual tariff lines where appropriate.

---

<sup>14</sup> Goods that qualify as originating under CAFTA-DR are exempt from certain U.S. Customs fees, including an ad valorem fee for merchandise processing. See 19 CFR § 24.23(c)(9). For gaming machines, for which the NTR duty rates are free, the proposed modification might allow goods to qualify as originating and be exempt from these fees. However, the fees are small in any case (the ad valorem fee is 0.3464 percent (19 CFR § 24.23(b)(1))), and any change in U.S. imports based on exemption from these fees would also likely be small.

<sup>15</sup> For the goods affected by the proposed modification, the CAFTA-DR preferential rates of duty for U.S. imports are free for originating goods; the non-CAFTA rates are assumed to be the NTR rates of duty.



## Estimating the Effects on Exports

It was not possible to analyze at the same level of detail the likely change in U.S. exports to CAFTA-DR partners under the Agreement that would result from any proposed modification because the share of U.S. exports that currently qualify for the preferential rate of duty is not identifiable in the export data the way it is for imports. U.S. exports to CAFTA-DR partners could potentially increase for all proposed modifications, because the modifications liberalize the ROOs, but a meaningful quantitative estimate of this potential increase is not possible. To estimate the effect on total U.S. exports, the analysis used assumptions intended to produce the maximum possible effects. It was assumed that all U.S. exports to CAFTA-DR partner countries enter at the MFN rate of duty under the current ROOs, and that the proposed modification would allow all U.S. exports to CAFTA-DR partner countries to receive the preferential rate of duty.<sup>16</sup> The analysis for the effects on total U.S. exports was performed at the HS subheading (6-digit) level. In many cases, the CAFTA-DR partner countries have multiple tariff lines subordinate to the 6-digit level that have various MFN rates, and U.S. export data do not indicate the amount of goods classified under each tariff line. To produce the maximum possible effects, the maximum rate of duty within each 6-digit subheading was assumed to apply to all U.S. exports under that 6-digit subheading. Even with these assumptions, the Commission's analysis indicates that each of the proposed modifications would have a negligible effect on total U.S. exports, in part because CAFTA-DR countries are mostly very small markets for U.S. exports.

## Estimating the Effects on U.S. Industry

The effects of the proposed modifications on a U.S. industry were assessed based on the combined change in total U.S. imports and exports. The effects on production were estimated to be negligible for all proposed modifications because the effects on total U.S. trade were negligible.

## Summary of Advice

Only one proposed modification, the modification to the rule covering fishing lures provided for in subheading 9507.90, was likely to have a “significant” effect on U.S. imports from CAFTA-DR partners. Effects on U.S. imports from CAFTA-DR partners were “none” or “negligible” for all other proposed modifications. The effects on total U.S. imports were “none” or “negligible” for

---

<sup>16</sup> The preferential rates of duty in the CAFTA-DR partners for imports from the United States are free for most, but not all, of the tariff lines covered by the proposed modifications. In the latest data available from UNCTAD TRAINS, the maximum preferential rates, in percent, for tariff lines covered by the proposed modifications are as follows: Costa Rica, 10.8; Dominican Republic, 14.4; El Salvador, 3.2; Guatemala, 3; Honduras, 10.5; and Nicaragua, 4.8.

## Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

all of the proposed modifications. Table 2.1 shows a summary of effects on U.S. imports from CAFTA-DR countries, total U.S. imports, total U.S. exports, and U.S. production for all the proposed modifications.

**Table 2.1:** Summary of effects advice for all proposed modifications

<b>Proposed modification (HTS chapter or no.)</b>	<b>Effect on U.S. imports from CAFTA-DR partners</b>	<b>Effect on total U.S. imports</b>	<b>Effect on total U.S. exports</b>	<b>Effect on U.S. production</b>
Purification rule (chapters 36 and 37)	Negligible	Negligible	Negligible	Negligible
Mixing and blending rule (chapters 33–38)	Negligible	Negligible	Negligible	Negligible
Particle size rule (chapter 33)	Negligible	Negligible	Negligible	Negligible
Standards materials rule (chapters 33, 34, 36, and 37)	Negligible	Negligible	Negligible	Negligible
Isomer separation rule (chapters 33, 34, and 36–38)	Negligible	Negligible	Negligible	Negligible
Polyvinyl chloride and other products (3901–3915)	Negligible	Negligible	Negligible	Negligible
Gaming machines (9504.30)	None <sup>a</sup>	None <sup>a</sup>	Negligible	Negligible
Fishing lures (9507.90)	Significant	Negligible	Negligible	Negligible

<sup>a</sup> No effect because U.S. imports are free of duty on an NTR basis.

# **Chapter 3**

## **Advice on the Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin**

This chapter provides the Commission's advice for each of the proposed modifications. Each proposed modification is covered in a separate table. The first column of each table lists the HTS chapters, headings, or subheadings that are affected by the proposed modification. The ROO currently in effect is presented in the second column. The proposed modification is presented in the third column. The fourth column of each table provides a summary of the Commission's probable economic effects advice. Below each table, the proposed modification and its probable economic effects are described in greater detail. Trade data for products covered by the proposed modifications are in appendix F.

## Purification Rule (Chapters 36 and 37)

**Table 3.1:** Purification rule

HTS chapter no.	Existing rule <sup>a</sup>	Proposed modification	Probable effect advice
Chapters 36 and 37	For the purposes of chapters 28 through 35 and chapters 38 and 39, a good that is subject to purification shall be treated as originating provided that one of the following occurs in the territory of one or more of the parties to the Agreement: (1) the purification results in the elimination of 80 percent of the impurities; or (2) the purification results in the reduction or elimination of impurities, rendering the good suitable: (I) as a pharmaceutical, medicinal, cosmetic, veterinary or food grade substance; (II) as a chemical good or reagent for analytical, diagnostic or laboratory uses; (III) as an element or component for use in micro-elements; (IV) for specialized optical uses; (V) for non-toxic uses for health and safety; (VI) for biotechnical use; (VII) as a carrier used in a separation process; or (VIII) for nuclear grade uses.	For the purposes of chapters 28 through 38, a good that is subject to purification shall be treated as originating provided that one of the following occurs in the territory of one or more of the parties to the Agreement: (1) the purification results in the elimination of 80 percent of the impurities; or (2) the purification results in the reduction or elimination of impurities, rendering the good suitable: (I) as a pharmaceutical, medicinal, cosmetic, veterinary or food grade substance; (II) as a chemical good or reagent for analytical, diagnostic or laboratory uses; (III) as an element or component for use in micro-elements; (IV) for specialized optical uses; (V) for non-toxic uses for health and safety; (VI) for biotechnical use; (VII) as a carrier used in a separation process; or (VIII) for nuclear grade uses.	U.S. trade under CAFTA-DR: Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

<sup>a</sup> General note 29 (m) (vii) (B) of the HTS includes chapter 39 in the purification rule along with chapters 28 through 35 and 38. The final text of CAFTA-DR covers chapter 39 in a separate rule from chapters 28 through 35 and 38, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

## Modification

The current CAFTA-DR ROOs allow a good from HTS chapters 28 through 35 and chapter 38<sup>17</sup> to receive the preferential rate of duty, provided that it is subject to purification within the territory of one or more of the partner countries, either to remove 80 percent of impurities or to render it suitable for any of eight specified applications.

The proposed modification would be liberalizing because it would expand the scope of purification as a possible determinant of origin to chapters 36 and 37,<sup>18</sup> which are excluded from the current rule. The proposed modification would harmonize the purification rule in CAFTA-DR with the purification rule in more recent free trade agreements (FTAs), such as the U.S.-Korea Free Trade Agreement (KORUS).

## Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR and on total U.S. imports. In 2015, 78 percent of U.S. imports from CAFTA-DR countries of goods of HTS chapters 36 and 37 were either free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was 1.0 percent ad valorem for goods covered by the proposed modification. U.S. imports from CAFTA-DR partners accounted for less than 0.5 percent of total U.S. imports of these goods in 2015.

While the overall effect of the proposed modification would be negligible for goods of chapters 36 and 37, two HTS tariff lines in these chapters are NTR dutiable and cover a large portion of U.S. imports from CAFTA-DR partners that are not currently imported under the preferential rate of duty: HTS 3604.10.90 and 3702.39.01.<sup>19</sup> NTR rates of duty for these tariff lines are 5.3 and 3.7 percent ad valorem, respectively. However, U.S. imports from CAFTA-DR partners for

---

<sup>17</sup> General note 29 (m) (vii) (B) of the HTS includes chapter 39 in the purification rule, along with chapters 28 through 35 and 38. The final text of CAFTA-DR covers chapter 39 in a separate rule from chapters 28 through 35 and 38, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

<sup>18</sup> Chapter 36 covers explosives, pyrotechnic products, matches, pyrophoric alloys, and certain combustible preparations. Chapter 37 covers photographic or cinematographic goods.

<sup>19</sup> These tariff lines cover the following goods: HTS 3604.10.90 (fireworks, nesoi) and 3702.39.01 (film in rolls without sprocket holes, width not exceeding 105 mm, other than color photography or silver halide emulsion film). (Note: “nesoi” means “not elsewhere specified or included.”)

## Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin

these products are low (less than \$12,000 in 2015). In addition, because of the nature of the product, imports of film rolls of 3702.39.01 are unlikely to be affected by the purification rule.<sup>20</sup>

The effect of the proposed modification on total U.S. exports would also likely be negligible. U.S. exports of goods of chapters 36 and 37 to CAFTA-DR partners represented less than 1 percent of total U.S. exports in 2015. Two HTS 6-digit subheadings of these chapters—3701.91 and 3702.56—included goods for which CAFTA-DR partners' share of total U.S. exports exceeded 10 percent and for which MFN rates in the partner countries exceeded 5 percent ad valorem.<sup>21</sup> However, exports of film rolls classifiable under these HTS 6-digit subheadings are unlikely to be affected by implementation of the purification rule.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

---

<sup>20</sup> These film rolls consist of a plastic base coated with a light-sensitive chemical mixture. Purification of the components would likely occur before the chemical mixture is applied to the base.

<sup>21</sup> HS 3701.91 covers photographic plates and flat film (of material other than paper, paperboard, or textiles) for color photography (polychrome), sensitized and unexposed, and HS 3702.56 covers photographic film rolls, nesoi.

## Mixing or Blending Rule (Chapters 33–38)

**Table 3.2:** Mixing or blending rule

HTS chapter no.	Existing rule <sup>a</sup>	Proposed modification	Probable effect advice
Chapters 33–38	A good of chapters 30 or 31, heading 3302, subheading 3502.20, headings 3506 through 3507, inclusive, heading 3707 or chapters 39 or 40 shall be treated as originating if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics which are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the parties to the Agreement.	A good of chapters 30, 31, or 33 through 38, except for heading 38.08, shall be treated as originating if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics which are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the parties to the Agreement.	U.S. trade under CAFTA-DR: Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

<sup>a</sup> General note 29 (m) (vii) (C) of the HTS includes chapters 39 and 40 in the mixing rule, along with chapters 30 and 31 and certain headings and subheadings of chapters 33, 35, and 37. The final text of CAFTA-DR covers chapters 39 and 40 in a separate rule from the other listed chapters, headings, and subheadings, so the proposed modification does not include chapters 39 and 40. The treatment of chapters 39 and 40 is not changed by the proposed modification.

### Modification

The current CAFTA-DR ROOs allow a good from HTS chapters 30 or 31, heading 3302, subheading 3502.20, headings 3506 through 3507, or heading 3707<sup>22</sup> to receive the preferential rate of duty, provided that it is subject to mixing or blending within the territory of one or more parties to the agreement that results in physical or chemical characteristics that are different from the input materials and relevant to the uses of the good.

<sup>22</sup> General note 29 (m) (vii) (C) of the HTS includes chapters 39 and 40 in the mixing rule, along with chapters 30 and 31 and certain headings and subheadings of chapters 33, 35, and 37. The final text of CAFTA-DR covers chapters 39 and 40 in a separate rule from the other listed chapters, headings, and subheadings, so the proposed modification does not include chapters 39 and 40. The treatment of chapters 39 and 40 is not changed by the proposed modification.

The proposed modification would be liberalizing because it would expand the scope of mixing and blending as a possible determinant of origin to cover all of chapters 33 through 38,<sup>23</sup> except for heading 3808.<sup>24</sup> The proposed modification would harmonize the mixing and blending rule in CAFTA-DR with mixing and blending rules in more recent FTAs, such as KORUS.

### Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR and on total U.S. imports. In 2015, 90 percent of U.S. imports from CAFTA-DR countries of goods of the subject chapters were free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was less than 0.5 percent ad valorem for goods covered by the proposed modification. U.S. imports from CAFTA-DR partners accounted for less than 0.5 percent of total U.S. imports of these goods in 2015.

While the overall effect of the proposed modification would be negligible for goods of the chapters included under the proposed modification, six HTS tariff lines in the affected chapters are NTR dutiable and cover a large portion of U.S. imports from CAFTA-DR partners that are not currently imported under the preferential rate of duty: HTS 3402.90.50, 3604.10.90, 3702.39.01, 3801.90.00, 3809.91.00, and 3821.00.00.<sup>25</sup> The percentage increase in U.S. imports from CAFTA-DR partners under these tariff lines could be greater than the percentage increase for the goods affected by the proposed modification considered as a whole. Nevertheless, the increase in total U.S. imports under these tariff lines is likely negligible because imports from CAFTA-DR partners accounted for less than 4 percent of total U.S. imports under each of these tariff lines in 2015. NTR rates of duty for these products range from 3.7 to 6 percent ad valorem.

---

<sup>23</sup> Chapter 33 covers essential oils and resinoids, as well as perfumery, cosmetic, or toilet preparations. Chapter 34 covers soap, organic surface-active agents, washing preparations, lubricating preparations, waxes, and similar articles. Chapter 35 covers albuminoidal substances, modified starches, glues, and enzymes. Chapter 36 covers explosives, pyrotechnic products, matches, pyrophoric alloys, and certain combustible preparations. Chapter 37 covers photographic or cinematographic goods. Chapter 38 covers miscellaneous chemical products.

<sup>24</sup> Subheading 3808 covers pesticides, plant-growth regulators, and similar goods.

<sup>25</sup> These tariff lines cover the following goods: 3402.90.50 (surface-active, washing, and cleaning preparations, nesoi, put up for retail sale), 3604.10.90 (fireworks, nesoi), 3702.39.01 (film in rolls without sprocket holes, width not exceeding 105 mm, other than color photography or silver halide emulsion film), 3801.90.00 (preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semimanufactures, nesoi), 3809.91.00 (finishing agents, dye carriers and like products, nesoi, used in the textile or like industries), and 3821.00.00 (prepared culture media for development of microorganisms).



The effect of the proposed modification on total U.S. exports would also likely be negligible. U.S. exports of the subject goods to CAFTA-DR partners represented less than 2 percent of total U.S. exports of the goods in 2015.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

## Change in Particle Size Rule (Chapter 33)

**Table 3.3:** Change in particle size

HTS chapter no.	Existing rule <sup>a</sup>	Proposed modification	Probable effect advice
Chapter 33	A good of chapter 30, 31 or 39 shall be treated as originating if the following occurs in the territory of one or more of the parties to the Agreement: (1) the deliberate and controlled reduction in particle size of a good, other than by merely crushing (or pressing), resulting in a good having a defined particle size, defined particle size distribution or defined surface area, which are relevant to the purposes of the resulting good and have different physical or chemical characteristics from the input materials; or (2) the deliberate and controlled modification in particle size of a good, other than by merely pressing, resulting in a good having a defined particle size, defined particle size distribution or defined surface area, which are relevant to the purposes of the resulting good and have different physical or chemical characteristics from the input materials.	A good of chapters 30, 31 or 33 shall be treated as originating if the following occurs in the territory of one or more of the parties to the Agreement: (1) the deliberate and controlled reduction in particle size of a good, other than by merely crushing (or pressing), resulting in a good having a defined particle size, defined particle size distribution or defined surface area, which are relevant to the purposes of the resulting good and have different physical or chemical characteristics from the input materials; or (2) the deliberate and controlled modification in particle size of a good, other than by merely pressing, resulting in a good having a defined particle size, defined particle size distribution or defined surface area, which are relevant to the purposes of the resulting good and have different physical or chemical characteristics from the input materials.	U.S. trade under CAFTA-DR: Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

<sup>a</sup> General note 29 (m) (vii) (D) of the HTS includes chapter 39 in the particle size rule along with chapters 30 and 31. The final text of the CAFTA-DR covers chapter 39 in a separate rule from chapters 30 and 31, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

## Modification

The current CAFTA-DR ROOs allow a good from HTS chapters 30 and 31<sup>26</sup> to receive the preferential rate of duty, provided that it is subject to a controlled reduction or modification of particle size within the territory of one or more of the partner countries resulting in characteristics that are different from those of the input materials or relevant to the uses of the good.

The proposed modification would be liberalizing because it would expand the scope of changes in particle size as a possible determinant of origin to cover goods from chapter 33,<sup>27</sup> which are excluded from the current rule. The proposed modification would harmonize the particle size rule in CAFTA-DR with particle size rules in more recent FTAs, such as KORUS.

## Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR partners and on total U.S. imports. In 2015, 99 percent of U.S. imports from CAFTA-DR partners of goods of chapter 33 were free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was less than 0.5 percent ad valorem for goods covered by the proposed modification. U.S. imports from CAFTA-DR partners accounted for 0.5 percent of total U.S. imports of these goods in 2015.

The effect of the proposed modification on total U.S. exports would also likely be negligible. U.S. exports of goods classified in HTS chapter 33 to CAFTA-DR countries represented less than 2 percent of total U.S. exports of goods of this chapter in 2015.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

---

<sup>26</sup> General note 29 (m) (vii) (D) of the HTS includes chapter 39 in the particle size rule along with chapters 30 and 31. The final text of the CAFTA-DR covers chapter 39 in a separate rule from chapters 30 and 31, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

<sup>27</sup> Chapter 33 covers essential oils and resinoids, as well as perfumery, cosmetic, or toilet preparations.

## Standards Materials Rule (Chapters 33, 34, 36, and 37)

**Table 3.4:** Standards materials rule

HTS chapter no.	Existing rule	Proposed modification	Probable effect advice
Chapters 33, 34, 36, and 37	A good of chapters 28 through 32, 35 or 38 shall be treated as originating if the production of standards materials occurs in the territory of one or more of the parties to the Agreement. For purposes of this subdivision, “standards materials” (including standards solutions) are preparations suitable for analytical, calibrating or referencing uses, having precise degrees of purity or proportions which are certified by the manufacturer.	A good of chapters 28 through 38 shall be treated as originating if the production of standards materials occurs in the territory of one or more of the parties to the Agreement. For purposes of this subdivision, “standards materials” (including standards solutions) are preparations suitable for analytical, calibrating or referencing uses, having precise degrees of purity or proportions which are certified by the manufacturer.	U.S. trade under CAFTA-DR: Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

### Modification

The current CAFTA-DR ROOs allow a good of HTS chapters 28 through 32, 35, or 38 made within the territory of one or more of the partner countries from non-originating inputs to receive the preferential rate of duty provided that it qualifies as standards material.

The proposed modification would be liberalizing because it expands the scope of production of standards materials as a possible determinant of origin to cover chapters 33, 34, 36, and 37,<sup>28</sup> which are excluded from the current rule. The proposed modification would harmonize the standards materials rule in CAFTA-DR with standards materials rules in more recent FTAs, such as KORUS.

<sup>28</sup> Chapter 33 covers essential oils and resinoids, as well as perfumery, cosmetic, or toilet preparations. Chapter 34 covers soap, organic surface-active agents, washing preparations, lubricating preparations, waxes, and similar articles. Chapter 36 covers explosives, pyrotechnic products, matches, pyrophoric alloys, and certain combustible preparations. Chapter 37 covers photographic or cinematographic goods.

## Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR and on total U.S. imports. In 2015, 98 percent of U.S. imports from CAFTA-DR countries of goods from HTS chapters 33, 34, 36, and 37 were free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was less than 0.5 percent ad valorem for goods covered by the proposed modification. U.S. imports from CAFTA-DR partners accounted for 0.5 percent of total U.S. imports of these goods in 2015.

While the overall effect of the proposed modification is negligible for goods of the affected chapters, three HTS tariff lines in the affected chapters—HTS 3402.90.50, 3604.10.90, and 3702.39.01—are NTR dutiable and cover a large portion of U.S. imports from CAFTA-DR partners that are not currently imported under the preferential rate of duty.<sup>29</sup> The percentage increase in U.S. imports from CAFTA-DR partners under these tariff lines could be greater than the percentage increase for the goods affected by the proposed modification considered as a whole. Nevertheless, the increase in total U.S. imports for these tariff lines is likely negligible because imports from CAFTA-DR partners accounted for less than 2 percent of total U.S. imports under each of the tariff lines in 2015. NTR tariff rates for these products range from 3.7 to 5.3 percent ad valorem.

The likely impact of the proposed modification on total U.S. exports would also be negligible. U.S. exports of the subject goods to CAFTA-DR countries represented less than 2 percent of total U.S. exports of these goods in 2015. Two HTS 6-digit subheadings of these chapters—3701.91 and 3702.56—include goods for which CAFTA-DR partners' share of total U.S. exports exceeded 10 percent and for which MFN rates in the partner countries exceeded 5 percent ad valorem.<sup>30</sup> In 2015, U.S. exports to CAFTA-DR partners under HTS subheadings 3701.91 and 3702.56 accounted for 20 and 27 percent, respectively, of total U.S. exports under these subheadings. The percentage increase in U.S. exports for these subheadings could be greater than the percentage increase in U.S. exports expected for all goods covered by the proposed modification.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

---

<sup>29</sup> These tariff lines cover the following goods: 3402.90.50 (surface-active, washing, and cleaning preparations nesoi, put up for retail sale), 3604.10.90 (fireworks, nesoi), and 3702.39.01 (film in rolls without sprocket holes, width not exceeding 105 mm, other than color photography or silver halide emulsion film).

<sup>30</sup> HS 3701.91 covers photographic plates and flat film (of material other than paper, paperboard or textiles) for color photography (polychrome), sensitized, unexposed, and HS 3702.56 covers photographic film rolls, nesoi.

## Isomer Separation Rule (Chapters 33, 34, 36–38)

**Table 3.5:** Isomer separation rule

HTS chapter no.	Existing rule <sup>a</sup>	Proposed modification <sup>b</sup>	Probable effect advice
Chapters 33, 34, and 36–38	A good of chapters 28 through 32, 35 or 39 shall be treated as originating if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the parties to the Agreement.	A good of chapters 28 through 38 shall be treated as originating if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties.	U.S. trade under CAFTA-DR Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

<sup>a</sup> General note 29 (m) (vii) (F) of the HTS includes chapter 39 in the isomer separation rule along with chapters 28 through 32 and 35. The final text of the CAFTA-DR covers chapter 39 in a separate rule from chapters 28 through 32 and 35, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

<sup>b</sup> An additional letter from USTR on February 24, 2016, clarified the proposed modification. See appendix A.

### Modification

The current CAFTA-DR ROOs allow a good from HTS chapters 28 through 32 or 35<sup>31</sup> to receive the preferential rate of duty, provided that it is the result of isolation or separation of isomers<sup>32</sup> from mixtures of isomers that occurs within the territory of one or more of the partner countries.

The proposed modification would be liberalizing because it expands the scope of isomer isolation or separation as a determinant of origin to cover chapters 33, 34, and 36–38,<sup>33</sup> which are excluded from the current rule. The proposed modification would harmonize the isomer separation rule in CAFTA-DR with isomer separation rules in more recent FTAs, such as KORUS.

<sup>31</sup> General note 29 (m) (vii) (F) of the HTS includes chapter 39 in the isomer separation rule along with chapters 28 through 32 and 35. The final text of the CAFTA-DR covers chapter 39 in a separate rule from chapters 28 through 32 and 35, so the proposed modification does not include chapter 39. The treatment of chapter 39 is not changed by the proposed modification.

<sup>32</sup> Isomers are chemicals whose molecules are composed of the same combination and amounts of elements, but whose molecular structures or arrangements vary. Despite their identical composition, isomers may display variations in activity.

<sup>33</sup> Chapter 33 covers essential oils and resinoids, as well as perfumery, cosmetic, or toilet preparations. Chapter 34 covers soap, organic surface-active agents, washing preparations, lubricating preparations, waxes, and similar articles. Chapter 36 covers explosives, pyrotechnic products, matches, pyrophoric alloys, and certain combustible preparations. Chapter 37 covers photographic or cinematographic goods. Chapter 38 covers miscellaneous chemical products.

## Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR and on total U.S. imports. In 2015, 90 percent of U.S. imports from CAFTA-DR partners of goods from these chapters were free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was less than 0.5 percent ad valorem for goods covered by the proposed modification. U.S. imports from CAFTA-DR partners accounted for less than 0.5 percent of total U.S. imports of these goods in 2015.

While the overall effect of the proposed modification is negligible for goods of the affected chapters, eight HTS tariff lines in the affected chapters—HTS 3402.90.50, 3604.10.90, 3702.39.01, 3801.90.00, 3808.91.50, 3808.93.15, 3809.91.00, and 3821.00.00—are NTR dutiable and cover a large portion of U.S. imports from CAFTA-DR partners that are not currently imported under the preferential rate of duty.<sup>34</sup> The percentage increase in U.S. imports from CAFTA-DR partners under these tariff lines could be greater than the percentage increase for the goods affected by the proposed modification considered as a whole. The increase in total U.S. imports under these tariff lines is likely to be negligible because imports from CAFTA-DR partners accounted for less than 4 percent of total U.S. imports under each of the tariff lines in 2015. NTR tariff rates for these products range from 3.7 to 6.5 percent ad valorem.

The effect of the proposed modification on total U.S. domestic exports would also likely be negligible. U.S. exports of the subject goods to CAFTA-DR countries represented less than 2 percent of total U.S. exports of these goods in 2015. For three HTS 6-digit subheadings of these chapters—3701.91, 3702.56 and 3808.50—CAFTA-DR partners' share of total U.S. exports exceeded 10 percent and MFN rates in the partner countries exceeded 5 percent ad valorem.<sup>35</sup> Exports of photographic film products of subheadings 3701.91 and 3702.56 are unlikely to be affected by the isomer separation rule. An increase in total U.S. exports under subheading 3808.50 is possible. In 2015, U.S. exports to CAFTA-DR partners accounted for 24 percent of

---

<sup>34</sup> These tariff lines cover the following goods: 3402.90.50 (surface-active, washing, and cleaning preparations nesoï, put up for retail sale), 3604.10.90 (fireworks, nesoï), 3702.39.01 (film in rolls without sprocket holes, width not exceeding 105 mm, other than color photography or silver halide emulsion film), 3801.90.00 (preparations based on graphite or other carbon in the form of pastes, blocks, plates, or other semimanufactures, nesoï), 3808.91.50 (insecticides, nesoï, for retail sale or as preparations or articles), 3808.93.15 (herbicides containing any aromatic or modified aromatic herbicide, antisprouting agent or plant-growth regulator, nesoï), 3809.91.00 (finishing agents, dye carriers, and like products, nesoï, used in the textile or like industries), and 3821.00.00 (prepared culture media for development of microorganisms).

<sup>35</sup> These subheadings cover the following goods: 3701.91 (photographic plates and flat film (of material other than paper, paperboard or textiles) for color photography (polychrome), sensitized, unexposed), 3702.56 (photographic film rolls, nesoï), and 3808.50 (certain pesticides specified in subheading note 1 of HTS chapter 38).

total U.S. exports under this subheading. MFN rates of duty under this subheading in the CAFTA-DR partner countries range from free of duty to 15 percent ad valorem.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

## Polyvinyl Chloride and Other Products of Headings 3901–3915

**Table 3.6:** Polyvinyl chloride and other products

HTS line no.	Existing rule	Proposed modification <sup>a</sup>	Probable effect advice
3901–3915	A change to headings 3901 through 3915 from any other heading, provided that the originating polymer content is not less than 50 percent by weight of the total polymer content.	A change to heading 39.01 through 39.03 from any other heading. A change to subheading 3904.10 from any other heading. A change to subheading 3904.21 through 3904.22 from any other subheading. A change to subheading 3904.30 through 3904.90 from any other heading. A change to heading 39.05 through 39.15 from any other heading.	U.S. trade under CAFTA-DR: Imports: Negligible  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

<sup>a</sup> An additional letter from USTR on February 24, 2016, clarified the proposed modification. See appendix A.

## Modification

The current CAFTA-DR ROO requires that goods of HTS headings 3901 through 3915<sup>36</sup> have at least 50 percent by weight originating polymer content and that any non-originating inputs be classified in separate headings from that of the final good to receive the preferential rate of duty.

The proposed modification would be liberalizing because it would remove the requirement for originating polymer content and allow any heading-level change relating to non-originating inputs to confer origin for goods of headings 3901–3903, subheading 3904.10, subheadings 3904.30–3904.90, and headings 3905–3915. Additionally, the proposed modification would liberalize the ROO for PVC of subheadings 3904.21 and 3904.22 by allowing any subheading-level change to confer origin. That means that non-originating content for these subheadings need only come from a different HS subheading.

<sup>36</sup> Headings 3901 through 3915 cover plastics in primary forms and plastic waste, parings, and scrap.

## Effect

The proposed modification would likely have a negligible effect on U.S. imports under CAFTA-DR and on total U.S. imports. In 2015, 98 percent of U.S. imports from CAFTA-DR partners of goods from these headings were free of duty on an NTR basis or qualified for the preferential rate of duty under current CAFTA-DR provisions. The trade-weighted average tariff rate on U.S. imports from CAFTA-DR partners was less than 0.5 percent ad valorem for goods of headings 3901–3915. U.S. imports from CAFTA-DR partners accounted for less than 0.5 percent of total U.S. imports of these goods in 2015.

While the overall effect of the proposed modification is negligible for goods of headings 3901–3915, 10 HTS tariff lines in the affected subheadings are NTR dutiable and cover a large portion of U.S. imports from CAFTA-DR partners that are not imported under the preferential rate of duty; these tariff lines are HTS 3903.30.00, 3906.90.20, 3906.90.50, 3907.40.00, 3907.91.50, 3908.90.70, 3909.30.00, 3910.00.00, 3912.31.00, and 3913.90.50.<sup>37</sup> The percentage increase in U.S. imports from CAFTA-DR partners under these tariff lines could be greater than the percentage increase for the goods affected by the proposed modification considered as a whole. The increase in total U.S. imports under these tariff lines, however, is likely negligible because imports from CAFTA-DR partners accounted for less than 1 percent of total U.S. imports under each of the tariff lines in 2015. NTR tariff rates for these products range from 3 to 6.5 percent ad valorem.

The proposed modification would likely have a negligible effect on total U.S. exports. U.S. exports of these goods to CAFTA-DR partners accounted for less than 3 percent of total U.S. exports in 2015, and most of these goods are free of duty on an MFN basis in the CAFTA-DR partners.

The effect on U.S. production would likely be negligible because the net effect on total trade is expected to be negligible.

---

<sup>37</sup> These tariff lines cover the following goods: HTS 3903.30.00 (acrylonitrile-butadiene-styrene (ABS) copolymers, in primary forms), 3906.90.20 (acrylic plastics polymers (except poly(methyl methacrylate)), in primary forms, nonelastomeric), 3906.90.50 (acrylic polymers (except plastics or elastomers), in primary forms, nesoi), 3907.40.00 (polycarbonates, in primary forms), 3907.91.50 (unsaturated polyesters, other than allyl resins, in primary forms), 3908.90.70 (other polyamides, in primary forms), 3909.30.00 (amino-resins, nesoi), 3910.00.00 (silicones in primary forms), 3912.31.00 (carboxymethylcellulose and its salts), and 3913.90.50 (natural polymers and modified natural polymers, nesoi, in primary forms).



## Gaming Machines

**Table 3.7:** Gaming machines

HTS line no.	Existing rule	Proposed modification	Probable effect advice
9504.30	(A) A change to headings 9503 through 9508 from any other chapter; or (B) A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than: (i) 35 percent when the build-up method is used, or (ii) 45 percent when the build-down method is used.	A change to subheading 9503.00 through 9504.20 from any other chapter.  A change to subheading 9504.30 from any other subheading; or  No change in tariff classification is required, provided that there is a regional value content of not less than: (a) 35 percent under the build-up method; or (b) 45 percent under the build-down method.  A change to subheading 9504.40 through 9506.29 from any other chapter.  A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than: (a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.  A change to subheading 9506.32 through 9508.90 from any other chapter.	U.S. trade under CAFTA-DR: Imports: None <sup>a</sup>  U.S. total trade: Imports: None <sup>a</sup> Exports: Negligible  U.S. production: Negligible

<sup>a</sup> No effect because U.S. imports are free of duty on an NTR basis.

## Modification

The current CAFTA-DR ROOs allow a good of HTS subheading 9504.30 to receive the preferential rate of duty only if non-originating inputs are classified outside of chapter 95, thereby excluding gaming machines made from non-originating parts and accessories falling within that subheading.

The proposed modification would be liberalizing because it adds both a subheading-level tariff shift option and a regional value content (RVC) option<sup>38</sup> to the ROO for gaming machines of subheading 9504.30. Because gaming machines and their parts and accessories are all classified in subheading 9504.30, the proposed modification would allow gaming machines made with non-originating parts or accessories to qualify for the preferential rate of duty if the RVC is satisfied. For the other subheadings covered by the current rule (subheadings 9503.00–9504.20 and 9504.40–9508.90), the proposed modification changes the format of the rule to accommodate the change to 9504.30. There are no substantive changes to these subheadings.

### Effect

The proposed modification would likely have no effect on U.S. imports of gaming machines from CAFTA-DR partners and total U.S. imports because goods of 9504.30 are free of duty on an NTR basis. The United States did not import gaming machines under subheading 9504.30 from CAFTA-DR partners in 2015.

The effect of the proposed modification on total U.S. exports would likely be negligible. U.S. exports of gaming machines to CAFTA-DR partners accounted for only 2 percent of total U.S. exports in 2015. The MFN rates of duty for gaming machines in the CAFTA-DR partner countries range from 14 to 20 percent ad valorem.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

---

<sup>38</sup> A regional value content (RVC) requirement sets a minimum for the share of a good's content that originates within the region. General note 29 (f) of the HTS describes the RVC requirements for CAFTA-DR, including the calculation of RVC using the build-down or build-up method.

## Fishing Lures

**Table 3.8:** Fishing lures

HTS line no.	Existing rule	Proposed modification	Probable effect advice
9507.90	(A) A change to headings 9503 through 9508 from any other chapter; or (B) A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than: (i) 35 percent when the build-up method is used, or (ii) 45 percent when the build-down method is used.	A change to subheading 9503.00 through 9506.29 from any other chapter.  A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than: (a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.  A change to subheading 9506.32 through 9507.30 from any other chapter.  A change to subheading 9507.90 from any other chapter; or no change in tariff classification is required to subheading 9507.90 provided there is a regional value content of not less than (a) 35 percent when the build-up method is used, or (b) 45 percent when the build-down method is used.  A change to heading 95.08 from any other chapter.	U.S. trade under CAFTA-DR: Imports: Significant  U.S. total trade: Imports: Negligible Exports: Negligible  U.S. production: Negligible

## Modification

The current CAFTA-DR ROOs allow a good of HTS subheading 9507.90 to receive the preferential rate of duty only if non-originating inputs used in that good are classified outside of chapter 95.

The proposed modification would be liberalizing because it would add an RVC option to the ROO for subheading 9507.90. Under the proposed modification, a good of subheading 9507.90 using non-originating inputs from chapter 95 could receive the preferential rate of duty if it

meets the RVC requirement. For the other products covered by the current rule (subheadings 9503.00–9507.30 and heading 9508), the proposed modification changes the format of the rule to accommodate the change to 9507.90. There are no substantive changes to these subheadings.

According to the written submission of Strike King Lure Company, the current ROO is more restrictive than the ROO that existed under the Caribbean Basin Initiative (CBI) and the Caribbean Basin Trade and Partnership Act (CBTPA), which provided preferential duty treatment for goods from Central American member states before CAFTA-DR entered into force.<sup>39</sup> The proposed modification would provide the same treatment under CAFTA-DR that existed under CBI/CBTPA.

## Effect

The proposed modification would likely result in a significant increase in U.S. imports from CAFTA-DR partners. The proposed modification primarily affects U.S. imports under tariff line 9507.90.70 (artificial baits and flies) from Costa Rica.<sup>40</sup> The NTR rate of duty for this tariff line is 9 percent ad valorem. In 2015, 29 percent of U.S. imports under subheading 9507.90 from CAFTA-DR partners did not receive the preferential rate of duty under CAFTA-DR. The trade-weighted average tariff on U.S. imports from CAFTA-DR partners was 2.6 percent ad valorem. The liberalization of the ROO would likely increase the number of fishing lures that qualify for the preferential rate of duty under CAFTA-DR. In its written submission, Strike King Lure Company states that modifying the current ROO to what was available under CBI/CBTPA could result in additional packing operations being moved to Costa Rica and the potential for new products and product lines to be sourced in Costa Rica rather than non-CAFTA-DR countries.<sup>41</sup> Although U.S. imports from CAFTA-DR partners are likely to increase significantly, the effect on total U.S. imports is expected to be negligible because U.S. imports under this subheading from CAFTA-DR partners accounted for only 7 percent of total U.S. imports in 2015.

The effect of the proposed modification on total U.S. exports would likely be negligible. U.S. exports of goods of subheading 9507.90 to CAFTA-DR partners accounted for less than 5 percent of total U.S. exports of these goods in 2015. The MFN duty rates for fishing equipment of subheading 9507.90 in the CAFTA-DR partner countries range from 9 to 20 percent ad valorem.

---

<sup>39</sup> Strike King Lure Company, written submission to the USITC, January 12, 2016.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

The effect on U.S. production would likely be negligible because the net effect on total U.S. trade is expected to be negligible.

## Bibliography

Strike King Lure Company. Written submissions to the U.S. International Trade Commission in connection with inv. no. 103-028, Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin, January 12, 2016.

United Nations Conference on Trade and Development (UNCTAD). Trade Analysis Information System (TRAINS). <http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-trains.aspx> (accessed December 22, 2015).

U.S. International Trade Commission (USITC)/U.S. Department of Commerce (USDOC) Interactive Tariff and Trade DataWeb (DataWeb). <http://dataweb.usitc.gov> (accessed December 2015–February 2016).

# **Appendix A**

## **Request Letter and Second Letter Clarifying the Proposed Modifications**





DOCKET  
NUMBER

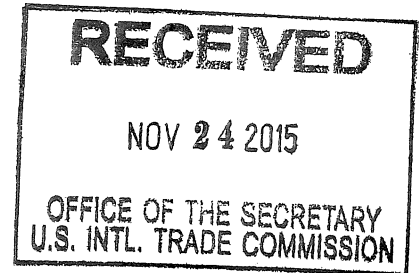
3103

Office of the  
Secretary  
The Honorable Meredith Broadbent  
Int'l Trade Commission  
Chairman

U.S. International Trade Commission  
500 E St., SW  
Washington, DC 20436

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

November 23, 2015



Dear Chairman Broadbent:

Section 203(o)(3)(A) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act of 2005 (the Act) authorizes the President, subject to the consultation and layover requirements of section 104 of the Act, to proclaim such modifications to rules of origin provisions included in Annex 4.1 of that Agreement in the Harmonized Tariff Schedule of the United States (HTS), other than with respect to goods of HTS chapters 50 through 63. One of the requirements set out in section 104 is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

Our negotiators have recently reached agreement in principle with representatives of the other CAFTA-DR governments on certain modifications to the rules of origin in Annex 4.1 of the Agreement, which are reflected in the enclosed document. These modifications to the rules would be reflected in General Note 29 to the HTS.

Under authority delegated by the President, and pursuant to section 104 of the Act, I request that the Commission provide advice on the probable economic effects of the modifications in rules of origin for the products reflected in the enclosed proposal on U.S. trade under the Agreement, total U.S. trade, and on domestic producers of the affected articles. I request that the Commission provide this advice at the earliest possible date, but not later than six months after the date of receipt of this request. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

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

Sincerely,

A handwritten signature in cursive script that reads "Michael Froman".

Ambassador Michael B. G. Froman

Enclosure

**Proposals to Modify the Rules of Origin  
Under the CAFTA-DR Agreement**

**Product: Fishing Lures under subheading 9507.90**

Petitioners: Strike King Lure Company, Productos Deportivos K.F. SA

The proposed change to the rule of origin would add a regional value content (RVC) option to the rule of origin for subheading 9507.90.

Current Rule

95.03 – 95.08

A change to heading 95.03 through 95.08 from any other chapter; or

A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Proposed Rule

9503.00 – 9506.29

A change to subheading 9503.00 through 9506.29 from any other chapter.  
(Formatting only, no change in intent.)

9506.31

A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.  
(Formatting only, no change in intent.)

9506.32 – 9507.30

A change to subheading 9506.32 through 9507.30 from any other chapter.  
(Formatting only, no change in intent.)

9507.90

A change to subheading 9507.90 from any other chapter; or

No change in tariff classification is required to subheading 9507.90 provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

95.08

A change to heading 95.08 from any other chapter.  
(Formatting only, no change in intent.)

**Product: Gaming machines of subheading 9504.30**

Petitioners: International Game Technology, National Association of Manufacturers

The proposed rule change would add an RVC option to the rule of origin for gaming machines in subheading 9504.30. Since gaming machines and their parts are both classified in the same subheading, the manufacturer is unable to satisfy the tariff shift requirement.

Current Rule

95.03 – 95.08

A change to heading 95.03 through 95.08 from any other chapter; or

A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.

Proposed Rule (Assuming the proposed rule above is not adopted)

9503.00 – 9504.20

A change to subheading 9503.00 through 9504.20 from any other chapter.  
(Formatting only, no change in intent.)

9504.30

A change to subheading 9504.30 from any other subheading; or

No change in tariff classification is required, provided that there is a regional value content of not less than:

- (a) 35 percent under the build-up method; or
- (b) 45 percent under the build-down method.

9504.40 – 9506.29

A change to subheading 9503.00 through 9506.29 from any other chapter.  
(Formatting only, no change in intent.)

9506.31

A change to subheading 9506.31 from subheading 9506.39, whether or not there is a change from another chapter, provided there is a regional value content of not less than:

- (a) 35 percent when the build-up method is used, or
- (b) 45 percent when the build-down method is used.  
(Formatting only, no change in intent.)

9506.32 – 9508.90

A change to subheading 9506.32 through 9508.90 from any other chapter.  
(Formatting only, no change in intent.)

**Product: Polyvinyl Chloride under subheadings 3904.21 – 3904.22**

Petitioner: Government of the Dominican Republic

The proposed rule would eliminate the requirement that for at least 50 percent originating polymer content for headings 39.01 through 39.15. It would also introduce a new chemical reaction rule for separation of isomers for Chapter 39. Finally, it would allow a subheading shift for goods in subheadings 3904.21 and 3904.22 (other polyvinyl chloride).

Current Rule

39.01 – 39.15

A change to heading 39.01 through 39.15 from any other heading, provided that the originating polymer content is no less than 50 percent by weight of the total polymer content.

Proposed Rule

Insert New Chapter Note

A good of Chapter 39 shall be treated as an originating good if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties.

39.01 – 39.03

A change to heading 39.01 through 39.03 from any other heading.

3904.10

A change to subheading from any other heading.

3904.21-3904.22

A change to subheading 3904.21 through 3904.22 from any other subheading.

3904.30-3904.90

A change to subheading 3904.30 through 3904.90 from any other heading.

39.05-39.15

A change to heading 39.05 through 39.15 from any other heading.

**Product: Products of the Chemical or Allied Industries (Chapter 28-38)**

Petitioner: United States

The proposed changes to the rules applicable to certain headings and chapters would broaden the scope of coverage of the rules to harmonize them with more recent U.S. FTAs.

Current Rule 2: Purification

For a good of chapters 28 through 35 or 38, a good that is subject to purification shall be treated as originating provided that one of the following occurs in the territory of one or more of the Parties:

Proposed Chapter Rule 2: Purification

For a good of chapters 28 through 38, a good that is subject to purification shall be treated as originating provided that one of the following occurs in the territory of one or more of the Parties:

Current Rule 3: Mixtures and Blends

A good of chapters 30 or 31, heading 33.02, subheading 3502.20, heading 35.06 through 35.07, or 37.07 shall be treated as originating if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics which are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the Parties.

Proposed Rule 3:

A good of chapters 30, 31, or 33 through 38, except for heading 38.08 shall be treated as originating if the deliberate and proportionally controlled mixing or blending (including dispersing) of materials to conform to predetermined specifications, resulting in the production of a good having physical or chemical characteristics which are relevant to the purposes or uses of the good and are different from the input materials, occurs in the territory of one or more of the Parties.

Current Rule 4: Change in Particle Size

A good of chapter 30 or 31 shall be treated as originating if the following occurs in the territory of one or more of the Parties:

Proposed Rule 4:

A good of chapter 30, 31 or 33 shall be treated as originating if the following occurs in the territory of one or more of the Parties:

Current Rule 5: Standards Materials

A good of chapters 28 through 32, 35 or 38, shall be treated as originating if the production of these materials occurs in the territory of one or more of the Parties.

Proposed Rule 5:

A good of chapters 28 through 38, shall be treated as originating if the production of these materials occurs in the territory of one or more of the Parties.

Current Rule 6: Isomer Separation

A good of chapters 28 through 32 or 35 shall be treated as originating if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties.

Proposed Rule 6:

A good of chapters 28 through 38 shall be treated as originating if the isolation or separation of from mixtures of isomers occurs in the territory of one or more of the Parties.





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

February 24, 2016

Ms. Lyn M. Schlitt  
Director, Office of External Relations  
U.S. International Trade Commission  
500 E Street, S.W.  
Washington, DC 20436

Dear Ms. Schlitt:

Ambassador Froman has directed me to inform the United States International Trade Commission ("the Commission") of certain clarifications to the draft rules of origin in the document attached to Ambassador Froman's letter request of November 23, 2015.

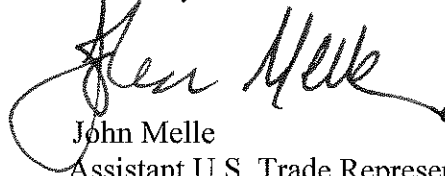
At the bottom of page 3 and the top of page 4, includes a proposed new chapter note for goods of Chapter 39. Since this note currently applies to goods of Chapter 39, that item is withdrawn and can be disregarded.

On page 4 of the document, the proposed rule for subheading 3904.10 reads "A change to subheading from any other heading." It should read "A change to subheading 3904.10 from any other heading."

On the bottom of page 5 and the top of page 6, Proposed Rule 6 reads, "A good of chapters 28 through 38 shall be treated as originating if the isolation or separation of from mixtures of isomers occurs in the territory of one or more of the Parties." It should read "A good of chapters 28 through 38 shall be treated as originating if the isolation or separation of isomers from mixtures of isomers occurs in the territory of one or more of the Parties."

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

Sincerely,



John Melle  
Assistant U.S. Trade Representative  
for the Western Hemisphere



# **Appendix B**

## ***Federal Register Notice***



International Trade Commission, on December 11, 2015, *ordered that*—

(1) Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine whether there is a violation of subsection (a)(1)(C) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain computer cables, chargers, adapters, peripheral devices and packaging containing the same by reason of infringement of one or more of the '459 mark; the '460 mark; the '379 mark; and the '212 mark, and whether an industry in the United States exists as required by subsection (a)(2) of section 337;

(2) For the purpose of the investigation so instituted, the following are hereby named as parties upon which this notice of investigation shall be served:

(a) The complainant is: Belkin International, Inc., 12045 E. Waterfront Drive, Playa Vista, CA 90094.

(b) The respondents are the following entities alleged to be in violation of section 337, and are the parties upon which the complaint is to be served:

Dongguan Pinte Electronic Co., Ltd., No. 2, Xingguang Road, Shijie Town, Dongguan City, Guangdong, China; Dongguan Shijie Fresh Electronic Products Factory, 1st Industrial Zone, Xi'nan, Shijie Town, Dongguan City, Guangdong, China.

(c) The Office of Unfair Import Investigations, U.S. International Trade Commission, 500 E Street SW., Suite 401, Washington, DC 20436; and

(3) For the investigation so instituted, the Chief Administrative Law Judge, U.S. International Trade Commission, shall designate the presiding Administrative Law Judge.

Responses to the complaint and the notice of investigation must be submitted by the named respondents in accordance with section 210.13 of the Commission's Rules of Practice and Procedure, 19 CFR 210.13. Pursuant to 19 CFR 201.16(e) and 210.13(a), such responses will be considered by the Commission if received not later than 20 days after the date of service by the Commission of the complaint and the notice of investigation. Extensions of time for submitting responses to the complaint and the notice of investigation will not be granted unless good cause therefor is shown.

Failure of a respondent to file a timely response to each allegation in the complaint and in this notice may be deemed to constitute a waiver of the right to appear and contest the allegations of the complaint and this

notice, and to authorize the administrative law judge and the Commission, without further notice to the respondent, to find the facts to be as alleged in the complaint and this notice and to enter an initial determination and a final determination containing such findings, and may result in the issuance of an exclusion order or a cease and desist order or both directed against the respondent.

By order of the Commission.

Issued: December 14, 2015.

**Lisa R. Barton,**

*Secretary to the Commission.*

[FR Doc. 2015-31727 Filed 12-16-15; 8:45 am]

**BILLING CODE 7020-02-P**

## **INTERNATIONAL TRADE COMMISSION**

**[Investigation No. CAFTA-DR-103-028]**

### **Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin**

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of investigation and notice of opportunity to provide written comments.

**SUMMARY:** Following receipt on November 24, 2015, of a request from the U.S. Trade Representative (USTR), under authority delegated by the President and pursuant to section 104 of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (19 U.S.C. 4014), the Commission instituted investigation No. CAFTA-DR-103-028, *Probable Economic Effects of Certain Modifications to the CAFTA-DR Rules of Origin*.

**DATES:** January 25, 2016: Deadline for filing written submissions. May 24, 2016: Transmittal of Commission report to USTR.

**ADDRESSES:** All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW., Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://www.usitc.gov/secretary/edis.htm>.

**FOR FURTHER INFORMATION CONTACT:** Project leader Philip Stone (202-205-3424 or [philip.stone@usitc.gov](mailto:philip.stone@usitc.gov)) or

deputy project leader Brian Allen (202-205-3034 or [brian.allen@usitc.gov](mailto:brian.allen@usitc.gov)) for information specific to this investigation. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202-205-3091 or [william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov)). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819 or [margaret.olaughlin@usitc.gov](mailto:margaret.olaughlin@usitc.gov)). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202-205-1810. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

*Background:* In his request letter (received November 24, 2015), the USTR stated that U.S. negotiators have recently reached agreement in principle with representatives of the CAFTA-DR governments on certain modifications to the rules of origin in Annex 4.1 of the Dominican Republic-Central America-United States Free Trade Agreement. The USTR noted that section 203(o)(3)(A) of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act authorizes the President, subject to the consultation and layover requirements of section 104 of the Act, to proclaim such modifications to rules of origin provisions included in Annex 4.1 of the Agreement in the Harmonized Tariff Schedule of the United States (HTS), other than with respect to goods of HTS chapters 50 through 63. He noted that one of the requirements set out in section 104 is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission. In the request letter, the USTR asked that the Commission provide advice on the probable economic effects of the proposed modifications in rules of origin on U.S. trade under the Agreement, on total U.S. trade, and on domestic producers of the affected articles. The products identified in the proposal are fishing lures, gaming machines, polyvinyl chloride, and certain products of the chemical or allied industries. The request letter and the complete list of proposed modifications are available on the Commission's Web site at [http://www.usitc.gov/research\\_and\\_analysis/what\\_we\\_are\\_working\\_on.htm](http://www.usitc.gov/research_and_analysis/what_we_are_working_on.htm). As

requested, the Commission will provide its advice to USTR by May 24, 2016.

**Written Submissions:** No public hearing is planned. However, interested parties are invited to file written submissions concerning this investigation. All written submissions should be addressed to the Secretary, and all such submissions should be received not later than 5:15 p.m., January 25, 2016. All written submissions must conform with the provisions of section 201.8 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.8). Section 201.8 and the Commission's Handbook on Filing Procedures require that interested parties file documents electronically on or before the filing deadline and submit eight (8) true paper copies by 12:00 p.m. eastern time on the next business day. In the event that confidential treatment of a document is requested, interested parties must file, at the same time as the eight paper copies, at least four (4) additional true paper copies in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "non-confidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available for inspection by interested parties. The Commission may include some or all of the confidential business information submitted in the course of this investigation in the report it sends to the USTR and the President. As requested, the Commission will issue a public version of its report, with any confidential business information deleted, shortly after it transmits its report.

**Summaries of Written Submissions:** The Commission intends to publish summaries of the positions of interested persons in an appendix to its report. Persons wishing to have a summary of their position included in the appendix should include a summary with their written submission. The summary may not exceed 500 words, should be in MSWord format or a format that can be

easily converted to MSWord, and should not include any confidential business information. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. In the appendix the Commission will identify the name of the organization furnishing the summary, and will include a link to the Commission's Electronic Document Information System (EDIS) where the full written submission can be found.

By order of the Commission.  
Dated: December 14, 2015.

**Lisa R. Barton,**

*Secretary to the Commission.*

[FR Doc. 2015-31734 Filed 12-16-15; 8:45 am]

**BILLING CODE 7020-02-P**

**DEPARTMENT OF JUSTICE**

**Drug Enforcement Administration**

[Docket No. DEA-392]

**Manufacturer of Controlled Substances Registration: Austin Pharma LLC**

**ACTION:** Notice of registration.

**SUMMARY:** Austin Pharma LLC applied to be registered as a manufacturer of certain basic classes of controlled substances. The Drug Enforcement Administration (DEA) grants Austin Pharma LLC registration as a manufacturer of those controlled substances.

**SUPPLEMENTARY INFORMATION:** By notice dated August 10, 2015, and published in the **Federal Register** on August 18, 2015, 80 FR 50043, Austin Pharma LLC, 811 Paloma Drive, Suite C, Round Rock, Texas 78665-2402 applied to be registered as a manufacturer of certain basic classes of controlled substances. No comments or objections were submitted for this notice.

The DEA has considered the factors in 21 U.S.C. 823(a) and determined that the registration of Austin Pharma LLC to manufacture the basic classes of controlled substances is consistent with the public interest and with United States obligations under international treaties, conventions, or protocols in effect on May 1, 1971. The DEA investigated the company's maintenance of effective controls against diversion by inspecting and testing the company's physical security systems, verifying the company's compliance with state and local laws, and reviewing the company's background and history.

Therefore, pursuant to 21 U.S.C. 823(a), and in accordance with 21 CFR

1301.33, the above-named company is granted registration as a bulk manufacturer of the following basic classes of controlled substances:

Controlled substance	Schedule
Marihuana (7360) .....	I
Tetrahydrocannabinols (7370) .....	I

The company plans to manufacture bulk synthetic active pharmaceutical ingredients (APIs) for product development and distribution to its customers. No other activity for these drug codes are authorized for this registration.

Dated: December 9, 2015.

**Louis J. Milione,**

*Deputy Assistant Administrator.*

[FR Doc. 2015-31667 Filed 12-16-15; 8:45 am]

**BILLING CODE 4410-09-P**

**DEPARTMENT OF JUSTICE**

**Drug Enforcement Administration**

[Docket No. DEA-392]

**Bulk Manufacturer of Controlled Substances Application: Johnson Matthey, Inc.**

**ACTION:** Notice of application.

**DATES:** Registered bulk manufacturers of the affected basic classes, and applicants therefore, may file written comments on or objections to the issuance of the proposed registration in accordance with 21 CFR 1301.33(a) on or before February 16, 2016.

**ADDRESSES:** Written comments should be sent to: Drug Enforcement Administration, Attention: DEA Federal Register Representative/ODW, 8701 Morrisette Drive, Springfield, Virginia 22152. Request for hearings should be sent to: Drug Enforcement Administration, Attention: Hearing Clerk/LJ, 8701 Morrisette Drive, Springfield, Virginia 22152.

**SUPPLEMENTARY INFORMATION:** The Attorney General has delegated her authority under the Controlled Substances Act to the Administrator of the Drug Enforcement Administration (DEA), 28 CFR 0.100(b). Authority to exercise all necessary functions with respect to the promulgation and implementation of 21 CFR part 1301, incident to the registration of manufacturers, distributors, dispensers, importers, and exporters of controlled substances (other than final orders in connection with suspension, denial, or revocation of registration) has been redelegated to the Deputy Assistant

# **Appendix C**

## **Organizations Contacted**





## Organizations Contacted

The Commission solicited comments on the proposed modifications by issuing a public notice that appeared in the *Federal Register* (appendix B). The organizations listed below were contacted for information and views on the proposed modifications.

---

Fanwood Chemical, Inc.

International Game Technology

Society of Chemical Manufacturers & Affiliates (SOCMA)

Strike King Lure Company

---



# **Appendix D**

## **Summary of Submission**





January 12, 2016

Lisa R. Barton  
Secretary to the United States International Trade Commission  
500 E Street SW  
Washington, DC 20436

Re: Investigation No. CAFTA-DR-103-028 – Probable Economic Effects of Certain Modifications to the CAFTA-DR  
Rules of Origin  
Product Category – Fishing Lures of subheading 9507.90

- **SUMMARY OF WRITTEN SUBMISSION**, for use in appendix of USITC report to USTR

Dear Ms. Barton:

Strike King submits that under the past CBI (Caribbean Basin Initiative) and CBPTA (Caribbean Basin Trade and Partnership Act) origin rules, certain fishing lures assembled in member states such as Costa Rica were considered to be originating goods and as such subject to duty-free treatment upon importation into the U.S. But as of January 1, 2009 (when CAFTA-DR became effective as to Costa Rica), many of the products lost their eligibility for duty-free treatment due to a change to the applicable origin rule. As a result, many of Strike King's imports from Costa Rica became subject to an import duty rate of nine percent ad valorem. Strike King notes that the substantial duty burden (which has cost the company millions of dollars) has created powerful incentives to move production and sourcing to non- CAFTA-DR countries such as China and Vietnam. This movement threatens a significant number of jobs at Strike King's long-time supplier in Costa Rica, and it also has ripple effects given its impact on other local businesses in the transportation and logistics spaces. This is the counter to the stated purpose of CAFTA-DR, namely to promote trade between the United States, the Central American member states and the Dominican Republic.

Strike King points out that the Costa Rica Commerce Ministry (COMEX) already has recognized the problems associated with the loss of eligibility and has implemented measures to correct what appears to be a simple oversight. They were unaware of the difference in the origin rules as between CAFTA-DR and CBI/CBTPA until Strike King's supplier in Costa Rica formally petitioned them for a modification of the rules of origin. The Company therefore submits that the current rule of origin is inconsistent with past practice and actively undermines the trade-facilitating purposes of CAFTA-DR, whereas the proposed modification re-establishes the appropriate origin standard and in so doing enhances trade volume and value in the CAFTA-DR region.

It is our hope that the USITC will determine, as COMEX has, that the economic benefit to the CAFTA-DR countries for the fishing lure business will be a positive one and the changes can take place.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan W. Ranson".

Allan W. Ranson,  
Chief Operating Officer  
Strike King Lure Company  
Collierville, TN



## **Appendix E**

# **Tariff Rates**





**Table E.1:** Compilation of applicable non-preference tariff rates for the United States and CAFTA-DR partner countries

Harmonized System code	U.S. NTR rate (percent)	Costa Rica MFN rate (percent)	Dominican Republic MFN rate (percent)	El Salvador MFN rate (percent)	Guatemala MFN rate (percent)	Honduras MFN rate (percent)	Nicaragua MFN rate (percent)
33	Free-6	Free-14	Free-20	Free-15	Free-15	Free-15	Free-15
34	Free-6.5	Free-14	Free-20	Free-15	Free-15	Free-15	Free-15
35	Free-6.5	Free-14	Free-20	Free-15	Free-15	Free-15	Free-15
36	Free-6.5	Free-14	Free-20	Free-15	Free-15	Free-15	Free-15
37	Free-6.5	Free-9	Free-20	Free-10	Free-10	Free-10	Free-10
38	Free-6.5	Free-14	Free-20	Free-15	Free-15	Free-15	Free-15
3901-3915	Free-6.5	Free-5	Free-14	Free-5	Free-5	Free-5	Free-5
9504.30	Free	14	20	15	15	15	15
9507.90	3.7-9	9	20	10	10	10	10

Source: For the United States, USITC, *Harmonized Tariff Schedule of the United States*, 2015; for Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua, UNCTAD *Trade Analysis Information System (TRAINS)* database, <http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-trains.aspx> (accessed December 22, 2015).



# **Appendix F**

## **Trade Data**



**Table F.1:** U.S. imports for consumption and U.S. domestic exports, 2015

Proposed modification (HTS chapter or line no.)	U.S. imports from CAFTA-DR countries	Trade-weighted average tariff rate on U.S. imports from CAFTA-DR countries <sup>a</sup>	U.S. imports from world	CAFTA-DR partners' share of U.S. imports	U.S. exports to CAFTA-DR partners	U.S. exports to the world	CAFTA-DR partners' share of U.S. exports
	Million dollars	Percent	Million dollars	Percent	Million dollars	Million dollars	Percent
Purification rule (chapters 36 and 37)	( <sup>b</sup> )	1.0	1,837.4	( <sup>c</sup> )	25.7	3,014.2	0.9
Mixing and blending rule (chapters 33–38)	99.7	0.5	32,558.8	0.3	579.5	48,936.6	1.2
Particle size rule (chapter 33)	61.6	( <sup>c</sup> )	12,042.8	0.5	157.4	10,777.0	1.5
Standards materials rule (chapters 33, 34, 36, and 37)	84.5	0.1	16,940.8	0.5	276.8	20,747.9	1.3
Isomer separation rule (chapters 33, 34, and 36– 38)	98.9	0.5	29,871.9	0.3	523.8	45,645.0	1.1
Polyvinyl chloride and other products (3901– 3915)	36.3	0.1	14,472.8	0.3	834.3	32,373.5	2.6
Gaming machines (9504.30)	0.0	( <sup>d</sup> )	636.6	0.0	15.4	762.1	2.0
Fishing lures (9507.90)	17.4	2.6	233.5	7.4	3.5	76.8	4.5

Source: Compiled from official statistics of the U.S. Department of Commerce (accessed February 9, 2016).

<sup>a</sup> Duties on U.S. imports from CAFTA-DR partners divided by the value of U.S. imports from CAFTA-DR partners for products covered by the proposed rule changes.

<sup>b</sup> Less than \$500,000.

<sup>c</sup> Less than 0.05 percent.

<sup>d</sup> Not applicable.

