

April 16, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES
SENATE ON PROPOSED TARIFF LEGISLATION¹

Bill No., sponsor, and sponsor's state: S. 1127 (105th Congress), Senator Kerry (MA).

Companion bill: H.R. 2287 (105th Congress), Representative Meehan (MA).

Title as introduced: To apply the rates of duty in effect on January 1, 1995 to certain water-resistant wool trousers.

Summary of bill:²

The bill would provide retroactive duty refunds relating to water-resistant wool trousers imported during 1989-94. To be eligible for the lower duty rates on such trousers that became effective in 1995, the importers' requests would need to be filed with the Customs Service within 180 days after the date of the enactment of this legislation. The general rate of duty in effect on January 1, 1995, for both the cited subheadings was (and remains) 7.6 percent ad valorem.

Statement of purpose:

No statement concerning the bill was published in the *Congressional Record* by the sponsor. Staff in the sponsor's office stated that the bill was introduced on behalf of George D. Donovan & Sons, Inc., a small firm in Andover, MA. According to the staff member, the purpose of the bill is to make good the financial loss incurred by importers of water-resistant wool trousers due to the conversion of the former Tariff Schedules of the United States to the Harmonized Tariff Schedule of the United States (HTS) as of January 1, 1989. As a result of the conversion, such trousers were no longer separately provided for and were classified under HTS provisions for wool trousers that had much higher duty rates.³ The pre-1989 duty on water-resistant wool trousers was restored effective January 1, 1995, when the tariff concessions agreed to during the Uruguay Round of multilateral trade negotiations were proclaimed and rates lines were added to the HTS to provide separately for these trousers.

¹ Industry analyst assigned was Sundar A. Shetty (205-3486); attorney assigned was Jan Summers (205-2605).

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

³ Mr. George D. Donovan, George D. Donovan & Co. Inc., Andover, MA, telephone interview with USITC staff, January 29, 1998.

Product description and uses:

The subject water-resistant trousers are made of elastomeric wool fibers that provide functional stretch and protection against weather, especially in winter. A plastic or Teflon coating on the woven wool fabric provides added protection against precipitation. These trousers do not contain belt loops and are heavy; they weigh more than 9 kilograms per dozen pairs for men's and boys' trousers and 6 kilograms per dozen pairs for women's and girls' trousers. The essential characteristics of the trousers, such as their composition, weight, construction, design, and appearance, make the garments suitable for wear only in snow sports and other winter activities, so that the subject trousers would not work as dress and casual wool trousers. Moreover, the price of these trousers is several times that of dress or casual wool trousers.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty</u>
Water-resistant wool trousers:		
Men's and boys'	6203.41.05	7.6% ad val.
Women's and girls'	6204.61.10	7.6% ad val.

Structure of domestic industry (including competing products):

There are no known producers of water-resistant wool trousers covered by the bill; no other products are known to compete with them, given their cost and weight.

Private-sector views:

The Commission received a written submission from George D. Donovan & Sons, Inc., Andover, MA, on whose behalf the bill was introduced (appendix C).⁵

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

⁵ Mr. George D. Donovan, George D. Donovan & Co. Inc., Andover, MA, telephone interview with USITC staff, January 29, 1998.

U.S. consumption:

Water-resistant wool trousers:	<u>1995</u>	<u>1996</u>	<u>1997</u>
	----- (1,000 dollars) -----		
U.S. production.....	0	0	0
U.S. imports.....	7,861	1,636	1,690
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	7,861	1,636	1,690

Principal import sources: Canada, Italy, Japan, Turkey

Principal export markets: None

Effect on customs revenue:⁶

Future effect: None

Retroactive (1989-94) effect: Water-resistant wool trousers represent only about 0.5 percent of total imports of wool trousers by value. Based on this estimate, aggregate imports of water-resistant wool trousers that were entered, or withdrawn from warehouse for consumption, after December 31, 1988, and before January 1, 1995, are estimated to have been about \$4.8 million. The ad valorem equivalent duty on these trousers ranged from 19.8 percent ad valorem in 1989 to 18.4 percent ad valorem in 1994. Applying these duty rates to the dutiable import value of water-resistant wool trousers, duties collected totaled an estimated \$927,000 during 1989-94. If the bill is enacted into law, the 1995 duty rate of 7.6 percent ad valorem would be applied to water-resistant wool trousers imported during January 1, 1989-December 31, 1994. Assuming all importers claim duty refunds on all shipments, this would reduce total duties to \$368,000, resulting in a revenue loss (refund) estimated at \$559,000.

Technical comments: None.

⁶ The revenue loss calculation presented in this section assumes that all water-resistant wool trousers imported during 1989-94 will benefit from the provisions of the bill.

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.

Rev. 8/12/97

APPENDIX B

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

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

APPENDIX C

OTHER ATTACHMENTS

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

105TH CONGRESS
1ST SESSION

S. 1127

To apply the rates of duty in effect on January 1, 1995, to certain water resistant wool trousers.

IN THE SENATE OF THE UNITED STATES

JULY 31, 1997

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To apply the rates of duty in effect on January 1, 1995,
to certain water resistant wool trousers.

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

3 That notwithstanding section 514 of the Tariff Act of
4 1930 or any other provision of law, upon proper request
5 filed with the Customs Service within 180 days after the
6 date of enactment of this Act, any entry or withdrawal
7 from warehouse for consumption—

8 (1) that was made after December 31, 1988,
9 and before January 1, 1995; and

1 (2) that would have been claimed under sub-
2 heading 6203.41.05 or 6204.61.10 of the Har-
3 monized Tariff Schedule of the United States and
4 would have had a lower rate of duty, if such entry
5 or withdrawal had been made on January 1, 1995,
6 shall be liquidated or reliquidated as if such entry or with-
7 drawal had been made on January 1, 1995.

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