June 8, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE ON PROPOSED TARIFF LEGISLATION[1]

Bill no., sponsor, and sponsor's state: S.1633 (105th Congress), Chafee (RI).

Companion bill: None.

Title as introduced: To suspend through December 31, 1999 the duty on certain textile machinery.

Summary of bill:[2]

The proposed bill would suspend through December 31, 1999 the general rate of duty on miscellaneous textile printing machinery of subheading 8443.59.10 of the Harmonized Tariff Schedule of the United States (HTS). Chapter 99 would be amended to add a following new heading covering such machinery.

Effective date: The 15th day after enactment.

Retroactive effect: The duty suspension would be made retroactive to January 1, 1998.

Statement of purpose:

Senator Chafee stated in the *Congressional Record*:

> Mr. President, this afternoon I am introducing legislation to suspend the duty on the importation of certain textile printing machines that are used by textile manufacturers in the United States. These particular machines are used for the printing of patterns, designs and motifs on fabrics--an important process in the making of textile goods. However, none of these machines are made in the United States. That means domestic manufacturers must import these machines at considerable cost, which does not help their ability to compete in what is an increasingly challenging market. Yet since there is no domestic industry producing these machines, the duties serve little purpose.[3]

[1]Industry analyst: William Greene (205-3405); attorney: Jan Summers (205-2605).
[2]See appendix A for definitions of tariff and trade agreement terms.
[3]Statement by Senator Chafee, *Congressional Record*, Feb. 11, 1998, pp. S664-S667.

Product description and uses:

Printing:[4] Printing produces a pattern on yarns, warp, fabric, or carpet by any of several methods. The color or other treating material, often in the form of a paste, is deposited onto the fabric, which is then usually treated with steam, heat, or chemicals for fixation. In a multi-color design, each color must be applied separately and, relative to other colors, in the proper position. Because of the need for precision and the number of variable factors influencing the process, printing is the most complex of all textile operations, and mistakes cannot be corrected. Various printing methods include: block, blotch, burn-out, direct, discharge, duplex, heat transfer, photographic, pigment, resist, roller, rotary screen, screen, warp, and ink-jet printing (machinery for carrying out the latter are not covered by this bill; see S. 1620).

Printing machinery:[5] Various types of machinery are involved in textile printing, other than ink-jet printing. Among them is the rotary printing machine, which applies a design to fabric using a mechanically turned cylinder in one of three ways--namely, with a design raised in relief (block printing), with an engraved cylinder, or with a fine metal mesh cut to form the design and then rolled onto the cylinder (stencil or screen printing). Originally, hand-operated or reciprocating printing machines were used for rotary printing. Other types of printing machinery are utilized to accomplish pigment printing (in which a binder holds the dye or coloring agent to the fabric for fixation using dry heat, resulting in a rather harsh feel to the fabric and often a nonpermanent color), discharge printing (in which a color-destroying agent is used to etch a white design on a colored fabric), and resist printing (which leaves a white design after the fabric is dyed).

Tariff treatment:

| Product | HTS subheading | Col. 1-general rate of duty |
|---|---|---|
| Certain textile printing machinery..................... | 8443.59.10 | 3.1% ad val. (1999 and after: 2.6%) |

Structure of domestic industry (including competing products):

Certain textile printing machinery: Foreign manufacturers presently supply the bulk of all types of textile printing machines, including ink-jet textile printing machinery, purchased by U.S. textile mills and apparel manufacturers. Reportedly, foreign producers were able to surpass domestic producers in terms of technological sophistication in the late 1970s. A 1992 U.S. Census Bureau publication indicated that there were more than 12 domestic companies manufacturing textile printing machinery, with

[4] *Man-Made Fiber and Textile Dictionary*, Celanese Corp., 1974.
[5] *McGraw-Hill Encyclopedia of Science and Technology*, 6th ed., vol. 18, p. 253.

shipments valued at more than $31 million; according to the American Textile Machinery Association, there are no domestic suppliers of textile printing machines.[6] However, the Commission was able to identify at least 16 domestic producers of screen printing and other machines used in printing textiles.[7]

Private-sector views:

The Commission contacted 9 entities representing importers, producers, and their representatives concerning this legislation.[8] The Commission received a letter of support for the bill from the American Textile Manufacturers Institute and letters opposing its passage from Mr. Riley Hopkins; Mr. Roger Jennings, R. Jennings Manufacturing Co.; Mr. David Landesman, Lawson Screen Products; and Mr. Dieter Brathe, DAB Associates (see appendix C).

U.S. consumption:

| Other textile printing machinery: | 1995 | 1996 | 1997 |
|---|---|---|---|
| | ($1,000) | | |
| U.S. production | (1) | (1) | (1) |
| U.S. imports | (2) | 16,149 | 14,922 |
| U.S. exports | (2) | 16,471 | 15,513 |
| Apparent U.S. consumption | (1) | (1) | (1) |

[1]Not available.
[2]HTS subheading 8443.59.10 was created in 1996. Prior to that date, these types of textile printing machines entered under HTS 8443.50, which included all textile printing machines.

Principal import sources: Austria, Korea, Netherlands.
Principal export markets: Mexico, United Kingdom, Canada.

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[6]U.S. Bureau of the Census, *1992 Census of Manufactures, MC 92-I-35D, Special Industry Machinery, Except Metalworking Machinery Industry*, 1992, p. 36D-18 and Mr. Clay Tyeryar, American Textile Machinery Association, Apr. 22, 1998.
[7]Domestic producers include: M&R Printing Equipment, Glen Ellyn, IL; American M&M Screen Printing Equipment, Skokie, IL; Cincinnati Printing & Dyeing, Cincinnati, OH; Hix Corp., Pittsburg, Kansas; Lawson Screen Products, St. Louis, MO; DAB Associates, Charlotte, NC; Chaparral Automatic Printers, Phoenix, AZ; Advanced World Trade (AWT), Skokie, IL; Ranar Manufacturing Co., El Segundo, CA; Tuf Products, Houston, Texas; Hix Corp., Pittsburg, Kansas; and R. Jennings Manufacturing Co., Glens Falls, NY.
[8]The Commission contacted the following individuals: Mr. Clay Tyeryar, Government Affairs, ATMA; Mr. Doug Bulcao, American Textile Manufacturers Institute (ATMI); Mr. David Landesman, Lawson Screen Products; Mr. Dan Axelson, Chaparral Automatic Products; Mr. Riley Hopkins; Mr. Dieter Brathe, DAB Associates; officials of Cincinnati Printing and Drying; Mr. Roger Jennings, R. Jennings Manufacturing Co.; and Mr. Carlos Moore, American Textile Manufacturers Institute.

Effect on customs revenue:[9]

Future (1998-1999) effect: Customs revenue loss of approximately $543,000 (computed using import data for 1996 and 1997; assumes 6 months of duty suspension in 1998).

| | | |
|---|---|---|
| 1998: | Average annual value of U.S. imports | $15.5 million |
| | x column 1-general rate of duty | x 0.031 |
| | Annual revenue loss | $480,500 |
| | (Monthly estimated loss | $ 40,042) |
| 1999: | Average annual value of imports | $15.5 million |
| | x col. 1-general duty rate | x 0.026 |
| | Annual revenue loss | $303,000 |

Retroactive effect: The retroactive revenue loss would depend on the volume and value of shipments during the period from January 1, 1998, through the bill's effective date and on the goods' importers making proper claims for refunds. As such, the figure cannot be computed precisely; the monthly estimate given above might help predict the maximum expected revenue loss.

Technical comments: None.

[9]Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.

## 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.)

# APPENDIX C

## OTHER ATTACHMENTS

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

105TH CONGRESS
2D SESSION

# S. 1633

To suspend through December 31, 1999, the duty on certain textile machinery.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1998

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

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# A BILL

To suspend through December 31, 1999, the duty on certain textile machinery.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

(a) Subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical sequence the following new heading:

| | | | | | | |
|---|---|---|---|---|---|---|
| " | 9902.81.20 | Other textile printing machinery (provided for in subheading 8443.59.10) .......... | Free | No change | No change | On or before 12/31/99 ". |

(b) The amendment made by subsection (a) shall apply to goods entered, or withdrawn from warehouse for consumption, on or after the date that is 15 days after the date of the enactment of this Act.

(c) Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the Customs Service within 180 days after the date of the enactment of this Act, any entry, or withdrawal from warehouse for consumption, of goods described in subheading 8443.59.10 of the Harmonized Tariff Schedule of the United States—

(1) which was made after December 31, 1997, and before the date that is 15 days after the date of the enactment of this Act, and

(2) with respect to which there would have been no duty if the amendment made by subsection (a) applied to such entry or withdrawal,

shall be liquidated or reliquidated as if such amendment applied to such entry or withdrawal.

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