

September 10, 1997

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION¹

Bill no., sponsor, and sponsor's state: H.R. 1882 (105th Congress), Representative Frelinghuysen (R-NJ)

Companion bill: None

Title as introduced: A bill to suspend temporarily the duty on certain parts for in-line skates.

Summary of bill:²

The bill amends the Harmonized Tariff Schedules of the United States (HTS) by providing a temporary duty suspension through December 31, 2000, for certain skating boots with textile uppers.

Effective date: 15th day after enactment

Retroactive effect: None

Statement of purpose:

No formal statement concerning the bill was published in the Congressional Record by the sponsor at the time the bill was introduced. Staff in the sponsor's office stated that the purpose of the bill is to correct the unfair tariff treatment for U.S. producers of in-line skates, which import the skating boots for use in the production of in-line skates.³ The duty for these boots, which are currently not made in the United States, is 20 percent ad valorem. By contrast, imports of completely assembled in-line skates containing such boots enter free of duty under HTS subheading 9506.70.20, thereby giving importers of in-line skates a competitive edge over U.S. producers of in-line skates.

Product description and uses:

The skating boots covered by the bill contain textile uppers and outer soles of rubber, plastics,

¹ Industry analyst: Sundar A. Shetty (205-3486); attorney : Leo Webb (202-2599).

² See appendix A for definitions of tariff and trade agreement terms.

³ Ms. Laura Scobey, Director of Constituent Services, telephone interview with USITC staff, July 21, 1997.

leather, or composition leather, valued over \$12 a pair. Used in the production of in-line skates, the imported skating boots do not contain wheels or wheel frames. These components are added as part of the manufacturing process in the United States.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	Col. 1-general <u>rate of duty</u>
Skating boots.....	6404.11.90	20%

Structure of domestic industry:

There are no known U.S. producers of the skating boots covered by the bill. Trade sources indicate that no U.S. firm produces or is willing to produce the articles because of cost factors and the need for special manufacturing equipment.

The articles covered by the bill compete with skating boots with leather or vinyl uppers; however, U.S. production of such skating boots is believed to be negligible. According to trade sources, imports account for almost all U.S. consumption of skating boots with leather or vinyl uppers. The competing skating boots may enter under any of the HTS subheadings shown below:

<u>HTS subheading</u>	<u>Article description</u>	<u>Column 1 duty</u>
6402.19.15	Sports footwear, over 90 percent vinyl uppers	5.5%
6402.19.90	Sports footwear, other vinyl uppers, valued over \$12/pair	13.4%
6403.19.20	Sports footwear, leather uppers, welt construction for men	2%
6403.19.40	Sports footwear, leather uppers, other, for men	6%
6403.19.70	Sports footwear, leather uppers, for women	4%

Private-sector views:

The Commission contacted two trade associations representing U.S. footwear producers and the importer of the skating boots on whose behalf the bill was introduced. Footwear Industries of America (FIA) stated that the bill would have no impact on the U.S. industry since few, if any, in-line skating boots are produced domestically.⁵ The Rubber and Plastics Footwear Manufacturers Association also said the bill would have no impact on the domestic industry because in-line skating boots are not made in the United States.⁶ Neither association has submitted written comments as of the date of preparation of this report. Written comments were received from V-Formation, Inc., Lincoln Park, NJ, the only firm known to import the skating boots covered by the bill (Appendix C).⁷

⁴ See appendix B for column 1-special and column 2 duty rates.

⁵ Fawn Evenson, President, FIA, Washington, DC, telephone interview with USITC staff, July 23, 1997.

⁶ Mitchell Cooper, Rubber and Plastics Footwear Manufacturers Association, Washington, DC, telephone interview with USITC staff, July 23, 1997.

⁷ Theodore Ellenis, Executive Vice President, V-Formation, Inc., Lincoln Park, NJ, telephone interview with USITC staff, July 23, 1997.

U.S. consumption:

	1994	1995	1996
	----- (Million dollars)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	(¹)	(¹)	(¹)
U.S. exports.....	(¹)	(¹)	(¹)
Apparent U.S. consumption ² ...	\$605	\$725	\$625

¹ Not available

² Sporting Goods Manufacturers Association (SGMA), *1997 State of the Industry Report*, delivered by SGMA President John D. Riddle, North Palm Beach, FL, Feb. 1997.

Principal import sources: China, Canada

Principal export markets: None significant

Effect on customs revenue:⁸

Future (1998-2000) effect: V-Formation said that it plans to import about \$450,000 worth of skating boots during the next 3 years for use in the production of in-line skates.⁹ Based on a duty rate of 20 percent ad valorem, the customs revenue loss is an estimated \$90,000 a year for 3 years. However, V-Formation said that it might import the completely assembled in-line skate rather than just the skating boots. If so, the impact on customs revenue would be neutral because the assembled skates enter free of duty.

Retroactive effect: None.

⁸ Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.

⁹ Information in this section about the firm's plans is from Theodore Ellenis, Executive Vice President, V-Formation, Inc., Lincoln Park, NJ, telephone interview with USITC staff, July 23, 1997.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

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APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

(Appendix not included in the electronic version of this report.)

105TH CONGRESS
1ST SESSION

H. R. 1882

To suspend temporarily the duty on certain parts for in-line skates.

IN THE HOUSE OF REPRESENTATIVES

JUNE 12, 1997

Mr. FRELINGHUYSEN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain parts for in-line skates.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SUSPENSION OF DUTY.**

4 (a) UPPERS FOR IN-LINE SKATES.—Subchapter II
5 of chapter 99 of the Harmonized Tariff Schedule of the
6 United States is amended by inserting in numerical se-
7 quence the following new heading:

“	9902.64.04	Skating boots for use in the manufacture of in-line roller skates (provided for in sub-heading 6404.11.90)	Free	No change	No change	On or before 12/31/2000	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 this section applies to articles entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of the enactment of this Act.

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