

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-360]

International Harmonization of Customs Rules of Origin

AGENCY: United States International Trade Commission.

ACTION: Request for public comments on draft proposals for chapters 82-84 and 86-89.

EFFECTIVE DATE: March 5, 1997.

FOR FURTHER INFORMATION CONTACT:

Eugene A. Rosengarden, Director, Office of Tariff Affairs and Trade Agreements (O/TA&TA) (202-205-2595), Lawrence DiRicco—chapters 82-83, 86-89 (202-205-2606), or Craig Houser—chapter 84 (202-205-2597).

Parties having an interest in particular products or HTS chapters and desiring to be included on a mailing list to receive available documents pertaining thereto should advise Diane Whitfield by telephone (202-205-2610) or by mail at the Commission, 500 E St. SW, Room 404, Washington, D.C. 20436. Hearing impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. The media should contact Margaret O'Laughlin in the Office of External Relations (202-205-1819).

Background:

Following receipt of a letter from the United States Trade Representative (USTR) on January 25, 1995, the Commission instituted Investigation No. 332-360, International Harmonization of Customs Rules of Origin, under section 332(g) of the Tariff Act of 1930 (60 FR 19605, April 19, 1995).

The investigation is intended to provide the basis for Commission participation in work pertaining to the Uruguay Round Agreement on Rules of Origin (ARO), under the General Agreement on Tariffs and Trade (GATT) 1994 and adopted along with the Agreement Establishing the World Trade Organization (WTO).

The ARO is designed to harmonize and clarify nonpreferential rules of origin for goods in trade on the basis of the substantial transformation test; achieve discipline in the rules' administration; and provide a framework for notification, review, consultation, and dispute settlement. These harmonized rules are intended to make country-of-origin determinations impartial, predictable, transparent, consistent, and neutral, and to avoid restrictive or distortive effects on international trade. The ARO provides

that technical work to those ends will be undertaken by the Customs Cooperation Council (CCC) (now informally known as the World Customs Organization or WCO), which must report on specified matters relating to such rules for further action by parties to the ARO.

Eventually, the WTO Ministerial Conference is to "establish the results of the harmonization work program in an annex as an integral part" of the ARO.

In order to carry out this work, the ARO called for the establishment of a Committee on Rules of Origin of the WTO, and a Technical Committee on Rules of Origin (TCRO) of the WCO. These Committees bear the primary responsibility for developing rules that achieve the objectives of the ARO.

A major component of the work program is the harmonization of origin rules for the purpose of providing more certainty in the conduct of world trade. To this end, the agreement contemplates a 3-year WCO program, which was formally initiated in July, 1995. Under the ARO, the TCRO is to undertake (1) to develop harmonized definitions of goods considered wholly obtained in one country, and of minimal processes or operations deemed not to confer origin, (2) to consider the use of change in Harmonized System classification as a means of reflecting substantial transformation, and (3) for those products or sectors where a change of tariff classification does not allow for the reflection of substantial transformation, to develop supplementary or exclusive origin criteria based on value, manufacturing or processing operations or other standards.

The draft U.S. proposed rules for the goods of:

- Chapter 82—Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
- Chapter 83—Miscellaneous articles of base metal
- Chapter 84—Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
- Chapter 86—Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds
- Chapter 87—Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
- Chapter 88—Aircraft, spacecraft, and parts thereof
- Chapter 89—Ships, boats and floating structures

the Harmonized System that are being made available for public comment

cover goods that are not considered to be wholly made in a single country. The rules rely largely on the change of heading as a basis for ascribing origin.

Copies of the proposed revised rules will be available from the Office of the Secretary at the Commission, from the Commission's Internet home page (<http://www.usitc.gov>), or by submitting a request on the Office of Tariff Affairs and Trade Agreements voice messaging system (202-205-2592).

These proposals are intended to serve as the basis for the U.S. proposal to the TCRO of WCO. The proposals may undergo change as proposals from other government administrations and the private sector are received and considered. Under the circumstances, the proposals should not be cited as authority for the application of current domestic law.

If eventually adopted by the TCRO for submission to the Committee on Rules of Origin of the World Trade Organization, these proposals would comprise an important element of the ARO work program to develop harmonized, non-preferential country of origin rules, as discussed in the Commission's earlier notice. Thus, in view of the importance of these rules, the Commission seeks to ascertain the views of interested parties concerning the extent to which the proposed rules reflect the standard of substantial transformation provided in the Agreement.

Forthcoming Commission notices will advise the public on the progress of the TCRO's work and will contain any harmonized definitions or rules that have been provisionally or finally adopted.

Written Submissions

Interested persons are invited to submit written statements concerning this phase of the Commission's investigation. Written statements should be submitted as quickly as possible, and follow-up statements are permitted; but all statements must be received at the Commission by close of business on April 15, 1997, in order to be considered. Again, the Commission notes that it is particularly interested in receiving input from the private sector on the effects of the various proposed rules and definitions on U.S. exports as well as imports.

Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the

requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be available for inspection by interested persons. All submissions should be addressed to the Office of the Secretary, United States International Trade Commission, 500 E Street SW., Washington DC 20436.

By order of the Commission.

Issued: March 6, 1997.

Donna R. Koehnke,
Secretary.

[FR Doc. 97-6191 Filed 3-11-97; 8:45 am]

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DEPARTMENT OF JUSTICE

Federal Prison Industries

Product Development and Production: Public Involvement Procedures

AGENCY: Federal Prison Industries, Inc., Bureau of Prisons, Department of Justice.

ACTION: Notice.

SUMMARY: In this document, Federal Prison Industries, Inc. (FPI) announces new interim definitions of three key terms: New product, specific product, and significant expansion of an existing product.

ADDRESSES: Federal Prison Industries, Inc., 320 First Street, NW., Washington, DC. 20534.

EFFECTIVE DATE: March 12, 1997.

FOR FURTHER INFORMATION CONTACT: Mr. Todd Balda (202) 305-3582.

SUPPLEMENTARY INFORMATION: Last year, FPI published notices in the Federal Register and *Commerce Business Daily* proposing revisions to the definitions of "specific product," "new product" and "significant expansion of production" for use with the FPI expansion guidelines. The Federal Register notice was printed on August 7, 1996 (61 FR 41248). The *Commerce Business Daily* notice was printed on September 20, 1996. Each notice asked interested parties to review the revised definitions and submit comments on the proposed revisions to FPI. FPI received submissions from the following individuals and organizations:

U.S. Representative Mac Collins
(Georgia, 3rd District);
The American Defense Preparedness
Association;
The Business and Institutional
Furniture Manufacturers
Association;
Trussbilt, Inc.;

The Coalition for Government
Procurement;
The American Apparel Manufacturers
Association;
Tennessee Apparel Corporation;
Furniture By Thurston; and
The Quarters Furniture Manufacturers
Association.

FPI wishes to thank each of the respondents for taking the time to submit their comments. Many of the submissions included suggestions which FPI has incorporated into the revised definitions. Also among the submissions were several comments helpful to FPI in understanding potential implications of the proposed revised definitions. Some of these comments led FPI to adjust its original proposal.

For the purposes of this notice, FPI has separated all the comments we received into one of four groups: (1) Ideas, recommendations or suggestions FPI has adopted in the revised definitions; (2) Ideas, recommendations or suggestions with which FPI respectfully disagrees and has not adopted in the revised definitions; (3) Comments that are more relevant to other aspects of FPI's operations, such as issues concerning mandatory source; and (4) Comments which are vague, broad or general in nature. Such comments do not make a specific point, making it difficult for FPI to address. Below is a summary of all comments received by FPI. In many instances, similar comments from multiple parties have been combined. Also included are some of FPI's responses, where appropriate.

(I) Ideas, Recommendations or Suggestions FPI Has Adopted

The following are ideas, recommendations or suggestions provided by commenters which FPI found useful or constructive, and incorporated, in whole or in part, into the revised expansion definitions.

A commenter noted FPI's initial announcement stated "FPI announces revised definitions of two key terms: New product and specific product." However, "significant expansion of production" is also revised. FPI acknowledges the oversight, and has reflected this correction in the new announcement. This notice refers to all three revised definitions.

Commenters suggested FPI defer issuing the new definitions, raising the possibility Congress may require FPI to modify the terms again, resulting in another revision in a short period of time. The commenter stated a delay in issuing the definitions would permit interested parties to take up Rep.

McCollum's offer to discuss FPI's operations and regulations next year. FPI appreciates the willingness to accept Rep. McCollum's invitation. Nonetheless, the current definitions present a myriad of problems that need to be addressed. With the commenter's suggestion in mind, FPI is publishing the new definitions as an "interim rule." This will allow time for experience and encourage comments during its implementation.

A commenter suggested amending the provision dealing with cases of extreme public exigency, where FPI would be empowered with the authority to increase production without penalty when asked to do so. The commenter advised that FPI explicitly state that its production levels are temporary, and will not be used as the baseline for future calculations of what is deemed a significant expansion of production. FPI has incorporated such language into the revised definitions.

Several commenters objected to the provision allowing FPI to supply new items of limited duration or volume. The commenters felt this provision did not allow for sufficient private industry input, would be detrimental to small businesses who sell to the Federal government and did not provide adequate safeguards to prevent FPI from misuse of the provision. FPI recognizes the concerns raised by the commenters and has withdrawn the provision from the revised definition.

Commenters suggested the definitions should not eliminate an item's predominant material of manufacture as a determinant of whether an item is a separate specific product. FPI agrees, and notes the new definitions do not make such an elimination. Rather, the predominant material "will not ordinarily" be a factor in determining whether an item is a separate specific product. FPI did not mean to imply the predominant material of manufacture is not an important consideration, only that in most cases, it would not result in an item being deemed a separate specific product. An item's predominant material will always be considered, and unless deemed to be significant, will not typically result in a distinction for a separate specific product.

A commenter suggested that FPI state its sales goals in units, not dollars. FPI appreciates the suggestion and will attempt to include production information on units where feasible, as well as dollars, for impact studies. The nature of some of FPI's work makes stating production goals in units difficult. It should be noted that in past impact studies, FPI has attempted to differentiate between inflation and real