Supports South Africa and Turkey
Pro CNLWs for Turkey – gold jewelry
7113.19.29 and 7113.19.50
Leslie's Jewelry Manuf. Corp.

From: Bob Coskay [bobcoskay@leslies.com]
Sent: Thursday, August 31, 2006 10:11 AM
To: FN-USTR-FR0052
Subject: 2006 GSP Eligibility and CNL Waiver Review

To the Office of United States Trade Representative,

Attached you can find the 2006 GSP Eligibility and CNL Waiver Review filled by our organization.

Regards,

Bob Coskay
Leslie's "The Standard In Gold"
585 West Putnam Ave.
Greenwich, CT 06830
Tel: 203.869.7071 X132
Fax: 203.869.8696

GSP Renewal Survey

1. Does your company take advantage of the GSP program? _X__Yes ___No

2. What is the principal industrial sector or product in which GSP helps your business?

Gold Jewelry

3. Do you support renewal of GSP? _X__Yes ___No

4. For what period should congress renew GSP?

   ____ 1 year

   __X__ 5 years

   ____ Other

   ____ Permanently, unless Congress affirmatively determines to terminate.

5. Should the United States use GSP as leverage in the Doha Round? _X__Yes ___No

6. Should the dominant GSP beneficiary countries be further restricted in their access to GSP benefits if such restrictions result in more developmental support for smaller beneficiary countries?

   ___Yes _X__No

7. What GSP beneficiary countries do you import from? Turkey, South Africa

8. Do you have any specific suggestions for modifications in the program, such as new product graduation criteria, new value added qualifications, etc.?
   Please renew the tariff numbers 71131929 and 71131950 within GSP

Thank you for participating in this survey. The committee will use the results to recommend any action to the AAEI Board in support of its members.

Bob Coskay
Leslie's Jewelry Manufacturing Corp.
585 West Putnam Ave.
Greenwich, CT 06830
Tel: 203.869.7071 X132
Fax: 203.869.8696

SA Footwear and Leather Export Council (SAFLEC)

Postal Address: P.O. Box 94, Southbroom, 4277 KwaZulu-Natal, Republic of South Africa
Office: 28 Lower Milkwood Lagoon Dve Southbroom 4277
Tel: (039) 316 8175 Tel. International: (027-39) 316 8175 Fax: S.A only 086 6714079; Fax International: (027-39) 316 6954
Email: saflec@iafrica.com Website www.saflec.com

Reg No: 2001/004/321/08

Supports Continued GSP & AGOA
particularly for Footwear

From: Nora Hill [saflec@iafrica.com]
Sent: Friday, September 01, 2006 6:43 AM
To: FN-USTR-FR0052
Subject: 206 GSP Eligibility & CNL Waiver Review

SA Footwear and Leather Export Council (SAFLEC)

Dear Sir,

Unfortunately we were only given a week to compile this report so please give us leniency re the quality and possible lack of supporting documentation. However should you require any further information, Please do not hesitate to contact us

Kind Regards

Nora Hill

Executive Director

From the Desk of:

Nora Hill
SAFLEC

Tel - + 27 039 316 8175
Fax - 086 6 71 4 079
Address - P.O. Box 94 Southbroom, 4277 KZN South Africa
e-mail: saflec@iafrica.com
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Admin Office

Sheila de Villiers
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Address - P.O. Box 2297, Pinetown,3610 South Africa
e-mail: saflec.admin@iafrica.com

2006 GSP - ELIGIBILTY & CNL WAIVER REVIEW

Footwear Sector
USITC Codes 6401.10.00 – 6405.90.90

Does the USA really want to import everything they consume from China? This would be the net result should they pursue the thought of discontinuing the GSP to African countries. The emerging Far Eastern tigers are slowly killing off the manufacturing industries in the West and whether it admits to it or not, ultimately will be the only producer of consumer goods. What a wonderful negotiating point! Surely the US can see this would bring further poverty to Africa and destroy the innovativeness of the Western countries that have developed industries for decades.

After WW2 Japan destroyed many of the European industries by poaching their intellectual property rights and the expertise they had developed over the years. This is short sighted as eventually there is a lack of R & D and the poachers find that they eventually have to replace that missing link, which in turn knocks them out of the race for " more- cheaper- quicker" and pass the baton to the next country with government incentives that is hungry enough to flaunt the WTO rulings and takes over. (The flying goose syndrome)

This eventually starts the debt cycle causing the developing countries, without the financial muscle to support their industries or develop new ones, fall evermore deeply into the financial mire of resource-based exports, (often their only assets) resulting in foreign aid and forever reliant on the US and other G8 countries.

I am of the opinion that the GSP is linked to AGOA and do not see how, if AGOA has been extended for a good few years, the GSP can be isolated and withdrawn. I look forward to answers from the US however, but herewith my comments.

Obviously South Africa vitally needs the US GSP.

The emergence of the Far Eastern industries, who can only function viably on volume production, have swamped countries' industries that have been developed over centuries. In the footwear industry, leading nations like Italy, who are the forefathers of this industry, have sustain the structure of their industry through small clusters and are now having to face the devastating threat of the Far Eastern imports and decimation of the industry. These "new producers" have piggy-backed on development, knowledge and design from the leading countries (like Italy), and are being supported by their sustained government incentives, are able to infiltrate domestic and export markets at "landed" prices that are often less than half of the raw material costs of the established producers. No country's industry can develop or compete with this unfair practice.

The GSP offered by the US, and its partner, AGOA. at least allows a small margin of advantage for the beneficiary "other" developing countries to have a foothold and to narrow the margins that determine the decisions on whether to import from China, Vietnam India or Africa. The smaller developing countries are trying to sustain industries that give life giving employment on a very unbalanced playing field. We as the South African footwear producers need to desperately rely on our trading partners in the WTO and other traditional markets to re-establish and sustain our industries.

South Africa is supporting the economic "African revival" and as such is leading the way for our FTA (Free Trade Agreement) partners in Africa to develop into production and added-value based export countries rather than the traditional resource-based exporters, as they are at present. Only the GSPs will encourage this development but this will not be an "overnight phenomenon". It takes years to develop a culture of exporting emanating from the development of suitable industries and no quick decision should be taken merely on the production of statistics that cannot illustrate these facts.

I think from the above. it can be ascertained that if the GSP can be "de-linked" from AGOA and there is a possibility of removing SA from the benefits offered, we cannot warn the "powers that be" highly enough of the negative results of such a decision. With the favourable exchange rate once again being a competitive advantage to the South Africa producers, the industry is increasing its marketing campaign into the USA. This industry has over the past ten years lost 54% of its employment through a diminished domestic market because of cheap imports. South Africa has a purported unemployment rate of 42% that must be curbed to make the country a viable and economic power in the continent. In order to sustain, if not expand this industry, every benefit possible needs to be retained. We therefore request that the GSP neither be suspended, limited or withdrawn particularly in the footwear sector.

Nora Hill
Executive Director
SAFLEC

TOTAL SOUTH AFRICAN Exports to USA under GSP

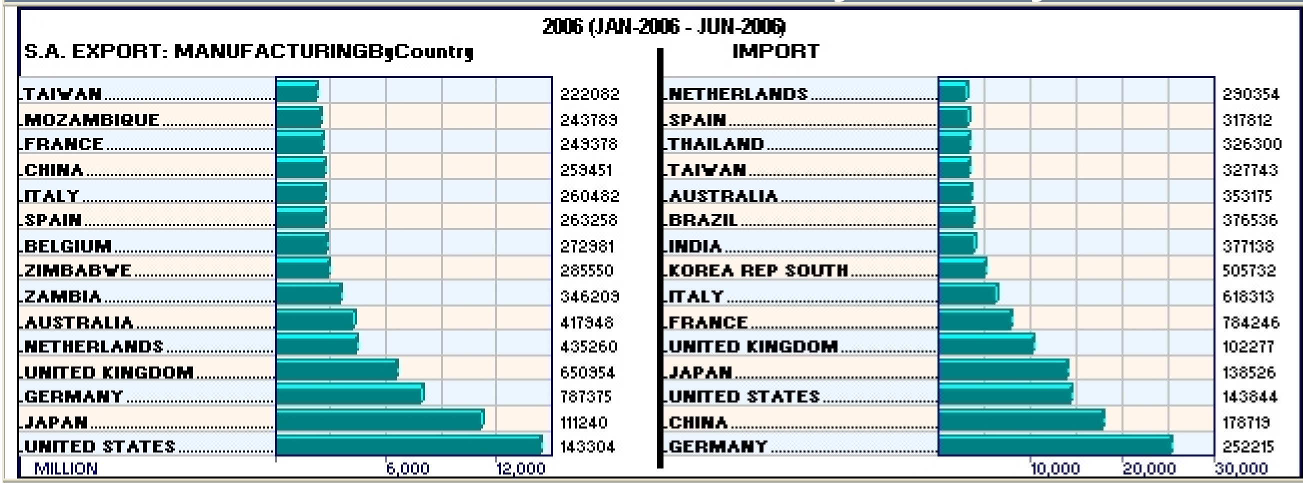
TOTAL GSP

U.S. thousand dollars	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1996	34,925	16,962	41,358	41,242	39,334	31,911	52,658	54,681	26,574	35,494	44,064	41,527
1997	37,199	16,948	43,064	41,608	32,102	39,540	43,083	40,305	47,352	44,267	47,354	48,575
1998	42,575	41,070	50,809	57,211	59,183	59,537	41,760	53,054	49,271	31,500	64,832	39,764
1999	37,427	27,130	42,925	28,344	42,577	44,264	35,443	49,493	38,967	43,940	34,265	53,633
2000	43,657	40,013	49,876	41,643	48,487	64,618	60,291	48,018	67,634	48,707	53,547	52,810
2001	67,594	34,847	48,838	38,102	37,403	48,772	52,133	53,893	40,205	43,709	40,436	32,508
2002	39,196	29,550	44,731	53,137	39,500	42,170	65,237	41,285	63,766	43,631	61,321	67,567
2003	53,617	41,568	58,480	53,949	52,048	55,975	69,780	62,478	53,646	91,899	58,486	63,399
2004	61,238	56,090	62,301	89,293	71,415	96,277	93,934	90,895	67,980	102,137	109,067	103,444
2005	84,182	59,166	69,748	108,250	77,972	80,866	79,300	65,333	68,297	80,115	69,157	65,140
2006	71,698	63,902	90,908	109,880								

TOTAL GSP

percent	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1996	0.19	0.10	0.24	0.19	0.23	0.21	0.24	0.29	0.18	0.17	0.24	0.21
1997	0.27	0.12	0.21	0.25	0.13	0.17	0.20	0.21	0.20	0.21	0.25	0.22
1998	0.18	0.19	0.21	0.27	0.24	0.25	0.17	0.24	0.24	0.14	0.25	0.22
1999	0.15	0.17	0.20	0.13	0.19	0.18	0.14	0.20	0.17	0.18	0.14	0.21
2000	0.19	0.15	0.18	0.14	0.15	0.19	0.20	0.13	0.23	0.12	0.21	0.17
2001	0.18	0.15	0.17	0.13	0.12	0.12	0.17	0.18	0.15	0.14	0.14	0.17
2002	0.18	0.13	0.18	0.19	0.14	0.15	0.23	0.14	0.23	0.12	0.18	0.21
2003	0.20	0.15	0.20	0.17	0.16	0.16	0.22	0.19	0.15	0.23	0.20	0.21
2004	0.23	0.19	0.15	0.24	0.15	0.22	0.28	0.33	0.16	0.29	0.23	0.20
2005	0.26	0.17	0.16	0.26	0.20	0.19	0.21	0.15	0.15	0.23	0.14	0.14
2006	0.18	0.15	0.18									

South African EXPORT by Country



MANUFACTURING

Country	EXPORT (R'000)					Rank		Proportion 2006		Annual Growth
name	JUN-2006	2006	2005	2004	2003	2006	2005	%Total	Cum.	2006-2005
.UNITED STATES	2,829,965	14,330,400	24,107,257	22,029,963	19,628,871	1	1	13.1%	13.1%	28.4%
.JAPAN	2,471,759	11,124,050	19,495,793	15,698,277	14,217,135	2	2	10.2%	23.3%	27.9%
.GERMANY	1,479,831	7,873,751	15,613,653	16,327,145	14,416,953	3	4	7.2%	30.5%	-1.7%
.UNITED KINGDOM	1,203,819	6,509,549	16,103,135	14,845,555	12,658,758	4	3	6.0%	36.5%	-18.4%
.NETHERLANDS	629,145	4,352,609	7,674,227	5,753,923	5,342,181	5	6	4.0%	40.5%	10.3%
.AUSTRALIA	898,240	4,179,484	9,010,683	6,921,384	5,631,066	6	5	3.8%	44.3%	-1.7%
.ZAMBIA	744,505	3,462,096	5,225,000	4,602,047	3,813,731	7	10	3.2%	47.5%	74.4%
.ZIMBABWE	540,920	2,855,504	6,408,567	5,639,594	5,719,169	8	7	2.6%	50.1%	-15.3%
.BELGIUM	570,113	2,729,818	4,978,042	3,749,496	3,504,466	9	14	2.5%	52.6%	24.4%
.SPAIN	515,674	2,632,585	5,097,613	3,992,939	3,638,681	10	12	2.4%	55.0%	17.3%
.ITALY	386,233	2,604,824	5,022,490	5,377,292	5,219,072	11	13	2.4%	57.4%	6.7%
.CHINA	532,837	2,594,516	5,110,380	4,341,461	4,792,587	12	11	2.4%	59.8%	-8.1%
.FRANCE	487,627	2,493,783	4,304,143	4,102,978	3,919,190	13	17	2.3%	62.1%	12.4%
.MOZAMBIQUE	547,974	2,437,899	5,849,406	4,550,340	5,070,874	14	8	2.2%	64.3%	-9.8%
.TAIWAN	390,740	2,220,824	4,601,691	8,331,662	4,592,449	15	16	2.0%	66.4%	-12.0%
.KOREA REP SOUTH	410,237	2,033,846	4,695,992	3,433,460	3,380,947	16	15	1.9%	68.2%	-8.0%
.INDIA	482,729	1,971,634	5,277,480	3,254,417	2,797,555	17	9	1.8%	70.0%	-37.7%
.NIGERIA	284,683	1,697,467	3,328,350	2,888,029	2,513,160	18	18	1.6%	71.6%	18.6%
.ANGOLA	332,132	1,662,405	3,280,862	2,892,943	3,167,569	19	19	1.5%	73.1%	4.3%
.KENYA	469,040	1,611,068	2,796,811	2,638,132	2,104,228	20	21	1.5%	74.6%	13.7%
.SWITZERLAND	317,512	1,439,150	2,911,596	2,814,965	2,256,912	21	20	1.3%	75.9%	-0.9%
.SINGAPORE	173,652	1,409,829	2,513,203	1,920,133	1,709,900	22	24	1.3%	77.2%	9.4%
.TANZANIA	334,829	1,302,169	2,676,091	2,190,926	1,827,806	23	23	1.2%	78.4%	-2.4%
.UNITED ARAB EMIRATES	201,763	1,196,067	2,076,250	1,987,022	1,883,769	24	26	1.1%	79.5%	34.2%
.DEM REP of CONGO	237,145	1,040,647	1,736,871	1,342,890	1,203,158	25	29	1.0%	80.4%	26.4%
.BRAZIL	167,213	986,344	1,720,952	1,275,720	1,093,953	26	30	0.9%	81.3%	27.9%
.HONG KONG, China	163,884	968,796	2,684,460	2,158,914	2,200,554	27	22	0.9%	82.2%	-25.7%
.SAUDI ARABIA	167,316	909,272	1,689,352	1,237,506	893,682	28	31	0.8%	83.1%	8.0%
.SWEDEN	316,511	869,746	1,508,842	1,164,804	794,903	29	36	0.8%	83.9%	17.2%
.MAURITIUS	141,084	845,525	1,914,179	1,520,164	1,791,274	30	27	0.8%	84.6%	14.3%

NON-CONFIDENTIAL

Shatterprufe

A division of PG Group (Proprietary) Limited
Reg No 1973/001729/07

1 Armourplate Road
Struandale
Port Elizabeth 6001

P O Box 810
Port Elizabeth 6000

Tel: +27 41 405-3200
Fax: +27 41 405-3404
http://www.shatterprufe.co.za

4 September 2006

Office of the United States Trade Representative

c/o e-mail reference: FR0052@USTR.EOP.GOV

Subject : USA GSP

Shatterprufe is an automotive glass manufacturer which exports product to the USA via a wholly owned warehouse in Charleston called the Sentinel Group. This South African manufacturer employs approximately 1400 people.

2005 Exports to USA

	Pieces	USD ('000)	R'(000)
Laminated product	58 900	1 831	11 369
Toughened product	271 800	2 680	16 759
Duty (potential)			
Laminated	4.9%	89.7	557
Toughened	5.5%	147.4	922

This cost of R1.5M would make this marginal business unsustainable and result in Shatterprufe's withdrawal from this market. As automotive glass manufacture is very dependent on economies of scale, the potential job losses are greater than the direct manning involved in the production of this specific volume. In other words, the business would have to downscale substantially and it is estimated that it would need to shed between 100 and 200 jobs. This impact on the already impoverished Eastern Cape would be severe as it would impact on small feeder businesses and the community at large.

The Charleston warehouse which employs 12 people would also be shutdown and the USD 2 008 000 worth of capital employed at December 2005 would be liquidated. Please consider this significant impact in your deliberations and look favourably on extending the GSP.

Yours sincerely,

TREVOR THOMAS
Chief Operating Officer

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PILKINGTON

September 1, 2006

To Whom It May Concern:

I am writing on behalf of Pilkington North America, Inc. (PNA) as support for our supplier, Sentinel Group, who distributes glass manufactured in South Africa out of their warehouse in South Carolina. This letter is in response to the proposed removal of South Africa from the Generalized System of Preference program.

PNA's Automotive Glass Replacement (AGR) division markets safety glass for the automotive market. PNA AGR currently purchases for resale tempered automotive glass product that is provided mainly by two companies. Sentinel provides about 40% of the volume which accounts for 508 different parts and an annual volume of over 122,000 units. If Sentinel were to incur a 5.5% duty, they would not be as competitive on approximately half of those parts and PNA then would be forced to source to their competitor at a higher price to PNA. In addition, if Sentinel dropped to only 20% of our business, it would provide their main competitor an opportunity to push Sentinel out of the market. If Sentinel should leave the US market, PNA would be reduced to one main tempered supplier and would expect prices to significantly increase. This price increase would provide a negative impact on PNA profits and would ultimately be passed down to the US consumer.

It is our hopes that Congress will continue the GSP program with South Africa continuing to be designated as a qualifying beneficiary developing country. Our own competitiveness in the market of AGR glass is dependent upon PNA's ability to source from multiple suppliers at competitive pricing which can be passed down to the U.S. consumer.

Sincerely,

W. E. Waldron

William Waldron
Sr. Purchasing Manager
Pilkington North America, Inc. Automotive Glass Replacement

Pilkington North America, Inc.

811 Madison Avenue PO Box 799 Toledo Ohio 43697 0799
Telephone 419 247 3731 Fax 419 247 3821
www.pilkington.com

the sentinel group

1025 Le Grand Blvd Wando SC 29492● PHONE: (843) 881-1880 ● FAX: (843)881-1420 ● TOLL FREE: (800) 282-7076

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The Office of the United States Trade Representative
c/o Email: FR0052@USTR.EOP.GOV

As the General Manager of Sentinel Holdings, Inc., I am submitting this document in order to emphasize the negative impact on our company if the GSP is withdrawn. Sentinel Holdings, Inc. is an automotive glass sales and distribution operation in Charleston, S.C. We are wholly owned by PG Group of South Africa.

Sentinel distributes to the North American market, and we rely completely on PG Group product to sustain our business. The automotive glass replacement aftermarket in the U.S. is extremely competitive and pricing pressure is intense. Sentinel cannot absorb the added duty, and our customer base would be forced to source their product elsewhere in order to stay competitive and profitable themselves. Our customers could not and would not accept an increase on our range of parts.

2005 Shatterprufe(South Africa) exports to the Sentinel Group (U.S.)

	Units	USD(000)	Rand(000)
Laminated(windshields)	58900	1831	11369
Toughened(tempered sidelites/rearlites)	271800	2680	16759
Duty(potential)			
Laminated 4.9%		89.7	557
Toughened 5.5%		147.4	922

If the duty is imposed, Sentinel would no longer be viable and PG Group would need to withdraw from the U.S. market. According to PG Group, they would “have to downscale substantially and it is estimated that they would need to shed +/- 300 jobs”. The Sentinel operation in Charleston employs 12 dedicated people, many of whom have worked for us for at least 10 years, who would be displaced as a result of the shutdown.

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Thank you for your sincere consideration of our situation.

Sincerely,

Michael L. Martini
Vice President/General Manager
Sentinel Holdings, Inc.

Scientific Engineering (Pty) Ltd
Reg No. 2000/021173/07
Tel: (011) 473-1080   Fax: (011) 474-1630
P.O. Box 43330 Industria 2042, South Africa
1239 Anvil Road, Robertville Ext1, Johannesburg
Email: bernard@scientific.co.za

4 September 2006

Dear Sir / Madam

Thank you for giving Scientific Engineering (Pty) Ltd the opportunity to comment on the potential withdrawal of South Africa's benefits under GSP agreement with the United States.

Scientific Engineering (Pty) Ltd is a medium sized company producing catering equipment, both for the local and international market. Our products are the market leader within Southern Africa and we have managed to grow our exports to the point where our brands are just starting to become the brand of choice internationally. We would be delighted if you could take a moment to visit our website at www.anvilworld.com where you are able to view our product lines. We are currently exporting product to the value of $ 2,2 million per annum to the USA, which represents between 25 and 30 % of our total sales, but the potential growth of this market could mean that these figures increase substantially. The international market in which we sell is highly competitive and it is necessary to sell our products in these markets at very small margins of between 5 and 15 %. The withdrawal of the GSP benefit which we currently enjoy in trade with the USA, would erode all profit margin and destroy all marginal profit exporters. We will not be able to effectively compete if the GSP benefits are withdrawn.

Scientific Engineering (Pty) Ltd provides employment to over 100 people and has an exemplary record with both the Department of Trade and Industry and also with the South African Revenue Services. Most opportunity for growth exists in the USA and should we wish to continue to offer employment opportunities and employment growth, and indeed to make our contribution to the GDP of South Africa, it is in the huge USA markets that these opportunities for growth exist.

The original intention of the GSP benefit was to provide a forum to assist development in under developed countries. GSP has assisted our company as well as many others to develop our exports and in this way create employment opportunities within South Africa which is consistent with the intentions set out in the original agreement. The withdrawal of the GSP benefits will severely curtail the development of our Company and the Southern African region as a whole, at a time when it needs it most. We urge you to consider our application to keep South Africa as a country which will continue to benefit from the GSP agreement.

Yours faithfully

Donald Pierce
Financial Manager

"Our Quality is Our Strength"

Directors: G.W. Henegan, F.F. de Jesus, B.C. Parschau, M.T. Rogers

2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

INTRODUCTION

The Southern African Footwear and Leather Industries Association (SAFLIA) is a non-profit trade association representing footwear manufacturers in the Southern African Customs Union (SACU – Botswana, Lesotho, Namibia, South Africa and Swaziland). The organised footwear manufacturing industry in South Africa goes back 90 years to 1916, when the first footwear and leather association was established.

In 2005 the footwear manufacturing industry in SACU produced 30 million pairs of footwear to the value of R3 billion, and employed 30,000 persons.

GSP PROGRAMME

SAFLIA is aware that legislation authorizing the GSP programme expires on December 31, 2006; and that consideration is being given to a change in the programme that could negatively affect some countries that are currently deriving benefits from the programme. SAFLIA's concern is that changes to the present GSP regime could impact negatively on the benefits currently derived under AGOA by South African footwear manufacturers.

The whole of Chapter 64 of the Harmonised Tariff Schedule, with the exception of the following tariff lines, is eligible for duty-free treatment in terms of AGOA:

64.05.20.60
64.05.90.20
64.06.10.72/77/85/90
64.06.20.00
64.06.91.00
64.06.99.15/30

In 2000 when SAFLIA motivated its request for GSP duty-free treatment of footwear imports from South Africa to both your ITC and TR, South Africa exported 10,000 pairs of footwear to the USA. Since the implementation of AGOA and the inclusion of footwear from South Africa as a beneficiary of GSP duty-free access to the US market exports of our product have increased to 156,000 pairs in 2005, with a f.o.b. value of US$2,8 million. Since this year's successful Las Vegas Shoe Fair it is expected that exports to the US could in the next 12 months reach 200,000 pairs – although perhaps insignificant from a US perspective, for South Africa with its very high unemployment, indeed meaningful as every job created in South Africa is significant.

CONCLUSION

SAFLIA believes that AGOA is a valuable instrument in improving trade capacity of South Africa and that of individual sectors, including footwear. SAFLIA, furthermore, holds the view that labour intensive sectors, such as footwear, are crucial in alleviating the dire unemployment situation in South Africa.

We therefore appeal to the US authorities to maintain the South African footwear manufacturing sector's current GSP duty-free treatment of exports to the US.

DENNIS LINDE
Executive Director
Southern African Footwear and Leather Industries Association (SAFLIA)
P.O. Box 2297, PINETOWN, 3600
Suite 202, Charter House, 75 Crompton Street, Pinetown,3610
Tel: + 27 31 701 4111
Fax: + 27 31 701 4208
Cell: + 27 82 652 9084
e-mail: dlinde@telkomsa.net

05 September 2006

NON CONFIDENTIAL

4 September 2006.

The Office of the United States Trade Representitive
C/O Email FR0052@USTR.EOP.GOV

REVISION OF USA GSP

PFG Building Glass based in Springs South Africa and is the only manufacturer of Flat and Rolled glass in sub sahara Africa. We currently employ in the region of 500 people.

2005 Exports to the USA.

	Tons	USD '(000)	R'(000)
Rolled Product	9,286	3,763	23,517
Rolled Toughened Product	268	279	1,746
Duty (potential)			
Rolled	1.3%	49	306
Rolled Toughened	5.0%	14	87

Rolled product also known as Pattern glass is an extremely marginal product which is produced on an ageing line which is currently 15 years old and is manned by aproximately 150 people. Should the GSP incentive be removed this would adversly affect the profitability and could necessitate the closeure of this line.

When reviewing your decision please keep in mind the above in mind and we would like to ask that you seriously consider continuing the GSP status for South Africa.

Yours sincerely,

pp.

Bob Tompson
Managing Director

NON CONFIDENTIAL

PFG
BUILDING GLASS

A DIVISION OF PG GROUP (PROPRIETARY) LIMITED
Reg No 1973/001729/07

216 Industry Road
New Era
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The Office of the United States Trade Representative
C/o email: FR0052@USTR.EOP.GOV

Ladies and Gentlemen:

2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

In terms of a United States Federal Register Notice on 8th August 2006 – the office of the United States Trade Representative invited public comment on whether to limit, suspend or withdraw the eligibility of certain countries classified as upper middle-income economies which includes, amongst others, South Africa. Apparently, the review will also examine whether to withdraw presidential waivers that give a number of countries, including South Africa, unlimited duty free access for certain products.

The attached submission is for an on behalf of Non-Ferrous Metal Works (SA) (Pty) Ltd based in Durban, South Africa.

Non-Ferrous Metal Works (SA) (Pty) Ltd commonly known in the trade as "NFM" is a relatively benchmarked competitive manufacturer of cast and extruded copper and copper alloy shapes and forms in a semi fabricated manufactured process to laid down international standard under ISO 9001 quality assured procedures.

We have been exporting our products since the 1980's to the USA, initially in small quantities and since the new millennium have gradually increased both tonnage, value and complexity of our exports to our sole distributors Messrs National Bronze & Metals, Inc., based in Houston, Texas.

Regarding the classification of South Africa, whilst certain aspects may be deemed as "upper middle-income economies", like an iceberg this is probably 10% of the economy and the population, the vast residual unfortunately would have to be defined as under privileged, alternatively disadvantaged.

These areas are very much like the rest of Africa and accordingly as a result of the huge population growth the need to actively nurture industrial growth in terms of an extremely important and urgent undertaking to generate infrastructure expansion programmes that will help create jobs for the "masses of unemployed" by encouraging local sources of materials and beneficiating these materials to not only satisfy domestic markets but into an international marketing campaign has become extremely urgent and important.

This is now magnified as a result of the extra-ordinary competition from the huge population growth, low cost production, working extra-ordinary hours posed by the Asian continents led in the main by China and India, with many other countries in the vanguard, leading to the loss of markets and accordingly the closing of industry in the African continent.

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Taking this to the "end degree" loss of jobs in an African context means an extended family of between 10 – 20 persons go hungry when the sole breadwinner loses their income stream and starving people without hope can lead to grave civil consequences. (One only has to look at the devastation and social tragedy what resulted in New Orleans not even 12 months ago as a result of Hurricane Katrina and the degree of civil disturbance that resulted when persons lost their homes and income streams).

All we can ask is "a level playing field" in terms of international benchmark competition. The duty free GSP benefits basically helps combat the fact that :

1. From a geographical perspective, we are as far from the US clientele as possible, a major marketing disadvantage due to the slowest shipping service.

2. Shipping costs are (far) higher than competing countries via "shipping conferences", sometimes double or even triple than competing origins, for the simple reason that the relatively small quantities involved combined with the geographic isolation, according to the shipping companies, deems it necessary to charge higher freight rates.

3. Then there are the subtle marketing hurdles that need to be overcome as to "why source from Africa with all its problems and troubles"? ie: the negative connotations involved with African origin.

Notwithstanding all these negative commercial and marketing disadvantages we strive to not just maintain but to grow our market share. From a macro USA perspective it is extremely negligible, I doubt our exports of Chapter 74 copper alloy shapes constitutes 0.1% of the total market.

On the other hand it has created niche industrial growth, improved management and business practices, created jobs where persons who often did not go through high school are now suitably qualified at semi skilled and even skilled job functions and more importantly has enabled a greater amount of wealth to be circulated into previously disadvantaged population groups in the South African community to improve their life prospects.

In summary, each and every one of the current jobs and hopefully jobs to be if the level playing field regarding the 0% duty in terms of USA GSP benefits is absolutely vital for the persons employed.

In attaching the "Business Confidential" figures to highlight the growth of our trade into the USA, bear in mind that this is notwithstanding the extra-ordinary competition that we are now faced with in terms of not only the Asian competition but also East European competition, Western European competition, as well as the growing Latin American origin competition.

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Accordingly, the complexity of alloys which we are now producing for niche market applications is continually getting more complex, thus on the one hand tonnages may be dropping but values increasing on the other hand due to the complexity of our new capabilities plus the well documented commodity boom surge over the last year or so.

As a final comment, you may wish to review this aspect with our distributors National Bronze & Metals, Inc., in Houston, Texas, attention: Michael J Greathead, President, who will also explain to you the fact that they too are now exporting increasing quantities of product into Southern Africa and no doubt the export growth is increasing. Thus, whilst the figures may not equate, there is now two-way growth in both directions, and thus the need to maintain the status quo in terms of the zero percent duty GSP clearance.

For further information on both Non-Ferrous Metal Works (SA) (Pty) Ltd and National Bronze & Metals, Inc., kindly review the respective websites, namely www.nfm.co. or www.nbmmetals.com

Yours sincerely,

RONALD LAZARUS
Joint managing Director

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September 5, 2006

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

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

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

FR Doc E6-12870

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

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

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

- **Twenty nine developing countries supply 89% of US imports of raw cane sugar. However, only one-third of sugar imports from developing countries enter the US duty-free. Duty-free access is denied to major beneficiaries such as Argentina and Brazil. All GSP countries should have duty-free access to the United States for sugar imports.**

- **GSP major beneficiaries are an important source of cocoa raw materials used by the confectionery industry and GSP benefits should continue.**

- **Imports of sugar confectionery and chocolate confectionery from major beneficiaries of GSP[1] account for less than 1% of the US market and it is therefore not necessary to remove their eligibility.**

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

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

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

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

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

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

II. Cocoa inputs are important to US industry

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

Table B: **US Imports of Cocoa Inputs from Major Beneficiaries of the GSP-Program**

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

III. Imports of finished confectionery from major beneficiaries

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

Table C: **US Imports of Finished Confectionery Products from Major Beneficiaries of the GSP-Program**

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

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

Sincerely,

Lawrence T. Graham
President, National Confectioners Association

Lynn Bragg
President, Chocolate Manufacturers Association

NAACAM
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September 5th, 2006

NON-CONFIDENTIAL

The Office of the United States Trade Representative
c/o E-mail: FR0052@USTR.EOP.GOV

Ladies and Gentlemen,

Subject: 2006 GSP Eligibility and CNL Waiver Review

The National Association of Automotive Component and Allied Manufacturers (NAACAM) is the business organisation established in 1980 to promote the interests of South African automotive component manufacturers and the South African automotive industry.

NAACAM is aware that the United States generalized system of preferences (GSP) programme - which enables exporters from various countries, including South Africa, to export, duty free, into the United States - is the subject of a review and interested parties may motivate to have products retained or new products placed on the GSP list.

In terms of a United States Federal Register Notice on 8th August, 2006 - the office of the United States Trade Representative invited public comment on whether to limit, suspend or withdraw the eligibility of certain countries classified as upper middle-income economies which includes, amongst others, South Africa.

General Economic Comments

Although South Africa is officially classified as an upper middle income economy, such classification does not adequately reflect the extent of the economic challenges facing the country in lifting an estimated 20 million people out of poverty. It also does not reflect the challenges faced by the country in terms of the estimated 8 million refugees from other parts of the continent and the impact of that on the economy.

In considering the status of South Africa under the GSP arrangements, it is also important to take into account the relationship between South Africa and its Southern African Customs Union partners (Botswana, Lesotho, Namibia and Swaziland), which also have preferential access to the US market. While it is true that these countries have not necessarily utilized this access to any great extent, South Africa is committed to strengthening and financially supporting the Customs Union and any weakening of South Africa's export potential will undermine this objective.

Finally, in South Africa it is not possible to consider economic factors without taking account of the HIV pandemic in the country. In this regard many of the companies that will suffer as a result of the withdrawal of GSP status are those that through their corporate social responsibility initiatives contribute to combating this pandemic, which could be a significant constraint to achieving necessary future economic growth targets.

Specific Comments on the GSP

While it is recognised that a number of automotive products will continue to benefit under the African Growth and Opportunities Act (AGOA), NAACAM would request the retention of the GSP dispensation in respect of South Africa. Automotive parts and components currently falling under the GSP include not only products from chapter 87, but also from Chapters 73, 82, 83, 84 and 85. NAACAM's motivation is made on behalf of the South African component manufacturing industry, including exporters of South African automotive products. In addition to the broader economic comments made above, we would like to add the following:

(i) South African Government Policy for the Automotive Industry – the Motor Industry Development Program (MIDP)

The South African automotive policy is designed to gradually and progressively improve the international competitiveness of the South African automotive manufacturing and associated industries and to facilitate their integration into global markets.

The automotive industry in South Africa was, prior to 1995, subject to significant protection and mandatory local content levels. Since then, the tariffs on automotive products and motor vehicles have been reduced substantially, for example, the import duty on built up cars is currently 32% down from 115% 11 years ago. The import duty on original equipment components has reduced since 1995 from 50% to 26%, whilst the duty on imported aftermarket parts ranges from 0% to 15% with an average below 10%. This extensive trade liberalization and impending further duty reductions through to 2012 has progressively exposed the South African automotive industry to the realities of globalisation, international competition and the corresponding need for efficiency improvements.

Given the relatively small size of the South African automotive industry (South Africa's total vehicle production represents only 0.7% of total global production), it is generally accepted that the industry's future viability and success depends largely on participation in international markets and closer links with multi national automotive corporations in order to generate higher volume economies of scale. To this end, South African vehicle manufacturers and their suppliers have started to work together to reduce the cost gap against world class bench marks in order to become more competitive internationally, to expand the industry's export business and to provide more affordable products in the South African market. In the process, South African vehicle and component manufacturers have continued progressively to integrate their operations into the global sourcing networks of the multi national automotive corporations.

Whilst it is appreciated that import duties into the United States on most automotive products remain relatively low, the opportunity to continue to enjoy duty free access, as part of the Generalised System of Preferences, is critical towards assisting the further growth and development of the South African automotive industry and in turn the growth and development of not only the South African economy, but also the Southern African economies which depend so much on South Africa’s success and assistance.

(ii) The Interests of United States Automotive Companies in South Africa

The United States Automotive Industry is well represented in South Africa. Ford Motor Company, General Motors and Chrysler are long established, leading vehicle-producing corporations in South Africa. Moreover, the top 7 US automotive parts suppliers - namely Delphi, Johnson Controls, Visteon, Lear, TRW, Dana and ArvinMeritor - have subsidiary companies in South Africa, and most of the top 20 US auto supplier companies are also represented in the country. All of these companies have built strong business links between their South African operations and other international stakeholders, including the United States of America.

These established business links enhance the potential for mutually beneficial two-way trade between the United States of America and South Africa. Moreover, the reality of the globalisation process in the international automotive industry has resulted in multi national corporations sourcing their requirements from anywhere in the world at the best possible price subject to compliance with quality standards and delivery schedules. American corporations would therefore benefit from duty free access to products manufactured in South Africa. By the same token, increased export business for South African component and vehicle manufacturers would assist the process of promoting growth and development in South Africa.

NAACAM therefore requests that the present GSP for automotive products from South Africa be extended to ensure that the automotive component and vehicle manufacturing companies will not be prejudiced and will continue to be able to make a contribution towards the economic and social upliftment of the region.

Yours faithfully

Roger Pitot
Executive Director

NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

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N24
5th September, 2006

NON-CONFIDENTIAL

The Office of the United States Trade Representative
c/o E-mail: FR0052@USTR.EOP.GOV

Ladies and Gentlemen,

2006 GSP Eligibility and CNL Waiver Review

The National Association of Automobile Manufacturers of South Africa (NAAMSA) is a business organisation committed to the principles of free enterprise and specifically to the promotion of the interests of South African vehicle manufacturers and the South African automotive industry.

NAAMSA is aware that the United States generalized system of preferences (GSP) programme - which enables exporters from various countries, including South Africa, to export, duty free, into the United States - is the subject of a review. Specifically, in terms of a United States Federal Register Notice on 8th August, 2006 - the office of the United States Trade Representative invited public comment on whether to limit, suspend or withdraw the eligibility of certain countries classified as upper middle-income economies which includes, amongst others, South Africa. Apparently, the review will also examine whether to withdraw presidential waivers that give a number of countries, including South Africa, unlimited duty free access for certain products.

NAAMSA understands that South Africa, as a beneficiary in terms of the African Growth and Opportunity Act (AGOA), would continue to receive both AGOA and GSP benefits if the generalized systems of preferences authority expires. Despite this interpretation, NAAMSA would, by way of this submission, motivate and request the retention of the GSP dispensation in respect of South Africa. NAAMSA's motivation – on behalf of the South African vehicle manufacturing and component industries, including exporters of South African automotive products - may be outlined as follows

(i) Official South African Government Policy for the Automotive Industry and the Importance of GSP Benefits to Support Future Growth and Development of the Automotive Industry in Southern Africa

The South African automotive policy regime is designed to progressively improve the international competitiveness of the South African automotive manufacturing and associated industries and to facilitate their integration into global markets.

The automotive industry in South Africa has been subjected to extensive trade liberalization with import duties on automotive products and motor vehicles having been reduced substantially, for example, the import duty on built up cars is currently 32% down from 115% eleven years ago. The import duty on original equipment components has reduced since 1995 from 50% to 26%, whilst the duty on imported aftermarket parts ranges from 0% to 15% with an average of about 10%. The extensive trade liberalization and impending further duty reductions has progressively exposed the South African automotive industry to the realities of globalisation, international competition and the corresponding need for efficiency improvements.

Given the relatively small size of the South African automotive industry (South Africa's total vehicle production represents only 0,70% of total global production), it was generally accepted that the industry's future viability and success would be a function of participation in international markets and closer links with multinational automotive corporations. To this end, South African vehicle manufacturers and their suppliers have started to work together to reduce the cost gap against world class bench marks in order to become more competitive internationally, to expand the industry's export business and to provide more affordable products in the South African market. In the process, South African vehicles and component manufacturers have continued progressively to integrate their operations into the global sourcing networks of the multinational automotive corporations.

Whilst it is appreciated that import duties into the United States on most automotive products remains relatively low, the opportunity to continue to enjoy duty free access, as part of the generalised system of preferences, would assist the further growth and development of the South African automotive industry and in turn the growth and development of the South African and Southern African economies.

(ii) The Importance of Mutually Beneficial Trade for American and South African Automotive Businesses

The interests of American automotive corporations are well represented in South Africa. Ford Motor Company, General Motors and Chrysler are long established, leading automotive producing corporations in South Africa. Moreover, most of the top American automotive parts suppliers are represented in South Africa, including, Magna International, Johnson Controls, Lear, TRW Automotive, Delphi, Visteon, Eaton, and ArvinMeritor amongst others. All of these companies have built strong business links between their South African operations and other international stakeholders, including United States automotive companies.

These established business links enhance the potential for mutually beneficial trade between the United States of America and South Africa. Moreover, the reality of the globalisation process in the international automotive industry has resulted in multinational corporations sourcing their requirements from anywhere in the world at the best possible price subject to compliance with quality standards and delivery schedules. American corporations would therefore benefit from duty free access to products manufactured in South Africa. By the same token, increased export business for South African component and vehicle manufacturers would assist the process of promoting growth and development in South Africa.

As import and export data available to the office of the United States Trade Representative will confirm, two-way trade in automotive products (vehicles and parts) between the United States and South Africa has increased in recent years. Import and exports of automotive products have grown in both volume and value terms and the scope and composition of products traded has widened.

The retention of GSP is necessary to support the momentum and growth in mutually beneficial trade links. The limitation or withdrawal of GSP benefits would undermine and prejudice existing (contractual) trade in automotive products. Since South Africa is a catalyst for the future growth and development in Sub-Saharan Africa, any reduction in trade in automotive products could have negative implications for growth and development in the Southern African region.

Increased trade between South Africa and the United States in the longer term will also create improved opportunities and demand for U.S. technical expertise, credit and markets and will also bring renewed focus on incremental trade and investment opportunities between the two countries.

Any limitation, suspension or withdrawal of GSP benefits for South Africa will undermine the mutually beneficial trade arrangements established between United States and South African automotive companies. The majority of these trade arrangements are based on contractual terms and conditions, premised on the assumption that GSP benefits would remain in place.

(iii) Comment on the Criteria governing the GSP Review and Eligibility Assessment as well as on the Potential Economic Impact of GSP Benefits Withdrawal

NAAMSA is aware that the United States Government has developed criteria to determine what countries should be affected. According to United States assessment, South Africa is one of the thirteen countries whose GSP status could be withdrawn based on these criteria. However, the United States President has discretion on this matter and the decision to withdraw the benefits will depend on the advice he receives.

With specific reference to the criteria, NAAMSA would question the classification of South Africa as an upper middle – income economy in 2005. As the office of the United States Trade Representative will be aware, the income distribution in South Africa is extremely skewed and unequal. Moreover, development in South

Africa is not evenly distributed. In essence, the South African economy comprises of a first world developed sector and a large under developed sector, with extreme levels of poverty.

For these reasons, the South African authorities have made it a priority to stimulate and accelerate economic growth. The recently implemented accelerated shared growth initiative for South Africa is intended to facilitate the achievement of a sustained higher future growth rate of at least 5% per annum, in real terms. A specific objective of the initiative is to half South Africa's unemployment rate which is at about 40% at present.

The South African economy, with a high proportion of imports and exports, relies on export led growth to support the country's future growth and development both within South Africa and in Southern Africa as a whole.

Any limitation, suspension or withdrawal of South Africa's GSP benefits would clearly impact negatively on the economic growth and development potential of South Africa and Southern African countries. The South African automotive industry with its intensely export orientated focus is probably more vulnerable than many other sectors. The industry's 2005 contribution to the country's gross domestic product was 7,64% up from 7,1% in 2004.

The likely economic impact the withdrawal of GSP would have on the South African automotive industry is anticipated to be negative and far reaching, particularly from the point of view auto parts suppliers/exporters. The impact would be in the form of loss of income, pressure on investments and possible employment losses.

The South African automotive industry faces the reality of further fundamental restructuring to improve its international competitiveness in terms of production costs, product quality and delivery standards. Any assistance that the industry is able to access in terms of continued GSP benefits would obviously have a potentially beneficial effect on sectors of the South African automotive industry and its future growth and development potential, including employment creation.

Importantly, the inclusion of the automotive products on the list of GSP Product Eligibility would strengthen the course continued of trade relations between Southern Africa and the United States and would improve the scope of employment creation, industrial growth and development in the Southern African region.

Also relevant to the matter under consideration is the proposed establishment of a joint trade and investment cooperation agreement between the United States and the SA Customs Union. Any limitation, suspension or withdrawal of GSP benefits would be inconsistent with the principles and objectives of a trade and investment cooperation agreement between the United States and Southern Africa. At the very least, any review of the continued application of GSP benefits to South Africa should be deferred pending the outcome of the joint trade and cooperation agreement.

Taking account of –

- The special circumstances prevailing in South Africa and the challenges confronting the country to grow and develop its economy and Southern African economies in order to reduce the unacceptably high unemployment rate;

- The importance of mutually advantageous established trade and business links between United States and South African automotive businesses;

- The role of GSP benefits in the establishment and growth of mutually beneficial trade links;

- The proposed joint trade and investment cooperation agreement between the United States and SA Customs Union countries;

- The rationale and arguments advanced in this submission,

NAAMSA, on behalf of the South African automotive industry and exporters of automotive products, would urge and request the retention and continued application of GSP benefits to South Africa, particularly in respect of automotive products.

Sincerely,

NICO M VERMEULEN
DIRECTOR

Kohler Co., Kohler, Wisconsin 53044 Founded in 1873 920-457-4441 Fax 920-459-1745 david.kohler@kohler.com
Import Duties

KOHLER.

David Kohler
Group President
Kitchen & Bath Group

August 31, 2006

Dear Ms. Sandler:

I am writing in regard to your review of legislation to extend the Generalized System of Preferences (GSP) trade program for the United States, currently set to expire on December 31, 2006. Your committee also is reviewing thirteen countries for continued benefit under GSP and has asked for public comment. I believe the GSP program provides a significant benefit to the U.S. economy, helping create balanced global development, or *smart trading*. The GSP program is doing its job. But that job is not finished.

Kohler Co. is a global leader in the manufacture of kitchen and bath products, engines and power generation systems, cabinetry, tile and home furnishings, and international host to award-winning hospitality and world-class golf destinations. From the thirteen countries under review, we import the following products into the United States:

Country	GSP Product(s)	HTSUS Code
Argentina	Engine Parts	8409.91.99
Brazil		
Croatia		
India	Oil/Fuel Filters	8421.23.00
Indonesia	Framed and Unframed Mirrors	7009.92.10 & 7009.92.50
Kazakhstan		
Philippines		
Romania		
Russian Federation		
South Africa	Shower Door Parts	3925.90.00
Thailand	Vitreous China; Mirrors	6910.10.00 & 7006.00.40
Turkey	Vitreous China; Stone Flooring	6910.10.00 & 6802.92.00
Venezuela		

In the future we hope to import additional products from these countries, specifically from the Philippines, Russia and perhaps Brazil. Much of our product is sold to consumers through the nation's leading retailers (Home Depot, Lowe's), independent builders, Kohler showrooms, Baker Stores, and independent small businesses.

Import Duties

Kohler Co. is one of America's oldest and largest privately held companies, based in Kohler, Wisconsin. The company employs more than 31,000 associates on six continents, operates plants in 49 worldwide locations, and has dozens of sales offices around the globe. We are committed to preserving and creating jobs in the U.S., where more than half of our employees live and work.

Several of our current and potential source countries - Thailand, Philippines, Singapore and Indonesia - are members of ASEAN, the ten-member Association of Southeast Asian Nations that is collectively the United States' fourth largest export market. Thailand, for example, thrives in large part because its biggest export partner is the United States.

Under the Enterprise for ASEAN Initiative (EAI) announced by President George W. Bush in October 2002, the U.S. Government is seeking to further strengthen U.S. trade and investment ties to ASEAN, both bilaterally and regionally. The Administration has been negotiating a Free Trade Agreement (FTA) with Thailand since 2003 under the premise that with many of Thailand's products already entering the U.S. market duty-free under the GSP, an FTA will make duty-free treatment a two-way street. What is implied here is that the GSP – or similar provisions – will remain.

Turkey is not nearly as well established in trading with the U.S. as Thailand. U.S. imports from Turkey amounted to $5.2 billion in 2005, approximately half of which are textiles. Kohler imports of vitreous china as toilets and sinks add up to just over one-tenth of 1% this amount. Two-way trade between the two countries was $9.5 billion in 2005. Keeping GSP benefits in place for Turkey encourages further trade with the United States.

At a minimum we request the continued duty-free treatment of vitreous china and stone flooring product. Far better is to extend the entire GSP program. In doing so, our nation grants not only market access, but legal access too. The implications of complying with a legal system cannot be underrated - it is the backbone for instituting institutional reform. With extremism and unrest growing in countries like Indonesia and Turkey, unemployment brought on by canceling the GSP will only fuel that flame. The promise of change is heard loud and clear among the disaffected – those without jobs, money, and few options. Employed workers throughout the world are good for the United States.

Import Duties

Encouraged by continued access to our markets and the possibilities that come with it, countries like Indonesia, Thailand and Turkey become consumers as well as producers. This clearly creates new opportunities for U.S. goods and services. Those opportunities enable improved quality of life, the rule of law and everything it enhances: better business, investment and consuming climates; improved infrastructure; better education; better health care; institutional reform; consumer rights; human rights; labor rights; environmental best practices; and so on. Prematurely ending the GSP provisions would cut short the important work of this development tool. It may negatively impact U.S. consumers through higher prices, and it will disable an important vehicle our government has for continuing free trade with bilateral agreements.

I urge you to extend the GSP program and its benefits for Argentina, Brazil, India, Indonesia, Russia, South Africa, Thailand, Turkey and the Philippines.

Sincerely,

D. Kohler

David Kohler
Group President – K&B Group

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

cc: Senator Russ Feingold
Senator Herb Kohl
Congressman Tom Petri
Herbert V. Kohler, Jr.

Supports India, Indonesia,
Philippines, Romania,
South Africa, & Thailand
Costume jewelry

From: fjta@aol.com
Sent: Friday, September 01, 2006 10:43 AM
To: FN-USTR-FR0052
Subject: Request for public comments

Office of the United States Trade Representative:

We are attaching our answer to your request for public comments regarding certain GSP beneficiaries of waivers.

Thank you for your attention.

Michael Gale
Executive Director
Fashion Jewelry Trade Association
FJTA@aol.com

August 17, 2006

Office of the United States Trade Representative
USTR Annex Room F-220
1724 F. St.
Washington, DC 20508

Re: GSP Initiation of Reviews and request for Public Comments

Dear Sir or Madam:

On behalf of its members, the Fashion Jewelry Trade Association ("FJTA") appreciates the opportunity to provide background information from our industry and.our answer to your request for comments
The FJTA is a trade association of manufacturers and importers of fashion jewelry, also known as costume jewelry.

There are many components used in the manufacturing of fashion jewelry that are not available in the United States. These materials come from India, Indonesia, Philippines, Romania, South Africa and Thailand. In addition members of the fashion jewelry industry import finished jewelry products from these countries.

We understand that changes in the GSP status of these countries is being considered.
If waivers for these countries are eliminated the cost of materials and products from these countries would rise to a substantial extent. This would require the United States firms that manufacture and sell fashion jewelry to raise their prices.

Such price increases could adversely affect the sales of fashion jewelry for our members and the retailers they supply. This action could precipitate a loss of business and therefore a loss of tax revenue to our government. There could also be a loss of jobs in the United States. This would also result in a loss of tax revenue to state and the federal government. In addition there could be an increase in unemployment benefits and public assistance expense.

We appreciate your office's consideration of this information. If you have any questions, I can be reached at 401-295-4564 or fjta@aol.com.

Very truly yours,

Michael Gale
Executive Director

2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

INTRODUCTION

The Southern African Footwear and Leather Industries Association (SAFLIA) is a non-profit trade association representing footwear manufacturers in the Southern African Customs Union (SACU – Botswana, Lesotho, Namibia, South Africa and Swaziland). The organised footwear manufacturing industry in South Africa goes back 90 years to 1916, when the first footwear and leather association was established.

In 2005 the footwear manufacturing industry in SACU produced 30 million pairs of footwear to the value of R3 billion, and employed 30,000 persons.

GSP PROGRAMME

SAFLIA is aware that legislation authorizing the GSP programme expires on December 31, 2006; and that consideration is being given to a change in the programme that could negatively affect some countries that are currently deriving benefits from the programme. SAFLIA's concern is that changes to the present GSP regime could impact negatively on the benefits currently derived under AGOA by South African footwear manufacturers.

The whole of Chapter 64 of the Harmonised Tariff Schedule, with the exception of the following tariff lines, is eligible for duty-free treatment in terms of AGOA:

64.05.20.60
64.05.90.20
64.06.10.72/77/85/90
64.06.20.00
64.06.91.00
64.06.99.15/30

In 2000 when SAFLIA motivated its request for GSP duty-free treatment of footwear imports from South Africa to both your ITC and TR, South Africa exported 10,000 pairs of footwear to the USA. Since the implementation of AGOA and the inclusion of footwear from South Africa as a beneficiary of GSP duty-free access to the US market exports of our product have increased to 156,000 pairs in 2005, with a f.o.b. value of US$2,8 million. Since this year's successful Las Vegas Shoe Fair it is expected that exports to the US could in the next 12 months reach 200,000 pairs – although perhaps insignificant from a US perspective, for South Africa with its very high unemployment, indeed meaningful as every job created in South Africa is significant.

CONCLUSION

SAFLIA believes that AGOA is a valuable instrument in improving trade capacity of South Africa and that of individual sectors, including footwear. SAFLIA, furthermore, holds the view that labour intensive sectors, such as footwear, are crucial in alleviating the dire unemployment situation in South Africa.

We therefore appeal to the US authorities to maintain the South African footwear manufacturing sector's current GSP duty-free treatment of exports to the US.

DENNIS LINDE
Executive Director
Southern African Footwear and Leather Industries Association (SAFLIA)
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05 September 2006

PRODUCT/ SUBJECT: Flowers and Related Products - Chapter 6 of The Harmonized Tariff Schedule - GSP Review

As a GSP beneficiary, South African floriculture requests that the current benefits be maintained. South Africa is a nett exporter to the USA of flowers under Chapter 6 of The Harmonized Tariff Schedule. Products exported by South Africa are very different to products produced locally within the USA (different species, and different timing), so no benefit would accrue to USA producers if protection were to be removed. In particular, as South Africa is in the Southern Hemisphere, and the USA in the Northern Hemisphere, opposite seasons result in South Africa supplying seasonal flowers at a time of year when there is no competitive impact to local USA producers.

A free rated tariff benefits South African producers as well as USA purchasers and consumers. Local producers operate under conditions of high costs due to increasing oil prices and a relatively strong currency. Increasing the final cost to the purchaser in the USA would likely result in lower overall purchases (there is a strong negative relationship between price and demand for flowers), reducing the output and efficiency of South African growers. This would reasonably result in a loss of income and labour usage in a sector that is:
A) labour intensive,
B) employs labour within typically rural and poverty- stricken regions of South Africa and
C) required to reduce labour usage within very short time periods in response to worsening conditions

The reduced production would have a negative impact on the South African economy. Also, US consumers would suffer with higher prices (and thus reduced purchases due to price/ demand correlation) and the US economy would be negatively affected. Additionally, many species are produced with higher quality (and sometimes only) within South Africa, and the US would be reducing the quality and availability of many items on offer in their economy.

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Partner

VIA E-MAIL: FR0052@USTR.EOP.GOV September 5, 2006

Ms. Marideth J. Sandler
Chairman, GSP Subcommittee
Trade Policy Staff Committee
Office of the U.S. Trade Representative
USTR Annex Room F-220
1724 F Street, N.W.
Washington, D.C. 20508

Re: 2006 GSP Eligibility -- South Africa

Dear Ms. Sandler:

On behalf of Empire Resources, Inc. ("Empire Resources") and Hulett Aluminium (Pty.) Limited ("Hulett"), a U.S. importer and a South African producer of exports to the U.S., we submit these comments in response to the United States Trade Representative's ("USTR") Initiation of Reviews and Request for Public Comments on the Eligibility of Certain GSP Beneficiaries and Existing Competitive Need Limitation (CNL) Waivers, published in the Federal Register, 71 Fed. Reg. 45079 (Aug. 8, 2006). Empire Resources and Hulett respectfully request that the USTR retain Generalized System of Preferences ("GSP") eligibility for South Africa.

The United States is South Africa's largest single trading partner. GSP eligibility for imports from South Africa has been vital to the economic growth in South Africa since the fall of Apartheid. While strides that have been made in the economy by way of controlling inflation, bringing down interest rates, and increasing exports have resulted in positive macro-economic performance, South Africa has yet to produce sufficient rates of growth to overcome the massive unemployment, underemployment, and poverty. GSP is necessary to enable the even faster growth in exports needed by South Africa to create the jobs and revenue that will enable development of the large under-developed segment of its economy.

The United States has had a special interest in promoting the development of South Africa. The U.S. sanctions programs helped to bring down the Apartheid regime and enabled a democratic government to rule South Africa on the basis of equality of all persons. South Africa has been a beneficiary of the U.S. GSP Program and signed the Trade and Investment Framework Arrangement with the U.S. in 1999. Trade issues have also been addressed in the South Africa/U.S. Bilateral Co-Operation Forum. Most recently, trade with the United States was significantly enhanced by the African

Growth and Opportunity Act ("AGOA"). At the signing of the AGOA Acceleration Act, President Bush stated:

> There's a growing consensus in both Africa and the United States that open trade and international investment are the surest and fastest ways for Africa to make progress…. For too many years, the world's efforts to promote Africa's development was focused on aid. Development aid is important … but as Uganda's President Museveni has said, "By itself, aid cannot transform societies. Only trade can foster the sustained economic growth necessary for such transformation."

Removal of GSP eligibility for South Africa would be totally inconsistent with the President's philosophy that only trade can foster the sustained economic growth necessary for economic transformation. Removal of GSP eligibility for South Africa will not only stop economic growth, but reverse the growth that has been achieved.

South Africa's transition from Apartheid to democracy and freedom is widely regarded as a success. A racially-based system of political power has been transformed into a non-racial democracy. Racial and gender equality is enshrined in the Constitution, in the labor market, and in other sectoral interventions which specifically seek to achieve equity and affirmative targets. Macro-economic stability has been achieved through both monetary and fiscal austerity.

Yet, despite all this, the country still experiences high levels of poverty and extreme disparities in income, wealth, and opportunity. Despite the recent economic successes and a broad range of state policy, strategy, and program interventions aimed at overcoming economic disparities, entrenched inequalities continue to characterize the economy and act as a deterrent to growth, economic development, employment creation, and poverty eradication.

The 2001 South African Census reported an unemployment rate of 41.6 percent, which differed from the results of the Labor Force Survey of 2001, which put the unemployment rate at 21.5 percent. Either one of these measures suggest an overall economy that is distressed and in need of development. South Africa's per capital GDP, corrected for purchasing power parity, was $11,240 per year in 2001, making it one of the 50 wealthiest countries in the world. However, strikingly poor social indicators resulted in a ranking of 111 out of 175 countries in terms of the Human Development Index ("HDI") for that year. Furthermore, South Africa's HDI ranking declined from 93 in 1992, to 115 in 2003, and it is one of only a handful of countries that has experienced a decline since 1995. These numbers are indicative of an economy that is desperately in need of development.

The South African Government has initiated a number of programs to integrate the developed and the undeveloped sectors of its economy. President Mbeki, in a speech to Parliament in May 2004, characterized these efforts as follows:

> At the core of our response to all of these challenges is the struggle against poverty and underdevelopment, which rests on three pillars. These are: encouraging the growth and development of the First Economy, increasing its possibility to create jobs; implementing our program to address the challenges of the Second Economy; and, building a social security net to meet the objective of poverty alleviation.

South African GSP eligibility is directly linked to the first pillar: encouraging the growth and development of the First Economy and increasing the ability to create jobs. The second pillar is aimed at equipping people to eventually be absorbed in the First Economy. The South African Department of Labour "Market Review 2004" reported that 11.6 million workers were employed in the formal and informal employment sectors. 7.5 million of those workers were employed in the formal or First Economy sector. Export growth for its manufactured and value-added products produced in the First Economy is vital to the overall development of South Africa's undeveloped Second Economy.

Hulett is the largest private sector organization in the Pietermaritzburg region, employing over 2,000 people. It has invested heavily in South Africa, and the Pietermaritzburg region in particular, over the past 8 years with such investments exceeding R4 billion. Capacity and employment have expanded significantly. Further growth projects are in the pipeline, totaling some R850 million, and if final approval is secured, these projects will commence in early 2007. These investments have enabled Hulett to compete successfully in the international marketplace, and now it exports nearly 70 percent of total production. The United States is the most important export market to Hulett, both in tons and value terms.

The global market is becoming increasingly competitive, and the threat of growing volumes of exports from Asia, and specifically China, into South Africa and the markets where Hulett currently competes, means that its business needs to lift its performance across all areas in order to remain profitable and to continue on its growth path.

It is well known that in South Africa there is a high dependency on each employed individual from their extended families. The Pietermaritzburg region has an extremely high unemployment rate (42 percent) by national standards. Pietermaritzburg also has an HIV/AIDS incident rate higher than the national average. These statistics (which are supported by recent research by Professor Clive Coetzee of the University of KZN, Pietermaritzburg campus) result in this region having a high poverty level (51 percent of the population receive less income than the datum line of R400 per month ($1.80/day)). With the loss of GSP eligibility, the impact of Hulett having to lay off its workforce would no doubt have a serious, negative impact in the region.

Furthermore, Hulett's procurement policy, with a highly successful Black Economic Empowerment Program focus, has resulted in a growing dependence on Hulett from the local and regional supplier base.

Coupled with this commitment to the local economy, Hulett has provided long-standing and increasing funding towards social investment projects in the Pietermaritzburg area. This support entails contributions to AIDS programs and organizations, education and child welfare institutions, and the disabled community. Hulett has increased its social investment expenditure by 500 percent in the last three years, and makes a significant contribution toward alleviating hardship in its surrounding communities.

The risk of South Africa losing its GSP status in the United States would seriously undermine the position which Hulett has established in the United States market over many years. If this were to happen, it would slow the momentum that has been built, and the ongoing growth of the company would be severely jeopardized, if not reversed.

Empire Resources and Hulett respectfully request that the USTR continue the GSP eligibility of South Africa.

Respectfully submitted,

BARNES & THORNBURG LLP

Randolph J. Stayin

Randolph J. Stayin
Counsel for Empire Resources, Inc.

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INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT DIVISION
SOUTH AFRICA

5 September 2006

The Office of the United States Trade Representative
c/o E-Mail: FR0052@USTR.EOP.GOV

To Whom it May Concern:

2006 GSP ELIGIBILITY AND CNL WAIVER REVIEW

A. Introduction and Background

Legislation authorizing the Generalised System of Preferences (GSP) programme expires on December 31st, 2006 and a review has been instituted to determine whether to change the scheme. The review process could negatively affect South Africans who export to the United States under the GSP. Indeed, we are one of the thirteen countries about whom interested parties are called upon to comment as to whether GSP benefits should be limited, suspended or withdrawn.

Like others, South Africa appears to have been selected because she meets certain criteria. That is, affected countries are those GSP beneficiary countries for which the total value of the U.S. imports under GSP exceeded $100 million in 2005, and a) which the World Bank classified as an upper-middle-income economy in 2005; or b) that accounted for more than 0.25 of world goods exports in 2005, as reported by the World Trade Organisation. Thus, it would appear that the key indicator used was South Africa's export performance to the United States with respect to those products that enjoy duty free treatment under the GSP programme. Beyond this, it was an issue of South Africa's level of development or its performance in world exports.

The Department of Trade and Industry of South Africa welcome this opportunity to comment on the review of GSP and are of the view that South Africa should continue to derive the duty free benefits it currently enjoys under the United States GSP programme. This, because while some progress has been made, South Africa continues to be far away from overcoming the legacy of apartheid and making a dent on unemployment, poverty and the general underdevelopment afflicting, especially black communities[1] through out our country. Inequality continues to be our country's defining feature. At the same time, there is no doubt that the GSP programme and our country's export expansion continue to be important means by which to address these challenges.

We therefore wish to convey the hope that the decisions on whether or not to retain South Africa's current GSP status would take proper account of our country's economic realities touched on above.

B. Macro-economic Performance

We are proud to say that over the past twelve years of democracy, South Africa has been able to record achievements on the economic front. However, it is also true that there are still challenges ahead.

Economic growth emerged from a -0.3% rate registered in 1990 to the current rate of 4.9%. Inflation declined from the rate of 13.9% in 1990 to 5% in 2003. Moreover, fiscal deficits as a percent of GDP have been managed downwards from a peak of 7% in 1993 to current rates of about 0.5%. Describing this positive macroeconomic performance, President Thabo in his <u>State Of The Nation Address</u> of February 3rd, 2006 cites a report in a South African newspaper Business Day, indicating that "we have now had more than five years of sustained growth—an upswing longer than the boom of the 1960s and indeed longer than anything in the post war period. "

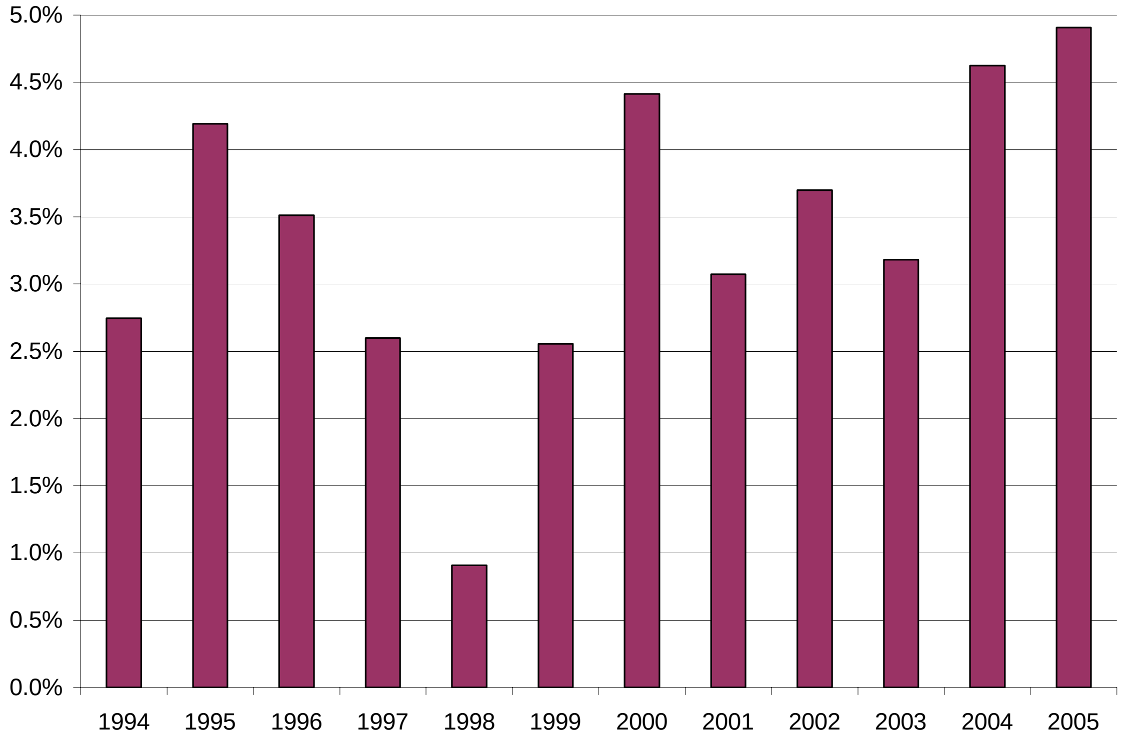
This economic performance has fuelled positive perceptions among South Africans about their own country. At the beginning of year, for instance, Gallup International presented a glowing picture of a people optimistic about their future and their country's future. South Africa is said to have three times more optimists than pessimists and that the optimism figure had doubled since 2002. We ranked eighth in the world on the optimism index. On the other hand, a Markinor poll, also released at the beginning of the year, indicates that 65% of South Africans believe that the country is going in the right direction and 84% think that it holds out a happy future for all racial groups. 71% believed that government is performing well. For its part, the Grant Thorton International Business Owners Survey, reported that 84% of business persons were optimistic about future prospects, making them the third most optimistic internationally.

As the following graph shows, growth has generally ranged between 3% and 5%, except during the late 1990s. In 2004 and 2005, it was higher than at any time since 1994. Nevertheless, the fact remains that these growth rates remain inadequate to effectively tackle, unemployment, poverty and income inequalities.

[1] "Black communities" refer to communities where coloured, Indians or people of African ancestry live.

Moreover, in terms of our government's Accelerated And Shared Growth Initiative—South Africa, in order to achieve or objective of cutting poverty and unemployment by half by 2014, our country would need to sustain growth rates of not less than 4.5% over the period from 2005 to 2009. The period between 2010 and 2014 would require of us to achieve at least 6% annual average rates of growth.

GDP growth from 1994 to 2005



Source: Statistics South Africa. Downloaded from www.statssa.gov.za in May 2006

While it is indeed correct to celebrate our achievements, it is equally true that South Africa's economic performance is particularly impressive only relative to the country's own historical record. The growth registered since 1994 compares poorly with that of other middle-income countries. The table below serves to illustrate.

South African economic indicators by world standards

	South Africa	China	India	Middle income	High income
Average percent change in production					
Gross domestic product					
1990-2000	2.1%	10.6%	6.0%	3.8%	2.7%
2000-04	3.2%	9.4%	6.2%	4.7%	2.0%
Mining and manufacturing					
1990-2000	1.1%	13.7%	6.3%	4.3%	1.9%
2000-04	2.0%	10.6%	6.2%	5.6%	0.3%
Services					
1990-2000	2.7%	10.2%	8.0%	3.9%	3.0%
2000-04	4.1%	9.8%	8.2%	4.1%	2.0%
Gross capital formation as % of GDP					
1990	18%	35%	24%	26%	23%
2004	18%	39%	24%	26%	20%
unemployment rate, 2000 to 2004	28.4%	7.9%	4.3%	6.8%	6.4%

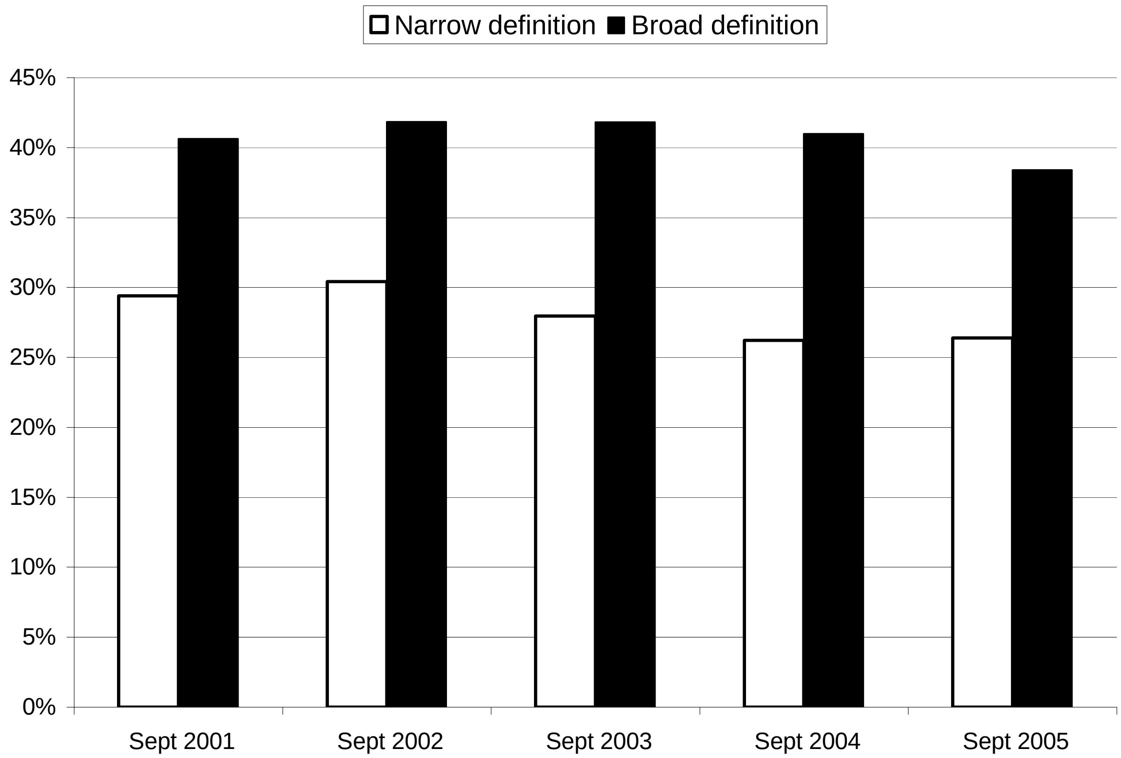
Source: World Bank, *World Development Indicators 2006.* Downloaded from www.worldbank.org in May 2006.

As is clear from the table, in 2000 to 2004, the average rate of growth in South Africa was 3%, compared to close to 5% for all middle-income countries and 9% for China. Meanwhile, unemployment in South Africa is far higher than in comparable countries.

C. The Unemployment Challenge

A substantial share of the labour force remains effectively outside of employment altogether, as the following graph shows. The unemployment rate drifted somewhat lower in the 2000s. Indeed, the target of halving unemployment by 2014 could be reached if unemployment by the broad definition continued to decline at the rate seen in the past two years. However, that would still leave unemployment in South Africa around three times as high as in comparable countries.

Unemployment using the narrow and broad definition, 2001 to 2004 (a)



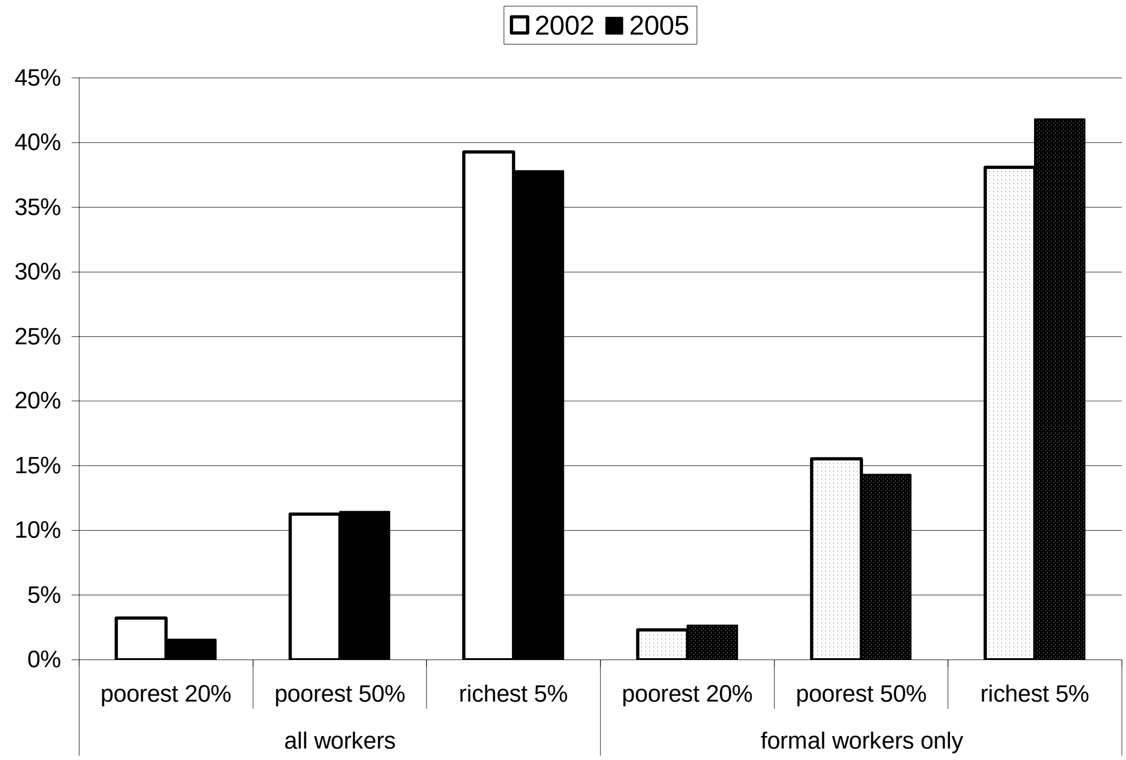
Note: (a) The narrow definition considers workers too discouraged actively to seek work as economically inactive. In contrast, under the broad definition they are counted as unemployed. *Source:* Calculated from Statistics South Africa, Labour Force Surveys for the relevant years. Databases on CD-ROM.

D. The Challenge of Income and Wealth Inequities

One of the challenges confronting South Africa is the problem of persistent inequality in terms of the distribution of income and wealth. To illustrate, South Africa's Gini coefficient was .69, according to UNDP's Human Development Report of 2003.

The disparity in income is further confirmed in the graph below. Using estimates based on the government's Labour Force Survey, the graph shows that, the share of the lowest-paid 50% of workers has fluctuated around 11% of total income between 2002 and 2005. The estimated share of the poorest 20% has been between 1% and 2%. Similarly, amongst formal workers, the estimated share of the worst paid 50% has varied only slightly around 14% in the past three years. In contrast, the estimated share of the richest 5% of income earners has remained between 35% and 40%.

Estimated shares of earned income, 2002 and 2005 (a)



Note: a. The figures for income share are calculated by estimating the average income for each interval as the minimum income plus a third of the interval. *Source:* Calculated from, Statistics South Africa, Labour Force Survey, September 2002 and September 2005. Databases on CD-ROM.

The situation is perhaps best described by President Thabo Mbeki. Speaking as Deputy President during the debate in the National Assembly on “Reconciliation and Nation Building,” on 29 May 1998. The President characterised South Africa as a country of two nations as follows:

> “One of these nations is white, relatively prosperous, regardless of gender or geographic dispersal. It has ready access to a developed economic, physical, educational, communication and other infrastructure. This enables it to argue that, except for the persistence of gender discrimination against women, all members of this nation have the possibility to exercise their right to equal opportunity, the development opportunities that the Constitution of ’93 committed our country.”

He went on to say:

> “The second and larger nation of South Africa is poor, with the worst affected being women in the rural areas, the black rural population in general and the disabled. This nation lives under conditions of grossly underdeveloped economic, physical, educational, communication and other infrastructure. It has virtually no possibility to exercise what in reality amounts to a theoretical right to equal opportunity, with that right being

> equal within this black nation only to the extent that it is equally incapable of realisation."

Obviously, the President of South Africa was not suggesting that our country would forever be stuck into those two racial enclaves. He was instead conveying the position that nation building and reconciliation in South Africa are tasks towards which we must dedicate our energies for the long haul. To reach our objectives in this regard would require the creation of an appropriate socio-economic environment capable of sustaining and underpinning the nation building and reconciliation we all seek. This is the point we would want to reiterate in this submission as we argue that we would continue to require more tools at our disposal--including the United States GSP—as we strive for a South Africa wherein all its citizens share in the country's prosperity. About this, President Mbeki himself said, "the abolition of the apartheid legacy would require considerable effort over a considerable period of time."

E. Key Products Enjoying GSP Duty Free Treatment in the U.S.

Below we discuss products that are key beneficiaries of the GSP, focusing on those that are important either in terms of the utilisation of GSP or those whose importance derive from the sector's capacity to absorb labour. Accordingly, sectors to be addressed are agriculture, chemicals, automotives, as well as the minerals and metals sector. The main point we are trying to illustrate here is that the withdrawal of the GSP would have a devastating impact on employment levels, thereby exacerbating the already daunting challenge of high rates of unemployment referred to earlier.

Agriculture

While agricultural sector does not feature prominently in terms of GSP utilization, the sector plays a significant role both as a source of employment especially for rural communities and inputs for the manufacturing sector. In addition, the fact that the shares of GSP exports for this sector are low may be an indication that it is difficult to export agricultural products partly because this sector continues to remain highly protected in most countries including in the US. Therefore any limitation, suspension, or withdrawal of SA' benefits under GSP would adversely affect even the little that is exported with the aid of GSP. Total SA agricultural exports to the US stood at $250 million in 2005.

The limitation, suspension, or withdrawal of SA' benefits under GSP will have a negative effect on over 160 agricultural lines currently being exported to the US. Industries most likely to be affected are those that export more significantly and face relatively high MFN tariffs in the US. These are cane sugar, certain wines (of fresh grapes), chicory plants, essential oils (of grapefruit) and pecan nuts.
However, the impact is likely mostly to be felt by sugar and wine industries, due to their already substantial exports to the US. Both industries are significantly

labour intensive. Negative impacts on these industries will therefore directly impact on the rural communities in which they are based.

Chemicals Sector

The chemicals sector is among the main sectors that utilises GSP intensively. This sector has created employment for 110 000 people. Over the period under review, a high concentration of GSP exports comprised of products from chapters 28, 29 and 32. These chapters together constituted more than 90 percent of GSP exports. Withdrawal of GSP benefits will have a negative impact not only on the sector itself but also on the economy in general.

Minerals And Metals Sector

The minerals and metals sector is the largest exporter of GSP products and this is in terms of value and share of products exported using this program.

Automotive sector

The other sector that also uses GSP intensively is the automotive sector. The current composition of employment in the South African automotive industry comprises 38 000 jobs at vehicles production, 78 000 in component production, 6 800 jobs in tyre product, as well as 198,000 in the retail, distribution and servicing. The withdrawal of GSP benefits would impact principally on the component, tyre and vehicle production employment.

F. Concluding Remarks

It is our view that the criteria upon which the decision to take South Africa out of the GSP programme could be made does not take into account South Africa's economic situation nor the unique relationship between South Africa and the United States.

One element of the criteria is to discourage trade or, in particular, the export expansion of South African products into the United States. This would be the effect of limiting, suspending or withdrawing the GSP benefits currently enjoyed by South Africa. Such an outcome would, in turn, contradict the Trade and Investment Framework Agreements signed by the two countries to promote bilateral trade. It would also serve to frustrate the intentions of the Trade and Investment Cooperation Agreements (TICA) which the Southern Africa Customs Union (SACU)[2] and the United States are currently seeking. The TICA would establish a forum that would explore various ways of deepening trade and investment relations between SACU the United States.

[2] South Africa is a member of SACU.

Also, in terms of another element of the criteria, South Africa's classification as an upper middle income developing country could result in the GSP being withdrawn. But this misses the realities of underdevelopment, unemployment, poverty and persistent income disparities that prevail in South Africa. That is, wealth and income in South Africa continue to be concentrated in a few hands.

The last element of the criteria that could lead to South Africa loosing GSP benefits has to do with South Africa's performance in world trade. A share in world exports greater than .25% could see South Africa loosing it GSP beneficiary status in the United States. South Africa and the United States share a common view that export expansion could serve as an important catalyst to economic growth. Given the economic challenges facing South Africa already mentioned above, it would be understandable for us to seek even greater exports shares in the world market. Perhaps equally important is that it would also be reasonable for us to believe that our international partners will be on our side, especially, bearing in mind the objective of reducing poverty and unemployment by half by 2014.

It is also worth noting that the United States has a laudable record, pursuing economic growth and development on the African continent through various means including AGOA. In this regard, we believe that a prosperous and growing South African economy is in the mutual interest of both countries. Economic growth in South Africa would serve as an engine for growth in other markets in sub-Saharan Africa. However, the withdrawal the GSP would threaten South Africa's ability to place its economy on the growth path necessary for it to effectively address its unemployment, poverty and income disparity.

Yours sincerely,

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BEFORE THE:
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

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

Written Comments

by

DANA CORPORATION

September 5, 2006

<u>VIA E-MAIL</u>
FR0052@ustr.eop.gov

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

I. BACKGROUND

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

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

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

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

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

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

A. Argentina

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

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

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

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

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

[5]2005 World Population Datasheet, Population Reference Bureau

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

B. Brazil

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

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

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

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

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

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

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

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

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

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

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

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

C. India

collaboration with Instituto de Pesquisa Econômica Aplicada, October 2003.

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

[12] The value of U.S. imports under GSP from India during 2005 was $4,176,452,000, while India's 2005 population was 1,103,600,000 (source: official import data from the U.S. Department of Commerce, and population data from "2005 World Population Data Sheet," Population Reference Bureau).
[13] World Development Indicators database, World Bank, July 1, 2006 based on Atlas methodology.

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

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

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

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

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

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

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

D. Venezuela

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

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

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

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

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[17] World Development Indicators, World Bank, 1 July 2006

[18] GSP imports for Venezuela at $745,000,000 from USITC; Population 25,378,00 from U.S. Census

[19] 2005 World Population Datasheet, Population Reference Bureau

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

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

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

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

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

E. General Proposals For The GSP Program

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

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

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

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

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

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

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

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

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

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

IV. Conclusion

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

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

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

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

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

Very truly yours,
BARNES, RICHARDSON & COLBURN
By:

/s/Lawrence M. Friedman
Carolyn D. Amadon

From: Rene Schoenmaker [rene@bergflora.com]
Sent: Monday, September 04, 2006 2:57 AM
To: FN-USTR-FR0052
Cc: thaboc@thedti.gov.za
Subject: GSP review

Dear Sir's, Madam's

I am writing this email on behalf of all parties concerned in South Africa, namely the growers, exporters and all related to exporting cutflowers to the USA. We would dearly ask you to keep us on the prevert list for the following reason's
- Our economy wil be affected as we will not be able to compete with flowers in the USA market and this will lead to job losses and businesses closing down.
- As we are an emerging country we need the support from the big nations to emerge ourself and with that the rest of Africa as South Africa can be seen as a hub for the rest of Africa.
- We have products (protea's and fynbos) that are not competing with products grown in the USA, therefor adding to the variety availible to the American public and growing business in the USA and South Africa at the same time.
- Job creation will be lost and the potential in this industry is big to help reduce unemployment here in SA.
- As more and More direct flights are going into the USA this will open more doors for us to do business and reviewing the GSP would adversly affect the oppertunities which come with the direct flights

Kind
Regards
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on behalf of the south african flower growers association

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Responsible Care

2006 GSP Eligibility and CNL Waiver Review

CHEMICAL AND ALLIED INDUSTRIES (CAIA) AND PLASTICS FEDERATION OF SOUTH AFRICA (PFSA) RESPONSE TO POTENTIAL WITHDRAWAL OF GENERALIZED SYSTEM OF PREFERENCES (GSP) IN RESPECT OF SOUTH AFRICA

INTRODUCTION

The Chemical and Allied Industries Association (CAIA) represents the interests of members in a number of sub sectors of the industry, namely, Consumer Formulated Chemicals, Inorganic Chemicals, Primary Polymers & Rubbers, Rubber Products, Bulk Formulated Chemicals, Organic Chemicals, Pure Functional Chemicals, and Specialties and Fine Chemicals.

The Plastics Federation of South Africa represents the polymer/plastics conversion value chain.

Both Associations are responsible for representing the interests of their members on industrial policy and trade issues. In this regard, the Associations participate in the National Economic Development and Labour Advisory Council, which is a statutory advisory body to the Government on economic and social policy.

BACKGROUND

The U.S. Congress first authorised the GSP programme in 1974, intending it to be a temporary measure to promote the economic growth and development of the beneficiary developing countries by stimulating their exports. One of the concerns raised by the US congress of late is that GSP benefits largely go to a few countries, while many developing countries are not trading to a great extent under the programme. Accordingly, the US Administration has taken a decision to review the GSP with a view to determining whether the preferential market access scheme continues to serve the purpose for which it was intended.

Currently, the GSP programme allows a wide range of products from 133 beneficiary developing countries, including South Africa, to enter the United States duty free. The United States imported $26.7 billion under the programme in 2005; a figure that represents an 18% increase over 2004. Congressional authorisation of the GSP expires on December, 31st 2006 and the US has invited interested parties to comment on the potential graduation of some countries out of the system.

The GSP Subcommittee is seeking written comments on whether to limit, suspend, or withdraw the eligibility of those GSP beneficiary countries for which the total value of U.S imports under GSP exceeded $100 million in 2005, and a) which the World Bank classified as an upper-middle-income economy in 2005; or b) that accounted for more than 0.25 percent of world goods exports in 2005, as reported by the World Trade Organization.

South Africa is one of those countries that fall under the criteria above and the chemical industry is one of the sectors that benefits under the system.

GSP Statute

The GSP statute authorizes the President to withdraw, suspend, or limit the application of duty-free treatment with respect to any country based on statutory eligibility criteria. These criteria include:

1) the effect such action will have on furthering the economic development of developing countries through the expansion of the exports;

2) the extent of the beneficiary developing country's competitiveness with respect to eligible articles;

3)a country's level of economic development, including its per capita gross national product, the living standards of its inhabitants;

4) any other economic factors which the President deems appropriate.

RESPONSE

CAIA and PFSA are members of Business Unity South Africa (BUSA) and wish to associate themselves with the submission made by BUSA in respect of the potential graduation of South Africa from the GSP.

CAIA and PFSA wish to present the following motivation for retention of South Africa's GSP status unchanged. This motivation is presented in terms of the current status of the chemical and plastics industry in South Africa and the criteria of the GSP statute.

Status of the chemical and plastics industry in South Africa

Stakeholders in the South African chemical sector have been engaged in discussions over the last three years to develop a common vision and strategy for the sector. These discussions have culminated in the adoption of a Chemical Sector Development Strategy and the conclusion of an agreement amongst the industry, government and labour on how the three parties will work together to achieve specific objectives in the sector.

The Chemical Sector Development Strategy sets the following objectives for the sector:

- Maintenance and creation of new employment
- Improvement of global competitiveness
- Enhancement of exports
- Attraction of local and foreign investments
- Encouragement of broad-based Black Economic Empowerment.

The agreement includes the following objectives:

- Develop a strategic approach to achieving a sustainable growth trajectory that will maximise employment creation, investment and downstream industry development;
- Unite Business, Labour and Government around the outcomes of the chemicals sector process and to align programmes and activities within each constituency towards support of the outcomes of this process;
- Develop an institutional approach, which will ensure ongoing engagement and implementation of the agreements reached.

The agreement and the strategy described above are based on the recognition that a thriving chemical sector plays a key role in the development and success of most end-use sectors, like Textiles and Clothing, Housing and Construction, Commercial, Health, Education, Recreation, Household, Automotives, Mining, and Agricultural.

Recognition that the global chemical output, (estimated in 2004 at US $3 000 billion – 50 times the size of the SA economy) is concentrated in three areas of the world, i.e., Western Europe (EU), North America and Japan, reflects the challenge faced by a country like South Africa in developing its chemical sector.

Notwithstanding the challenges the domestic chemicals sector has made good progress in developing into an important part of South Africa's manufacturing sector being second only to the food sector in turnover and now accounts for approximately 4.5% of Gross Domestic Product.

Exports of chemicals products have been in the region from US $2.2 billion to US $2.7 billion per year for the period 2002 to 2004, while, during the same period, imports ranged from US $ 3.6 billion to US $ 4.2 billion; the trade balance has always been deeply negative, ranging from US $ 1.4 billion to US $ 1.8 billion per annum. During the same 3-year period, exports under plastics, rubber and articles thereof varied between US $ 0.7 billion and US $ 0.8 billion, while imports ranged from US $1.4 billion to US $ 1.6 billion per annum; trade balance also is deep in the red, ranging from nearly US $0.7 billion to US $ 0.9 billion.

The USA, along with SADC, the EU, India and Japan are major export destinations for

South African chemical and plastic products.

While South African chemical exports to the US have increased over the last three years, it is important to place the growth within the context of the US chemical industry. Chemical exports under GSP comprise only a small fraction (0.15%) of total US chemical imports in 2005 up from 0.14% in 2003 and 2004. This can be contrasted to the 5.77% of total South Africa chemical exports in 2005, which is down on the 6.35% total chemical exports in 2003.

Compared to the global manufacture of chemicals, the South African industry produces a limited number of products and many beneficiation opportunities remain unexploited.

Since 1994, South Africa has been adopting increasingly stringent environmental policies, which presents significant challenges to the chemical industry. In 1994, CAIA adopted the global chemical industry, Responsible Care initiative, in order to support chemical companies in meeting these stringent environmental standards.

Effect such action will have on furthering the economic development of developing countries through the expansion of the exports

An analysis of the trade in chemical and plastic products between the US and South Africa under GSP and AGOA reveals that the preferences under AGOA in terms of tariff lines are less than half those under the GSP. In general AGOA covers more complex products of generally higher value than those covered under GSP. This is precisely the structural deficiency that the chemical sector development strategy referred to above seeks to address. In 2005, AGOA accounted for only 12.3% of total chemical sector exports under preference (GSP and AGOA), which means that graduation from GSP will result in 87.7% of preferential access to the US market for chemicals being removed.

The chemical and plastics sector employs approximately 145 000 permanent employees. Sustainable employment can only be achieved if international markets remain accessible. Removal of the preference will prejudice sustainable employment in the sector.

Notwithstanding the progress made in developing export markets, there is still room for growth and in terms of the Government’s Accelerated Shared Growth Initiative, the chemical sector has been identified as one of a number of sectors where potential export growth can be developed.

In considering the development of the South African chemical industry the challenge is that of transforming the sector from the legacy of a degree of industry regulation and protection against imports, which has resulted in ongoing structural inefficiencies in industry. The structure of the industry in South Africa remains biased towards capital-intensive upstream operations, as a result of historical industrial policies. The realisation of industrial policy goals of increased beneficiation, value-addition, exports and employment requires a reversal of this historical bias.

The domestic market in itself is not sufficient to warrant investment in world scale plants and the preferential access to export markets is one of the key instruments to promote increased investment in the sector. The need to increase the level of exports and global focus has been recognised in this context. Access to developed country markets in particular encourages a focus on achieving global standards, innovation and increased product differentiation.

Preferential access to the US market is one of the elements of the chemical industry development strategy and notwithstanding the progress already made to reverse legacy of the inward looking industrial policies of the past, many challenges remain to be overcome and withdrawal of the current GSP status will make the transformation that much more difficult.

One of the reasons for the identification of the chemical industry as a key industry in terms of the Accelerated Shared Growth Initiative is the role that the sector can play in the development of other sectors. Failure to grow the chemical sector thus has a negative impact on other sectors that rely on chemical products as inputs.

Extent of the beneficiary developing country's competitiveness with respect to eligible articles

Although South African chemical companies have developed a number of competitive products in the US market, this competitiveness is at least partially due to the GSP tariff status. Removal of the GSP status will certainly impact negatively on a number of products. This is particularly true of pharmaceutical active ingredients, where it is understood that US pharmaceutical companies would be negatively affected by the removal of the duty free access to certain active ingredients.

Country's level of economic development, including its per capita gross national product, the living standards of its inhabitants

South Africa remains a country of two economies, with many people not yet enjoying the fruits of the increased economic growth that has followed on democracy. Significant challenges still remain to be overcome before the current unacceptably high levels of poverty and unemployment can be addressed.

These challenges are exacerbated by the still relatively low level of development in the Southern African region. Chemical production in other Southern African Development Community (SADC) countries is focused upon the downstream formulation of products such as consumer cleaning products and cosmetics, as well as plastic conversion. Total chemical production in the SADC region amounted to an estimated 40.4 million metric tons worth $15.2 billion in 2000. South Africa is the major producing country, accounting for an estimated 87% of the total SADC output. Development of the region is dependant on, amongst others, more balanced trade flows between South Africa and its SADC neighbours.

Achievement of the economic aspirations of SADC requires all members to achieve the best economic results that they can. Removal of developmental support such as the GSP will undermine progress made to date in the region, making it that much harder to meet growth targets.

Other economic factors which the President deems appropriate

The pharmaceutical industry has undergone major restructuring in order to meet not only the challenges of the global trends in that sector but also to meet the significant health care needs of the country and region. South Africa has developed the production capacity for a number of anti retrovirals and is actively pursuing potential to manufacture medicines needed to combat diseases like malaria and tuberculosis, which continue to plague the region and retard development.

CONCLUSIONS

There is no doubt that removal of the GSP status currently enjoyed by a significant number of chemical products, will have a negative impact on achieving the objectives set for the sector by all stakeholders.

The South African chemical and plastics sectors therefore urges the US government not to withdraw or limit the current GSP arrangements for chemical and plastic products.

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NON-CONFIDENTIAL

05 September 2006

The Office of the United States Trade Representative
C/o E-mail: FR0052@USTR.EOP.GOV

Ladies and Gentlemen,

2006 GSP Eligibility Review and CNL Waiver

INTRODUCTION

Business Unity South Africa (BUSA) is a confederation of chambers of commerce and industry, unisectoral organisations, corporate associations and professional associations. In that role it represents the interests of businesses, business people, employers and professional persons in South Africa on macro economic, trade, social and transformation policy issues. A list of the BUSA member organisations is attached as Annexure A.

BACKGROUND

The U.S. Congress first authorised the GSP programme in 1974, intending it to be a temporary measure to promote the economic growth and development of the beneficiary developing countries by stimulating their exports. One of the concerns raised by the US congress of late is that GSP benefits largely go to a few countries, while many developing countries are not trading to a great extent under the programme. Accordingly, the US Administration has taken a decision to review the GSP with a view to determining whether the preferential market access scheme continues to serve the purpose for which it was intended.

Currently, the GSP programme allows a wide range of products from 133 beneficiary developing countries, including South Africa, to enter the United States duty free. The United States imported $26.7 billion under the programme in 2005—a figure that represents an 18% increase over 2004. Congressional authorisation of the GSP expires on December 31st 2006. The US has invited interested parties to comment on the potential graduation of some countries out of the system.

The GSP Subcommittee is seeking written comments on whether to limit, suspend, or withdraw the eligibility of those GSP beneficiary countries for which the total value of U.S imports under GSP exceeded $100 million in 2005, and a) which the World Bank classified as an upper-middle-income economy in 2005; or b) that accounted for more than 0.25 percent of world goods exports in 2005, as reported by the World Trade Organization.

South Africa is one of the countries that fall under the criteria above.

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RESPONSE

BUSA wishes in the first instance to comment on the application of the criteria used to select countries for potential graduation out of GSP.

Total value of imports under GSP from South Africa

BUSA recognizes that the aim of the GSP is to contribute to the economic development of countries through increasing exports. In South Africa's case increasing the value of exports has been identified as a key objective of industrial and trade strategy.

However the national export strategy identifies the need to not only increase the volume of exports but also to meet the challenge of exporting more beneficiated products. Total imports does not allow improvements in diversification of the economy to be measured.

Classification as upper middle income economy

Although the classification of South Africa as an upper middle income economy is not disputed, such classification does not adequately reflect the extent of the challenges facing the country.

Since 1994, South Africa has faced significant social and economic challenges in order to reverse the legacy of the past. As far as the classification is concerned it does not reflect the significant disparities that still exist in the country. The GINI coefficient of 59.3 reflects these disparities. Given that a significant proportion of the population are still living in poverty, the income threshold of a lower middle income economy may be a better reflection of South Africa's level of development.

Contributing to more than 0,25 percent of world goods exports

The same comments apply here as for the total value of the US imports. Although South African exports exceed the 0,25% limit proposed, the importance of preferential access to markets is an integral element of the national export strategy and such limits are not sufficiently nuanced to accommodate the challenges faced by countries in developing their economies.

In the case of South Africa, a large portion of national exports are still unbeneficiated minerals.

South African status in respect of GSP

South Africa qualifies for GSP benefits under both the general GSP programme applicable to most developing countries, and the extended GSP benefits afforded certain sub-Saharan countries under the Africa Growth and Opportunity Act (AGOA). Should South Africa graduate out of the general GSP programme, it will not affect the extended GSP benefits afforded under AGOA.

However although the general GSP covers some 4 500 tariff lines, the AGOA GSP only covers an additional 1850 tariff lines. Removal of the former will therefore significantly reduce the number of products which currently enjoy the benefits of GSP.

GSP Statute

The GSP statute authorizes the President to withdraw, suspend, or limit the application of duty-free treatment with respect to any country based on statutory eligibility criteria. These criteria include:

1) the effect such action will have on furthering the economic development of developing countries through the expansion of exports;

2) the extent of the beneficiary developing country's competitiveness with respect to eligible articles;

3) a country's level of economic development, including its per capita gross national product and the living standards of its inhabitants; and

4) any other economic factors which the President deems appropriate.

Effect such action will have on furthering the economic development of developing countries through the expansion of the exports

The Accelerated Shared Growth Initiative recently adopted by the South African Government to address the binding constraints to growth, sets an annual average GDP growth target of 5% per annum until 2014. South Africa's national growth strategy relies heavily on export led growth as the relatively small size of the domestic market cannot support investment in the world scale plants, which are required to be competitive.

Reference to the trade flows in terms of the GSP reveals that the trade patterns between the US and South Africa have not yet stabilised and that in many sectors significant room for growth exists. In considering the trade flows, the impact of South Africa's relatively volatile currency exchange rate also needs to be taken into account.

A number of sub sectors and companies have indicated that they will suffer a significantly negative impact if their preferential access to the US market is reduced. Many of the companies that will suffer the most negative impacts should South Africa's GSP status be changed, are significant investors both in productive capacity and corporate social responsibility projects in South Africa. Many are also major employers and any company restructuring in order to withstand the negative impact of the withdrawal of the important US market, would have a serious impact on the country's already high unemployment level.

Reference to the trade flow statistics between the US and South Africa reflect the growing mutually beneficial relationship between the two countries. The GSP has contributed to the strengthening of that relationship.

The Southern African Customs Union (SACU) is currently considering a proposal made by the US for a Trade and Investment Co-operation Agreement between themselves and the US. The objectives of this agreement are to further strengthen economic relationships between the US and SACU and is seen as a potential further instrument in developmental support from the US, which could build on AGOA and the GSP in particular.

Any negative impact on the expansion of exports, which is an integral part of the country's growth strategy, will undoubtedly have a negative impact on overall economic growth prospects.

Extent of the beneficiary developing country's competitiveness with respect to eligible articles

The location of South Africa relative to many of its markets also impacts negatively on the competitiveness of products entering distant markets like the US.

A number of companies in various sectors have indicated that the GSP preference is a key element of their competitiveness in the US and removal of the preference will seriously impact on their ability to export to the US and at the same time is likely to compromise operations in the US.

In the jewellery industry, prospective US investment in the South African industry, which is currently being pursued, will be jeopardised. Refer separate submissions in this regard.

Country's level of economic development, including its per capita gross national product, the living standards of its inhabitants

While it is recognised that South Africa is classified as an upper middle income group country in terms of the World Bank classification, comparison of some economic indicators with the average of other middle income countries reflects the developmental challenges still facing the country.

In contrast to other middle income countries South Africa's average growth in GDP for 2000 to 2004 was 3.2% compared to 4.7% for other middle income countries. Unemployment (according to the narrow definition) in the same period was 28.4 % compared to 6.8% for other middle income countries. In terms of the broad definition an estimated 40% of the population remain unemployed.

Note: The narrow definition considers workers too discouraged actively to seek work as economically inactive. In contrast, under the broad definition they are counted as unemployed.

BUSA believes that the target of halving unemployment by 2014 (broad definition) could be reached if unemployment continued to decline at the rate seen in the past two years. That would still leave unemployment in South Africa around two to three times as high as in comparable countries.

Significant inequality still persists in society as reflected in remuneration patterns. Income gaps appeared to remain virtually unchanged in the 2000s. Estimates based on the government's Labour Force Survey, demonstrate that the share of the lowest-paid 50% of workers has fluctuated around 11% of total income between 2002 and 2005. The estimated share of the poorest 20% has been between 1% and 2%. Similarly, amongst formal workers, the estimated share of the worst-paid 50% has varied only slightly around 14% in the past three years. In contrast, the estimated share of the richest 5% of income earners has remained between 35% and 40%.

In considering the status of South Africa under the GSP arrangements, it is also important to take into account the relationship between South Africa and its customs union partners, which also have preferential access to the US market. While it is true that these countries have not necessarily utilized this access to any great extent, South Africa is committed to strengthening the Southern African Customs Union and any weakening of South Africa's export potential will undermine this objective.

In addition Heads of State of the Southern African Development Community recently committed themselves to work together to the establishment of a SADC customs union in the medium term, which to be successful will require access to export markets including the US.

Any other economic factors which the President deems appropriate

In South Africa it is not possible to consider economic factors without taking account of the HIV pandemic in the country. In this regard many of the companies that will suffer as a result of the withdrawal of GSP status are those that through their corporate social responsibility initiatives contribute to combating this pandemic, which could be a significant constraint to achieving necessary economic growth targets.

CONCLUSIONS

BUSA acknowledges that the South African economy has benefited from the preferential access granted under AGOA including GSP and believes that continued inclusion of South Africa under GSP can contribute to achieving the average annual GDP growth target of 5% until 2014 in order to address the challenges referred to above.

BUSA supports the individual sector and company level submissions, which are urging the US government to maintain South Africa's current GSP status unchanged.

In this regard, BUSA will be seeking an interview with the US Trade Representative in South Africa in order to provide any further clarity on this position as may be required.

ANNEXURE A

Business Unity South Africa (BUSA) Members

1. African Minerals and Energy Forum (AMEF)
2. Agri SA
3. AHI
4. Association for the Advancement of Black Accountants of Southern Africa (ABASA)
5. Association of Black Securities and Investment Professionals (ABSIP)
6. Automotive Sector
   - Automobile Manufacturers Employers' Organisation (AMEO)
   - National Association of Automotive Component and Allied Manufacturers (NAACAM)
   - National Association of Automobile Manufacturers of South Africa (NAAMSA)
   - Retail Motor Industry Organisation (RMI)
7. Banking Association
8. Black Business Executive Circle (BBEC)
9. Black Information Technology Forum (BITF)
10. Black Lawyers Association (BLA)
11. Black Management Forum (BMF)
12. Business Leadership South Africa
13. Casino Association of South Africa (CASA)
14. Chambers of Commerce and Industry South Africa (CHAMSA)
15. Chamber of Mines of South Africa (COM)
16. Chemical and Allied Industries' Association (CAIA)
17. Confederation of Associations in the Private Employment Sector (CAPES)
18. Congress of Business and Economics (CBE)
19. Construction Sector
   - Master Builders South Africa (MBSA)
   - South African Federation of Civil Engineering Contractors (SAFCEC)
20. Insurance Sector
   - Insurance Institute of South Africa (IISA)
   - South African Insurance Association (SAIA)
21. Life Offices Association (LOA)
22. National African Federated Chamber of Commerce and Industry (NAFCOC)
23. National African Farmers Union of South Africa (NAFU)

24 National Black Business Caucus (NBBC)

25. National Federation of Building Industries (NAFBI)
26. National Industrial Chamber (NIC)
27. Private Healthcare Forum (PHF)
28. Retailers' Association (RA)
29. Road Freight Employers Association (RFEA)
30. South African Black Technical and Allied Careers Organisation (SABTACO)
31. South African Chamber of Business (SACOB)
32. South African Communications Forum (SACF)
33. South African Institute of Black Property Practitioners (SAIBPP)
34. South African Leisure & Tourism Association (SALTA)
35. South African Petroleum Industry Association (SAPIA)
36. Steel and Engineering Industries Federation of South Africa (SEIFSA)

US Imports of Select Items

Quantity in Numbers

	2005					YTD June 2006				
COUNTRY	**Quantity**	**Value**	**Unit Price**	**Dutiable Value**	**Calculated Duty**	**Quantity**	**Value**	**Unit Price**	**Dutiable Value**	**Calculated Duty**
8708915000 RADIATORS FOR VEHICLES, OTHER THAN TRACTORS FOR AGRICULTURAL USE										
World	8,476,021	479,677,129	56.59	185,586,974	4,639,875	4,804,027	271,823,812	56.58	111,120,058	2,778,135
Mexico	2,456,979	172,682,228	70.28	9,086,163	227,168	1,513,845	95,424,120	63.03	2,071,459	51,787
China	1,947,565	83,760,416	43.01	83,760,416	2,094,080	1,239,148	55,221,609	44.56	55,221,609	1,380,582
Canada	524,400	43,797,148	83.52	1,177,696	29,447	266,680	21,124,474	79.21	3,065,388	76,647
Indonesia	791,623	39,796,069	50.27	418,572	10,463	423,433	21,518,828	50.82	136,583	3,414
Thailand	469,212	25,565,656	54.49	1,473,731	36,876	231,677	13,388,524	57.79	639,766	16,007
Korea	617,945	19,759,877	31.98	19,759,877	494,025	342,352	15,639,519	45.68	15,639,519	390,989
Japan	269,407	19,482,881	72.32	19,478,162	486,978	106,149	8,237,576	77.60	8,237,576	205,970
Taiwan	240,762	10,530,147	43.74	10,530,147	263,263	145,974	5,716,561	39.16	5,716,561	142,916
Germany	124,770	8,766,313	70.26	8,766,313	219,155	84,379	6,760,704	80.12	6,760,704	169,024
South Africa	**95,551**	**7,533,403**	**78.84**	**4,420,041**	**110,520**	**39,430**	**3,142,778**	**79.71**	**440,565**	**11,016**
Brazil	108,854	7,110,309	65.32	1,483,476	37,086	32,627	2,329,203	71.39	56,369	1,408
Denmark	76,839	6,545,741	85.19	6,545,741	163,645	39,669	3,292,158	82.99	3,292,158	82,302
United Kingdom	161,749	6,435,135	39.78	6,435,135	160,881	61,810	2,963,383	47.94	2,963,383	74,106
Singapore	129,442	5,514,339	42.60	-	-	64,732	3,001,263	46.36	8,810	221
Sweden	200,541	5,202,649	25.94	5,202,649	130,064	104,413	3,250,249	31.13	3,250,249	81,256
Turkey	81,986	3,283,290	40.05	5,744	144	29,895	2,744,715	91.81	8,164	204
Romania	30,142	2,390,781	79.32	25,968	648	10,908	2,358,759	216.24	106,874	2,672
India	39,068	2,358,057	60.36	13,266	332	25,665	1,584,698	61.75	78,272	1,958
Poland	14,017	2,222,967	158.59	2,222,967	55,568	6,801	1,176,027	172.92	1,176,027	29,402
United Arab Em	8,471	995,149	117.48	995,149	24,877	4,320	551,329	127.62	551,329	13,781

US Imports of Select Items

Quantity in Numbers

COUNTRY	2005 Quantity	2005 Value	2005 Unit Price	2005 Dutiable Value	2005 Calculated Duty	YTD June 2006 Quantity	YTD June 2006 Value	YTD June 2006 Unit Price	YTD June 2006 Dutiable Value	YTD June 2006 Calculated Duty
8708998080 PARTS, NESOI, OF MOTOR VEHICLES, NESOI, OF HEADINGS 8701 TO 8705										
World	2,233,199,160	6,194,850,751	2.77	2,142,838,817	53,572,751	1,169,846,409	3,368,631,564	2.88	1,134,962,969	28,375,222
Canada	359,555,590	2,791,622,963	7.76	104,745,704	2,618,811	206,083,556	1,412,545,231	6.85	36,679,341	917,056
Mexico	190,565,143	1,210,606,694	6.35	74,075,021	1,852,027	92,931,712	765,403,039	8.24	33,995,289	849,954
Japan	843,967,141	782,427,994	0.93	780,962,283	19,524,369	406,887,895	380,255,375	0.93	380,196,047	9,505,132
China	257,350,235	290,123,940	1.13	290,103,521	7,252,951	161,482,246	186,819,002	1.16	186,709,814	4,668,012
Korea	154,247,039	255,381,531	1.66	251,435,450	6,285,943	108,788,802	152,243,737	1.40	152,025,685	3,800,724
Germany	104,386,307	188,939,629	1.81	186,818,122	4,670,667	46,359,254	99,434,330	2.14	99,146,014	2,478,776
Taiwan	100,652,576	172,530,785	1.71	172,530,785	4,313,452	50,960,923	87,083,760	1.71	87,073,784	2,176,932
Venezuela	511,444	81,458,772	159.27	41,492	1,039	243,346	38,567,446	158.49	141,800	3,544
United Kingdom	4,728,301	68,936,716	14.58	68,907,335	1,722,759	3,730,846	33,166,353	8.89	33,146,650	828,725
France	75,819,118	40,859,099	0.54	40,819,570	1,020,564	16,267,910	21,269,051	1.31	20,898,251	522,515
Italy	16,129,023	36,948,043	2.29	36,945,984	923,656	4,647,991	20,946,554	4.51	20,946,554	523,707
India	19,565,208	32,850,926	1.68	3,964,750	99,130	12,102,526	20,679,802	1.71	3,858,564	96,467
South Africa	**12,644,124**	**27,682,174**	**2.19**	**9,979,226**	**249,498**	**8,355,915**	**16,450,937**	**1.97**	**4,587,293**	**114,681**
Brazil	17,675,859	26,460,753	1.50	5,107,769	127,692	4,905,853	9,766,633	1.99	983,909	24,602
Thailand	9,839,186	21,056,775	2.14	2,495,146	62,376	5,688,900	17,242,065	3.03	474,062	11,855
Finland	12,607	14,979,230	1,188.17	14,941,701	373,545	4,827	11,632,541	2,409.89	11,628,040	290,696
Sweden	4,344,062	13,985,388	3.22	13,982,699	349,592	2,496,573	8,548,383	3.42	8,548,383	213,719
Austria	5,447,337	13,931,077	2.56	13,921,766	348,062	2,300,147	5,972,356	2.60	5,953,856	148,857
Honduras	791,415	12,244,998	15.47	141,621	3,542	299,485	7,737,693	25.84	545,313	13,636
Israel	5,455,691	10,785,286	1.98	231,682	5,793	2,595,704	12,352,455	4.76	35,077	878

NON CONFIDENTIAL

Behr South Africa (Pty) Ltd,
Valley View Industrial Park,
24 Otto Volek Road,
New Germany 3610,

5th September 2006

Non – Confidential

Attention: GSP Subcommittee,
Office of the United States Trade Representative,
c/o E-mail: FR0052@USTR.EOP.GOV

Dear Sir/Madam.

Re:-2006 GSP Eligibility and CNL Waiver Review, relating to trade between The Republic of South Africa & The United States of America.

Behr South Africa (Pty) Ltd (BZA) is the South African Subsidiary of Behr GmbH & Co of Stuttgart, Germany. Behr's American subsidiary is based in Troy, Michigan and employs 3036 people. The South African core business focuses on the manufacture & supply of automotive components into the local car industry and also into the offshore global market. Trading performance in 2006 is forecasted to be ZAR1,2billion (1US$ = 7ZAR), of which some 60% is exported.

BZA is aware that the United States generalized system of preferences (GSP) program - which enables exporters from various countries, including South Africa, to export, duty free, into the United States - is the subject of a review. Specifically, in terms of a United States Federal Register Notice on 8th August, 2006 - the office of the United States Trade Representative invited public comment on whether to limit, suspend or withdraw the eligibility of certain countries classified as upper middle-income economies which includes, amongst others, South Africa. Apparently, the review will also examine whether to withdraw presidential waivers that give a number of countries, including South Africa, unlimited duty free access for certain products.

BZA would like to lodge the following contribution to the issue surrounding the renewal of GSP for 2007, with regards to the stated affected tariff headings;

8708.91.5000 (Radiators - Passenger vehicle & truck, In Series & Aftermarket, Aluminium & Copper)
8708.99.8080 (Parts - Aluminum Tubes & manipulated tubes, Heater cores, Charge Air Coolers)
8415.90.8045 (Condensers & Evaporator Tubes)

- <u>Competitive Trade with USA.</u>

    BZA's trade with USA in 2006 is forecasted to be ZAR190million (up from 2005 ≈ ZAR115million). South Africa accounts for a very small share of US imports (1%[1] & 0.5%[2]) (see attached excel file) for these tariff headings. In the tightly competitive market place of world pricing any reduction in GSP benefits will shift supply to low-cost suppliers such as China, which already accounts for a much larger share of US imports (around 25%[3]). Keeping these products duty-free helps US manufacturers and consumers who use these parts, and allows American companies to have viable alternatives to China. A withdrawal of GSP will directly affect the trade between South Africa and America; a loss of this volume could jeopardize our total business viability. A withdrawal of GSP will stifle the economic growth of South Africa and appears contrary to the spirit of the African Growth & Opportunities Act (AGOA)

- <u>Job Creation & Training.</u>

    BZA currently employ 1600 employees (up from 2004 ≈ 1200). Despite the World Bank's classification of South Africa as an upper-middle-income economy, many of these employees live in the previously disadvantaged townships surrounding the major cities; Clermont & Kwa-dabeka (Durban), Markman (Port Elizabeth) and Mamelodi (Pretoria) which are definitely 3rd World with poverty & HIV infections rife. With unemployment as high as 35%, it is common for Behr's employees to be the sole breadwinner for their family but through positive job creation the financial wellbeing of these employees and their neighborhood is uplifted.

- <u>Investment in New Technology.</u>

    The local automotive industry is a major contributor to the GDP of South Africa at 7.64%. As a direct result of liberalization of trade barriers, local suppliers have to increasingly compete with overseas importers, who can typically utilize larger economies of scale and the latest technology to advance their levels of competitiveness. For this reason BZA has invested over ZAR137million (US$20million) in plant and equipment since 2004 in order to meet export requirements, of which ZAR117million has been in technology not previously seen in South Africa – namely Aluminum seam welded tube mills, and Stainless Steel welding equipment. The loss of the American volumes could severely jeopardize the business model for these investments and could lead to the premature closure of our plants.

It is with the above considerations in mind, that Behr South Africa (Pty) Ltd request that the GSP benefits to South Africa should be retained in their current format.

Yours faithfully,
Alexander G. Holmes
Executive.

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[1] Source Sandler & Travis 2006 8708.91.5000
[2] Source Sandler & Travis 2006 8708.99.8080
[3] Source Sandler & Travis 2006

Opposes Argentina, South Africa,
& Thailand
Requests their graduation from GSP;
Or opposes GSP treatment for canned
peaches, canned fruit mixtures,
and frozen peaches

From: pwalther@mwe.com
Sent: Wednesday, September 06, 2006 11:06 AM
To: FN-USTR-FR0052
Subject: Fw: 2006 GSP Eligibility (resubmitted in Word)

Per my conversation today with Regina Teeter, we are resubmitting the comments filed yesterday on behalf of the California Cling Peach Board in word format.

Thank you.

Pamela D. Walther
McDermott Will & Emery LLP
Washington, D.C.
202.756.8220

----- Forwarded by Pamela D Walther/WDC/MWE on 09/06/2006 10:58 AM -----
Pamela D Walther/WDC/MWE
09/05/2006 04:14 PM
To FR0052@USTR.EOP.GOV
cc
Subject 2006 GSP Eligibility

Please find attached the comments of the California Cling Peach Board regarding the 2006 GSP eligibility review.

Pamela D. Walther
McDermott Will & Emery LLP
Washington, D.C.
202.756.8220

BEFORE THE OFFICE OF THE U.S. TRADE REPRESENTATIVE

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

COMMENTS OF THE CALIFORNIA CLING PEACH BOARD SUPPORTING THE GRADUATION OF ARGENTINA, SOUTH AFRICA, AND THAILAND FROM THEIR STATUS AS GSP BENEFICIARY COUNTRIES

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Submitted: September 5, 2006

BEFORE THE OFFICE OF THE U.S. TRADE REPRESENTATIVE

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

COMMENTS OF THE CALIFORNIA CLING PEACH BOARD SUPPORTING THE GRADUATION OF ARGENTINA, SOUTH AFRICA, AND THAILAND FROM THEIR STATUS AS GSP BENEFICIARY COUNTRIES

I. Introduction

The following comments are submitted by the California Cling Peach Board (the Board) in response to the *Federal Register* notice of August 8, 2006 (71 *Fed. Reg.* 45079), requesting comments on whether major beneficiary countries of the GSP program, including Argentina, South Africa, and Thailand, have expanded exports or progressed in their economic development to the extent that their GSP-eligibility should be limited, suspended, or withdrawn consistent with section 502(d) of the GSP statue.

The California Cling Peach Board supports the graduation of Argentina, South Africa, and Thailand from the GSP program. All three countries are economically advanced relative to most GSP-beneficiary countries and all are successful producers and/or exporters of canned peaches (H.S. 2008.70.20), canned fruit mixtures (H.S. 2008.92.90), and/or frozen peaches (H.S. 0811.90.80) to the U.S. market, even without GSP duty-free access for these products.[1] In the absence of fully graduating Argentina, South Africa, and Thailand from the GSP program, these countries, at a minimum, should be precluded from seeking GSP treatment on additional products, including canned peaches, canned fruit mixtures, and frozen peaches, where they are already competitive in the product and where the GSP Subcommittee has consistently denied GSP duty-free access.[2]

The California Cling Peach Board is a non-profit quasi-governmental association representing all 700 cling peach growers and 4 cling peach processors in the State of California. California accounts for more than 98% of all U.S. production of cling peaches. Over ninety-five percent of that production is used for processing. Between 65% and 70% of the annual cling peach crop is processed into canned

[1] The U.S. MFN duty on canned peaches is 17%; the U.S. MFN duty on canned fruit mixtures is 14.9%; and the U.S. MFN duty on frozen peaches is 14.5%.

[2] Canned peaches, canned fruit mixtures, and/or frozen peaches have been the subject of GSP reviews in 1993, 1995, 2000, 2001 and 2003. Argentina requested GSP treatment for canned peaches in 2001 and on frozen peaches in 2003. In all these reviews, the GSP Subcommittee denied GSP duty-free treatment.

peaches. Another 25% of the crop is processed into canned fruit mixtures. Other important cling peach products are frozen peaches and peach pulp concentrate.

Nearly ninety-five percent of California's cling peach products are sold in the U.S. market. This market is essentially the only market in which U.S. cling peach growers remain competitive against subsidized and low-priced foreign canned peaches and other cling peach products. Because the U.S. market is so essential to our industry, and the Board has had to defend its industry against numerous past requests from competitive producers for GSP treatment on cling peach products, the industry is greatly interested in GSP program reforms that would remove some, or all, of the competitive producing countries from the GSP program.

II. <u>The Criteria for Graduating Argentina, South Africa, and Thailand From the GSP Program Include Their Overall Economic Development and Trade Competitiveness</u>

The GSP program is intended to offer only temporary duty-free access for developing countries, which cannot effectively compete without tariff preferences. Its purpose is to help advance those economies through increased trade opportunities.[3] For this reason, the GSP program contemplates that countries which have achieved a sufficient level of advancement that they no longer need preferential duty-free benefits to sustain growth, should be graduated from the program as a country, or as to their most competitive products.

Argentina, South Africa, and Thailand are among the countries identified by the GSP Subcommittee as possible candidates for graduation because (i) the total value of U.S. GSP imports from each of the countries in 2005 exceeded $100 million, and (ii) in 2005, the World Bank classified the countries as "upper-middle income" economies, and/or (iii) each country accounted for more than 0.25% of world goods exports in 2005, as reported by the WTO.

Argentina, South Africa, and Thailand easily meet these criteria and are sufficiently advanced in other statutory criteria relevant to graduation, including:

(i) their level of economic development as represented by per capita gross national product, the living standards of its people, and other economic factors which the President deems appropriate (Section 502(c)2); and

(ii) their competitiveness in [GSP-]eligible products (Section 501(4)).

III. <u>Argentina Has Advanced Economically Such That It No Longer Needs or Warrants GSP-Beneficiary Status</u>

Over the 30-plus years that Argentina has been a GSP beneficiary country it has advanced economically to become one of the richest countries in South America and the leading South American

[3] *See* Committee on Ways and Means, U.S. House of Representatives, *Overview and Compilation of U.S. Trade Statutes*, June 2005 ed., at 14; and Section 501(b) of Pub. L. 98-573, Statement of Purpose for Generalized System of Preferences Renewal Act of 1984.

nation in terms of gross domestic product (GDP) per capita. In 2005, its GDP per capita was $13,100, compared to $9,600 for Uruguay and $8,400 for Brazil.[4]

The World Bank classifies Argentina as an "upper-middle income" economy with a gross national income (GNI) per capita in 2004 of $3,580.[5] Its population benefits from a relatively high standard of living, a life expectancy of over 76 years, and a literacy rate of 97%.

Argentina's economy has rebounded after recovering quickly from the devaluation of the peso in early 2002. Between 2003 and 2005, Argentina's GDP grew over 9% annually. The growth was attributed to strong exports, favorable domestic conditions, and strong domestic demand.[6]

Argentina is a competitive exporter. Its 2004 world exports were valued at over $34.5 billion. That accounted for 0.4% of the world goods exports -- a figure well above the 0.25% threshold established by the GSP Subcommittee as an indicator of economic advancement and possible graduation.[7] Of the $34.5 billion of global exports, over $4.64 billion was exported to the U.S. market, with $616.5 million of that trade duty-free under the GSP program.

In the canned peach sector, Argentine canned peaches are competitive with U.S. canned peaches in the U.S. market, even paying the U.S. MFN duties. Notwithstanding this, since 2001, the Government of Argentina and its canned fruit processing industry have twice requested GSP duty-free access for cling peach products. In 2003, it requested GSP duty-free status for "frozen peaches" (H.S. 0811.90.80.80).[8] Two years earlier Argentina petitioned for GSP treatment for canned peaches (H.S. 2008.70). Even though GSP treatment for these products has consistently been denied, Argentina is expected to continue seeking GSP zero-duty access for these products unless GSP program changes are made to prevent this.

IV. South Africa 's "Upper-Middle Income" Status and Expanded Export Portfolio Suggest It No Longer Needs Preferential GSP Duty-Free Benefits to Compete

South Africa benefits from both GSP duty-free access and duty-free access under the GSP-related African Growth and Opportunity Act (AGOA) for most products. The *Federal Register* notice announcing this review does not address whether graduation from the GSP program completely, or

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[4] This reflects GDP figures based on purchasing power parity (PPP), which according to the World Bank is more representative since it adjusts for differences in the price of goods and services in different countries. *See* World Bank, Quick Reference Table (2006), *available at* www.worldbank.org; and Central Intelligence Agency, *The World Fact Book*: GDP per capita (PPP), dated Aug. 8, 2006, *available at* https://www.cia.gov/cia/publications/factbook/geos/ar.html (hereinafter "*World Fact Book*").

[5] The World Bank classifies countries based on income using the following income groups: "low income," which are countries with a GNI of $875 or less; "lower middle income," with a GNI of between $876 and $3,465; "upper middle income," with a GNI of between $3,466 and $10,725; and "high income," with a GNI of $10,726 or more.

[6] *The World Fact Book*: Argentina.

[7] World Trade Organization, *Leading exporters and importers in world merchandise*, December 2005, available at http://www/wto.org/English/res_e/statis_e/its2005/its05_toc_e.htm.

[8] That petition was denied under the GSP three-year bar rule.

graduation for specific products, would affect South Africa's AGOA status. Canned peaches, canned fruit mixtures, and frozen peaches are not duty-free under either program.

Regardless of its AGOA status, South Africa meets the relevant economic development and trade competitiveness criteria to be graduated from the GSP program.

South Africa is one of the richest, economically advanced countries on the African continent. Its economic growth has been possible because of an abundant supply of natural resources, a strong export-oriented metal and mineral sector, a modern infrastructure supporting the distribution of goods throughout the region, and a highly literate population.[9]

Based on World Bank standards, South Africa has achieved "upper middle-income" status with a per capita GNI of $3,630 in 2004.[10] In 2005, its GDP per capita was $12,000, which is high among GSP beneficiary countries.[11] South Africa also benefited from a favorable GDP growth rate of 4.9% in 2005.[12]

In 2004, South Africa's global exports were valued at over $46 billion, accounting for 0.5% of the world's exports.[13] This is double the 0.25% of world exports identified by the GSP Subcommittee as a relevant criteria for GSP graduation. As to its trade with the United States, in 2005, South Africa exported $5.85 billion of goods to the U.S. market, with $1.017 billion of that entering duty-free under the GSP provisions.[14] Duty-free imports also enter under the AGOA provisions.

In the canned fruit sector, South Africa is one of the world's leading producers and exporters of canned peaches. Even without GSP duty-free treatment for canned peaches, South Africa has historically been a prominent exporter of canned peaches to the U.S. market. Its competitive status was recognized during the AGOA GSP product review in 2000, when canned peaches, canned fruit mixtures, and frozen peaches were three of only six agricultural products denied AGOA duty-free treatment. South Africa's trade competitiveness, along with its overall economic development, are reasons to graduate South Africa from the GSP program.

V. Thailand is a Competitive Global Exporter and No Longer Needs Preferential Duty-Free Access to Compete in the U.S. Market

Thailand has an export-driven economy. It was one of East Asia's best performers economically in 2002-2004. Driven by increased domestic consumption of goods and strong export growth in manufacturing and agriculture, the Thai economy grew by 6.9% in 2003, 6.1% in 2004, and

[9] *The World Fact Book*: South Africa.

[10] *See* World Bank, Country Classification (2006), *available at* www.worldbank.org.

[11] This reflects GDP per capita adjusted for purchasing power parity (PPP). *The World Fact Book:* GDP per capita (PPP).

[12] *The World Fact Book*: South Africa (estimated 2005 rate).

[13] World Trade Organization, *Leading exporters and importers in world merchandise*, December 2005, available at http://www/wto.org/English/res_e/statis_e/its2005/its05_toc_e.htm.

[14] See USITC data Web.

4.4% in 2005 despite high oil prices and the tsunami-related declines in tourism. In 2006, the economy is expected to benefit further from an influx of investment and a revived tourism sector.[15]

Based on the latest available World Bank data, the World Bank classifies Thailand as a "lower middle income" economy. It had a 2004 per capita GNI of $2,490. Its GDP for 2005 based on PPP was $8,300.[16]

In 2004, Thailand's net exports reached $97.4 billion, which accounted for 1.1% of world-wide exports. This far exceeds the 0.25% target suggested by the GSP Subcommittee.[17] In 2005, Thailand's exports to the United States were valued at $19.803 billion, with $3.575 billion of that entering duty-free as GSP-eligible products.

In the canned fruit sector, Thailand is know for its highly advanced fruit repacking and processing industry. It is a competitive processor of peaches and fruit mixtures packed in innovative plastic cups. Because Thailand is not known as a peach grower, the peaches repacked in Thailand are principally sourced from Greece and China. Thailand exports a large volume of the repackaged and processed peaches and fruit mixtures to the U.S. market. Although the products are not made from Thai-grown peaches, the finished processed product could still qualify as product of Thailand for purposes of GSP treatment if substantial transformation occurs in Thailand.

VI. Conclusion

Argentina, South Africa, and Thailand have each achieved a level of economic development and trade competitiveness that they no longer require GSP zero-duty benefits. They are especially competitive producers and exporters of canned peaches, canned fruit mixtures, and frozen peaches. All three countries should be graduated from the GSP-program. In the event these countries are not graduated completely from the GSP program, they should, at a minimum, be barred from seeking GSP treatment on additional products, including canned peaches, canned fruit mixtures, and frozen peaches.

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[15] *The World Fact Book*: Thailand.

[16] *The World Fact Book*: GDP per capita (PPP).

[17] World Trade Organization, *Leading exporters and importers in world merchandise*, December 2005, available at http://www/wto.org/English/res_e/statis_e/its2005/its05_toc_e.htm.

From: JackRoney@aol.com
Sent: Tuesday, September 05, 2006 3:49 PM
To: FN-USTR-FR0052
Subject: Amercian Sugar Alliance submission
September 5, 2006

To: FR0052@USTR.EOP.GOV
From: American Sugar Alliance
Subject: 2006 GSP Eligibility and CNL Waiver Review

The American Sugar Alliance welcomes the opportunity to respond to the Federal Register notice published on August 8, 2006, seeking comment on the eligibility of certain beneficiaries of the U.S. generalized system of preferences (GSP) and on existing waivers of competitive-need limitations (CNLs) that are part of the GSP program.

The American Sugar Alliance (ASA) is a coalition of sugarcane and sugarbeet farmers, processors, refiners, suppliers, workers, and others dedicated to preserving a strong domestic sugar industry.

The ASA recognizes the importance of the access granted to traditional U.S. developing country suppliers by the tariff-rate quota (TRQ) for sugar established under the WTO. Without such access these countries would be forced to rely more heavily on the world "dump" market for sugar, where prices have chronically been well below the production costs of such suppliers. Properly managed, the WTO TRQ program is compatible with the sound operation of the no-cost U.S. sugar program and provides for adequate supplies to the U.S. market in those occasional years when shortfalls in domestic production are experienced.

In contrast, ASA has repeatedly expressed concerns about the potential destabilizing effects of additional commitments entered into, or contemplated, in FTA and other trade negotiations. Such commitments threaten to swamp the U.S. market and depress U.S. sugar prices to the detriment not only of U.S. producers but of those developing-country suppliers enjoying access under the TRQ.

In light of the importance of this access to developing country suppliers, the ASA asks that GSP benefits be retained for raw sugar imports from the three countries under review that supply raw sugar under GSP to the U.S. market, the Philippines, South Africa, and Thailand.

The Federal Register notice identifies thirteen countries whose eligibility for benefits under GSP is under review: Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey, and Venezuela. Three of these countries, the Philippines, South Africa, and Thailand, supplied TRQ raw sugar to the U.S. market under GSP in 2005. The applicable tariff code is 1701.1110, which covers raw sugar entering the United States under a tariff-rate quota described in Additional U.S. Note 5(a) to Chapter 17 of the U.S. tariff schedule. GSP imports of 1701.1110 from these three countries in 2003-2005 were:

GSP TRQ sugar imports from selected countries, 2003-2005				
	Unit	**2003**	**2004**	**2005**
Philippines	$ 000	60,094	53,579	56,386
	kg 000	137,352	137,000	137,353
South Africa	$ 000	10,017	9,173	12,953
	kg 000	23,401	23,401	29,987
Thailand	$ 000	5,850	5,104	4,421
	kg 000	14,244	14,179	14,244
Source: USITC Dataweb				

The Federal Register notice also asks for comments on waivers of competitive need limitations (CNLs) on 83 products, of which three are sugar products: 1701.1105 (certain sugar syrups that are processed in a U.S. foreign trade zone that was in operation before June 1, 1990), 1701.1110 (raw sugar under TRQ), and 1701.1120 (sugar used in the production of polyhydric alcohols). CNLs apply when imports of a product from a GSP-beneficiary country exceed a dollar amount ($120 million in 2005), or exceed 50% of all U.S. imports of that product. These limits are for all practical purposes unreachable with regard to 1701.1105 and 1701.1120. The Philippines, which ordinarily supplies about 13.5 percent of U.S. imports of 1701.1110, could exceed the CNL of $120 million if the TRQ rose to two million tons or more.

Effect of GSP

Sugar entering the United States under 1701.1110 that benefits from GSP is spared the general duty of about 1.4606 cents per kilogram. For 2005, the duty saved amounted to:

Philippines: $2,005,000
South Africa: $445,000
Thailand: $208,000

If these countries lost GSP benefits with respect to sugar, we see no benefits accruing to U.S. sugar producers or any other U.S. interest from the loss of such benefits -- but some damage to the interests of these three suppliers.

For these reasons, the American Sugar Alliance supports retention of GSP benefits for raw sugar imports from the Philippines, South Africa, and Thailand, and retention of the CNL waiver for 1701.1110 from the Philippines.

In closing we would again note that additional import commitments that would prevent the current U.S. sugar program from operating properly, as dictated by Congress, or changes in the U.S. program that would reduce U.S. support prices for sugar would exact a heavy toll not only on U.S. sugar producers but on the nearly 40 developing countries that enjoy preferential access at remunerative prices to the U. S. market.

Please acknowledge you have received this submission. If there are any questions, please contact ASA economist Jack Roney at the below address.

Jack Roney
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September 5, 2006

Chairman
GSP Subcommittee (TPSC)
USTR Annex Room F-220
1724 F Street N.W.
Washington, D.C. 20508

Re: 2006 Review of GSP Beneficiary Developing Countries and CNL Waiver Extensions

South Africa and CNL Waiver for Certain Carbides
HTSUS 2849.90.50

Dear Subcommittee:

On behalf of Strategic Minerals Corporation ("Stratcor"), we herewith submit these comments in response to the request of the Subcommittee's solicitation of August 8, 2006 (71 Fed. Reg. 152; pp. 45709-80).

Company confidential data is in brackets [ ].

Continued Eligibility for South Africa as a Beneficiary Developing Country (BDC)

South Africa has made considerable progress since the end of the apartheid era. It is one of the only true democracies on the continent, and has a remarkable record of both fiscal and monetary prudence. Its Human Rights record is exceptional in a neighborhood replete with corruption and crime. Despite the exceptional efforts of the South African government to advance to the ranks of "developed countries", significant challenges remain:

- 50% of its population is below the poverty line;
- The unemployment rate is over 25%
- Millions of refugees from Mozambique and Zimbabwe are overwhelming its social services;
- Public debt accounts for over 35% of GDP

- One fifth of South Africa's adult population is infected with HIV/AIDS

Given these structural problems, it is little wonder that South Africa is the recipient of more than $485 million in aid from Western countries.

Despite these challenges, South Africa has made good use of its GSP and African Growth and Opportunity Act (AGOA) eligibility, *without abusing these programs.* Unlike many African countries, which rely almost exclusively upon GSP to make their exports competitive, South Africa's record is stellar. In 2003, for example, 34% of South African exports to the U.S. were GSP or AGOA eligible. That declined to only 25% by 2005, and the trend continues. As South Africa's economy progresses, it will become less dependent upon preferences, but that time has not yet arrived. South Africa's growth is not yet sufficient to lower the country's high unemployment rate, and daunting economic problems remain from the apartheid era – especially poverty and lack of economic empowerment among the disadvantaged groups. South African economic policy is fiscally conservative, but pragmatic, focusing on targeting inflation and liberalizing trade as a means to increase job growth and household income.

For the past decade, South Africa has received bipartisan support in Washington for its efforts to overcome the legacies of its past, and to develop internally sustainable growth. To even consider "graduation" of South Africa at this time would undercut the very purposes of GSP. South Africa is on the cusp of becoming a developed country, but has not yet reached the "tipping point" which would make it so. To remove GSP would undermine not only South Africa's ability to move ahead, but the credibility of the GSP program itself.

Continued need for Competitive Need Limit (CNL) Waiver for certain carbides from South Africa HTSUS 2849.90.50.

Summary

The existing CNL waiver for the subject products has been in place for South Africa since 1999. There have been no "changed circumstances" as provided in Sec. 503(d)(5) of the Trade Act of 1974 (19 U.S.C. 2463(d)(5)) which would warrant termination of this waiver.

Strategic Minerals Corporation

Strategic Minerals Corporation, a Connecticut corporation, and its U.S. subsidiary, Stratcor, Inc., a Delaware corporation, are both headquartered in Danbury, CT, with additional facilities in Hot Springs, AR and Pittsburgh, PA. Stratcor and its related companies mine, process, source and sell a variety of metal and mineral products at several facilities in the United States and in the Republic of South Africa. Stratcor had approximately [************] in worldwide sales in 2005. It employs over [***]

persons throughout the United States in manufacturing, sales, distribution and research and development facilities.

Vametco Minerals Corporation Ltd. ("Vametco") is also a subsidiary of Strategic Minerals Corporation and produces vanadium carbides and vanadium carbonitrides classifiable under HTSUS 2849.90.50 at its facility in Brits, South Africa. Vanadium carbonitrides imported by Stratcor are sold under the trade name Nitrovan®.

The Products

HTSUS 2849.90.50 covers inorganic carbides other than those of calcium, silicon, boron, chromium and tungsten. The merchandise subject to the CNL waiver for South Africa is primarily composed of vanadium carbonitrides, sold under the trade name "Nitrovan®", which are used as additives in steel manufacture to produce high-strength, low alloy (HSLA) steel.

There is little or no U.S. production of vanadium carbonitrides and vanadium carbides. Although there is some U.S. production of ferrovanadium, these products are not commercially interchangeable with Nitrovan® vanadium. Stratcor, the major U.S. importer of Nitrovan® vanadium is also a substantial producer and marketer of ferrovanadium. The respective markets for these products are distinct. Vanadium carbonitrides have different physical and chemical characteristics, and produce different metallurgical results than ferrovanadium. In addition, the price and quality of the South African-produced Nitrovan® vanadium is generally <u>above</u> that of U.S. and other foreign products.

U.S. imports of carbides in HTSUS 2849.90.50 during the past five years (2001-2005) have remained fairly stable, ranging from of 1,375,000 kg. in 2001 to 1,629,000 kg. in 2005. South Africa accounted for 88% of all imports of products in this HTSUS item 2849.90.50 in 2005 by quantity and 95% by value. There is no significant production of vanadium carbonitrides in the United States.

Continuation of CNL Waiver is Necessary

The imposition of the 3.7% duty on vanadium carbonitrides and vanadium carbides would have significant negative consequences for both South African and American interests. Vametco accounts for [****] of the production of these materials in South Africa and is the only experienced and successful investor in the industry. Should duties be reimposed, the resulting impact on Vametco's South African labor force would be substantial. Vametco currently employs over [***] workers in its South African facilities, approximately [***] of whom are Persons of Color. Vametco's commitment to improving the lives of people in its community is evidenced by its:

- Scholarship program that has helped produce more graduates of color in the fields of Medicine, Engineering, Metallurgy and Finance.

- Apprenticeship program that has produced two-thirds of the Black tradesmen currently employed by Vametco. Some tradesmen have been trained by Vametco and employed by other companies.
- School renovation projects at Krokodilkrall farm and Uitvalgrond village.
- Donations to organizations involved in AIDS education.
- Involvement with SMEs (Small-Micro Enterprises) in a program to equip Black entrepreneurs with skills to run a sustainable business.
- Sponsorship of a trade fair whereby small businesses are afforded opportunities to market their products.

In recent years, Vametco has provided additional opportunities for its non-white workers to advance to supervisory and technical positions. [***] of such positions are now filled by Persons of Color, up from [***] five years ago.

Additionally, Vametco is currently in the process of selling 15% of the company to a Black Economic Empowerment group. A 15% partner has been identified and terms and conditions are being finalized.

Clearly, the impact of additional duties in the U.S. would most adversely impact the very people U.S. (and South African government) policy has been designed to assist.

Since there is no U.S. company which produces vanadium carbides or vanadium carbonitrides, U.S. consumers (i.e. the U.S. steel industry) would be forced to absorb the additional costs of the added duties. This would place them at a significant disadvantage vis a vis their foreign competitors, which would continue to receive South African products at favorable prices. China, in particular, has significantly expanded its consumption of vanadium carbonitrides, and poses a substantial competitive challenge to the U.S. steel industry. Further, the European Union has granted preferential treatment (0% duty) to these products from South Africa (E. U. Regulation No. 0980/05) and has not indicated that it intends to remove this treatment. European steelmakers would thus enjoy a substantial competitive advantage.

No other BDC would benefit should the CNL waiver be terminated

Imports of goods in HTSUS item 2849.90.50 came from 14 countries in 2005, *none of which were GSP-eligible BDCs.* To Stratcor's knowledge, no BDC even produces the goods in question here. Removal of the CNL waiver for this item from South Africa, then, would not and could not benefit any other BDC.

Conclusion

The loss of GSP or CNL status for vanadium carbides and vanadium carbonitrides imported from South Africa would have negative consequences both for South Africa (thwarting the purposes of the GSP program) and the U.S. steel industry. There is no production of these goods in the United States, so additional duties would not serve to protect any domestic industry. Finally, no BDC other than South Africa even produces the goods in question, so there would be no advantage to other LDCs from such an action.

Should you have any questions or require any additional information, please feel free to contact me at the above address.

Respectfully submitted,

s/s

Donald E. deKieffer
Counsel to Strategic Minerals Corp.

From: Luyt, Keith [Kluyt@gsa.co.za]
Sent: Tuesday, September 05, 2006 10:42 AM
To: FN-USTR-FR0052
Subject: RE: GSP submissions>>South African manufacturer input

Dera Sir/Madam--please find attached our submission in respect of the GSP review pertaining to South Africa

Kind regards
KEITH D LUYT

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SOUTH AFRICAN
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Ms Marideth J. Sandler
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Chairman, GSP Subcommittee of the Trade Policy Staff Committee
Office of the United States Trade Representative
USTR Annex
Room F-220
1724 F Street, NW.
Washington, DC
20508

5 September 2006

Dear Madam

RESPONSE TO INVITATION FOR THE SUBMISSION OF COMMENTS RELATING TO THE REVIEW OF THE GSP ELIGIBILITY OF SOUTH AFRICA PURSUANT TO THE TRADE ACT OF 1974

The South African Agricultural Processors Association represents some of the major food and beverage companies in South Africa. We have been instructed to file this submission in response to your call for public comments relating to the review of South Africa's eligibility as beneficiary developing country (BDC) for the purpose of the General System of Preferences Programme (GSP).

We believe that the Government of South Africa is in a better position to answer the broader implications for the socio-economic development of South Africa, should South Africa's status as BDC be withdrawn, suspended or limited. We would support an argument for the retention of South Africa's status as BDC in its current scope. The agro-processing industry forms an integral part of the economy, which contributes, together with the primary agricultural sector, to approximately 10% of the South African GDP. The industry forms a major downstream market for agricultural production in South Africa. The agro-processing industry therefore has a vested interest in the sustainable development of the agricultural sector in South Africa as a source of raw material. In addition, on a broader macro-economic level, we function in the same environment as other South African economic role players faced by unacceptable high levels of unemployment and urban migration from rural areas in South Africa. Moreover, the agricultural industry, as in many other African countries, constitutes an important source of employment. In fact, even though primary agriculture contributes to about 8% of employment in South Africa, in many of the South African provinces, agriculture is the second or third largest employer.

It is a common observation that in economies in transition, like South Africa, some sectors may still be lagging behind even if the economy as a whole may become more competitive. We would therefore strongly support the South African Governments position with respect to the retention of South Africa's status as a BDC.

If we consider the total value of South African agricultural imports into the United States during 2005 under the GSP programme, we note that the total value does not even exceed $50,346 000. Even if we should add imports of agricultural products in terms of the African Growth and Opportunity Act (AGOA), the total value of agricultural exports under both these programmes, amount to no more than $131,521 000.[1] Agricultural exports constitute a relatively small portion of the total value of South Africa's exports both under GSP and AGOA-GSP during 2005.[2] This is clear even from the value of exports of some of our members listed below.

Submission on behalf of Ceres Fruit Juices (Pty) Ltd

The USA market is a key strategic development market for Ceres Fruit Juices (Pty) Ltd (Ceres) and we request that the following be considered.

1. **Volume sales to USA (Tariff Heading – 2009.90.10.8 - Mixtures of Juice)**
    - 2003 – 5,784 million litres
    - 2004 – 4,900 million litres
    - 2005 – 7,020 million litres
    - 2006 – 7,243 million litres
    - Forecast 2011 – 27,5 million litres

    Ceres is a niche product with unique exotic variants and in terms of market share Ceres is miniscule. No like product is currently being produced in the US. The total size of the Juice, Nectar and Soft Drinks "JNSD" market in USA is estimated at 8, 7 billion litres. The current market share of Ceres is estimated to be around 0, 08%.

[1] After inquiries made in South Africa, both to experts on AGOA, to the US Embassy, as well as to the office of the USTR, it remains unclear what the relationship is between the GSP programs under the Act and the AGOA GSP regime with respect to the eligibility of South Africa to benefit as a BDC for the purpose of the former and as a beneficiary Sub-Saharan African country under the latter. We have therefore, in our submission included products that are imported under both programs.
[2] $1,472,352,000

Assuming no growth in the USA market, which is highly unlikely, the estimated market share of Ceres for products imported from South Africa in 2011 will be around 0,3%. The more likely scenario with market growth would be closer to 0, 2%.

2. **Mango Pulp Imported from SA into the USA (Tariff Heading – A2009.80.60 90)**
   - 2003 – Nil
   - 2004 – 1,665 drums of pulp – 1,929 million litres of finished product
   - 2005 – 1,585 drums of pulp – 1,837 million litres of finished product
   - 2006 - 2,176 drums of pulp – 2,521 million litres of finished product
   - Forecast 2011 – 31,586 drums of pulp – 36,599 million litres of finished product

   The mango pulp is imported as a raw material and value is added in the USA. Additional raw materials are sourced in the USA and manufacturing costs contribute 47% of the total cost of the finished product.

   The majority of the growth of Ceres will come from products manufactured within the USA.

3. **Impact on the business of Ceres Fruit Juices (Pty) Ltd. should import tariffs be imposed.**

   Contribution of the USA business to the total export business of Ceres is currently 2, 2% and is envisaged to increase to around 60% in the next 5 years.

   The proposed graduation from GSP/AGOA would have a dramatic impact on the business of Ceres.

   - Tetra Pak products currently imported from South Africa are selling at a very high premium and Ceres will not be able to pass cost increases on to the market and could lose most of the business.
   - The import duty will put a strain on the commercial viability of the PET (Polyethylene terephthalate) products being manufactured in the USA and Ceres stands to lose this business and consequently the 47% value would no longer be added in the USA.

The main competition in the niche market in which Ceres operates in the USA comes from products imported duty free in terms of existing free trade agreements which the United States have signed with Mexico and Israel. Withdrawing South Africa’s GSP/AGOA eligibility will most definitely cause Ceres to lose market share to the benefit of these and other competitors in the US market.

Submission on behalf of LangebergAshton Foods (Pty) Ltd

LangebergAshton Foods (Pty) Ltd (LangebergAshton) has been exporting pears, apricots, peaches and mixed fruit in relatively small quantities to the US over the period 2004/2005. The volumes exported clearly pose no significant threat to local producers in the United States. The total FOB value for 2004 and 2005 put together does not even exceed US$2,4 m – note the table below for a breakdown on exports in terms of volumes and value:

HS Code	Product description	Volume (Tons)		Value (FOB) in US$	
		2004	2005	2004	2005
2008.40.00	**Canned pears**	**530**	**171**	**175,500**	**53,200**
2008.50.40	Canned apricots	83	838	34,000	220,300
2008.70	Canned peaches	2991	1897	852,450	561,800
2008.92	Canned mixtures of fruit	963	489	344,000	200,000

Total exports under GSP/AGOA constitutes no more than US $228 700. All other current exports enter the United States under General duty (MFN).

Submission on behalf of Sea Harvest Corporation

Sea Harvest Corporation (Sea Harvest) is a deep-sea trawler fishing company, established in South Africa. Sea Harvest employs approximately 2200 people in the fishing industry.

During 2005 Sea Harvest exported under AGOA approximately US$61 000 of hake (1604.19.40) into the US. Even though exports constitute a small amount in dollar terms, through AGOA an opportunity presents itself for this company to increase exports over time. During 2004 only US$4 000 of the same product was exported to the US. If eligibility for AGOA GSP is not at issue during this review, then obviously this product will not be affected.

Submission on behalf of Anchor Yeast

Anchor Yeast is a manufacturer of active yeasts in South Africa. The company has been exporting active yeast product (2102.10.00) to the United States under GSP. Over the past 3 years the volume of exports increased from 64kg in 2003 to 92 417kg in 2005. The value in Rand terms increased from a meager R20 877(2003) to R2,218 937(2005). Even so, the volume exported by this company, which is a major producer of yeast in South Africa, poses no serious risk to any producer in the United States of a like product.

We would therefore request that you give our submission with respect to the above specific products your favourable consideration during your review.

Yours faithfully,

Lambert Botha
(Unsigned electronic copy)

International Trade Law Advisor
South African Agricultural Processors Association