

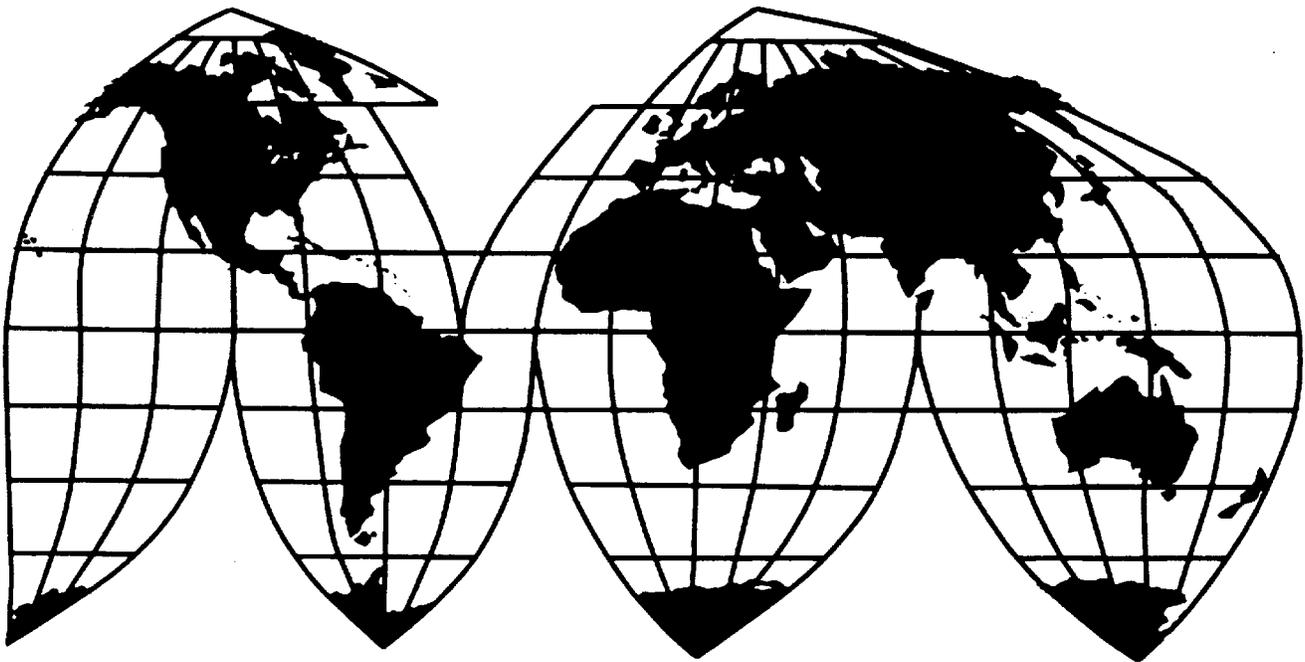
Simplification of the Harmonized Tariff Schedule of the United States

Investigation No. 332-388

Publication 3318

June 2000

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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This report was prepared principally by:

David B. Beck
Lawrence A. DiRicco
Ronald H. Heller
Craig M. Houser
Frederick Schottman
Janis L. Summers

Office of Tariff Affairs & Trade Agreements

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

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CONTENTS

Executive Summary	ii
Chapter One: Introduction	1
The Harmonized Tariff Schedule of the United States (HTS)	2
The Growth of the Tariff Schedule	3
The Need for Simplification	5
Chapter Two: Preparation of the Simplified Tariff Schedule	8
Guidelines for simplification	8
Methodology and procedures	9
Programs not reflected	11
Chapter Three: The Simplified Tariff Schedule	14
Consolidation of tariff classes	14
The conversion of specific and compound rates of duty	14
Reorganization of the General Notes	15
Elimination of the Chemical Appendix	16
Restatement of Column 2 rates of duty	16
Clarification of article descriptions	16
Limitations on simplification	16
Statistical issues	19
Chapter Four: Possibilities for Further Simplification	20
The international Harmonized System	20
Harmonize rates to provide opportunity to consolidate provisions	20
Harmonize preferential origin regimes	21
Reduction of statistical requirements	21
Appendix A. Letters of Request from House Ways and Means Committee and Senate Finance Committee	
Appendix B. Notice of Investigation	
Appendix C. Draft Simplified <i>Harmonized Tariff Schedule of the United States (2004)</i>	

EXECUTIVE SUMMARY

On July 14, 1997, the Committee on Ways and Means of the House of Representatives requested the U.S. International Trade Commission (the Commission) to institute an investigation under section 332(g) of the Tariff Act of 1930, to propose modifications to the Harmonized Tariff Schedule of the United States to make it simpler, more transparent and easier to use. By letter, dated March 30, 2000, the Committee on Finance of the Senate joined in the request.

The initial request letter directed the Commission to seek to alleviate compliance and administrative burdens; to suggest simplification of the nomenclature structure without proposing duty-rate changes significant for trade or industry; to suggest appropriate ways to reflect column 2 (statutory) rates of duty; to propose the conversion of specific, compound and complex rates of duty to their ad valorem equivalents when such conversions would not have significant effects on trade or industry; and to propose appropriate means for simplifying statistical reporting categories.

On November 5, 1997, the Commission instituted its investigation (No. 332-388), notice of which was published in the Federal Register on November 13, 1997 (62 F.R. 60919). On March 25, 1999, the Commission released a proposed schedule for public comment which was made available on the Commission's web site, a notice of which was published in the Federal Register on March 31, 1999 (64 F.R. 153376) .

The growth in the size of the tariff schedule from 6,421 tariff rate lines in 1963 to 10,175 tariff rate lines in 2000 has been accompanied by a corresponding decrease in the trade weighted average duty rate. On dutiable imports for 1963, the trade weighted average rate was 11.9 percent ad valorem and the rate for total import trade (dutiable and free) was 5.1 percent. For 1999, the weighted average rate for dutiable imports was 7.4 percent and the rate for total import trade was 1.8 percent ad valorem.

Largely as a result of the rate harmonization efforts achieved during the Uruguay Round and the entry into effect of the final stages of the North American Free Trade Agreement, the draft tariff schedule proposed by this report, based on the schedule of concessions for 2004, contains 8,073 tariff classes, approximately a 20 percent reduction from the 10,176 classes in the 1999 version. However, when the approximately 5,000 inviolable product classes of the Harmonized System are taken into account, the draft actually represents a 40 percent reduction in the number of categories that were eligible for elimination.

The report makes additional recommendations to simplify the tariff schedule, including:

- A reorganization of the General Notes to the Harmonized Tariff Schedule to improve their arrangement and understanding;
- The elimination of the Chemical Appendix; and

- The clarification of article descriptions.

Virtually all of the comments received from the public and government agencies favored the idea of simplifying the tariff schedule. However, comments on the statistical system tended to be mixed. Many believed the proposals to eliminate categories did not go nearly far enough to effect a substantial simplification, others wanted to maintain the current statistical detail for the goods of interest to them. In view of the interagency responsibility for the foreign trade statistical program, the Commission has referred the matter of simplification to the so-called 484(f) Committee with specific recommendations for its consideration regarding the sun-setting of classes and the winnowing out of obsolete provisions.

Finally, while the proposed draft cites the possibility for the elimination of approximately 2,100 provisions, a new round of multilateral trade negotiations could lead to even greater rate harmonization and simplification. There are at present about 3,000 rate lines with normal trade relations (NTR) or column 1-general duty rates of "free." Moreover, there about 5,000 rate lines with NTR rates below 3 percent ad valorem, and about 6,600 with rates below 5 percent ad valorem. Thus, the future potential for additional simplification is apparent.

CHAPTER ONE

Introduction

Following receipt of a letter of request from the Committee on Ways and Means of the United States House of Representatives,¹ the U.S. International Trade Commission (the Commission) instituted this investigation, *Simplification of the Harmonized Tariff Schedule of the United States*, on November 5, 1997, under section 332(g) of the Tariff Act of 1930. The letter of request directed the Commission to issue its final report on the investigation by July 13, 2000. The Commission's notice of the institution of the investigation is reproduced in appendix A. Subsequent to the initial letter of request, the Commission received a letter from the Committee on Finance of the United States Senate² joining in the request for preparation of a draft simplified tariff schedule. A preliminary draft of the simplified schedule previously was made available for public comment, by means of copies placed on the Commission's World Wide Web site³ and in the Office of the Secretary and through the dissemination by other means of portions of the text upon request; in addition, the views of interested government agencies were sought. All submissions and views were taken into account in the preparation of the final report.

As a result of its investigation, pursuant to the terms of the letter of request and the comments received, the Commission has prepared a final draft of the Harmonized Tariff Schedule of the United States (HTS) containing the legal provisions of the tariff schedule. This simplified text comprises the general and additional U.S. rules of interpretation, the general legal notes, the chapter legal notes and additional U.S. notes, and the 4-, 6-, and 8-digit tariff rate lines. For reasons elaborated on in the report, the 10-digit statistical reporting numbers

¹Letter of July 14, 1997, is reproduced in appendix A.

²Letter of March 30, 2000, is reproduced in appendix A.

³See <http://www.usitc.gov>.

and accompanying notes and units of quantity have not been incorporated in this report. Issues concerning the elimination or simplification of statistical classes have been referred to the inter-agency committee authorized under section 484(f) of the Tariff Act of 1930 responsible for creating and maintaining the statistical enumeration.

The Harmonized Tariff Schedule of the United States (HTS)

The HTS sets forth the nomenclature structure, rates of duty, and statistical reporting requirements applicable to imports into the United States. The schedule, except for the statistical requirements, was enacted in the Omnibus Trade and Competitiveness Act of 1988⁴ and entered into effect on January 1, 1989, with the repeal of the former Tariff Schedules of the United States (TSUS). Under that Act, the Commission maintains and publishes the annotated HTS and its printed supplements, and has undertaken the electronic dissemination via its World Wide Web site (<http://www.usitc.gov>) of the schedule and revisions thereto as they become effective.⁵

The nomenclature structure of the HTS is based upon an international system formally called the Harmonized Commodity Description and Coding System (“the Harmonized System” or “HS”), maintained by the World Customs Organization (WCO)⁶ in Brussels and implemented by means of a multilateral convention. The HS comprises product descriptions enumerated as 4-digit headings and 6-digit subheadings and includes legal rules and notes. The HS was established to facilitate trade by means of a standardized tariff nomenclature for the description, classification and coding of goods, comprising a system that would also serve as the basis for the collection, comparison, and analysis of comparable international trade

⁴ Subtitle B of title I of Public Law 100-418, 102 Stat. 1107, of Aug. 23, 1988 (19 U.S.C. 3001 *et seq.*).

⁵ The printed version will continue to be supplemented once or more during each year, as needed, but the time and cost of issuing printed updates prohibits more frequent hard copy supplements.

⁶Formally known as the Customs Cooperation Council pursuant to convention.

statistics. Under the terms of Article 3 of the HS convention, contracting parties are required to include without change all of the 4- and 6-digit categories of the HS, as numbered, and the legal notes thereto. The United States acceded to the Convention as of January 1, 1989. The HTS comprises a hierarchical system of product descriptions based upon the HS 6-digit nomenclature, which have been further subdivided and coded at 8 digits to create needed legal tariff categories and at 10 digits to reflect statistical classes. The U.S. obligations under the HS Convention preclude changes to the approximately 5,000 product classes of the HS.

This report is directed at the simplification of the 8-digit U.S. tariff rate lines, the general legal notes, and additional U.S. legal notes in the chapters. The statistical reporting requirements and matters relating thereto will be separately treated by the so-called “484(f) Committee,” formed to implement Section 484(f) of the Tariff Act of 1930, as amended. Further discussion appears later in this report in the section entitled “Statistical Issues.”

The growth of the tariff schedule

The table on the next page shows the historical growth of the tariff schedule, in terms of rate lines, statistical categories, total trade, the trade-weighted average rate of duty on dutiable goods, and the overall trade-weighted average duty rate (in percent ad valorem terms) on duty-free and dutiable trade.⁷

In the first edition of the former TSUS in 1963, there were just over 6,400 tariff rate lines, 1,900 of which had statistical subdivisions; there were approximately 31,000 statistical categories (many of which were largely theoretical and related to cotton fabrics). In 1964, the first full year of the TSUS, import trade was over \$18 billion, and, the average rate of duty was

⁷The source of all cited data is a file entitled “Value of U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Values: 1891–1999” compiled by the Commission’s Statistical and Editorial Services Division, Office of Information Services, March 2000; the compilation was based upon official statistics reported by the Department of Commerce.

11.9 percent ad valorem on dutiable imports and 7.4 percent on total imports. In 1988, the last edition of the TSUS, there were 7,450 tariff rate lines, about 2,400 of which had statistical provisions, and the total number of statistical categories exceeded 47,000. Total import trade in 1988 exceeded \$437 billion, and the average duty rates had declined to 5.3 percent ad valorem on dutiable imports and 3.4 percent ad valorem on total imports.

Year	Tariff rate lines, chs. 1-97	Statistical categories, chs. 1-97 ¹	Reporting lines ²	Total imports for consumption (\$1,000,000)	Average duty rate on dutiable imports	Average duty rate on total imports
1963 ³	6,421	30,849 ⁴	35,352	18,613	11.9%	7.4%
1988 ⁵	7,450	47,082	52,140	437,140	5.3%	3.4%
1989	8,753	7,744	14,224	468,012	5.2%	3.4%
2000 ⁶	10,175	9,587	17,032	1,017,435	5.1%	1.8%

¹ Subdivisions of tariff rate lines for statistical reporting purposes.

² Sum of number of statistical categories plus the number of tariff rate lines that were not subdivided for statistical purposes.

³ The former TSUS became effective Aug. 31, 1963; it replaced the former paragraph system for describing and classifying goods in trade that had appeared in prior tariff laws. The figures for rate lines and statistical categories were compiled on that date. However, the remaining data on trade and average duty rates are for 1964, the first full year during which the TSUS was in force.

⁴ It is estimated that more than three-fourths of the total number of statistical categories shown for 1963 and 1988 comprised annotations covering cotton fabric. Many of these had negligible or no trade. It was estimated by the Bureau of Census that approximately 4,800 statistical categories had trade in any year. However, the exact number of 7-digit TSUSA provisions is not known.

⁵ The TSUS was repealed at the close of Dec. 31, 1988, and the HTS entered into effect on Jan. 1, 1989.

⁶ The number of rate lines and statistical categories is as of Jan. 1, 2000; trade and rate data are for 1999.

The first edition of the HTS in 1989 added about 1,300 rate lines for a total of 8,753, and—even without most of the earlier provisions for cotton fabrics—had 14,224 total reporting lines (with 7,744 actual 10-digit provisions under 2,273 of those rate lines). Total import trade rose to over \$468 billion, while the average duty rates amounted to 5.2 percent ad valorem on dutiable imports and 3.4 percent on total imports. That year also marked the implementation of

the U.S.-Canada Free-Trade Agreement, with fairly extensive additions to both the tariff chapters and the general notes.

Subsequently, and particularly with the implementation of the NAFTA and the concessions resulting from the Uruguay Round of multilateral trade negotiations, the level of complexity and number of provisions in the HTS has risen even as rates of duty have declined. By 2000, the HTS had 10,175 rate lines, 2,730 of which had statistical reporting provisions, and 17,032 reporting lines. During 1999, the last full year for which data are available, total import trade had risen to over \$1 trillion, and the average duty rate was 5.1 percent ad valorem on dutiable imports and 1.8 percent for total imports. Similarly, the length of the general legal notes to the HTS—which contain the rules for classification and special tariff treatment programs, among other matters—increased from 28 pages in 1989 to 169 pages in 1999. Clearly, the amount of product detail and program rules in the tariff schedule has risen dramatically. Given huge increases in the volume of imports, the added complexity of the tariff schedule is compounded for the trading community and government agencies alike.

The need for simplification

The reduction in tariff levels and their consequential loss of significance as a trade barrier has tended to focus increased attention on the costs to the public and government of complying with and maintaining complex trade regulation measures. The Commission understands that some industry representatives have suggested in other fora that the administrative costs of complying with import regulations can be significantly greater than the costs of tariffs.

In addition, the burden of trade compliance is not limited to the United States. Foreign governments also maintain complex legal and regulatory regimes affecting exports to those

countries. Despite efforts to harmonize government reporting requirements, the accelerated⁸ growth in the number of companies engaged in or seeking to enter international commerce, enhanced by the global reach of the Internet, has magnified the compliance problems. Simplification of the tariff system thus represents a significant step in the direction of trade facilitation. In addition, achieving the widespread availability of each country's current requirements (particularly by means of electronic or magnetic media), increasing the opportunity for firms to submit information electronically to governments, and the simplifying and standardizing of regulations and procedures would serve to alleviate some of the existing administrative and compliance difficulties.

Two programs that are currently in progress may show some promising effects. These programs involve the rewriting of the so-called Kyoto Convention, an initiative of the World Customs Organization on harmonizing customs procedures and rules, and the development in the United States of the International Trade Database System (ITDS), an initiative suggested by the National Performance Review.

The revised Kyoto Convention (formally known as The International Convention on the Simplification and Harmonization of Customs Procedures (Revised)), was adopted by the World Customs Organization in June 1999. The goal of the Convention is to provide a framework of harmonized customs procedures and practices throughout the world that are simple, effective, predictable and transparent. The Convention reflects the general recognition that efficient and effective customs procedures can facilitate the flow of international trade and that a non-transparent customs system can operate as a non-tariff trade barrier. Some of the key elements of the revised Kyoto Convention include: (1) standardized and simplified

⁸The Commission notes that the Canadian Government has already taken unilateral measures to simplify its tariff and import requirements.

procedures for all aspects of customs administration; (2) maximum use of information technology; (3) the publication of customs laws, regulations, administrative guidelines, procedures and practices; (4) cooperation with other national authorities, other customs administrations and the trading community; and (5) the availability of administrative and judicial review of national customs decisions.

The ITDS will be a government-wide system for the electronic collection and distribution of international trade information required by federal agencies, and will include information concerning the movement of goods, conveyances and crews in either direction across U.S. borders. As a result of the integrated nature of the system, redundant and obsolete data reporting requirements will be eliminated. ITDS will provide the trader with a single electronic point of entry for all federal information requirements and will eliminate the current practice of requiring the trade community to file information separately with multiple agencies.

CHAPTER TWO

Preparation of the Draft Simplified Schedule

Guidelines for simplification

In its letter, the Ways and Means Committee requested that the Commission propose modifications to the HTS to make it simpler, more transparent, and easier to use. The Commission was directed to do this work according to the following guidelines:

- ❑ examine the difficulties arising from the complexity and size of the HTS and suggest modifications to alleviate compliance and administrative burdens for the business community and the U.S. Customs Service;
- ❑ use concession-rate levels scheduled to go into effect on January 1, 2004, as the basis for general rates and special rates of duty, taking into account any staging scheduled to occur beyond that date with appropriate suggested modifications;
- ❑ suggest ways to simplify the U.S. tariff structure, consistent with sound nomenclature principles and U.S. international obligations under the HS Convention, to the extent practicable without causing duty-rate changes having a significant effect on U.S. industry and trade;
- ❑ suggest appropriate methods of reflecting column 2 duty rates, without proposing or maintaining rate lines solely for the purpose of reflecting column 2 duty rates;
- ❑ suggest conversions of all specific, compound, and complex rates of duty to their ad valorem equivalents, provided that such conversions would not have significant effects on U.S. industry and trade and using trade data from the three most recent calendar years; and

- suggest an appropriate simplification of HTS statistical reporting categories for consideration by the Committee for Statistical Annotation of the Tariff Schedules (known as the 484(f) Committee, for its statutory authority).

In order to give the business community and other interested parties an opportunity to have input regarding the proposed simplified tariff schedule, the Commission requested public comment and the views of other Government agencies on the basis of a preliminary draft made available on April 1, 1999. The draft tariff schedule presented with this report comprises the legal text of chapters 1 through 97 and the general and chapter legal notes thereto, together with a cross-reference table to align the existing and proposed schedules. When released, the final report containing the proposed legal text will be posted in PDF format on the World Wide Web site maintained by the Commission;⁹ and printed copies will be available for public inspection in the Office of the Secretary of the Commission and in the Office of Tariff Affairs and Trade Agreements.

Methodology and procedures

In carrying out its work on the proposed simplified HTS, the Commission considered the guidelines in the request letter and also made certain decisions with a view toward attaining real gains in terms of simplification in as much of the schedule as possible. The proposed draft retains the familiar format of the HTS as enacted, with the exception of the restructuring and renumbering of the general notes. In the final draft, the columns normally dedicated to the statistical suffixes and units of quantity were merely left blank, because these nonlegal elements are being referred to the 484(f) Committee. Related tariff categories that have common rates of duty as of January 1, 2004, were combined. Other tariff categories with slight differences in duty rate on that date were combined where the change is considered not to

⁹ See <http://www.usitc.gov>.

have a significant effect, especially where one or more rate lines had little or no trade. Every effort was made to retain the duty rate treatment scheduled to be effective in 2004, while still attempting to meet the objectives of simplification. However, if two adjacent or related rate lines at the same level of the nomenclature's hierarchical structure—such as a hypothetical example of “red wagons” and “other”—are scheduled to have different 2004 duty rates but trade that varied widely—perhaps \$20,000 and \$1 million for these two imaginary classes—the separate rate lines have in appropriate cases been combined into a single one in this proposed draft, and the final duty rate from the existing category having the clear preponderance of trade has been indicated for the new rate line. Any such changes are reflected in the proposed chapters using bold type and are similarly noted in the cross-reference table for the provisions concerned. Thus, for specific classes of goods there may be either a slight increase or a slight decrease in the proposed duty rate, compared with present treatment, if the change likely would not have a significant effect on U.S. industry and trade.

In carrying out the work on simplification, the Commission used the existing (1999) text¹⁰ and, bearing in mind that the international level 4- and 6-digit categories cannot be changed, began by reviewing the nomenclature to identify instances where the 8- and 10-digit nomenclature seemed unwieldy, confusing, or otherwise complex. Where these cases were identified, staff took into account three basic considerations: first, the purpose underlying the creation of the descriptive classes in question; second, the final Uruguay Round Act duty rate levels among the pertinent group and differences among them; and third, the volume of trade in each category. In some instances, multiple classes of goods that appeared to be related

¹⁰It was expected that few new rate lines would be created for the 2000 edition, and little updating was necessary between publication of the preliminary and final report in this investigation. The proposed draft likewise does not include provisions that may be added as a result of the Commission's investigation No. 1205-5, *Possible Modifications to the Harmonized Tariff Schedule of the United States*, because they have not yet been proclaimed and would not take effect until 2002.

could not be covered by a single new provision because the final staged duty rates were quite different (diverging by more than 0.5 percent ad valorem). In certain other instances, different rate lines having common final duty rates could not be combined because the volume of trade in each class of goods was quite high (each exceeding \$10 million). It was not always considered desirable to collapse them only to recreate the product detail at the statistical level, where less verification of shipment volumes occurs. This decision was commonly made where Commission was aware that the different rate lines had been created for a particular purpose, such as to capture separately those goods that might be considered import sensitive. In still other instances, the nomenclature itself argued against combining different classes of goods; that is, the Commission considered that there was no reliable, clear way to describe the goods if the categories were combined (especially where 3 or more 8-digit lines exist below one 6-digit HS subheading). In other cases, particularly in the chemicals area, existing article descriptions contain enumerations of different chemical products that are already quite lengthy, so that it seemed undesirable to make these lists still longer merely to have a single rate line for each group. However, some provisions with article descriptions based on the customs value of the imported goods (categories referred to as having “value breaks”) have been dropped from the proposed schedule, when the low or nonexistent level of trade suggested that the specified range of values was considered to be obsolete.

Programs not reflected

In the proposed schedule, some trade preference programs or provisions created therefor are not reflected. Some of the complexity inherent in the existing HTS arose as actions were taken under these programs, such as the Generalized System of Preferences

(GSP),¹¹ or as provisions were created to implement negotiated rules of preference under the NAFTA. The Commission determined that the simplified schedule would not show duty-free treatment under the GSP in the special rates of duty subcolumn because a complete product review would be necessary upon adoption of a simplified schedule, given changes in the number and scope of tariff rate lines, and the fact that many dutiable provisions will become free in 2004 on a normal trade relations (NTR) basis and will not require a special GSP designation. In addition, “competitive need” computations could not be done now for trade in 2004 and beyond; the draft schedule cannot indicate now which countries should be excluded from GSP benefits for particular goods in the future.

Similarly, the draft omits the provisions of existing general note 12(t), which sets forth the tariff classification rules that determine whether a good containing non-NAFTA-origin content is a product of the NAFTA region and is therefore eligible for tariff preferences. These heading/subheading-specific provisions will require revision, following trilateral negotiations among the parties to the agreement, because of the modification or deletion of many U.S. tariff categories. It is proposed that these rules, once revised and approved, would be moved out of the general legal notes to appear in the chapters to which they relate; this change would make the rules more obvious and accessible to users of the tariff schedule seeking to claim NAFTA preferences. As is the case with the GSP program, many categories of goods will become free of duty on a Normal Trade Relations (NTR) basis in 2004, thereby obviating the need to reflect special NAFTA rate treatment.

¹¹Under GSP, the President may decide to give duty-free entry to less than the scope of an existing tariff rate line and therefore subdivides it to accomplish the desired treatment; also, tariff rate lines may be subdivided to give or remove GSP treatment from one or more beneficiary countries, usually pursuant to the so-called “competitive need” limitations of title V of the Trade Act of 1974, as amended (19 U.S.C. 2461 et seq.).

Finally, the draft removes the textile and apparel category numbers adopted under the previous Multi-fiber Arrangement and currently used for purposes of the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC). To reflect the category number system and allow collection of the data necessary to enforce bilateral restraints, a large number of statistical reporting numbers were created under tariff categories covering textile and apparel goods; many of these provisions serve no other significant purpose and cover low-trade goods. Under the ATC, the contracting parties have agreed to terminate remaining quantitative restraints applicable to WTO countries at the close of 2004. Thus, it is proposed that the HTS no longer contain this enforcement structure, because by 2005 it will apply to relatively few countries and there may be alternative computerized means to obtain the same information primarily under the ITDS.

CHAPTER THREE

The Simplified Tariff Schedule

Consolidation of tariff classes

A primary benefit of this endeavor has been the elimination, by consolidation, of many 8-digit rate lines subordinate to individual 6-digit subheadings, where the 8-digit provisions have a common final NTR rate of duty (or variations of less than 0.5 percent ad valorem).

The 2000 HTS has 10,175 8-digit classes, while the draft 2004 version has 8,073, a 20-percent reduction in the number of provisions. Excluding the approximately 5,000 inviolable 6-digit items of the HS, the draft reflects a 40-percent reduction in the number of HS items which would be eligible for elimination.

The conversion of specific, compound and complex rates of duty

The requesters' goal of converting specific or compound rates of duty to their ad valorem equivalents raised several issues. Some comments received in this investigation supported the idea of converting these rates, but with a proviso. These comments noted a critical need to choose a properly representative time period (in terms of trade, the overall economic cycle, and currency fluctuations) close to the projected implementation date of a simplified tariff schedule. Other comments pointed to the reduced level of protection for domestic producers that might result from such a conversion for particular commodities, and the likelihood that any time period that might be suggested would be inappropriate for at least some products, especially agricultural commodities.¹² Given the number of expressions of

¹²Most of the specific duty rates currently in effect occur in the agriculture product sector (generally chapters 1-24 of the HTS). Of the 41 comments received that mentioned the agriculture

(continued...)

concern on this point, and the fact that across value ranges, ad valorem and specific rate forms produce different levels of protective effect, the Commission decided to recommend for the present that the specific and compound rates be largely retained.

With respect to complex rates, worthy of note is the proposed elimination of “borrowed”¹³ duty rates for certain embroidery and apparel ensembles and those in Chapter 91 concerning watches and clocks. Further discussion of specific changes appears below.

Reorganization of the General Notes

The general notes contain not only explanations of the content of the tariff schedule but also the significant provisions of other laws and regulations establishing trade agreement programs (such as the NAFTA) or implementing statutory measures. The notes provide importers with a single point of access to these legal provisions that would be largely unavailable otherwise. Because of the expansion of the general notes, whose basic organization reflects the structure of the general headnotes to the former TSUS, the notes are difficult to read, poorly labeled, not arranged in the most logical sequence, and overly long. Thus, the Commission proposed changing the order and numbering system and inserting additional “side headings” indicating the content of note subdivisions. To reduce the length of the notes—and also to put key provisions closest to the portions of the tariff to which they relate—it is proposed that the “tariff shift” rules of preference for the NAFTA program be

¹²(...continued)

chapters, only 5 indicated any support for the conversion of rates to their ad valorem equivalents; two of these suggested that this might be achieved under the auspices of a new round of negotiations. Eighteen responses strongly rejected the advisability of such rate conversions.

¹³Tariff rate lines with “borrowed rates” are those for which the rates of duty are stated in terms of the rates applicable to other tariff rate lines. For example, the rate of duty for HTS number 6104.21.00, which covers women’s or girls’ ensembles, knitted or crocheted, of wool or fine animal hair, is “The rate applicable to each garment in the ensemble if separately imported.” Thus the rate of duty is “borrowed” from the tariff rate lines which apply to the parts of the ensemble.

inserted in each chapter along with the headings to which they relate. These rules are frequently consulted by NAFTA shippers, and would thereby be located near the pages containing the tariff headings (and in the same on-line electronic file).

Elimination of the Chemical Appendix

The Chemical Appendix to the HTS, which by 2004 is scheduled to have actual effect only with respect to one tariff category due to the staging of rates for all others currently covered, was dropped and appropriate adjustment made for that one product.

Restatement of Column 2 rates of duty

While rate lines were not proposed merely to restate existing column 2 tariff treatment, the elimination of the column itself in favor of reflecting the rates in a different manner is not proposed at this time. Currently, products of only seven countries, if trade is not otherwise suspended, are subject to the rates in column 2 of the HTS: Afghanistan, Cuba, Laos, Montenegro, North Korea, Serbia, and Vietnam. The Commission believes that, so long as some countries' goods remain subject to column 2 duty treatment, it would be best to continue the current format. The Commission notes that these rates also serve as the record of "statutory rates" and normally the tariff ceiling in the event concessions might be withdrawn.

Clarification of article descriptions

The proposed schedule suggests simplified descriptive nomenclature wherever possible. In some instances, the order of categories that were subordinate to a single 6-digit subheading was modified to make the description and classification of goods clearer and more logical. For example, the arrangement of the provisions for various types of gloves was modified to reduce complexity and make clearer the coverage of individual rate lines.

Limitations on simplification

Although much of the schedule could be examined and simplified under the methodology outlined above, certain factors made simplification of some parts of the schedule quite difficult. For example, the “borrowed” or derived rates of duty applicable to apparel ensembles, the relatively low levels of trade involved, and the fact that it was impossible to know which garments might be contained in any particular shipment, made it difficult to propose ad valorem rates of duty for the rate lines concerned. For some rate lines, little or no trade was reported during 1997 (or in other recent years), and estimated ad valorem rates had to be suggested based on minimal or nonexistent trade data.

In the agricultural sector, because of resistance from U.S. government and from the U.S. private sector,¹⁴ there was very little consolidation of agricultural products at the rate line level. Most of the simplification achieved resulted from combining pairs of rate lines that have common NTR duty rates. In several of these cases, the pairs of rate lines were originally created by subdividing a single category in order to provide separate GSP treatment or NAFTA origin treatment.

In some cases, such as watches, even where the nomenclature under the HS was relatively well suited to goods in trade in terms of their technology, the rates of duty—which were inherited to some extent from the TSUS by virtue of staging schedules from prior rounds of multilateral negotiations—were not as modern in their formulation, and trade data gave insufficient information to allow complete confidence about the nature of goods in trade as the Commission prepared new proposed duty rates. Similarly, color televisions were covered by orderly marketing agreements under the TSUS, with varying rates of duty for products subject or not subject to these arrangements; these rates have been modified through different

¹⁴Of the 41 comments that mentioned the agriculture chapters, 13 comments—representing a broad spectrum of government and private sector interests—stated specifically that simplification is not feasible in the agriculture sector in general or within the particular product area of concern to the writer.

schedules of staged reductions. In still other cases, the products concerned are commodity items with varying prices (by source and by time of year), so that ad valorem equivalent rates would at best be a snapshot taken on a particular date, without any study of changing markets or sources of goods and with no ability to take into account varying costs of production, weather effects, or other factors. The existence of tariff-rate quotas and their influence on types and levels of goods shipped make it even harder to identify the ad valorem equivalent rate for the goods concerned.

The many tariff-rate quotas (TRQs) covering agricultural goods, converted as part of the URA concessions package from absolute quantitative restraints implemented under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624, as amended), are difficult to understand and to administer. The former single rate lines applicable to each product subject to quotas were each replaced as of January 1, 1995, with three (or more) rate lines—generally, with one category covering goods “described in general note 15,”¹⁵ a second for the other below-TRQ-trigger-level shipments, and a third for “other,” meaning all other shipments; usually the first two lines have identical general duty rates and the third has a much higher general rate. The Commission attempted to simplify the presentation of the TRQ provisions, including provisions that might be included in chapter 98 of the HTS and under which shipments would be double-reported but not counted towards TRQ trigger levels. However, no substitute for the existing multiple-rate-line scheme has yet been proposed in this draft, and options for simplifying the presentation of these provisions still need to be considered.¹⁶

¹⁵ General note 15 sets forth certain types of shipments that are not to be counted with respect to the TRQs: products shipped by or for any U.S. Government agency, products imported for personal use of the importer in quantities not to exceed 5 kilograms, products imported as samples and not for commercial use, certain blended syrups made in U.S. foreign trade zones, and certain cotton covered by safeguards.

¹⁶No suggestions were formally received regarding this issue. Possible methodologies—of a technical rather than a substantive nature—considered by the Commission included, for example, a provision
(continued...)

For footwear of chapter 64, tariff descriptions have been revised and rearranged. These changes permit maintenance of applicable rates of duty and should help in the continued collection of statistical information, while eliminating numerous duplicative provisions. Similar modifications were made with respect to embroidery of chapter 58, and changes have been suggested to end the application of “borrowed” duty rates from goods that were not embroidered.

Statistical issues

Many of the comments resulting from the public release of the draft tariff schedule concerned the statistical categories enumerated at the 9th and 10th digits of the annotated HTS. While virtually all the submissions were supportive of the idea of simplifying the system, comments on the statistical system were mixed. Many believed the proposals to eliminate categories did not go far enough to effect a substantial simplification, while others wanted to maintain the current statistical detail for the goods of interest to them.

Simplification of the statistical requirements presents a different set of concerns than those of tariff simplification where one seeks to consolidate related classes of goods at common rates of duty. Here the desire is to provide information useful for economic and policy analysis and for monitoring or ensuring the enforcement of programs. However, the statistical codes have grown beyond the provisions originally intended for such purposes. Much of the difficulty stems from the fact that the statistical codes are an extension of the tariff codes. As a result of two major negotiations, the Uruguay Round and the NAFTA, the number of 8-digit tariff codes was increased resulting in a consequential increase in the statistical classes falling

¹⁶(...continued)

to be inserted in chapter 98 to cover importations described in existing general note 15 to the HTS. However, the Commission believes that no alternative method of presentation considered to date improves significantly upon the present one, and accordingly has not proposed changes to these TRQ provisions.

within the affected items. Because both negotiations were proclaimed near year's end, there was little opportunity to review the extent to which the proliferation was necessary to preserve statistical continuity. Generally, once new classes are created, there is support from the statistical community to continue the series.

As noted previously, responsibility for creating, modifying, or deleting statistical provisions in the tariff and the export schedule lies with the so-called "484(f) committee," formed to implement Section 484(f) of the Tariff Act of 1930, as amended. The Commission representative chairs the committee, with the Secretary of Treasury (by way of Customs) and the Secretary of Commerce (by Census) as the other members. The committee receives petitions from the private sector and other agencies to modify the schedule and seeks to take action if the request for a new category would not yield data that would disclose the operations of individuals firms, is administrable by Customs, does not impose an unreasonable burden on the reporting public and is considered useful to the trade community or is necessary for the administration of a federal program. Each statistical category in the system has been requested by the interested party concerned.

In this regard, it is recognized that the committee's decisions form the basis for the analysis of the international trade situation for a given product line, and that without the data generated by identifying the category discreetly, an accurate analysis could not be easily undertaken.

In view of the interagency responsibility for the program, the Commission has referred the matter of simplification to that committee for its consideration. The following section of this report includes suggestions for simplifying the statistical requirements.

CHAPTER FOUR

Possibilities for further simplification

The International Harmonized System

As noted above, the HTS is based largely on the current international version of the HS. That system is used in over 110 countries as the basis for their customs tariffs and foreign trade statistical programs, and enormous savings accrue to traders, economic and policy analysts and trade negotiators as a result of the high level of harmonization.

The nomenclature is subject to review periodically by the relevant WCO committees and amendments are undertaken to seek greater uniformity in the application of the system and to reflect changes in technology and patterns of international trade. Reviews are also undertaken to simplify the system by the elimination of categories having little trade interest and through amendments that clarify the product scope of particular categories thereby simplifying the classification determination. Because of the global reach of the system, achieving a consensus to eliminate headings and subheadings is very difficult.

Harmonize rates to provide opportunity to consolidate provisions

The harmonization of Uruguay Round rate reductions at common or near common levels and the full implementation of NAFTA reductions, both effective in 2004, allows the elimination (by consolidation) of approximately 2,000 rate categories, representing a 20-percent reduction in the total number of rate provisions and a 40-percent reduction in the number of items above the 5,000 required HS provisions. Thus, the attached draft schedule presents an opportunity for a significant reduction in the number of tariff rate lines. In a new round of multilateral trade negotiations even greater rate harmonization and simplification could be accomplished. There are at present about 3,000 rate lines with NTR or column 1-

general duty rates of “free.” Moreover, there about 5,000 rate lines with NTR rates below 3 percent ad valorem, and about 6,600 with rates below 5 percent ad valorem. The potential for additional simplification is apparent.

Harmonize preferential origin regimes

The use of different standards of eligibility for application of the various preferential programs constitutes a significant administrative burden for both the private sector and Customs. There are obvious difficulties in modifying these rules in view of political sensitivities. As NTR rates are reduced, however, there will be reduced incentive or need to claim preferential treatment. The Commission notes that for 1999, more than 64 percent of imports were free of duty.

Reduction of statistical requirements

The Committee on Ways and Means requested suggestions for appropriate simplification of HTS statistical reporting categories for consideration by the 484(f) committee. Heretofore, the 484(f) committee has undertaken review of statistical categories to determine their continued relevance only on the rare occasion when the entire tariff system was being reconsidered. Changes in the system by consolidating classes of goods has undesirable effects on statistical continuity not only for the category that is deleted but also for the provision that has been increased in product scope. Programs and analysis that depend on foreign trade data such as those of the Bureau of Labor Statistics and the Bureau of Economic Analysis rely on the consistency of statistical series. In addition, the loss of detailed product information may adversely affect analysis for trade negotiations. Further, a reciprocal agreement with Canada on the exchange of data, which obviates the need for the yearly collection and compilation of several million Shippers Export Declarations, would have to be

taken into account. Under the circumstances, guidelines for simplifying the system need to reflect a reasonable balance of needs.

Nevertheless, it would be useful to undertake systematic efforts to purge the system of data requirements that are of little or no benefit. In this regard, consideration should be given to imposing sun-setting requirements on prospective new categories. With respect to existing classes, a review of low value items that have been promulgated for other than programmatic purposes could be reviewed for elimination. In that respect, the original petitioner should be given an opportunity to justify the need for retention.

Appendix A

Letters of Request from House Ways and Means Committee and Senate Finance Committee

RIP M. CRANE, ILLINOIS
J. THOMAS, CALIFORNIA
CLAY SHAW, JR., FLORIDA
JIMMY L. JOHNSON, CONNECTICUT
J. BUNNING, KENTUCKY
BO HOUGHTON, NEW YORK
ALLY HERGER, CALIFORNIA
J. MCCREY, LOUISIANA
JIM CAMP, MICHIGAN
J. RAMSTAD, MINNESOTA
J. NUSSELE, IOWA
JIM JOHNSON, TEXAS
KIMBER DUNN, WASHINGTON
K. COLLINS, GEORGIA
B. PORTMAN, OHIO
RIP S. ENGLISH, PENNSYLVANIA
M. ERSHKIN, NEVADA
M. CHRISTENSEN, NEBRASKA
E. WATKINS, OKLAHOMA
J. HAYWORTH, ARIZONA
FRY WELLS, ILLINOIS
JIMMY HULSHOF, MISSOURI

CHARLES B. RANGEL, NEW YORK
PORTNEY PATRICK STARK, CALIFORNIA
ROBERT T. MATSUI, CALIFORNIA
BARBARA B. KENNELLY, CONNECTICUT
WILLIAM J. COYNE, PENNSYLVANIA
BANDER M. LEVIN, MICHIGAN
BENJAMIN L. CARDIN, MARYLAND
JIM MCDERMOTT, WASHINGTON
GERALD D. KLECKA, WISCONSIN
JOHN LEWIS, GEORGIA
RICHARD E. NEAL, MASSACHUSETTS
MICHAEL R. MCNULTY, NEW YORK
WILLIAM J. JEFFERSON, LOUISIANA
JOHN S. TANNER, TENNESSEE
XAVIER BECERRA, CALIFORNIA
KAREN L. THURMAN, FLORIDA

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

JUL 15 REC'D

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July 14, 1997

A.L. SINGLETON, CHIEF OF STAFF

JANICE MAYB, MINORITY CHIEF COUNSEL

The Honorable Marcia E. Miller
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Madam Chairman:

I am writing to request that the Commission undertake an investigation pursuant to Section 332(g) of the Tariff Act of 1930, to propose modifications to the Harmonized Tariff Schedule of the United States (HTSUS) to make it simpler, more transparent, and easier to use.

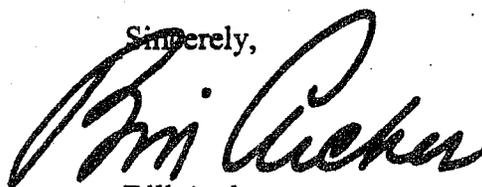
The Commission's investigation should be conducted according to the following guidelines:

1. The investigation should examine the difficulties arising from the complexity and size of the HTS, and the Commission should suggest modifications to alleviate compliance and administrative burdens for the business community and the U.S. Customs Service.
2. Concession-rate levels scheduled to go into effect on January 1, 2004 should be used as the basis for general rates and special rates of duty. Tariff categories scheduled for rate reductions beyond January 1, 2004 should be identified and their staging schedules indicated in the report, along with any suggested modifications that take delayed staging into account.
3. Consistent with sound nomenclature principles and U.S. international obligations under the Harmonized System Convention, the Commission should suggest ways to simplify the U.S. tariff structure to the extent practicable without affecting duty-rate changes with a significant effect on U.S. industry and trade.
4. For each of HTS chapters 1 through 97, the Commission should suggest appropriate methods of reflecting Column 2 rates. Consistent with guidelines for rate changes, the Commission should avoid proposing or maintaining rate lines solely for the purpose of reflecting Column 2 rates of duty.

5. The Commission should suggest conversions of all specific, compound, and complex rates of duty to *ad valorem* equivalent rates, provided that such conversions would not have significant effects on U.S. industry and trade. In calculating rate conversions, the Commission should use trade data from the three most recent calendar years.
6. The Commission should suggest an appropriate simplification of HTS statistical reporting categories for consideration by the Committee for Statistical Annotation of the Tariff Schedules, in accordance with section 484(f) of the Tariff Act of 1930, as amended.

At an appropriate time during the investigation, the Commission should hold public hearings to obtain the views of interested parties, and should consult with interested agencies in the Executive Branch, including the Office of the U.S. Trade Representative, the U.S. Customs Service, and the U.S. Bureau of the Census. I am requesting that all agencies cooperate fully with the Commission in facilitating completion of this work. The Commission should submit its report to this Committee, the Committee on Finance of the Senate, and the President, within three years of the date of receipt of this request.

Sincerely,



Bill Archer
Chairman

cc: The Honorable Philip M. Crane
The Honorable Charles Rangel
The Honorable Robert Matsui
The Honorable Robert Rubin
The Honorable William Daley
The Honorable Charlene Barshefsky
The Honorable George Weise

WILLIAM V. ROTH, JR., DELAWARE, CHAIRMAN

CHARLES E. GRASSLEY, IOWA
ORRIN G. HATCH, UTAH
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
PHIL GRAMM, TEXAS
TRENT LOTT, MISSISSIPPI
JAMES M. JEFFORDS, VERMONT
CONNIE MACK, FLORIDA
FRED THOMPSON, TENNESSEE
PAUL COVERDELL, GEORGIA

DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
JOHN BREAUX, LOUISIANA
KENT CONRAD, NORTH DAKOTA
BOB GRAHAM, FLORIDA
RICHARD H. BRYAN, NEVADA
J. ROBERT KERREY, NEBRASKA
CHARLES S. ROBB, VIRGINIA

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

FRANKLIN G. POLK, STAFF DIRECTOR AND CHIEF COUNSEL
DAVID PODOFF, MINORITY STAFF DIRECTOR AND CHIEF ECONOMIST

Re 'd 4/3/00
Original replaced
earlier fax copy
P. Doherty

March 30, 2000

DOCKET

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RECEIVED
OFFICE OF THE CLERK
U.S. SENATE
TRADE COMM

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The Honorable Lynn M. Bragg
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

332-388

Dear Madam Chairman:

The United States Harmonized Tariff Schedule (HTS) is 1,965 pages long. Not only are tariffs applied to 10,175 separate product categories, but there can be multiple tariffs for each product category because of our various tariff preference programs. Without question, the size and complexity of the tariff schedule drive up the cost of doing business and make compliance with the customs laws more difficult. Because of the needless complexity of the HTS, we strongly believe that tariff simplification ought to be a top priority. Accordingly, the Senate Finance Committee joins in the July 14, 1997 request of the House Ways and Means Committee, made pursuant to Section 332(g) of the Tariff Act of 1930, that the Commission propose modifications to the HTS to make it simpler, more transparent, and easier to use.

We understand that the Commission completed its first draft of the *Simplification of the Harmonized Trade Schedule of the United States* on April 5, 1999, and is revising it to incorporate comments from the public. The final report is due by July 13, 2000. As the trade community increasingly conducts its business electronically, we are especially interested in ensuring that a simplified HTS is available electronically to provide timely and authoritative tariff data. We encourage the Commission to continue to work closely with all interested parties to ensure that the proposed modifications to the HTS do indeed make it more transparent and easier to use.

We look forward to your report.

Sincerely,

William V. Roth, Jr.
Chairman

Daniel Patrick Moynihan
Ranking Minority Member

Original to fax received on March 31, 2000.

Appendix B

Notices of Investigation and Release for Public Comment

7.8
11-10-91

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

(Investigation No. 332-388)

Simplification of the Harmonized Tariff Schedule of the United States

AGENCY: United States International Trade Commission

ACTION: Institution of investigation.

EFFECTIVE DATE: November 5, 1997

FOR FURTHER INFORMATION CONTACT: Eugene A. Rosengarden, Director, Office of Tariff Affairs and Trade Agreements (O/TA&TA)(202-205-2592). The O/TA&TA fax number is: 202/205-2616. Mr. Rosengarden may also be reached via Internet e-mail at rosengarden@usitc.gov. Hearing impaired individuals are advised that information on this matter can be obtained by contacting our TDD terminal on (202) 205-1810. Media representatives should contact Margaret O'Laughlin, Public Affairs Officer (202-205-1819). This notice, and any subsequent notices published pursuant to section 332(g) of the Tariff Act of 1930, may be obtained from the ITC Internet web server: <http://www.usitc.gov>.

SUMMARY: Following receipt of a letter from the Chairman, Committee on Ways and Means, U.S. House of Representatives, the Commission has instituted investigation No. 332-388, *Simplification of the Harmonized Tariff Schedule of the United States*, under section 332(g) of the Tariff Act of 1930. The purpose of the investigation is to propose modifications to the *Harmonized Tariff Schedule of the United States* (HTS) in order to make it simpler, more transparent and easier to use.

BACKGROUND: As requested by the Committee, the Commission will conduct the investigation in accordance with the following guidelines:

- The investigation should examine the difficulties arising from the complexity and size of the HTS, and the Commission should suggest modifications to alleviate compliance and administrative burdens for the business community and the U.S. Customs Service.
- Concession-rate levels scheduled to go into effect on January 1, 2004 should be used as the basis for general rates and special rates of duty. Tariff categories scheduled for rate reductions beyond January 1, 2004 should be identified and their staging schedules indicated in the report, along with any suggested modification that take delayed staging into account.

- Consistent with sound nomenclature principles and U.S. international obligations under the Harmonized System Convention, the Commission should suggest ways to simplify the U.S. tariff structure to the extent practicable without affecting duty-rate changes with a significant effect on U.S. industry and trade.
- For each of HTS chapters 1 through 97, the Commission should suggest appropriate methods of reflecting Column 2 rates. Consistent with guidelines for rate changes, the Commission should avoid proposing or maintaining rate lines solely for the purpose of reflecting Column 2 rates of duty.
- The Commission should suggest conversions of all specific, compound, and complex rates of duty to ad valorem equivalent rates, provided that such conversions would not have significant effects on U.S. industry and trade. In calculating rate conversions, the Commission should use trade data from the three most recent calendar years.
- The Commission should suggest an appropriate simplification of HTS statistical reporting categories for consideration by the Committee for Statistical Annotation of the Tariff Schedules, in accordance with section 484(f) of the Tariff Act of 1930, as amended.

The Committee on Ways and Means has requested that the Commission complete its investigation and submit its report to that Committee, the Committee on Finance of the Senate, and to the President, by **July 13, 2000**.

As requested by the Committee, the Commission will consult with interested agencies in the Executive Branch, including the Office of the U.S. Trade Representative, the U.S. Customs Service, and the U.S. Bureau of the Census. In addition, a primary focus of the investigation will be to obtain the broadest possible range of private-sector input including U.S. producers, U.S. importers, and, via foreign embassies, major foreign exporters to the United States. To that end, the Commission anticipates that frequent notices and repeated contacts with interested parties will take place. Commission staff expect to work closely with various industry groups to ensure that the Commission is in a position to understand their interests and will be able to see that their concerns are recognized in the development of proposals to simplify the U.S. tariff structure. The Commission believes that it is vital to have significant private-sector input during all phases of this work.

The Commission will from time to time issue notices and solicit comments and proposals with respect to specific portions of the HTS. However, comments addressed to the overall scope and direction of this investigation must be submitted by C.O.B. May 29, 1998.

WRITTEN SUBMISSIONS: All submissions in connection with this investigation should be addressed to the Secretary, United States International Trade Commission, 500 E Street S.W., Washington, D.C. 20436.

Commercial or financial information that a party desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly 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 made available for inspection by interested persons.

PUBLIC HEARING: At an appropriate time during the investigation, the Commission will hold public hearings to obtain the views of interested parties. Any such hearings will be announced in a future public notice.

By order of the Commission.



Donna R. Koehnke
Secretary

Issued: November 6, 1997

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

(Investigation No. 332-388)

Simplification of the Harmonized Tariff Schedule of the United States

AGENCY: United States International Trade Commission

ACTION: Release of proposed schedule for public comment

EFFECTIVE DATE: March 25, 1999

FOR FURTHER INFORMATION CONTACT: Eugene A. Rosengarden, Director, Office of Tariff Affairs and Trade Agreements (O/TA&TA)(202-205-2592), or staff members listed below. The O/TA&TA fax number is 202-205-2616. Mr. Rosengarden may also be reached via Internet e-mail at rosengarden@usitc.gov. Hearing impaired individuals are advised that information on this matter can be obtained by contacting our TDD terminal on 202-205-1810. Media representatives should contact Margaret O'Laughlin, Public Affairs Officer (202-205-1819). This notice, and any subsequent notices published pursuant to section 332(g) of the Tariff Act of 1930, may be obtained from the ITC Internet web server: <http://www.usitc.gov>.

SUPPLEMENTARY INFORMATION: On November 5, 1997, the Commission instituted investigation No. 332-388, Simplification of the Harmonized Tariff Schedule of the United States (HTS); subsequently, on February 25, 1998, the Commission issued a revised schedule for the subject investigation. That revised schedule calls for the publication of draft HTS chapters for public comment on April 1, 1999, with the deadline for public comments being June 30, 1999.

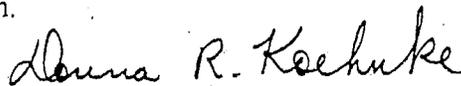
The request letter directed the Commission to work to alleviate compliance and administrative burdens; to utilize concession duty-rate levels scheduled to be effective on January 1, 2004; to suggest simplification of the nomenclature structure without proposing duty-rate changes having a significant effect on U.S. industry and trade; to suggest appropriate ways to reflect column 2 (statutory) duty rates; to convert specific, compound and complex rates of duty to their ad valorem equivalents, where possible, using data for the three most recent calendar years; and to propose appropriate simplification of statistical reporting categories. However, for this initial draft, trade data for 1997 only have been used for such conversions; slight adjustments in the proposed rates should be expected when the complete data are employed.

Due to the length of the draft schedule and cross-reference table, they are being made available over the Internet only, and the electronic files in PDF format have been placed on the Commission's web site for inspection and/or downloading. A printed copy of the draft schedule has been placed in the Secretary's docket section, and a second copy is available in O/TA&TA. Questions may be directed to the following staff members:

General comments:	Eugene A. Rosengarden, Director (202-205-2595) Office of Tariff Affairs and Trade Agreements
General legal notes	Janis L. Summers, Attorney-adviser (202-205-2605)
Chapters 1-24	Ronald H. Heller, Nomenclature Analyst (202-205-2596)
Chapters 25-26	Lawrence A. DiRicco, Nomenclature Analyst (202-205-2606)
Chapters 27-40	Frederick Schottman, Nomenclature Analyst (202-205-2077)
Chapters 41-49	Ronald H. Heller (202-205-2596)
Chapters 50-63	Janis L. Summers (202-205-2605)
Chapters 64-83	Lawrence A. DiRicco (202-205-2606)
Chapters 84-85	Craig M. Houser, Nomenclature Analyst (202-205-2597)
Chapters 86-89	Lawrence A. DiRicco (202-205-2606)
Chapters 90-91	Craig M. Houser (202-205-2597)
Chapters 92-97	Lawrence A. DiRicco (202-205-2606)
Statistical reporting	Gil Whitson (202-205-2602)

WRITTEN SUBMISSIONS: Interested persons or entities are invited to submit written statements on the draft simplified HTS. 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 the close of business on **June 30, 1999**, in order to be considered and made part of the record. The Commission notes that it is particularly interested in receiving input from the private sector regarding the proposed treatment of particular goods, as well as general comments about the changes suggested by the draft simplified HTS. 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.** The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

By order of the Commission.



Donna R. Koehnke
Secretary

Issued: March 26, 1999

APPENDIX C

Draft Simplified *Harmonized Tariff Schedule of the United States (2004)*